



# Annual Report 2013

Creating impact through scale

# Report of the IDH Executive Board

**IDH, The Sustainable Trade Initiative convenes coalitions of front-running companies, civil society organizations and governments to accelerate the mainstreaming of sustainable commodity sourcing practices worldwide.**

**This Annual Report 2013 provides you with an overview of the achievements and the lessons learned in implementing our vision for innovative public-private partnerships. The year 2013 was about impact. The first third party impact studies were released and published in an impact booklet, which discussed the major impact of our work in cotton, cocoa and tea, and provided some major lessons for the way forward. Second, it was a landmark year for our pan-European ambitions, with the formal approval of the Swiss four-year SECO funding to IDH. Our increased mandate due to the Dutch, Swiss and Danish government back-up and increased financial resources, strengthen our capacities to accelerate the shift towards European responsible sourcing and creating added value within international supply chains. The SECO support was launched through a successful sustainable supply chain conference in Switzerland last fall. Operationally, 2013 marked the transition from developing our front running programs into full implementation, based on our work plan for the period 2011-2015. We further expanded our organizational staffing and improved our processes to balance the increased level of activity in operations and program management. Spending of our public funds was below target due to delays in contracting, challenges in field implementation and delayed implementation partner reporting yet the private spending ratio of 1: 1.2 was maintained.**

## **Achievements**

The progress of our commodity programs and the support from our partner coalitions in 2013 have resulted in an increased visibility of IDH in the international arena. Apart from the industry leaders support, we are privileged that leading international organizations like WWF, IFC, FMO, Oxfam, the Ethical Tea Partnership, WEF, GrowAfrica, the Tropical Forest Alliance and voluntary standards, support IDH to improve our role as an innovative partner to help sustainably transform production and trade. On national levels more and more Ministries and industry associations show robust support for our public private partnership approach. We are grateful to our founders, who provided the inspiring frame in which we work, and to our partners, who are the carriers for our success. And we are increasingly aware of the need to set and manage realistic expectations, stay focused on our core business and avoid taking on board too many new challenges.

The focus remains on our core sector programs for globally traded commodities. Our current portfolio has remained stable with 18 commodity programs: 13 from the agro sector and 5 non-agro sector programs. Our aim is to transform the market through the way (frontrunner) companies organize their production and sourcing, thus driving commercial solutions for public good. By leveraging the combined power of our stakeholders -multinational companies, SMEs, international foundations, civil society organizations and European and local governments- we believe that we are contributing to creating lasting change to some of the core sustainability problems of this planet.

We have consistently identified four success factors:

- **Neutral convening mandate;** with the increasing complexity and volatility of global supply chains, companies are realizing that they need to cooperate with each other, with relevant NGO's and local authorities to benefit from faster market transformation. In 2013 we deepened our government engagement in Africa (as strategic implementing partner of the WEF Grow Africa Initiative), Colombia (as linking pin member between the Dutch Embassy supported Sustainable Trade Platform and the international commodity initiatives in coffee, flowers and bananas), India, Brazil, Vietnam and Indonesia.
- **Broker of knowledge** including documenting the business case for sustainable production and best practices in complex issues such as standard collaboration and accessibility, traceability, input finance, impact measurement, roundtables and effective public-private co-operation in origin countries.
- **Investment capacity** (clearly beyond being "just a donor") this remains fundamental to ignite transformative supply chain initiatives with a challenging business case for the first movers. While respecting our multi-year funding contracts we continuously evaluate our insights and question which important scalable innovations require and justify the public resources we have at our disposal.
- **Our staff, with their passion and growing competences, our operational structures and processes** brings our programs to life through contracts, monitoring & evaluation, communication and other forms of operational support. These "critical enablers" are essential to drive impact and results in large complex programs. Recruiting the right staff and strengthening existing staff competences is an ongoing area of attention. We

started a structured training approach in 2013 to invest in our staff and we are pleased that the '2013 employee survey' shows encouraging improvement in areas like professional development opportunities, appreciation for management style, transparency and integrity in our way of doing business. Providing tailored IT system support for our co-funding contracting processes has been a Herculean undertaking last year and is expected to bring clear operational benefits in 2014 and beyond. Further professionalization of our implementing partners in progress management and reporting, remains an important factor in creating scalable impact.

Major program achievements in 2013 include:

On-the-ground impact created at scale is at the heart of the all IDH's programs intervention logic. We see that the private sector – if aligned and focused on sustainability goals tied to a business incentive – do have the capacity to create impact at scale. All programs made progress in this respect. A few examples of that are:

- In **Cocoa**, the ongoing commitment of IDH to improve the farmer business case for sustainable production and productivity improvement resulted in a leading role for IDH in the Cocoa Fertilizer Initiative, with the World Cocoa Foundation, the Fertilizer industry and the governments of Cote d'Ivoire and Nigeria.
- In **Palm oil** large off takers (like Unilever), processors (like Cargill and Wilmar) and government bodies (like TFA) supported the IDH intervention focus on traceable "zero deforestation linked" palm oil from sustainable supply sheds (including smallholders). A high-level meeting of the Indonesian and Dutch government on sustainable palmoil was well-facilitated by IDH, leading to a renewed commitment to small-holder support and sustainable production.
- In **Coffee** the first government endorsed Coffee Coordination Board was created following a holistic Vietnam sector approach from the Sustainable Coffee Program (SCP) partners and the Vietnamese authorities thus modeling a "country sector impact focus" in addition to the more traditional "producer certification focus".
- The **Fruit and Vegetable** program gained significant traction with EU food retail outside the Netherlands, global industry leaders (such as Chiquita) and producer support projects in Africa, following on the successful launch of the program and the industry covenant in 2012. In producer countries nine high level implementation projects began.

