

# Solidaridad

The Netherlands



**COTTON**



**LIVESTOCK**



**TEA**



**SUGARCANE**



**FRUIT & VEGETABLES**



**GOLD**



**SOY**



**COCOA**



**TEXTILES**



**PALM OIL**



**AQUACULTURE**



**DAIRY**



**COFFEE**

**Annual financial  
report 2017**



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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.

There is single agenda, and a single challenge: We have to produce more with less, and ensure that it is done in a way that sustains people and the environment. Optimizing land use is the first step towards a solution. Increased production must meet growing demand, but with fewer negative consequences for people and the environment. More efficient production must be coupled with less pollution. There must be greater precision in the use of fertilizers and pesticides, and a reduction in the use of water and energy. Waste then becomes a thing of the past. Losses in the supply chain are reduced. Forests are no longer cut down and additional land is no longer needed because existing agricultural land is being used more efficiently.

An inclusive economy - one in which people can participate fully - is needed. It should start with the recognition of the potential of smallholder farmers and women, who are often the leading drivers of sustainable change. It must respect workers' rights, provide a safe and healthy workplace, and support a living income for farmers and workers. For children, school is the best place to work. Mining and industry need to switch to a responsible means of production. Workers' rights are respected and the environment is preserved for future generations, keeping its potential intact.

The change we seek is a market process driven by the private sector. However, civil society organizations and governments play an essential role in enabling and encouraging change. In this process, Solidaridad is a transition manager. We back farmers who are economically poor but have rich potential, entrepreneurial men and women, and workers who want to build their livelihoods on a fair income. Solidaridad partners with all parties in the supply chain, so that everyone can be involved in creating change that matters.

### 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 nine regional expertise centres located in South and South-East Asia, South America, Southern Africa, East and Central Africa, West Africa, China, Central America, North America, and Europe - each with their own specific expertise and focus. Solidaridad's programmes are developed and implemented by regional centres, 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 centre 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 centres. 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 centres 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 centre. The chair of the EBoD is the Executive Director of Solidaridad Network, Nico Roozen.

The members of the Solidaridad Executive Board of Directors in 2017 are: Shatadru Chattopadhyay (South & South-East Asia), Mandla Nkomo (as from May 1, Southern Africa), Michaelyn Baur (Central America), Martin Ma (till June 30, China), Isaac Gyamfi (West Africa), Sebastian Teunissen (North America), Heske Verburg (Europe), Gonzalo la Cruz (South America) and Karugu Macharia (East and Central Africa).

### **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 centre 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**

In March 2016, Solidaridad launched AMBITION 2020, its new strategy for inclusive and sustainable economic development, at a network-wide meeting in Ghana. The launch of Solidaridad's strategy was supported by the presence of Ghana's Minister of Finance, and the Deputy Director - General for International Cooperation at the Dutch Ministry of Foreign Affairs. Private and public partners of Solidaridad and representatives of all Solidaridad expertise centres were informed in detail about the new strategy which is aimed at engaging supply chain actors in innovative solutions to make production more sustainable. In his opening speech the executive director of the Solidaridad Network described the main goals, strategies and solutions Solidaridad will use in the coming years.

### **A 21st century civil society organization**

With this new strategy, 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 63 multibillionaires at the top of the income ladder hold wealth equal to the annual income of the 3.5 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 like Rural Horizons 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 from 2.4 to 2.1 hectares 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 while agriculture has no money or young people to take over, which creates serious doubts about the future.

## **One out of ten farmers will stay in business**

We have to be realistic: the final picture will be that only one out of ten farmers will stay in business and the 50 million remaining family farms will produce five times more than the 500 million farms do today. New regulations start with registered land ownership, succession rules that prevent fragmentation, special planning and re-allotments. It starts with helping entrepreneurial small farmers to lease or buy the land from neighbouring farmers. This process has to be embedded in policies to create alternative jobs for those who are leaving their farms like in the processing industry and in agricultural services.

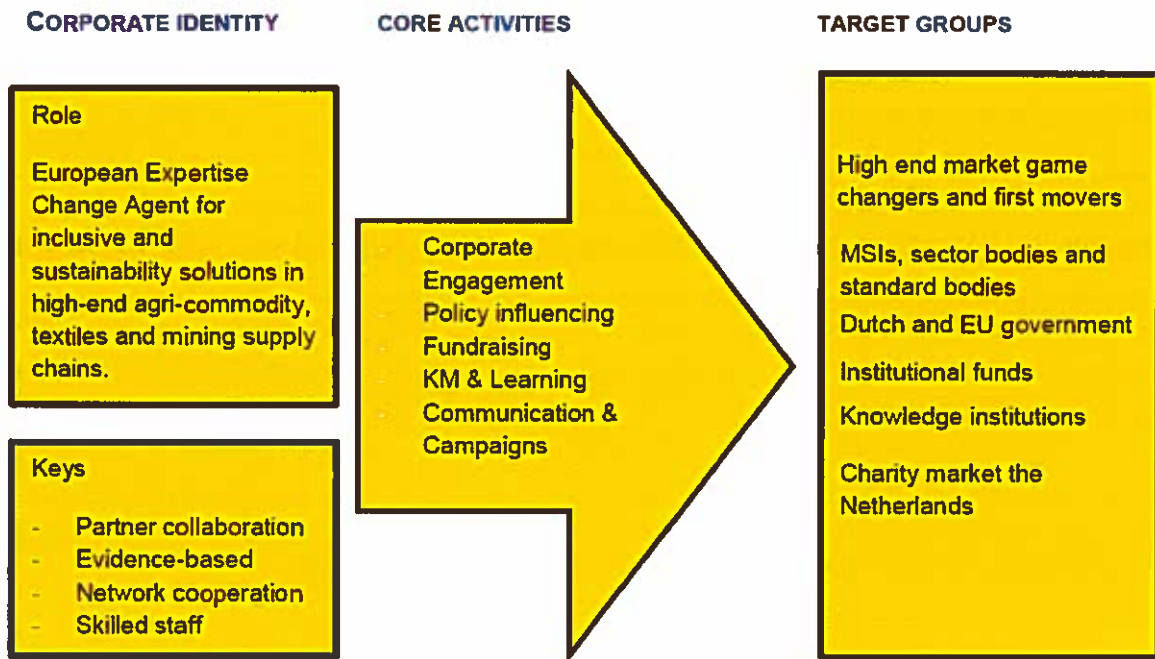
## **Regulation can benefit frontrunners**

