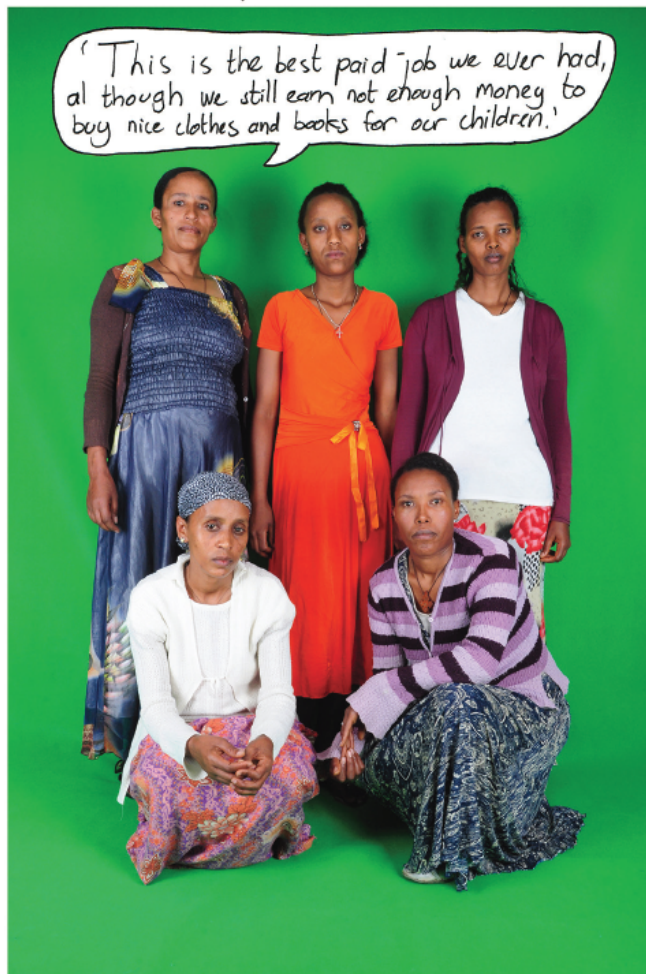


FAIRCHAIN ACTIVITIES ANNUAL REPORT 2019

The picking ladies



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VISION

FairChain Foundation (ANBI). The foundation aims to: develop, implement and promote and monitoring the application of the Fair Chain principles as well as the acquisition and management of (financial) resources for the benefit of this and furthermore all that is or can be useful to this goals.

'In today's world, multinationals sell premium products, with colossal profits, made from valuable commodities, extracted at low prices in developing countries. Big companies have over the last centuries established a power imbalance, leaving nearly no room for developing countries to grow their economies, even though their land hosts many valuable goods, like coffee, cocoa and tea. Development aid has for a long time tried to compensate for the lack of profit in developing countries, trying to bridge the gap created by unfair trade. However, we are convinced the new economy brings an opportunity for all kinds of inclusive business models, which combine entrepreneurial competitiveness with social impact. This means businesses move far beyond corporate social responsibility and towards corporate shared value. And we look beyond development aid towards social entrepreneurship. We choose Trade over Aid.'

MISSION

We believe in disrupting conventional value chains, to turn all types of business in social enterprises. They can create an inclusive business model, leaving more value in the developing country of product origin. By creating more value and paying fair prices to producers in these countries, social enterprises can truly shift the balance in value chains.

I INTRO

" This year we found out the hard way that working with smalholder farmers and with technology is not a linear predictable process but a bumpy road, many ideation loops and a constant redesign of our approach. Try – Fail- Try again. "

Guido, FairChain Founder



THE PROFIT-POVERTY PARADOX

We can end global poverty quit easily and at no additional expense. Stronger still, we can do it in a way that earns companies more income and greater profit.

The mechanism?

By turning marketing dollars into impact dollars. Brands currently spend approximately 800 billion a year on GenZ Instastars creating delusional realities.

Why sustain this orthodoxy of fake when there's a rising army of happy activists out there willing to vote with their shopping carts and credit cards.

Verifiable and quantifiable proof of impact will turn into lower customer acquisition cost, longer customer live time value, higher loyalty and brand recognition and companies delivering just that will benefit, turning impact into profit.