- The **Tea** program launched its India program, in which for the first time, the two largest tea packing companies Unilever and Tata are working together in an ambitious sustainability program, in close collaboration with the Indian Tea Board. The launch was the biggest Indian tea event in a decade. On the living wage issue, we issued an important report together with Oxfam and the Ethical Tea Partnership, which has helped to drive meaningful policy changes amongst tea packers.
- The **Cotton** program overshoots its targets in the creation of Better Cotton, surpassing the 1 M ton target. In Mozambique we are well underway of fully embedding Better Cotton principles into country standards for production. Further, the retail demand group was expanded with global brands like VF Corporation, Tesco and Tommy Hilfinger. Rabobank structured its first loans to mid-stream cotton players in India.
- During 2013 in the **Flowers** program, the FSI program was internationally launched by 24 key players in the sector and with strong commitment of key producing countries such as Colombia, Ethiopia and Kenya.
- In the **Timber** program, the European Sustainable Tropical Timber Coalition was established as a consequence of the strategic sector review of 2012, in which 48 partners currently participate.

#### Internal Control and Financial Monitoring

The financial statements ('jaarrekening') in this report have been subject to an audit by KPMG of which the auditor's report has been discussed between KPMG and the Audit Committee representing the Supervisory Board. To maintain compliance with our policy on financial transparency, the Executive Board of IDH conducts a monthly review of IDH's financial situation. This including: 1) all spending compared to budget and forecast, 2) contract pipeline monitoring and 3) review of risks. A summary of these discussions is also presented to the Supervisory Board, and the annual report is published on our website.

The foundation does not trade in financial derivatives, only makes payments based upon fully executed program implementation contracts and only works with reputable organizations. Upon an approved annual plan, IDH can request funds from its institutional donors.

IDH receives funding and contracts in several currencies and as a consequence has a currency exposure. Hedging of this foreign exchange rate risk is not allowed by IDH's institutional donors and IDH has implemented mitigation

measures which are documented in IDH's Treasury Policy.

In accordance with the subsidy ruling from the Ministry of Foreign Affairs, IDH has not created a provision for continuity. The Ministry of Foreign Affairs has provided a formal guarantee to IDH to safeguard IDH's liabilities regarding personnel and short term liabilities. Nevertheless, IDH's liquidity is healthy. In 2013 a legal reserve has been formed for the prepayment on capitalized development costs of an ERP system.

In 2013 the risk management framework has been fully implemented covering financial, legal, reputational and operational risks on both IDH and program level. Specific risks per program are further elaborated upon in IDH's annual report 2013. On a strategic level the following risks and mitigation activities have been identified:

External Risk	Mitigating Action Undertaken
International donors move away disproportionately from cash crops to food crops following international food security models.	Increased donor outreach and mobilizing support from experts on the development benefit of ongoing support for cash crops. Show cases are built.
Eroding support in society (political and NGO's) for any kind of public-private partnership approach with international companies on sustainable sourcing.	Theory of change and funding model explained (cost) effectiveness, impact and development benefits to stakeholders further demonstrated.
IDH not creating sufficient impact on all pillar programs versus raised expectations in outside world.	Process of continues improvement in our programs. Improved intervention strategy for example in the Soy Program.
Internal Risk	Mitigating Action Undertaken
Contracting and other operational delays due to insufficient legal, financial and administrative capacity.	Staff increase in relevant departments. Project and contract management systems developed and templates/ work flows further optimized.
IDH staff in quantity and quality not up to the job.	Rigorous selection process for new staff. Bi-annual discussion on personal development and roll out of PME and Change Management training.

To further document our internal control framework, both a Governance Code and Code of Conduct (implemented) were drafted.

The following table indicates the key financial figures over 2011 - 2014:

<i>amounts in millions of Euros</i>	actual 2013	budget 2013	actual 2012	actual 2011 - 2013	budget 2014
<b>Program Contributions:</b>					
Private partners – via IDH	1.9	-	1.6	4.5	-
Private partners – directly to project	18.8	26.8	21.7	46.3	42
<i>Total private partners</i>	<i>20.7</i>	<i>26.8</i>	<i>23.3</i>	<i>50.8</i>	<i>42</i>
Other donors – via IDH	0.1	-	-	0.2	-
Other donors – directly to project	3.2	9.3	6	13.0	9.4
<i>Total other donors</i>	<i>3.3</i>	<i>9.3</i>	<i>6</i>	<i>13.2</i>	<i>9.4</i>
IDH	11.4	25.1	14.5	34.6	27.5
<b>Total Program Contributions</b>	<b>35.4</b>	<b>61.2</b>	<b>43.8</b>	<b>98.6</b>	<b>78.9</b>
<b>IDH Budget:</b>					
IDH Program Contributions	11.4	25.1	14.5	34.6	27.5
<b>Total IDH Program Contributions</b>	<b>11.4</b>	<b>25.1</b>	<b>14.5</b>	<b>34.6</b>	<b>27.5</b>
Learning, Innovation and Impact	1.1	1.3	1	2.5	2.1
Support and outreach	0.9	1.1	0.9	2.3	1.3
<b>Total Program Related Costs</b>	<b>2.0</b>	<b>2.4</b>	<b>1.9</b>	<b>4.8</b>	<b>3.4</b>
Congress and communication	0.4	0.5	0.3	1.3	0.5
Personnel	2.6	3.0	2.3	6.9	3.8
Organization	0.9	0.8	0.6	2.2	0.9
<b>Total IDH Office</b>	<b>3.9</b>	<b>4.3</b>	<b>3.2</b>	<b>10.4</b>	<b>5.2</b>
<b>Total IDH Budget</b>	<b>17.3</b>	<b>31.8</b>	<b>19.6</b>	<b>49.8</b>	<b>36.1</b>
<b>Total incl. Partner Contributions</b>	<b>41.3</b>	<b>67.9</b>	<b>48.9</b>	<b>113.8</b>	<b>87.5</b>
Ratio program contributions IDH: private	1 : 1.8	1 : 1.07	1 : 1.6	1 : 1.5	1 : 1.5
Percentage IDH Office: Total appropriated subsidies	23%	14%	16%	21%	14%
Percentage IDH Office: Total budget	9%	6%	7%	9%	6%

**Note 1:** Total private partners 2013 (€20.7 million) does not include €3.7 million due to delayed implementing partner reporting. This will be included in 2014 reporting

**Note 2:** All program contributions are audited locally or at IDH level except for € 0.6 million (2012: € 1 million) private investments reported by 3rd parties and verified on site and €2.3 million (2012: €1.6 million) additional investment derived from audited financial statements and additional supporting documents provided by main brands of the Electronics Program.