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

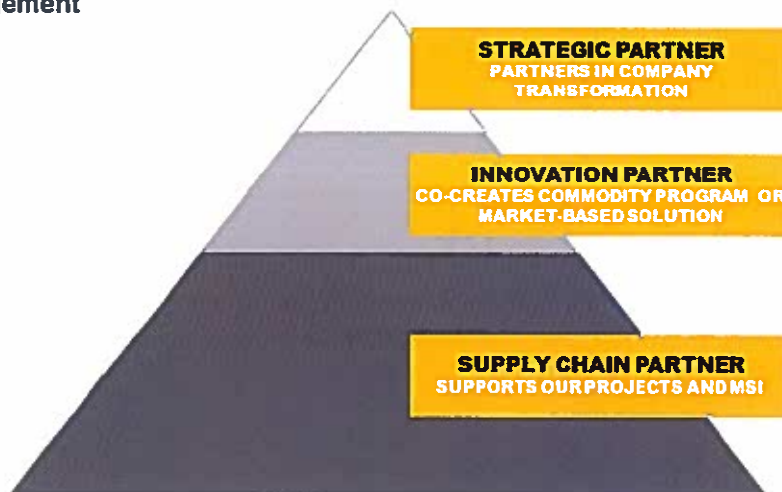
partners will be rewarded for their frontrunner role. By creating a level playing field through regulation, governments can involve those who were unwilling to meet voluntary standards on sustainability.

**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 more than 45 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. 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 centres 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 3 strategic partnerships are expected to contribute to sustainable transformative and inclusive supply chains. 6 innovative partnerships are expected to contribute to the development and implementation of new market based solutions and 36 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 Dutch government policy on responsible trade and business is more effective in support of sustainable practices in cocoa, oil palm, textiles and gold.

### **Donor relations (fundraising)**

The growth and diversification strategy aimed at support from donors for an annual turnover of € 30 million by 2020 will continue focussing on liaison building and long term partnership building with new and existing government donors, the EU, multi-lateral organizations, private foundations, companies and the public. New business models are key in the future of sustainable development and innovation. Credits and equity, focussing on impact investments are increasingly important in order to diminish dependency on public funds and to be able to scale our programmes.

### **Communication and Campaigning**

Strong corporate 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's strategy in Europe is based on three components: Knowledge Management, the Learning Organization and Research & Development alliances and projects. Investing in a knowledge management system and staff embracing and using the system for information sharing is key being part of the network organisation. Staff members will be supported in mandate, competences and incentives in support of continuous improvement and to accelerate innovation. Next to contributing to global learning themes such as sustainable landscapes, gender and impact investments, specific learning themes will be developed on partnerships, business models and Communities for Change in which staff members and external partners will learn, develop and innovate together. 5 strategic partnerships will be built with reputable knowledge centres to develop a knowledge arrangement linking research to practices in the field. Additionally and 4 research and development projects with multiple stakeholders are expected to contribute to accelerating evidence-based innovation and upscaling.

### **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 Europe for 2018

The budget for 2018 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 2018). The 2018 budget was approved in the meeting of the Supervisory Board held on 4 December 2017. The income and expenditure statement for this budget is summarized below (in euros).

<b>INCOME</b>	<b>Budget 2018</b>	<b>Budget 2017</b>
Income from individuals	1,100,000	1,105,000
Income from companies	885,000	827,000
Income from Dutch Postcode Lotery	1,350,000	1,373,000
Income from government subsidies	19,183,000	17,955,000
Income from related organizations	-	-
Income from other non profit organizations	3,001,000	2,406,000
Others	-	-
<b>Total income</b>	<b>25,519,000</b>	<b>23,666,000</b>
 <b>EXPENDITURE</b>		
<b>Expenditures on achieving our objectives</b>		
Communication and information	753,000	446,000
Structural aid	24,082,000	22,324,000
	<u>24,835,000</u>	<u>22,770,000</u>
Costs of income generation	895,000	901,000
Costs of management and administration	189,000	195,000
<b>Total expenditure</b>	<b>25,919,000</b>	<b>23,866,000</b>
 <b>Result excluding interest</b>	<b>-400,000</b>	<b>-200,000</b>
Interest and income from investments	150,000	200,000
<b>RESULT</b>	<b>-250,000</b>	<b>-</b>

The amounts shown in this budget for contributions from governments, companies, Dutch Postcode Lotery 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 2018 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 consumers.

Although many of our partners have differ 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 - smallholder 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 more than 40 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 tens of thousands of farmers and other producers all over the world.

We also have more than 40 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 most recent case studies on our website. The highlights of 2017 were:

- Food security in Kenya: Increasing quality of supply while developing demand.
- Investing in women for community economic development.
- China's "left behind" women are moving ahead.
- Preserving the environment through responsible mining.
- The resilience of cotton and its communities in Brazil.
- Small coffee growers, big changes.
- Quality cattle help reduce poverty.

## 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.

In April 2016, our International Supervisory Board approved the renewed 'Solidaridad policy against fraud and other corrupt practices'. Any act of fraud and corruption in Solidaridad's activities depletes funds, assets and other resources necessary to fulfill Solidaridad's mandate. Fraudulent and corrupt practices can also seriously damage Solidaridad's reputation and diminish donors' trust in its ability to deliver results in an accountable and transparent manner. Furthermore, it may affect staff and personnel effectiveness, motivation and morale, and impact on the Solidaridad's ability to attract and retain a talented work force.

The fraud policy describes the measures that Solidaridad takes in the prevention and control of fraud and the procedure to follow when a fraud case has occurred. The policy is constituted as a guideline for the whole Network and should be read in accordance with the Solidaridad Code of Good Conduct and Practices. This code explains the values and principles that form the basis of Solidaridad's operations. Furthermore, our governance structure provides checks and balances throughout the organization. The structure ensures that Solidaridad Network is seen as a credible organization with a transparent, responsible, cost-effective system of supervision, and one that affirms our vision, programme and working methods.

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 e-mail 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.