Episode 1 of the FairChain saga was all about setting up a world-class roastery in Addis Ababa, we now support activities in Kenia and Columbia.

Episode 2 of the FairChain sage, focusses on the lives of small holder farmers. Our wetmill support activities made us revise our approach for coming year.

We made a huge step with our BlockChain platform activities thanx to the support of Dutch Government, Moyee and Undp and prepared us for a scale up in 2020 via setting up a FairChainTech BV.

Enjoy the read! Revolt!
Join FairChain Revolution!
Guido van Staveren van Dijk
FairChain Founder

I INTRO

The FairChain Principles

There are three underlining principles driving FairChain. If you have to summarize what we do to your boss, all you have to do is remember these words.

1. Creating shared value

FairChain is single-minded in its purpose: to create shared value with the countries where the majority of the world's raw commodities originate from. Not just a little bit of sharing – our aim is an even 50/50 split between producers in developing economies and consumers in the West. But just tiny shifts towards that goal will radically – and positively – alter the world as we know it.

2. Trade over Aid

Trade is not going to replace government aid overnight. But that doesn't mean it's impossible. Take Ethiopia, it has enough premium coffee beans to be a well-off nation with enviable quality of life. If we could shift some of the value-adding activities – such as roasting and packaging – back to Ethiopia, we would exponentially increase the country's earning capacity

3. Compete on Quality, not Poverty

Too often quality is seen as a first world word, while poverty something reserved for developing worlds. FairChain is built around the idea of competing on quality, not poverty. The way we do that is by transforming how we think of bulk commodities. Not as anonymous and emotionless items, but as diversified quality products

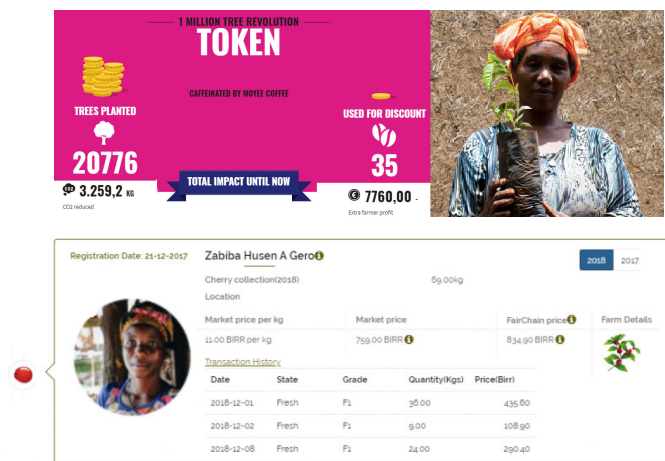
Our blockchain journey led us via many experiments that together with the valuable insights of many organisations helped is design the first 3 Decentralized Applications.

Our main driver?

Verifiable and quantifiable proof of impact influences consumer behaviour and, ceteris paribus, will make them choose for products, services and organisations delivering just did.

FairChain does not overestimate the efforts consumers are willing to make to have a positive Impact. If we want to harness the purchasing power of consumers and cascade their impact commitments throughout the value chain we need to make it easy, fun and engaging.

Ronald Janlouw
Blockchain CTO
FairChain Foundation
Amsterdam, 11 November 2019



2 ACTIVITIES & REACH

21 ToC

In 2018 we developed a new theory of change that adds on the one we designed for value adding impact in 2016 and that of smallholder farmers in 2017. It's about using blockchain technology as part of a theory of change

"The rapid development of science and technology will profoundly impact how Sustainable Development Goals (SDGs) are delivered. Emerging science and technology are opening the doors for both developed and developing countries to accelerate progress towards sustainable economic development.."

22 Projects

A) Blockchain as the latest 'sustainability intervention.

Our mission is to build a blockchain solution that is not dominated by Big IT or venture capital. A blockchain solution that is available and affordable for all who want to contribute to inclusive and sustainable economic developments.

Our low cost, template based, DIY design principles and our posterior tech approach that makes our platform only available for organisations with a theory of change benefitting from the Dapps developed, leads to a difficult to fund business case. The commercial roll out is limited by design. Never the less we have developed a credible roadmap towards a break even situation based on a conservative adoption of the 3 Dapps.