The IDH program expenditures in 2013 are delayed, reaching € 11.4 million compared to the forecast of € 16 million that was communicated to the Dutch Ministry of Foreign Affairs in September 2013.

The underspending compared to the budget (€ 25.1 million) has primarily program specific reasons. The largest delays in programs occurred in the following sectors:

- In [Coffee](#), spending was below expectation due to delayed transition of trader and NGO proposals into solid project contracts supported by the roaster consortium. This being said, we have been able to mobilize over €100 million worth of proposals with at least 70% private sector spending, of which only the best proposals are to be funded. The pipeline for IDH funded contracts is thus robust and progressing.
- In [Aquaculture](#), the under-spending was related to less than anticipated funding needs from producers to reach the program goals in pangasius. The much more challenging shrimp production issues could only be targeted with significant delay mainly due to the postponed public launch of the ASC shrimp standard (only fully released in March 2014). The current contract pipeline grew toward the end of 2013 to satisfactory levels, but spending in shrimp will only gradually start in 2014.
- In [Timber](#), planned contracting in Congo Basin proved virtually impossible due to poor demand and very mixed market signals. The program intervention strategy and targets have been adjusted accordingly.
- In [Palm oil](#), the development of the program and the creation of an intervention that had private sector, NGO and donor support only materialized at the end of 2013, with highly delayed program spending as a consequence;
- In [Soy](#), the 100% RTRS strategy needed to be fundamentally reassessed in view of insufficient demand leverage to create meaningful change at scale in the Brazilian production. As a consequence it was decided to put further contracting under the “old” program structure on hold. IDH aims to harness the legality process in Brazil to secure buy in from the Brazilian producer and trader stakeholders as well as contribute to the benchmarking of the standards within the market to enable a broader European uptake whilst simultaneously secure the Dutch market to 100% RTRS in 2015.

In specific programs like Coffee, expanding the pre-competitive agenda in our programs requires more time than anticipated on anti-trust and other legal questions. For 2013 this has not been sufficiently taken into account in our planning process. Although program spending is a reasonable indicator for progress we see ‘spending pressure’ as a phenomenon that does not suit the business-wise approach of IDH. A significant part of program proposals are rejected due to insufficient cost effectiveness or impact despite this negatively impacting our 2013 spending figures.

With regards to the private sector investment in 2013 we are pleased to report that this is up to the standard we expect it to be: € 20.7 million which represents a ratio of 1.8 compared to the ratio in the Annual Plan of 1.07 indicating that the spin off industry investments from our programs certainly was higher than we envisaged.

At the same time our organizational office costs (€ 3.9 million) have been within the budget of € 4.3 million as a result of prudent spending and robust cost control processes. At the end of 2013 IDH employed 39,2 average FTE (end 2012 31,7 average FTE).

The total budget which is approved for 2014 is € 36 million (excluding private and other donor program funding).

We have initiated the dialogue with the Dutch Ministry of Foreign Affairs for funding for the period 2016-2020, in which we hope to include a blending finance component. Although these discussions are progressing favorably we have at this stage no conclusions to report on this process.

### Creating Impact at Scale

The year 2013 was an important one for wider communication of the impact of our work, leading to the launch of a public impact study booklet, presented to Dutch Minister Ploumen at an event in September.

We are very pleased that the studies show significant impact, both at farmer level and in the wider transformation of markets. Significant improvements in farm productivity and ecological sustainability were attained. As private businesses in the supply chains of these commodities made sustainable changes, impact was created at scale. This proves that the IDH model – of linking public investments and convening private sector interests and investments – does provide a powerful model for socio-

economic development and ecological sustainability in developing countries.

The results of the impact studies sharpened our intervention approach, showing that a combination of farmer field schools and certification generates real change. Interventions which are closest to the core of the interests of private sector players – such as investments in productivity and farmer organizing – had the best results. Issues that provide less direct benefit to the private sector thus need other players – such as NGOs or governments – to play a larger role. Secondly, the studies revealed the need for going beyond certification to attain real impact on the ground.

The new IDH led Sustainable Land and Water Program that started in December 2013 is building on these insights..

### Thanks

We first would like to thank our staff for their great performance. IDH is a great place to be. The staff realizes that we have been given a great mandate, which puts high demands on quality, integrity and leadership and requires our full energy, professionalism and drive. As a result, people work extremely hard, at the edges of their abilities and knowledge. We are proud to be among such a powerful team.

Second, we would like to thank our program partners for their commitment to working with us. IDH itself is powerful. The beauty of the IDH concept is that its transformative powers crucially depend on the extent to which governments, multinational companies and international civil society organizations are prepared to align with us, each other and our programs. So, in the end it is all about building trust and collaboration.

We would like to conclude by thanking the IDH Supervisory Board members and the public servants and politicians in The Hague and Bern for all their time and energy to keep us sharp and to play their role as ambassadors for this young organization.

We are honored that we were given the ongoing trust needed to do our work, and we look forward to further improving ourselves to deliver impact through the programs created with our partners, for a more sustainable world.