### **For the year 2017**

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 the last few days of 2017, so the first Annual Report of Solidaridad Europe will be in 2018. The financial figures of Solidaridad the Netherlands will be taken into account in the consolidated figures of Solidaridad Europe. All future entities within Europe will be part of the Solidaridad Europe group structure as well.

### **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 2017, differentiation in positions and shifts in roles and mandates have taken place. In addition, management structures have been adapted to the network strategy.

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 HR software that helps 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 Supervisory Board, or with some of its members.

At the end of 2017, Solidaridad employed 46 people (2016: 42). During the year there was an average of 40.0 full-time staff under contract (FTEs). In 2016 this figure was 33.5. 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 2017 was € 62,600 (2016: € 62,400).

The goal of the diversity policy is that Solidaridad's staff should reflect the Dutch population wherever possible. Solidaridad has 30 female and 16 male employees (2016: 30 female and 12 male). The average age is 40 years. Eight employees left in 2017, and twelve new employees joined. The rate of absence due to sickness in 2017 was 6.8% (in 2016: 2.7%). The short absence (less than a week) was 1.2% (2016: 0.8%), medium absence was 0.5% (2016: 1.0%) and long absence (more than six weeks) was 5.1% (2016: 0.9%).

In 2018, 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, work processes and role descriptions 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, and sustainably produced coffee and tea), by separating its waste for recycling, and by making double-sided printing and copying the norm.

## Our finances

### Analysis of the results for 2017 in comparison to 2016 and the budget for 2017

The total income in 2017 was € 23,046,192, an increase of € 4,466,386 compared to 2016. Income from subsidies increased by € 2,554,600, as compared to 2016, but was € 2,007,078 less than budgeted because of postponed spending to 2018. Income from other fundraising increased by € 1,911,786 compared to last year's result, and was € 1,387,270 higher than budgeted.

The total expenditure in 2017 was € 23,060,227, which is € 5,144,678 higher than in 2016, but € 805,773 less than budgeted, because of the postponed income. Of the total expenditure, € 22,265,182 was directly spent on our objectives. All these fluctuations led to a result of € 223,262 in the statement of income and expenditure in 2017, where 2016 has a result of € 851,684.

### Historical summary

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

<b>INCOME</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Fundraising	7,098,270	5,186,484	11,410,304	7,879,943	6,591,849
Subsidies	15,947,922	13,393,322	9,876,813	12,958,454	12,113,704
<b>Total income</b>	<b>23,046,192</b>	<b>18,579,806</b>	<b>21,287,117</b>	<b>20,838,397</b>	<b>18,705,553</b>
<b>EXPENDITURE</b>					
Communication and information	754,089	476,903	628,141	624,035	706,693
Structural aid	21,511,093	16,805,986	19,594,336	19,748,319	18,876,282
<b>Total expenditure on objectives</b>	<b>22,265,182</b>	<b>17,282,889</b>	<b>20,222,477</b>	<b>20,372,354</b>	<b>19,582,975</b>
Costs of income generation	621,423	490,064	830,710	688,571	829,354
Costs of management and administration	173,622	142,596	134,840	132,966	137,781
<b>Total expenditure</b>	<b>23,060,227</b>	<b>17,915,549</b>	<b>21,188,027</b>	<b>21,193,891</b>	<b>20,550,110</b>
<b>Result excluding interest</b>	<b>-14,035</b>	<b>664,257</b>	<b>99,090</b>	<b>-355,494</b>	<b>-1,844,557</b>
Interest and income from investments	237,297	187,427	315,282	311,866	385,217
<b>RESULT</b>	<b>223,262</b>	<b>851,684</b>	<b>414,372</b>	<b>-43,628</b>	<b>-1,459,340</b>

### Policy on assets and investments

Solidaridad spends € 22 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 € 6.2 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 that 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 – are a way 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.

	2017	2016	2015	2014	2013
Total income	23,046,192	18,579,806	21,287,117	20,838,397	18,705,553
Total costs of income generation	621,423	490,064	830,710	688,571	829,354
<i>Costs of income generation as a percentage of income</i>	<i>2.7%</i>	<i>2.6%</i>	<i>3.9%</i>	<i>3.3%</i>	<i>4.4%</i>

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 show the amounts Solidaridad spent on its objectives, income generation and management and administration and the resulting spending ratios, for the past five years.

	2017	2016	2015	2014	2013
Total expenditure	23,060,227	17,915,549	21,188,027	21,193,891	20,550,110
Amount spent on objectives	22,265,182	17,282,889	20,222,477	20,372,354	19,582,975
<i>Spending ratio spent on objectives</i>	<i>96.5%</i>	<i>96.5%</i>	<i>95.5%</i>	<i>96.2%</i>	<i>95.3%</i>

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.

	2017	2016	2015	2014	2013
Total expenditure	23,060,227	17,915,549	21,188,027	21,193,891	20,550,110
Costs of income generation	621,423	490,064	830,710	688,571	829,354
<i>Spending ratio costs of income generation</i>	<i>2.7%</i>	<i>2.7%</i>	<i>3.9%</i>	<i>3.2%</i>	<i>4.0%</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.

	2017	2016	2015	2014	2013
Total expenditure	23,060,227	17,915,549	21,188,027	21,193,891	20,550,110
Management and administration	173,622	142,596	134,840	132,966	137,781
<i>Spending ratio management and administration</i>	<i>0.8%</i>	<i>0.8%</i>	<i>0.6%</i>	<i>0.6%</i>	<i>0.7%</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 30 January 2018.

w.s. Heske Verburg

## Report of the Supervisory Board of Solidaridad the Netherlands

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 centres; 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 2017, 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 2017. The most important topics discussed were:

- **Strategy:** evaluating the meetings of the Executive Board of Directors in May and October, the ISB meetings in December and September, and approval of the Annual Plan 2018 and discussing strategy for European presence.
- **Finance:** approval of the annual financial report for 2016, discussing interim figures for 2017 and approval of the budget for 2018.
- **Management:** recruiting new CSB members, reviewing its own functioning and updating statutes of Solidaridad in accordance with the supervisory framework of Solidaridad Network.
- **Evaluation:** annual report for 2016, Farmer Support Programme evaluation and discussions on the sectorial programmes Seafood Trade Intelligence Portal, Digital 3S Solidaridad Sustainability Solutions and Climate Agenda.