SDG'S
QUANTIFIABLE AND VERIFIABLE
PROOF OF IMPACT DRIVES
CONSUMER-AND DONOR
BEHAVIOUR

SHARED VALUE CHAINS
RADICAL TRANSPARENCY ABOUT
PROVENANCE AND VALUE
DISTRIBUTION DELIVERS BRAND
TRUST AND HELP CREATE
BANKABLE SUPPLY CHAINS

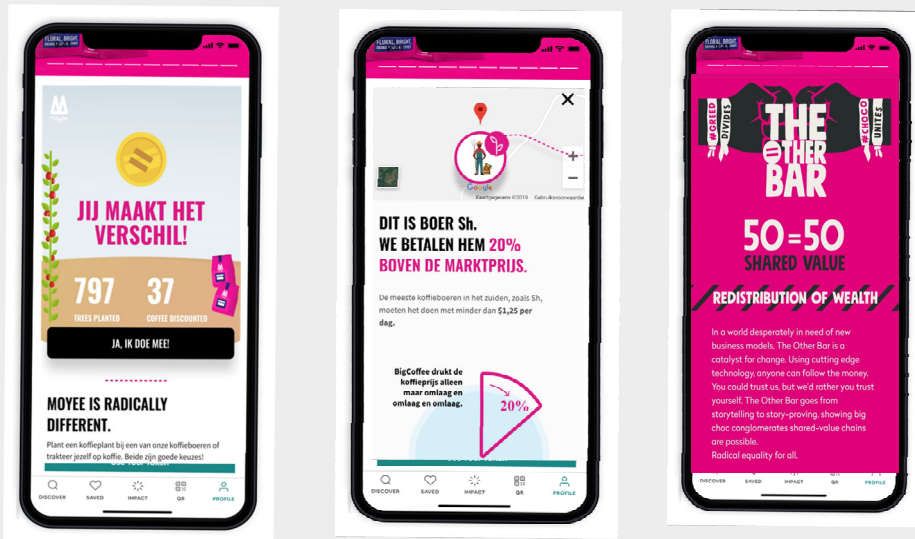
MONEY
TURNING MARKETING MONEY INTO
IMPACT VIA PURPOSE DRIVEN
LOYALTY PROGRAMS CONNECTED
TO DAPP 1 AND DAPP 2

The functionality was tested in 3 main usecases.

Dapp1 ; provenance coffee and cocoa

Dapp 2; verifiable impact events – tree planting

Dapp3 : Consumer engagement – loyalty



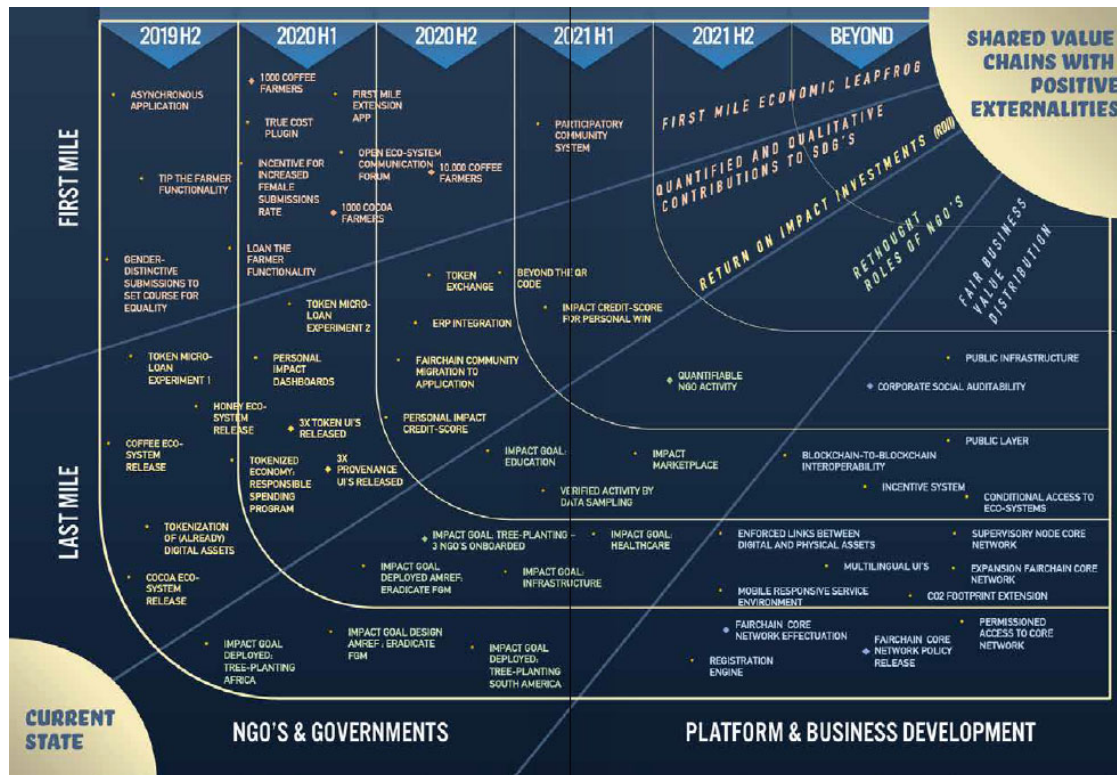
B) SEQUA/ DGGF supported wet mill and farmer training activities