Joost Oorthuizen



Chairman Executive Board

Ted van der Put



Member Executive Board

23 May 2014

# Report of the IDH Supervisory Board

IDH, The Sustainable Trade Initiative explores innovative market transformation mechanisms through building pre-competitive coalitions of frontrunner companies, governments, NGOs and research institutes to contribute to achieving the Millennium Development Goals 1, 7 and 8.

The Supervisory Board (SB) members bring expertise to this organization, from a variety of stakeholder groups; private sector – procurement and finance – and civil society. During the course of 2013 the SB met three times and the Remuneration Committee once. The Impact Committee met twice to provide input on the overall impact measurement strategy of IDH. The Audit Committee met twice where the management letter from our external auditor, Governance Code, Code of Conduct Treasury Policy, mid year Progress Report and Annual Plan 2014 was discussed. The SB has approved the financial statements of IDH over 2013, which includes an auditor's report.

As a Supervisory Board we feel privileged to contribute to the development of new pathways leading to poverty reduction and environmental protection by embedding sustainability into the core strategies of business.

## In 2013 the SB has focused on the following themes:

**Governance:** Continuous strengthening of financial control, risk management, annual reviews and audits are key themes on the agenda in the meetings with the Executive Board (EB). Over the past years the EB has showed commitment, transparency and integrity in delivering on these themes. The SB continuously supports the EB in maintaining the highest governance standards – supporting IDH in being a preferred and trusted partner for all its stakeholders.

**Impact assessment:** The SB feels that the new, innovative IDH model for market transformation deserves scrutiny and critical review by 3rd party impact assessment. Through the Impact Committee the SB contributes to output and impact reviews on key commodities. The 3rd party impact studies that were published in 2013 have delivered solid proof-of-concept for the IDH approach. The sector coalitions have been successful in translating a merged Trade and Development Cooperation agenda into tangible investments in supply chain sustainability that create meaningful impact on the ground for farmers and their families. Deep Impact studies by 3rd parties in Tea, Cocoa and Cotton show that the IDH programs have created impact at scale for farmers, laborers, and their families, as well as real changes in the

way supply chains and markets operate.

**Long term strategy:** During 2013, a start was made in co-designing the IDH strategy for 2016-2020. Looking ahead towards 2020, we are convinced that IDH should be mandated to continue to deliver on Sustainable Development Goals. We cherish the lessons learned and insights gained, and we realize that the challenges ahead require an even stronger convening capacity and leveraging power and more intelligence and innovation capacity. The SB stands behind the principles present in the 2016-2020 strategy of bolstering the approach of IDH and exploring innovative ways of involving (local) governments, changing enabling environments and bringing in the financial sector through blended finance mechanisms.

**Staff capacity building:** For an organization like IDH it is extremely important to continuously invest in the team capacity. Realizing our high ambitions requires 'fit for purpose' staff. We are therefore glad to see that learning trajectories are designed for both junior and senior staff, in the field of monitoring and evaluation, change management and personal development.

The SB is grateful for the hard work and dedication of IDH's EB and the entire team: it is evident that IDH staff are highly engaged and committed – willing to go the extra mile – to drive transformation in the key value chains, to measure progress and to identify improvement opportunities, to share learnings with governments, NGOs and the private sector – thus building a strong foundation to upscale sustainable trade initiatives.

André Veneman

Chairman of the IDH Supervisory Board

23 May 2014



# Content

## Programs in Implementation: Pillar

Cocoa	11
Tea	16
Soy	21
Timber	26
Aquaculture	31
Cotton	36
Electronics	41
Coffee	46
Cashew	51

## Programs in Implementation: Light

Spices	56
Natural Stone	61
Tourism	66
Fruit & Vegetables	71
Flowers	75
Palm Oil	79

## Programs in Scoping

Tin	84
Paper & Pulp	86
Apparel	88

## Supporting activities

Learning & Innovation	91
Impact Studies	92
Institutional Cooperation & Partnerships	94
Risk Management	95
Communication	98

<b>Financials</b>	99
-------------------	----

<b>Annex</b>	108
--------------	-----

# Programs in Implementation **Pillar**

In 2013, IDH planned the majority of its resources to be used for the nine pillar programs: cocoa, tea, cotton, soy, aquaculture, tropical timber, coffee, electronics and cashew. These commodities have high impact on the global environment and with our public and private partners, we work to find leverage points that create scalable, sustainable, market transformations. In the following pages, you'll find reports on our pillar programs result from 2013, as well as detailed descriptions of key achievements, deviations, lessons learned, and an assessment of risks. Take note that, the cashew program went into implementation in 2013, and therefore it is reporting towards a limited number of KPIs.



# Cocoa

## Enabling 300,000 farmers to improve their livelihood by 2015

The Cocoa Program envisions the transformation of cocoa farming into an attractive business for the next generation of farmers. The program aims to achieve this through the institutionalization of the 'productivity package' and a pronounced emphasis on last mile delivery mechanisms to facilitate farmer access to e.g. fertilizer, improved planting material and financing.