In February the audit committee (Theo Jan Simons (chair) and Gerrit Meester) advised the CSB on the annual financial accounts for 2016 and investment regulations. In December the audit committee (Theo Jan Simons (chair) and Carlos Alva) 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 2017 are listed in the following table.

Name	Function in the board	End of term	Education and positions
Ton Geurts	Member	December 2018	<ul style="list-style-type: none"> <li>• Master of (Dutch) Law</li> <li>• Chief Procurement Officer /Senior Vice President Supply Chain Excellence NV Bekaert SA</li> <li>• Senior Executive in Residence Vlerick Business School Ghent, Belgium</li> <li>• Member of Continental Supervisory Board of Solidaridad Europe</li> </ul>
Gerrit Meester	Chair	December 2018	<ul style="list-style-type: none"> <li>• Doctor of Agricultural Economics</li> <li>• Retired Agricultural Policy Advisor, Ministry of Agriculture, Nature and Food Quality</li> <li>• Member of the Committee on Genetic Modification</li> <li>• Member of the Board, Centre for World Food Studies (SOW-VU) until the discontinuation of the Centre</li> <li>• Member of International Supervisory Board of Solidaridad Network</li> <li>• Member of Continental Supervisory Board of Solidaridad Europe</li> </ul>
Theo Jan Simons	Member	December 2018	<ul style="list-style-type: none"> <li>• MSc in Chemical Engineering</li> <li>• Partner McKinsey</li> <li>• Member of Continental Supervisory Board of Solidaridad Europe</li> </ul>
Carlos Alva Nieto	Member	December 2019	<ul style="list-style-type: none"> <li>• Master in Science - supply chain and operations</li> <li>• Master in Science - Chemical Engineering</li> <li>• Global Business Manager, AkzoNobel</li> <li>• Member of Continental Supervisory Board of Solidaridad Europe</li> </ul>
Jan Karel Mak	Member	December 2020	<ul style="list-style-type: none"> <li>• Master of Environmental Sciences</li> <li>• Chief Executive Officer Deerns Groep B.V.</li> <li>• Chair, University Fund Wageningen</li> <li>• Member of Continental Supervisory Board of Solidaridad Europe</li> </ul>
Katrien Termeer	Member	December 2020	<ul style="list-style-type: none"> <li>• MSc, Land Use Management, Wageningen University</li> <li>• PhD Public Administration, Erasmus University</li> <li>• Professor of Public Administration and Policy, Wageningen University</li> <li>• Member advisory council public administration and advisory council animal affairs Dutch Government</li> <li>• Member of Continental Supervisory Board of Solidaridad Europe</li> </ul>

Name	Function in the board	End of term	Education and positions
Claire Kouwenhoven-Gentil	Member	June 2021	<ul style="list-style-type: none"> <li>• MSc - Pure Mathematics (France) / MSc - Mathematical Logic (Netherlands)</li> <li>• Head Risk Management Portfolio Management – Rabobank</li> <li>• Member of Continental Supervisory Board of Solidaridad Europe</li> </ul>

In December Harriet Lamb joined the CSB as an observer, her role as CSB member will be formalized in 2018.

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 centres (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 2017. The five members of the ISB are:

Name	Function in the board	Appointed per	Representing
Mariam Gabala Epse Dao	Chair	22 June 2015 as chairperson, a member of the ISB since 18 December 2014	CSB Africa
Maria Patricia Flores Escudero	Member	20 June 2016	CSB Latin America
Shahamin Sahadat Zaman	Member	19 December 2016	CSB Asia
Kannan Pashupathy	Member	5 June 2014	CSB North America
Gerrit Meester	Member	13 December 2016	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 of this Foundation too. Heske Verburg is one of the three board members of Foundation Seafood Trade Intelligence Portal (STIP), as well.

#### *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 435 points, for which the full-time maximum annual income is € 109,550. Heske Verburg her actual income for 2017 was € 92,103.

The Continental Supervisory Board approved this Annual Financial Report by signing it on 8 February 2018.

w.s. Gerrit Meester (chair)

w.s. Ton Geurts

w.s. Carlos Alva Nieto

w.s. Theo Jan Simons

w.s. Katrien Termeer

w.s. Jan Karel Mak

w.s. Claire Kouwenhoven

**Balance sheet on 31 December 2017**  
(in euros after allocation of surpluses)

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>Tangible fixed assets</b>	31,201	26,664
<b>Financial fixed assets</b>	<u>460,250</u>	<u>460,250</u>
	491,451	486,914
<b>Receivables, prepayments and accrued income</b>	1,751,098	3,854,688
<b>Stocks and shares</b>	98	98
<b>Cash and bank balances</b>	<u>21,207,871</u>	<u>9,653,817</u>
	22,959,067	13,508,603
<b>Total assets</b>	<u><b>23,450,518</b></u>	<u><b>13,995,517</b></u>
 <b>LIABILITIES</b>		
<b>Reserves and funds</b>		
<b>Reserves</b>		
• Continuity reserve	6,254,743	5,459,565
• Reserve for financing operational assets	31,201	26,664
• Reserve for financing assets to meet our objectives	<u>460,250</u>	<u>460,250</u>
	6,746,194	5,946,479
<b>Designated funds</b>		
• Designated fund for Haiti	<u>59,611</u>	<u>636,064</u>
	6,805,805	6,582,543
<b>Long-term debts</b>	-	-
<b>Short-term debts</b>	16,644,713	7,412,974
<b>Total liabilities</b>	<u><b>23,450,518</b></u>	<u><b>13,995,517</b></u>

## Statement of income and expenditure for 2017

(in euros)