Conclusions and plan 2020/2021:

1. Wet mill will not be profitable easily and farmers choose for higher cherry price instead of profit sharing. We have to rethink our hand over approach. For now we focus on (i) reduced cost based on lower collection volume (ii). Look at investing in value add activities to increase income and invest in a Guardiola dryer, to upcycle the waste material (pulp), (iii). Add one kabelle (region) to increase inflow, (iv). Open a second wet mill at max 30km to increase capacity under 1 mgt team.
2. Train the trainer system as a business can be successful but the willingness to pay for the service depends on a mentality shift from the farmers. The lack of longer term thinking is hindering adoption. We have to accept this will take longer term and first create a relation between and understanding of the FC premium and living income roadmap. For this we will start with the FC services in a farmer wallet. We have bought 400 agro knives at half the market value and offer those in our program and using the technology.
3. Female empowerment is a constant struggle and needs more focus and a different approach. We will follow up on the results of last year and added 2 team members (Emanuelle/Ezra) and a collaboration with the Copenhagen university to develop the new interventions.
4. Tech adoption of wet mill level is high and successful. Connecting farm force and blockchain to bank system and Westmill administration made collection process and pay out far more efficient and can be rolled out to other wet mills. We have started to connect our customers to this data to work on the engagement needed for the next tech steps (farmer/consumer wallets with FairChain services)
5. Moyee has realized a private sector contribution for our wet mill program via a fundraising evening in Boston organized by Self Help Africa. This 80.000\$ helped us fund the activities. We anticipate another 70.000 in 2020 needed to reach a sustainable wet mill operation in 2021 that can serve as a scalable blue print for private sector take over.
6. We spent a lot of attention on getting the wet mill mgt to a higher level, organized weekly meetings and managed to realize all that was needed to get an RFA/UTZ certificate for the wet mill and the 500 farmers in our program. This achievement is a huge success as our farmer are small and not structured in a coop which shows the possibilities to micro certify if needed. Our next goal is to show that a bio certification for smallholder farmers is possible as well at low enough cost to make sense. Tech support is vital to achieve these goals

For that we developed a farm management tool that collects data, captures living income and agronomical interventions

The functionality roadmap



2 ACTIVITIES & REACH

2.2 BlockChain

Blockchain is an important enabler of value chain integration and optimization as it improves quality grading and farmer payment methods.

(activities). Blockchain technology makes both of these outputs instantly measurable. The ability to grade and pay coffee farmers for coffee cherries at washing stations is a radical improvement over existing systems, all made possible by Blockchain. By reducing on-site transaction costs and recognizing higher quality beans, Blockchain arguably contributes to a living income for those farmers that use it.

Next year our main focus will be on.

1. FAIRCHAIN FARMING

SHORT DESCRIPTION OF THE PROJECT: FC is asked to support in developing a next step in the living income roadmap of Moyee and will be active in bringing its expertise to the Mizan farm project. Next to this we will support Moyee in its Low Carbon project in Kenya.

2. DGGF

SHORT DESCRIPTION OF THE PROJECT: Continue support the operating of a wet mill as potential additional source of income for the farmers and digitization of the farms/farmers to better predict harvest and personalize support. See website for full report 2019.