### Main sustainability issues targeted

Livelihood of cocoa farmers and environmental issues

### Partners

#### Private

ADM, AFAP, Armajaro, Barry Callebaut, Cargill, Continaf, Ecom, Ferrero, FMO, Hersheys, Intertek, LDC, Lindt, Mars, Mondelez, Multi-Trex, Nestlé, OCP, OLAM, PACTS/Cemoi, SEAP-CI, US Global Business Group and Yara

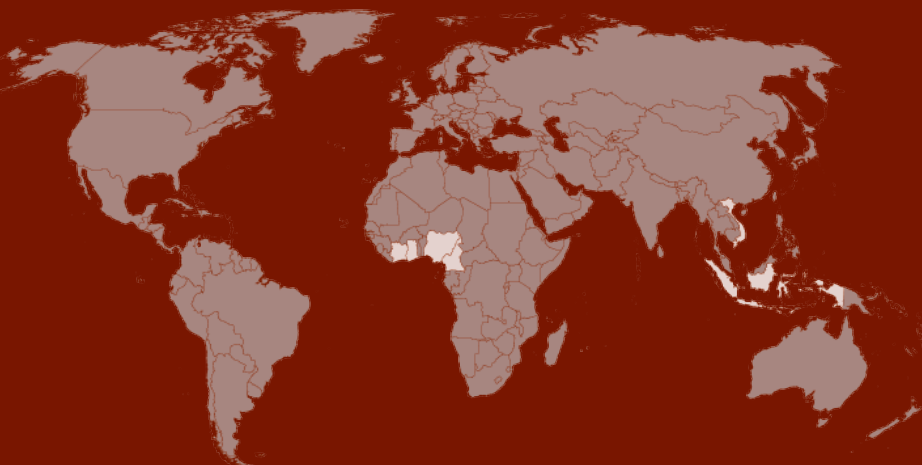
#### Other partners

CIRAD, Cocoa Sustainability Partnership, Conseil Café Cacao, CocTA, ICCO, MARD Vietnam, NEN/CEN, Rainforest Alliance, Solidaridad, Swisscontact, Technoserve and WCF

#### Governments

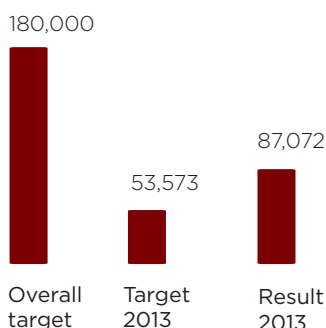
Cameroon, Côte d'Ivoire, Ghana, Indonesia, the Netherlands, Nigeria, Switzerland and Vietnam

**Focus countries** CÔTE D'IVOIRE, GHANA, NIGERIA, CAMEROON, VIETNAM AND INDONESIA

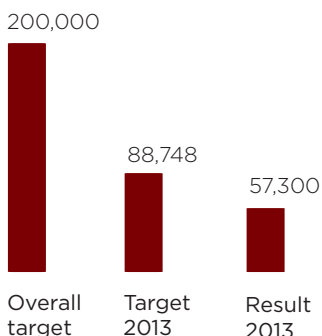


## KPI Progress 2013

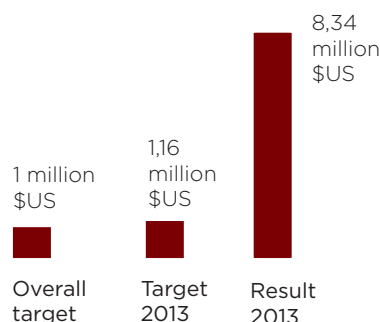
Number of producers trained in certification



Sustainable cocoa produced (MT)

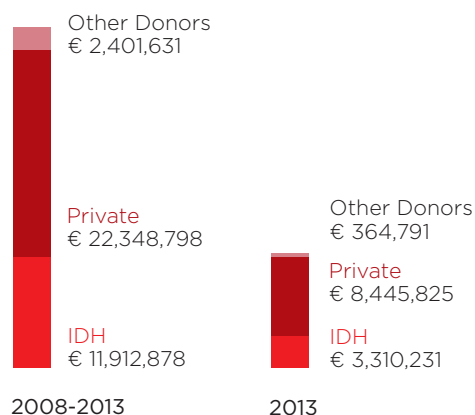


Amounts offered by institutions as financial products/credits to small scale farmers and farmer organizations.



## Financials 2013

Actual Public and Private contributions



### Theory of Change

The main aim of the Cocoa Program is to transform cocoa farming into a sustainable business that improves the livelihoods of cocoa farmers. By upgrading cocoa farmers' entrepreneurial skills, increasing productivity and quality, they are able to derive more revenue from their farms.

In a profitable sector, SMEs and private businesses will develop around cocoa farms, providing competitive services to cocoa farmers - ranging from input supply and

post-harvest handling to financial services. Diversified sources of income mean that farmers will become more resilient to changes in the sector. Therefore, IDH finances numerous activities poised to make the sector profitable, convenes sector stakeholders and gathers know-how through research and learning. Additionally, IDH creates room for other organizations working on sustainability topics in the cocoa sector, such as nutrition, gender, environment and child labor.

## Key accomplishments in 2013

### Cocoa Fertilizer Initiative

10,000 MT tons of specific cocoa fertilizer was produced and shipped to Cote d'Ivoire in 2012 under the Cocoa Fertilizer Initiative (CFI). This increased competition amongst fertilizer suppliers and triggered a 10% drop in fertilizer wholesale prices. Also, domestic distribution costs were decreased by 10-15%, increasing the appetite for fertilizer at the farm level. An international forum of the CFI organized in Amsterdam on November 4th, 2013 recommended setting up a Supervisory Group consisting of representatives from government, chocolate brands, cocoa traders, fertilizer suppliers and an independent party to "steer" the CFI. It also advised developing a 'Cocoa Fertilizer knowledge agenda' in the first quarter of 2014 - with the participation of all the stakeholders concerned by the productivity increase/soil fertility issues, and developing a strong and coordinated monitoring & evaluation system.

The African Fertilizer Agribusiness Partnership (AFAP) was identified to assist IDH in setting up a guarantee scheme to reduce the risk in the business transactions between cocoa partners and fertilizer suppliers. IDH now has strong support from the local government in Cote d'Ivoire, the cocoa industry and fertilizer suppliers, and is mandated to facilitate the cocoa sector's work on soil fertility in close collaboration with WCF and Conseil Café Cacao. In 2014, this work will focus on:

- Building a strong and coordinated monitoring & evaluation system to demonstrate farmers' business cases and farm/tree demand/response to fertilizer according to the farm age.
- Inclusion of the financial sector in the promotion of fertilizer in the cocoa sector by the implementation of a guarantee fund. This should secure business operations, create an enabling environment for such business, and bring fertilizer closer to the farmers.
- Building farmers' entrepreneurial skills to understand the need to restore and invest in the fertility of the soil at their farms.