<b>INCOME</b>	<b>Actual 2017</b>	<b>Budget 2017</b>	<b>Actual 2016</b>
Income from individuals	1,087,584	1,105,000	1,539,082
Income from companies	1,258,256	827,000	775,117
Income from Dutch Postcode Lottery	1,445,137	1,373,000	1,501,708
Income from government subsidies	15,947,922	17,955,000	13,393,322
Income from related organizations	187,396	-	225,734
Income from other non profit organizations	3,119,897	2,406,000	1,144,843
	<b>23,046,192</b>	<b>23,666,000</b>	<b>18,579,806</b>
Other income	-	-	-
<b>Total income</b>	<b>23,046,192</b>	<b>23,666,000</b>	<b>18,579,806</b>
<b>EXPENDITURE</b>			
<b>Expenditure on achieving our objectives</b>			
Communication and information	754,089	446,000	476,903
Structural aid	21,511,093	22,324,000	16,805,986
	<b>22,265,182</b>	<b>22,770,000</b>	<b>17,282,889</b>
Costs of income generation	621,423	901,000	490,064
Costs of management and administration	173,622	195,000	142,596
<b>Total expenditure</b>	<b>23,060,227</b>	<b>23,866,000</b>	<b>17,915,549</b>
<b>Result excluding interest</b>	<b>-14,035</b>	<b>-200,000</b>	<b>664,257</b>
Interest and income from investments	237,297	200,000	187,427
<b>RESULT</b>	<b>223,262</b>	<b>-</b>	<b>851,684</b>
<b>Allocation of surpluses</b>			
Continuity reserve	795,178	-	847,296
Reserves for financing operational assets	4,537	-	-7,472
Reserves for financing assets to meet our objectives	-	-	-
Designated fund for Haiti	-576,453	-	11,860
<b>Result</b>	<b>223,262</b>	<b>-</b>	<b>851,684</b>

## Cash flow statement for 2017

(in euros)

	2017	2016
<b>Cash flow from operational activities</b>		
Surplus from the statement of income and expenditure	223,262	851,684
Depreciation	15,714	19,507
Changes in working capital:		
• Short-term receivables	2,103,590	-412,450
• Short-term debts	9,231,739	2,495,710
	<u>11,574,305</u>	<u>2,954,451</u>
<b>Cash flow from investment activities</b>		
(Des) investments in tangible fixed assets	-20,251	-12,035
Changes in financial fixed assets	-	-
Changes in stocks and shares	-	-
	<u>-20,251</u>	<u>-12,035</u>
<b>Cash flow from financing activities</b>		
Changes in long-term debts	-	-
Changes in cash and bank balances	<u>11,554,054</u>	<u>2,942,416</u>
<b>Cash and bank balances</b>		
Balance on 1 January	9,653,817	6,711,401
Balance on 31 December	<u>21,207,871</u>	<u>9,653,817</u>
Changes in cash and bank balances	<u>11,554,054</u>	<u>2,942,416</u>

The cash flow statement has been drawn up using the indirect method. The cash and bank balances at the end of 2017 were € 11.5 million higher than at the end of 2016. The cash flow from operational activities of € 11.6 million is mainly caused by higher funding received in advance for the year to come.

## 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 2016 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. There for the amount of € 1,350,000 has been adjusted in the continuity reserve at the end of 2016.

### 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.

	<u>Furniture</u>	<u>Computers</u>	<u>Total</u>
<b>As at 1 January 2017</b>			
Cost	69,203	62,625	131,828
Depreciation	57,156	48,008	105,164
Book value as at 1 January 2017	<u>12,047</u>	<u>14,617</u>	<u>26,664</u>
<b>Changes in book value</b>			
Additions	1,880	18,371	20,251
Disposal (costs)	-252	-2,167	-2,419
Disposal (depreciation)	252	2,167	2,419
Depreciation	-5,126	-10,588	-15,714
Movement	<u>-3,246</u>	<u>7,783</u>	<u>4,537</u>
<b>As at 31 December 2017</b>			
Cost	70,831	78,829	149,660
Depreciation	62,030	56,429	118,459
As at 31 December 2017	<u>8,801</u>	<u>22,400</u>	<u>31,201</u>

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 33 1/3% per year (expected useful life of three years).

#### Financial fixed assets

	<u>2017</u>	<u>2016</u>
Loan to Seafood Trade Intelligence Portal (STIP)	-	-
Participation AgroFair Europe B.V.	460,250	460,250
	<u>460,250</u>	<u>460,250</u>

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 2017, as in 2016, 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 2017. 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

	2017	2016
Contribution Dutch Postcode Lottery	1,350,000	1,350,000
Final payment of grants and subsidies	242,674	1,975,858
Interest	73,448	110,410
Prepaid expenses	74,652	55,210
Other receivables	10,324	363,210
	<u>1,751,098</u>	<u>3,854,688</u>

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 Oikocredit are valued at market value on July 1, 2017, because the data for the end of 2017 were not yet available when preparing these financial statements.

#### Cash and bank balances

	2017	2016
Cash	120	339
Bank accounts	7,982,704	95,193
Savings accounts	8,725,047	4,743,285
Deposits	4,500,000	4,815,000
	<u>21,207,871</u>	<u>9,653,817</u>

The bank balances have mostly been retained for meeting our objectives. For an amount of € 44,700, 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:

##### ASN Bank deposit number 1:

The deposit for an amount of € 565,000 had a term of seven years and ended on June 22, 2017. The interest rate was 3.25%.

##### ASN Bank deposit number 2:

The deposit for an amount of € 250,000 has a term of ten years, ending on June 22, 2020. The interest rate is 3.75%.

##### Triodos Bank deposit number 1:

The deposit for an amount of € 1,000,000 has a term of ten years, ending on April 14, 2020. The interest rate is 4%.

**Triodos Bank deposit number 2:**

The deposit for an amount of € 500,000 had a term of five years and ended on April 5, 2017. The interest rate was 2.75%.

**Triodos Bank deposit number 3:**

The deposit for an amount of € 500,000 has a term of ten years, ending on May 1, 2022. The interest rate is 3.5%.

**Triodos Bank deposit number 4:**

The deposit for an amount of € 500,000 has a term of nine years, ending on May 1, 2021. The interest rate is 3.4%.

**Triodos Bank deposit number 5:**

The deposit for an amount of € 500,000 had a term of five years and ended on May 1, 2017. The interest rate was 2.5%.

**Triodos Bank deposit number 6:**

The deposit for an amount of € 500,000 has a term of seven years, ending on May 1, 2019. The interest rate is 3.0%.

**Triodos Bank deposit number 7:**

The deposit for an amount of € 500,000 had a term of five year and ended on December 14, 2017. The interest rate was 1.9%.

**Triodos Bank deposit number 8:**

The deposit for an amount of € 500,000 has a term of six years, ending on December 18, 2023. The interest rate is 0.45%.