3. BLOCKCHAIN

SHORT DESCRIPTION OF THE PROJECT: We remain focused on the user acceptance of the FairChain blockchain platform via 2 main usecases; that of Moyee in the coffee supply chain in Ethiopia and Kenya (low carbon project) and that of Hojaverde/Undp in the cocoa supplychain. We will add 1 supply chain and one Ngo project. See website for full report.



REACH

2.3 Publication

In 2019 we published a white paper on technology adaption on farmer level and we prepared a detailed 5 year road map for the development of the FairChain tech platform. In 2020 we will deliver an updated first mile farmer approach and work on multiple experiments on consumer engagement.

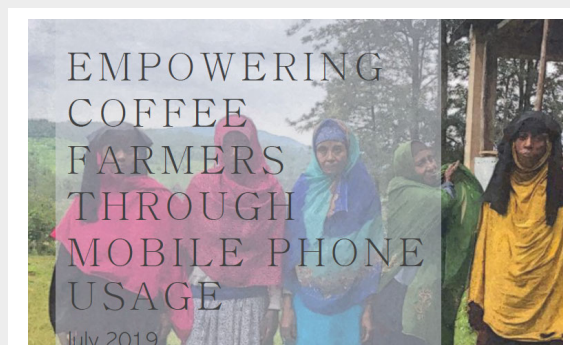
“Many think of blockchain as a panacea for trust, transparency and provenance. But think twice. Blockchain is just a technology – a powerful technology, to be sure, especially when one’s aim is to build a trustworthy and evenly distributed impact ecosystem platform that enables transparent information flows, efficient collaboration and high-speed value transfers.”.

Full copy can be downloaded on FairChain.org

2.4 Lectures & academic activities

1-10-2019 Entrepreneurship in First Mile	Graduate students
14-5-2019 UNDP Ecuador mission	Tea and cocoa sector Ecuador
7-3-2019 Parade	Coffee festival
19-9-2019 StrikeTwoSummit	Blockchain for food
24-9-2019 UN SDG Action Zone	Climate summit, entrepreneurs, ngo, government
18-9-2019 On-demand presentation	Students
10-10-2019 Sustainability and Technology	Graduate students
14-10-2019 PWC Human Masterclass	Brands, pwc managers, csr managers
16-10-2019 TNW	Brands, Innovation teams, Ngos
31-10-2019 BuZa Brainstorm: Digitization in value chains	Sustainability professionals, policy makers
11-5-2019 Ideas in Practice: Supply chain summit	Policy makers, entrepreneurs, students

FC publicatie





3 FINANCES & ORGANISATION

Results

In 2019, the income was € 972K. The expenditures and activities take into account the use of the appropriated reserve from 2018. With this reserve, 2019 had a positive result of €70k

Finances

At the start of 2019 there was a general reserve of € 75.000 and a designated reserve of € 166K for running the programs. With the result of 2019 of €94k, we increased general reserve to € 100k per 31,12,2019. Additional funding was needed for the wetmill support program that was realized by a contribution of Moyee Ireland and self help Africa.

Risk Management

The FairChain Foundation is a 100% project based organisation. Board is unpaid but like staff contracted on project basis. Budgets are managed by project owners and reported upon per quarter based on a project plan and budget, time registration and invoices for cash and in kind contributions. All cost are booked on project numbers and thus easy to monitor. We are able to report adequately for the running projects Sequa and DGGF.

For the new project we faced some difficulty as the budget and plan is based on multiple years and different sources of income. Reporting on the MinBuza grant proved to be hard because of the difficulty isolating the amount granted from the over all plan and budget. Setting up of a FC tech Bv in which all blockchain activities will be isolated will make future reporting easier. A misunderstanding about the connection between grant 1 and 2 caused liquidity problems overcome by additional funding from Moyee Netherland, Moyee Ireland and Undp.

Supported by the board, accountant and donors the most important measures taken by FC in the field of risk management and governance are implemented. The governance structure and deed of association are adopted and ready to accommodate to the requirements of larger donors. We are pleased that the board has been supplemented with Specific know how needed for this transition.

Regarding strategy for disappointing revenues: FC Foundation is virtually completely dependent on external subsidies and funding. The diversity, the international scope, the fame and status of the FC approach, and the Innovativeness and the sensibility of the work make up for it possible to raise revenues, both nationally and internationally and both public as private.