### Cocoa Productivity and Quality Program

For the follow-up of the ongoing CPQP (Cocoa Productivity and Quality Program) projects, country meetings have been organized in Cote d'Ivoire, Nigeria and Indonesia to review and ensure that these projects are providing answers to the identified country bottlenecks around productivity increase, farmers' training and soil fertility. Local governments and industry partners were represented. Partners now recognize the importance of the "productivity/full package" in order to rehabilitate the present cocoa farms and to increase their productivity. Within CPQP projects the package approach is adopted. Together with Conseil Café Cacao and the industry partners, the package approach is being integrated in the national training curriculum.

### Other projects

- Six projects reaching out to over 55,500 farmers were contracted. These projects focus on productivity increase, reaching out to unorganized farmers, integration of productivity into certification, and access to finance.
- IDH's support for the national platforms of Cote d'Ivoire and Ghana is being formalized and is close to signing.
- CEN/NEN is ongoing and producing countries are now more active in the process. Cote d'Ivoire, Ghana and Cameroon from West Africa and Ecuador from Latin America have joined the working groups set up. The process will now move into an ISO/CEN process so that the final result from this CEN process will be at the same time recognized at the ISO level.

### Deviations

- The first year of the Cocoa Fertilizer Initiative was a deep-dive kick-start during which there were too many ambiguities on governance and communication, leading to delays in implementing the planned activities.
- In 2013 the cocoa program has reviewed its key performance indicators in order to improve the quality of data, simplify reporting and to create more focus on areas where changes can be best attributed to the program interventions. Some of the current indicators have met their targets and are replaced with new ones. The new indicators will be included from 2014 onwards.

### Lessons Learned

- There is a need to drive change beyond certification with the productivity package approach and a need to focus on soil fertility in order to insure the increase in productivity of the farms. The focus also need to be on the improvement of the delivery models of the industry partners and the implementation of agro dealers network in the project areas in order to facilitate farmers access to inputs.
- Learning to drive clarity in the fertilizer initiative by addressing stakeholders' concerns around the farmer's business case and the farm/tree response to fertilizer is essential in the whole productivity increase process. Therefore a coordinated and/or concerted effort with the various cocoa industry and fertilizer suppliers involved in the CFI is important. Impact studies, and/or strong monitoring & evaluation systems will be important to be able to measure and capture actual field data to be able to communicate the changes introduced by our activities on the ground.
- Building strong partnerships with organizations such as WCF, ICCO and Conseil Café Cacao is important to make sure we are all aligned and reach consensus around priority issues to address in the cocoa sector.

### Local government engagement

Close collaboration was sought with local governments, and IDH is actively participating in and contributing to the local cocoa platforms in Côte d'Ivoire, Ghana and Nigeria. In each of these countries, representatives from (state) governments join IDH partner meetings and the program receives active support from the local authorities.

### Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
Hesitation of local governments towards industry programs	Active involvement of local governments in the country meetings	Medium	High
Sub-optimal collaboration with international organizations	Better internal alignment has been reached by organizing meetings with international organizations and by reviewing MoUs	Medium	Medium
Côte d'Ivoire programs are undermined due to political unrest or cocoa sectoral reforms	Regular contacts with the local authorities; organization of country meetings for all the IDH projects to keep local authorities updated; participation at all the important meetings on cocoa in the country such as Public-Private Partnership platform	Medium	High

# KPI Table Cocoa

## Key Performance Indicators Cocoa Program

	Overall Target (2008-2015)	Annual Target (2013)	Annual Result (2013)
<b>Result Area 1: Tangible improvements in condition of production in countries of origin</b>			
No. of producers trained in certification	180,000	53,573	87,072
Volume in tons of sustainable cocoa produced	200,000	88,748	57,300
No. of ha managed using sustainable agricultural techniques (ha certified)	82,700	39,778	199,507
Average yield per hectare per year	1,000	600	508
<b>Result area 2: Tangible improvements in sustainable markets</b>			
No. of business partners committed to integrating sustainability into value chains	15 companies 4 financial institutions	2 companies 1 institution	3 companies 2 institutions
No. of producers selling sustainable cocoa to program partners	200,000	40,700	28,400
No. of SMEs/ private institutions offering business services to groups/organizations (MFIs, insurances, vocational training outside program, NGOs, input suppliers etc.)	TBD	TBD	5
Volume in tons of certified cocoa purchased by IDH program partners	110,000	N/A	20,533
Amounts in USD offered by institutions as financial products/credits to small scale farmers or farmers organizations	1,000,000	1,160,000	8,339,219 <sup>1</sup>
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>			
No. of trainers trained in producing countries	1,160	523	808
No. of non-private partners involved in the program	10	3	1
No. of pre-competitive country platforms supported in set up	4	1	2
<b>Result area 4: Knowledge on sustainability &amp; supply chain approaches developed &amp; shared</b>			
No. of studies into program effectiveness executed by an external evaluator	4	5	0
No. of learning trajectories started on key bottlenecks	5	1	4
No. of solutions for identified key bottlenecks developed and implemented	4	1	1

<sup>1</sup> Result significantly higher than the target because the targets exclude expected results from two projects contracted in April 2013



# Tea

**20% of global production sustainable and better livelihoods for 700,000 smallholders & 500,000 workers in 2016**

The Tea Program is a consortium of the largest tea packers in Europe and Asia, and of the most important certifiers and NGOs in the sector. The program promotes sustainable tea production in Africa and Asia, and sustainable procurement in Western Europe and Asia. It attributes firsthand experience with upscaling of both certification training and a farmer field school (FFS) extension models.