**Triodos Bank deposit number 9:**

The deposit for an amount of € 500,000 has a term of seven years, ending on December 18, 2024. The interest rate is 0.6%.

**Triodos Bank deposit number 10:**

The deposit for an amount of € 500,000 has a term of eight years, ending on December 18, 2025. The interest rate is 0.7%.

**Triodos Bank deposit number 11:**

The deposit for an amount of € 250,000 has a term of eight years, ending on December 18, 2026. The interest rate is 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:

	<u>2017</u>	<u>2016</u>
As at 1 January	5,459,565	3,262,269
Appropriation of the result	795,178	847,296
Adjustment RJ 650 – Dutch Postcode Lottery	-	1,350,000
As at 31 December	<u>6,254,743</u>	<u>5,459,565</u>

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. There for the amount of € 1,350,000 has been adjusted in the continuity reserve at the end of 2016.

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 2018 the budgeted costs for the operational structure are € 4,503,000 and at the end of 2017 the continuity reserve amounted to € 6,254,743, i.e. 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.

	<u>2017</u>	<u>2016</u>
As at 1 January	26,664	34,136
Appropriation of the result	<u>4,537</u>	<u>-7,472</u>
As at 31 December	<u>31,201</u>	<u>26,664</u>

#### *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.

	<u>2017</u>	<u>2016</u>
As at 1 January	460,250	460,250
Appropriation of the result	<u>-</u>	<u>-</u>
As at 31 December	<u>460,250</u>	<u>460,250</u>

#### **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 has been found and the agreed period is 2017-2018. The movements in the designated fund Haiti is as follows.

	<u>2017</u>	<u>2016</u>
As at 1 January	636,064	624,204
Appropriation of the result		
Project expenses Haiti	-530,000	-
Administration fee	-53,000	-
Received interest	6,547	11,860
Total movement	<u>-576,453</u>	<u>11,860</u>
As at 31 December	<u>59,611</u>	<u>636,064</u>

### **Short-term debts**

	<u>2017</u>	<u>2016</u>
Final payments project partners	586,879	432,493
Accrued expenses	157,995	180,862
Accrued personnel expenses	278,896	238,639
Grants received for coming years	15,333,548	6,377,768
Creditors	89,711	22,484
Social securities	42,570	36,750
Wage tax	155,114	123,978
	<u>16,644,713</u>	<u>7,412,974</u>

### **Contingent liabilities and conditional rights**

#### *Rent contract*

The office building on 't Goylaan 15 in Utrecht is rented as from April 2007. In 2017 the agreement has been extended by five years until April 2022. The rent costs are indexed annually based on the consumer price index. The annual rent obligation is approximately € 153,000. The bank guarantee issued in respect of this rent is € 44,700.

#### *Lease contracts*

The 2014 contract includes two multifunctional printer-copiers and one printer. Year-end 2017, the contract has a remaining duration of 24 months. 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.

	<u>2017</u>	<u>2016</u>
Agreed projects next year	145,199	113,210
Agreed projects after next year	<u>105,119</u>	<u>183,918</u>
	<u>250,318</u>	<u>297,128</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.

	<u>2017</u>	<u>2016</u>
Agreed projects next year	13,625,970	2,951,258
Agreed projects after next year	<u>11,595,125</u>	<u>8,678,439</u>
	<u>25,221,095</u>	<u>11,629,697</u>

#### *Inheritances*

Solidaridad has (as in 2016) 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**

	<u>Actual 2017</u>	<u>Budget 2017</u>	<u>Actual 2016</u>
Direct mail	825,396	1,005,000	844,506
Inheritances	<u>262,188</u>	<u>100,000</u>	<u>694,576</u>
	<u>1,087,584</u>	<u>1,105,000</u>	<u>1,539,082</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 2017, 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 2017, Solidaridad sent out nine direct mails (in 2016 also nine). One direct mail was focused on large donors, two focused on prospects and six of them were focused on regular individual donors.

#### *Inheritances*

Solidaridad receives regular inheritances and bequests (partly) consist of houses and / or investments. In 2017, substantially more was received than was budgeted, but less than in 2016 due to one substantial inheritance in 2016.

### **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 to Solidaridad. These amounts are listed in the category 'other non profit organizations'.

The income from companies in 2017 was higher than budgeted and higher than in 2016 because of new companies joining the Solidaridad strategy.

### Income from Dutch Postcode Lottery

The breakdown is as follows:

	Actual 2017	Budget 2017	Actual 2016
Yearly contribution	1,350,000	1,350,000	1,350,000
Programmes	95,137	23,000	151,708
	<u>1,445,137</u>	<u>1,373,000</u>	<u>1,501,708</u>

#### *Yearly contribution*

Since 2009, the Dutch National Postcode Lottery has made an important contribution to Solidaridad's work every year. The Dutch National Postcode Lottery also mentions Solidaridad's projects in its television programmes and in national newspapers. In 2017, as well as in 2016, Solidaridad has been granted and received € 1,350,000.

#### *Programmes*

During 2015 the Dutch National 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.
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.

In 2017 Solidaridad has three 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. The third has been made via Fairphone B.V. for 'Addressing Child Labour in ASM gold mines through an integrated socio-economic approach focussing on mine, community and supply chain level'. The total amount agreed is € 93,158 for 2017-2019.

The agreement with the Dutch Embassy in Bogota, Colombia had been made in relation to 'The sustainable Trade Platform in Colombia'. The total amount agreed is € 2,206,601 for the period 2012-2016. The financing of this programme has been included in Practice for Change from 2017 onwards.

One of the two agreements with the Ministry of Economic Affairs has been made in relation to 'Piloting dairy development in Shan'. The total amount agreed is € 32,969 for the year 2016-2017. And the second is in relation to 'Cocoa and Biodiversity in the Brazilian Amazon'. The total amount agreed is € 152,557 for the period 2017-2018.

The agreement with the European Union has been made in relation 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 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' are the agreement with the Ministry of Foreign Affairs via Oxfam. This has been made in relation to the 'IMVO Covenant Gold' and the total amount agreed is € 21,000 for 2017. And the agreement with the Ministry of Foreign Affairs via UNICEF. This has been made in relation to the 'IMVO Garment and Textile Covenant' and the total amount agreed is € 80,191 for the period 2017-2018.