The revenues for the running project in 2020 are covered for the coming year with income from UNDP, MinBuza (Embassy of Ethiopia), Irish aid, Self Help Africa Moyee and GIZ (DL). Our policy is to not actively search for funding outside that needed for the tech support. We will support and be active in shared value project initiated by the private sector.

3 FINANCES & ORGANISATION

Organisatie

- Ronald Janlouw – CTO
- Killil Mesfin – GM FairChain Ethiopia
- Mezgebu Shimelis – Smallholder trainer
- Mesfin Tesfaye – Wetmill management
- Michael laweson – Deputy Gm Fc Ethiopia
- Adne Redes - Farm management
- Stefan Petrutiu – Impact evaluator
- Killian Stokes - FairChain Ireland
- Jeroen Tollenaar – FairChain Kenya
- E Baptista – FairChain Colombia
- Amarjeet Singh – BlockChain project management
- Mark jonker – BlockChain integrations
- Hsiang Lia – BlockChain implementatie
- Full team on FairChain.org

Bestuur

- Guido van Staveren, President
- Anne van Veen, secretary
- Sander Govers, treasury

Advisory Board

- Nicolas Aperghis - Aperghis & Co is an independent corporate finance firm. Aperghis is a trusted advisor of the Ministry of Finance in the Netherlands.
- Johan Traa - leads the Blockchain Technology Advisory practice within EY Netherlands
- Roland Waardenburg - As Vice President Corporate Responsibility he led Ahold. Roland helps FairChain partners in getting it retail ready.
- Zegeye Asfaw - Zegeye Asfaw was Minister of Agriculture He was a prisoner of conscience from 1980 to 1989 under the Dergue government headed by Lieutenant-Colonel Mengistu Haile-Mariam.
- Ilian Circo – Proof of Impact blockchain Africa.
- Marco Gerritsen – Dutch Embassy of Ethiopia the Sexual and Reproductive Health and Rights especially for youth and disadvantaged

Supervisory board

- Will Galvin - has a background in journalism and law, but never quite escaped Africa, He returned to the non-profit
- Hajo van Beijma; Coö Singularity University
- Arne Mosselman, former board member.

Governance Code Conduct

In 2018 the FairChain foundation started a transition to a more professional organization, which better fits the size and impact of its work. In 2019 a FC Tech Bv was set up to isolate the blockchain activities. The Farming activities are downscaled focussing on the tech support for existing NGO programs.

The board of advisors was separated from a formal supervisory board with its first meeting in November.

The board implemented a Governance Code for Conduct. The board of advisors and the team operating the projects increased. In 2019 the board met twice. In addition, there have been a number of consultations.

The FC Foundation has an Advisory Council. This board does not meet in plenary session, but gives advice in bilateral contacts on the expertise area of the relevant member.

FairChain hold an ANBI status.

3 FINANCES & ORGANISATION

FairChain Foundation				
Income & Cost	2020	2019	2019	2018
	Budget	Actuals	Budget	Actuals
	€	€	€	€
Income				
Private Donations	150.000	150.000	50.000	0
Company Donations	215.000	614.037	298.500	151.194
Other Non Profit contributions	607.500	290.000	290.000	563.403
Total Income	972.500	1.054.037	638.500	714.597
Cost				
FairChain programs	856.644	919.766	558.620	606.112
Coast associated with programs	856.644	919.766	558.620	606.112
Acquisition cost	30.000	25.500	18.500	18.500
Administrative	15.000	13.678	15.000	17.162
Total Cost	45.000	39.178	33.000	35.662
Net Financial Cost and Return	320	285	320	295
Net Total Cost and Return	70.536	94.808	45.560	71.916
General Reserve	125.000	100.000	75.000	50.000
Earmarked Reserve	185.423	147.038	166.833	189.148

4 PARTNERS & STAKEHOLDERS

Partners & stakeholders

- Djimma University
- Dedessa Wetmill
- Krypc
- Wageningen
Universiteit
- Soil and More
- Stark Consultancy

Main Donors

- GIZ
- Moyee
- RVO DGGF
- MinBuza
- Irish Aid
- Self Help Africa
- UNDP



FairChainPics
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