#### **Main sustainability issues targeted**

Livelihoods of smallholders, deforestation and forest degradation, water usage and working conditions.

#### **Partners**

##### *Private*

Tata Global Beverages, DE Master Blenders 1753, Taylors of Harrogate, Unilever, Kenyan Tea Development Agency (KTDA), Ethical Tea Partnership (ETP), Royal Dutch Association for Coffee and Tea (KNVKT).

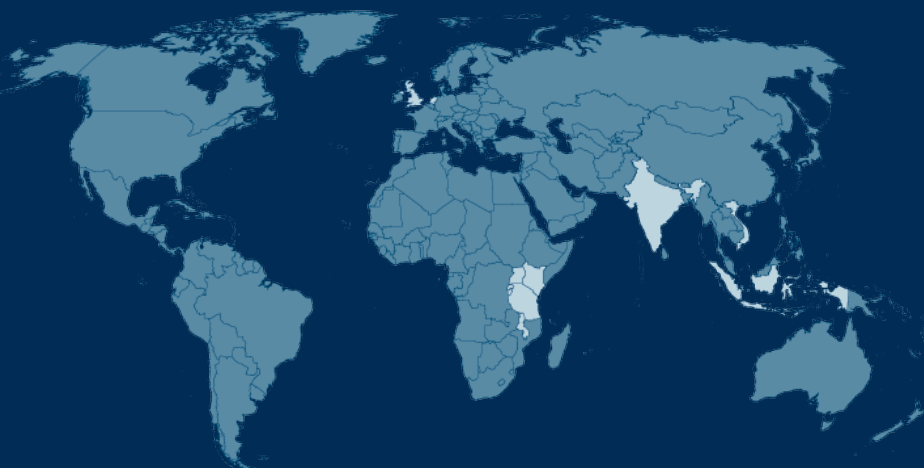
##### **Other partners**

Tea Board of India, Wood Family Trust, Gatsby Charitable Foundation, Oxfam Novib, Oxfam GB, Solidaridad, Rainforest Alliance, UTZ Certified, World Economic Forum Vietnam, Business Watch Indonesia, LEI-Wageningen UR.

##### **Governments**

India, Indonesia, Kenya, Rwanda, Tanzania and Vietnam.

**Focus countries** BURUNDI, INDIA, INDONESIA, KENYA, MALAWI, THE NETHERLANDS, RWANDA, TANZANIA, UGANDA, THE UNITED KINGDOM AND VIETNAM.



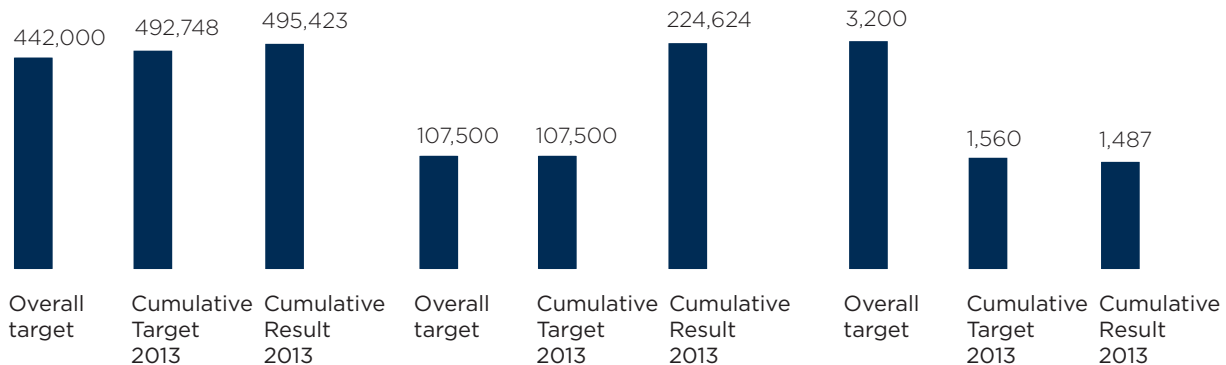


## KPI Progress 2013

Number producers trained in sustainable production practices (smallholders)

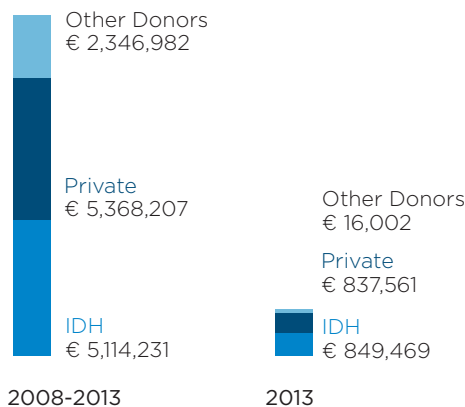
Volume (MT) of certified/verified tea available

Number Farmer Field Schools established (only Kenya, up to 2015)



## Financials 2013

Actual Public and Private contributions



### Theory of Change

The market successes of sustainable front runners in tea, have created momentum for a broad coalition of tea packers, NGO's and governments to address sustainability in the tea sector. Impact reports initiated by the coalition and/or IDH (e.g. on wages and smallholders), and media attention deepened the industries understanding of burning issues in tea. IDH capitalizes on this momentum by co-formulating joint investment plans for up-scaling sustainability in tea, targeting both export and domestic markets and embedding sustainability in producing countries' strategies. The Tea Program focuses on 4 elements:

1. The upscaling of technical assistance via lead farmer trainings and/or farmer field schools,
2. Mainstreaming certification of tea while strengthening its performance and development,
3. Implementation of 'stepping stone standards' for Asian domestic markets, and
4. Addressing social issues (such as living wages and sexual harassment) in tea production.