The breakdown can be specified as follows:

	<u>Actual 2017</u>	<u>Budget 2017</u>	<u>Actual 2016</u>
Ministry of Foreign Affairs (AfC)	6,149,914	6,400,000	4,769,854
Ministry of Foreign Affairs (FSP)	-	-	3,687,500
Ministry of Foreign Affairs (PFC)	6,706,815	9,600,000	2,736,852
Ministry of Foreign Affairs via Simavi (FLOW)	658,719	755,000	547,485
NORAD	-	-	45,531
Sustainable Trade Initiative (IDH)	39,712	-	53,331
Netherlands Enterprise Agency	1,123,921	1,200,000	1,165,901
Dutch Embassy	-	-	408,643
Ministry of Economic Affairs	145,362	-	31,716
European Union	926,200	-	-91,412
World Bank	127,923	-	-
Others	69,356	-	37,921
	<u>15,947,922</u>	<u>17,955,000</u>	<u>13,393,322</u>

Income from subsidies increased by € 2,554,600, as compared to 2016, but was € 2,007,078 less than budgeted because of postponed spending to 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:

	<u>Actual 2017</u>	<u>Budget 2017</u>	<u>Actual 2016</u>
West Africa	1,205	-	78,714
South and South East Asia	89,441	-	128,220
East and Central Africa	48,000	-	6,000
South America	48,750	-	-
South Africa	-	-	12,800
	<u>187,396</u>	<u>-</u>	<u>225,734</u>

#### Income from other non profit organizations

	<u>Actual 2017</u>	<u>Budget 2017</u>	<u>Actual 2016</u>
Churches	52,832	75,000	68,010
Grants from organizations	3,067,065	2,331,000	1,076,833
	<u>3,119,897</u>	<u>2,406,000</u>	<u>1,144,843</u>

#### Churches

Since 2010 the income of the offertory schedules in churches is slowly declining.

### *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 affiliates foundations to Solidaridad. These amounts should be read in relation with the category 'income from companies'. In 2017, substantially more was received in donations from organizations than in 2016. In 2015 Solidaridad was granted a USD 15 million grant for 2015-2020, of which only € 0.4 million has been received and spend in 2016 and € 2.2 million in 2017.

## **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.

	<u>Actual 2017</u>	<u>Budget 2017</u>	<u>Actual 2016</u>
PR and market development	109,972	95,000	57,563
Campaigns	404,703	65,000	135,785
Costs own activities	514,675	160,000	193,348
Operating costs	239,414	286,000	283,555
	<u>754,089</u>	<u>446,000</u>	<u>476,903</u>

In 2017, substantially more was spend on our communication objective than in 2016 and then budgeted. For 2017 Solidaridad was granted a specific subsidy for campaigns.

### *Operating costs*

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

### **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 locale 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 9 regional offices on 5 continents. The breakdown of projects costs in Europe (via Solidaridad the Netherlands) is as follows:

	<u>Actual 2017</u>	<u>Actual 2016</u>
Projects via Solidaridad offices in South America, Africa and Asia	16,364,450	10,878,929
Project costs via the Netherlands	767,914	1,276,073
Projects via Solidaridad Network Secretariat	<u>1,225,610</u>	<u>1,965,600</u>
Total project costs	18,357,974	14,120,602
Operating costs in the Netherlands	<u>3,153,119</u>	<u>2,685,384</u>
	<u>21,511,093</u>	<u>16,805,986</u>

*Projects via Solidaridad offices in South America, Africa and Asia*

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

	<u>Actual 2017</u>
<b>Projects in Solidaridad South America</b>	
Territorial organization and land use	108,289
SLM in the Paraguayan Chaco	349,680
Conductive policy environment for responsible small-scale mining	108,287
Cocoa agroforestry in the Brazilian Amazon	130,000
Capacity enhancement	206,000
Developing a collaborative and cost-effective technical assistance model	357,348
Enhancing the potential of the Sustainable Trade Platform	320,972
Responsible practices in the ASM Peruvian and Colombian gold sectors	163,439
D3S Platform Fund	565,000
Others (less than € 100.000)	<u>482,034</u>
	2,791,049
<b>Projects in Solidaridad Central America</b>	
An integrate landscape management approach in RACS, Nicaragua	192,675
Form farm to landscape in Zona Litoral del Norte, Honduras	488,330
PanAmericana sugarcane in the Americas	141,000
Palm oil Mexico	347,220
Palm oil Nicaragua	169,527
Capacity enhancement	200,000
Haiti small holder sugar cane	530,000
Mesoamerica	813,110
Others (less than € 100.000)	<u>176,769</u>
	3,058,631
<b>Projects in Solidaridad North America</b>	
Next generation cocoa youth programme	222,010
<b>Projects in West Africa</b>	
Next generation cocoa youth programme	1,912,739
Sustainable gold landscape Ghana	108,288
Sustainable cocoa landscape Ghana	108,288
Golden Line Ghana	145,010
Palm oil productivity improvement Nigeria	180,000
Capacity enhancement	141,000
Transformation of the cocoa and palm oil supply chains in Liberia	505,638
Improving access to services in mining sector in Ghana	230,180
Others (less than € 100.000)	<u>189,009</u>
	3,520,152

	<u>Actual 2017</u>
<b>Projects in South Africa</b>	
Developing a national standard for sustainable F&V in Mozambique	216,576
SLM in Mazabuka region, Zambia	245,528
Regional sector analysis	125,000
Programme development	124,060
Go Farmer app	175,000
Others (less than € 100.000)	<u>161,640</u>
	1,047,804
<b>Projects in East and Central Africa</b>	
Food security through improved resilience of small scale farmers	595,525
SLM Kilimanjaro trans boundary landscape	263,557
Enabling policy influencing for improved livelihoods	216,576
Going for Gold Tanzania	296,760
Capacity enhancement	228,000
Better mill initiative Ethiopia	200,295
Others (less than € 100.000)	<u>233,671</u>
	2,034,384
<b>Projects in South and South East Asia</b>	
Building capacity on participatory decision making in Ganga basin	521,860
Sustainable soy landscape development in Central Java, Indonesia	235,000
Sustainable transformation of the Indonesian tea industry	216,576
Sustainable and inclusive shrimp business in Bangladesh	216,576
Increasing water use efficiency in Sugarcane	470,504
Improved livelihoods for smallholder farmers in West Kalimantan	136,000
Capacity enhancement	362,000
WASH - Reaching the unreached estates and surrounding communities Sri Lanka	923,202
Others (less than € 100.000)	<u>529,251</u>
	3,610,969
<b>Projects in China</b>	
Others (less than € 100.000)	<u>79,451</u>
	<u>16,364,450</u>

#### *Operating costs*

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

#### **Costs of income generation**

	<u>Actual 2017</u>	<u>Budget 2017</u>	<u>Actual 2016</u>
Direct mail administration	23,760	25,000	21,713
Partnerships VFI and CBF	21,726	22,000	21,511
Fundraising campaigns	181,900	393,000	208,634
Operating costs	<u>394,037</u>	<u>461,000</u>	<u>238,206</u>
	<u>621,423</u>	<u>901,000</u>	<u>490,064</u>
<i>Costs of income generation as a percentage of income</i>	<u>2.7%</u>	<u>3.8%</u>	<u>2.6%</u>

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, 0.3 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 2017 is the same as the one used in 2016. 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. The table below shows the level and composition of the costs.

Expenditure	Objectives		Income generation	Management and administration	Total 2017	Budget 2017	Total 2016
	Structural aid	Communication and information					
Contribution to projects via Solidaridad offices worldwide	18,357,974	-	-	-	18,357,974	18,866,000	14,120,602
Communication	-	514,675	227,386	-	742,061	600,000	445,206
Personnel	2,658,081	201,826	332,173	146,364	3,338,444	3,670,000	2,757,158
Travel and accommodation	174,136	13,222	21,762	9,589	218,709	210,000	230,511
Premises	155,275	11,790	19,404	8,550	195,019	269,000	156,087
Office/general	153,115	11,626	19,134	8,431	192,306	210,000	186,478
Depreciation	12,512	950	1,564	688	15,714	41,000	19,507
	<u>21,511,093</u>	<u>754,089</u>	<u>621,423</u>	<u>173,622</u>	<u>23,060,227</u>	<u>23,866,000</u>	<u>17,915,549</u>

### Personnel

The breakdown is as follows:

	Actual 2017	Budget 2017	Actual 2016
Gross salaries	2,540,284	2,718,000	2,087,745
Social premiums	385,621	435,000	329,177
Pension expenses	325,048	380,000	269,911
Other personnel expenses	87,491	137,000	70,325
	<u>3,338,444</u>	<u>3,670,000</u>	<u>2,757,158</u>

### Number of staff members

During the 2017 year, the average number of staff members employed by Solidaridad, expressed as full-time equivalents (FTEs), was 40.0 (2016: 33.5).

### Pension

Solidaridad has a service agreement with Centraal Beheer / Achmea for a defined contribution pension scheme for its employees. Paid and to be paid premiums during 2017 has been charged to the profit and loss account of 2017. All premiums have been paid in time, to prevent the risk of additional responsibilities in case of the pension agreement.

### Remuneration Supervisory Boards

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

### Remuneration management

Solidaridad in the Netherlands is managed by a statutory director, the Managing Director. Until the end of December 2016 N.J.M. (Nico) Roozen was Managing Director ad interim (employed and paid for in Solidaridad Network). 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. Heske Verburg has been employed by Solidaridad from October 1, 2016. Her actual income for 2017 was € 92,103. The level and composition of this salary is explained below.

Remuneration of the Director:	Heske Verburg	
	Indefinite period 2017	From October 1, 2016
Employment contract	2017	2016
Hours	36	36
Percentage of full time	100	100
Remuneration (in euros)		
Gross salary	81,003	19,360
End of year bonus	6,723	1,607
Holiday pay paid in 2017 (in 2016)	4,377	-
Total	<u>92,103</u>	<u>20,967</u>

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. This composition below has been prepared based on the applicable regulations. The WNT maximum for development sector is € 168,000 per year.

Remuneration of the Director:	2017		2016	
	Indefinite period 2017	From October 1, 2016	Indefinite period 2016	From October 1, 2015
Employment contract	2017	2016	2016	2015
Hours	36	36	36	36
Percentage of full time	100	100	100	100
Remuneration paid in 2017 (2016)	92,103	20,967	92,103	20,967
Taxable benefits (expenses)	-	-	-	-
Employers pension contribution	13,468	3,240	13,468	3,240
Total	<u>105,571</u>	<u>24,207</u>	<u>105,571</u>	<u>24,207</u>

### The Supervisory Boards without remuneration:

	Function
Mariam Gabala Epse Dao	ISB member
Maria Patricia Flores Escudero	ISB member
Shahamin Sahadat Zaman	ISB member
Kannan Pashupathy	ISB member
Gerrit Meester	ISB and CSB member
Ton Geurts	CSB member
Theo Jan Simons	CSB member
Carlos Alva Nieto	CSB member
Jan Karel Mak	CSB member
Katrien Termeer	CSB member
Claire Kouwenhoven-Gentil	CSB member

### Interest and income from investments

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

	<u>Actual 2017</u>	<u>Budget 2017</u>	<u>Actual 2016</u>
Received dividend from AgroFair Europe B.V.	105,000	-	17,500
Interest	<u>132,297</u>	<u>200,000</u>	<u>169,927</u>
	<u>237,297</u>	<u>200,000</u>	<u>187,427</u>



## INDEPENDENT AUDITOR'S REPORT

To: the Supervisory Board of Stichting Solidaridad Nederland.

### A. Report on the audit of the financial statements 2017 included in the annual financial report.

#### Our opinion

We have audited the financial statements 2017 of Stichting Solidaridad Nederland, based in Utrecht.

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 2017 and of its result for 2017 in accordance with the Guidelines for annual reporting 650 "Fundraising Organisations" of the Dutch Accounting Standards Board, and the legal provisions of and in accordance with the Senior Officials in the Public and Semi/Public Sector (Standards of Remuneration) Act (WNT).

The financial statements comprise:

4. the balance sheet as at 31 December 2017;
5. the statement of income and expenditure for 2017; and
6. 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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**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 legal provisions of and in accordance with the Senior Officials in the Public and Semi/Public Sector (Standards of 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, 31 January 2018

Dubois & Co. Registeraccountants

Signed on original:  
A.P. Buteijn RA