Certification has proven to be a good instrument to leverage private investments in sustainable tea production. The farmer field school (FFS) methodology has proven to be a major driver for improvements at household level, via increased yields (translating in higher incomes) and improved social coherence (better relationships, less side-selling) in Kenya. The combined mainstreaming of certification and FFS has a positive impact on smallholders' livelihoods by improving market access and farm management. Compliance with the standard strengthens biodiversity and water management, and improves health and safety in smallholder tea production. IDH has initiated the development and implementation of stepping stone standards in the emerging Asian domestic markets, mainly in India. These stepping stone standards allow producers to improve their production practices according to local circumstances. For international standards this remains a challenge and therefore Asian markets have proven to be difficult to enter.

## Key accomplishments in 2013

- The India Sustainable Tea Program has been officially launched as the trustea program. The draft trustea code was developed and presented to over 600 industry representatives. IDH convinced Tata Global Beverages (TGB) and the Ethical Tea Partnership (ETP) to join the program, which was started by Hindustan Unilever, Solidaridad and IDH. For the first time, the two largest tea packing companies in the world are working together in an ambitious sustainability program. The Tea Board of India fully endorsed the launch and has become the most important partner in the program, securing local (governmental) ownership of the trustea program. IDH appointed a local coordinator in Kolkata to ensure continuous professional local stakeholder management. By the end of 2013 six pilots were set up to test the trustea code in the field.
- The upscaling and embedding program by the Kenyan Tea Development Agency (KTDA), Unilever and IDH has moved to implementation.. In workshops with all KTDA factory management and extension staff, a strategy to achieve full local ownership was agreed upon. The remaining eight KTDA's have been trained and audited, and are awaiting receiving RA certificates. Around 700 new Farmer Field Schools (FFS) were set up, led by former FFS graduated farmers. A social issues program was started with ETP to address gender issues in KTDA tea factories and working conditions of smallholder workers.
- Two studies on business case analyses of sustainable tea production in Kenya (farmer field schools and RA certification) and in Indonesia (domestic voluntary standard Lestari) and the study 'Understanding Wage Issues in the Tea Industry' have been finalized and disseminated to a large group of industry stakeholders. The wages study unlocked an industry wide dialogue on achieving living wages in Malawi, India and Indonesia. The study and related Action Plan were presented at the European Conference on Living Wages in Berlin by ETP, Oxfam and IDH.
- Team Up 2013, a new annual event organized by IDH and ETP, brought together more than 100 players from producers to retail in the tea sector to explore ways to upscale sustainability in the tea sector Wood Family Trust, KTDA and IDH developed and agreed upon an ambitious program to replicate the successful Kenya model to 10,000 smallholder farmers supplying two tea factories in Rwanda.
- TGB, ETP and IDH 'exported' the FFS methodology from Kenya to Malawi and Uganda to smallholder groups supplying tea into the supply chain of TGB..

## Deviations

The project in Vietnam with Unilever, Rainforest Alliance and IDH within the WEF taskforce on sustainable agriculture development in Vietnam faced some delay in implementation. However before the end of 2013 the collaboration between parties has been formalized and the kick-off meeting has been scheduled for January 2014. In addition, new program developments in Indonesia did not happen. The Indonesian private sector shows no clear commitment or willingness to invest. Therefore no new program has been agreed to.

### Deviations with regards to the KPI table:

- The IDH Tea Improvement Program (TIP) has nearly reached out to 500.000 smallholders via trainings on sustainable production practices, and close to 400.000 smallholders have achieved certification, exceeding the original program targets over the course of 2009-2013.
- Next to the TIP targets the KPI table also included the Upscaling and Embedding Program in Kenya and the India Sustainable Tea Program trustea.
- As the Tea Improvement Program has been finalized in December 2013 and IDH developed a range of new tea projects in 2012 and 2013, a KPI revision has taken place in 2013. As of 2014 the targets and results of the TIP will not be shown in future KPI results.

## Lessons Learned

- Combining certification trainings and the FFS model is a driver for improvements in productivity, quality and income at household level. The Tea Program is currently replicating this approach in Vietnam, Rwanda, Malawi and Uganda.
- Smallholders in East-Africa - without ownership in tea factories - face poverty despite certification and farmer field school approaches. Approaches are now included in the Tea Program to carefully analyze shared value concepts between smallholders and tea factories.
- Changing low wages for tea workers in India, Malawi and Indonesia cannot be done by the industry alone; involvement of government and trade unions is essential. A multi-stakeholder partnership was formed to address this issue.

## Local government engagement

The Tea Program has successfully engaged the Indian government through the Tea Board of India. This has been achieved through involving them right from the scoping phase of the program. Food safety and smallholder focus are important drivers for the Tea Board to engage in the trustea program. We stimulated the Tea Board to champion the program, and to visibly leading it.

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
<p>Limited commitment of tea packers to mainstreaming certification and investments beyond certification.</p>	<p>Convinced Tata Global Beverages and ETP to join the <i>trustea</i> program in India.</p> <p>First joint global event with ETP was organized, 'Team Up 2013', bringing together 100 sector players.</p> <p>IDH joined a consortium of Unilever, Taylors of Harrogate and ETP in Burundi.</p>	<p>Low</p>	<p>Low</p>
<p>Limited capacity of implementing partners (IP) to manage large scale programs.</p>	<p>Four visits paid to KTDA; management advice was given; project management skills developed.</p> <p>Four quarterly meetings between IDH and ETP were held; program and operational teams are fully connected.</p>	<p>Medium</p>	<p>Medium</p>
<p>Criticism on IDH as not working on real issues/not generating meaningful improvements on social-economic issues nor pesticide use in tea production.</p>	<p>Wages report finalized, published and discussed with industry stakeholders.</p> <p>IDH Tea Program worldwide is more aimed towards social impact.</p> <p>Strong social chapter of the newly developed local sustainability code <i>trustea</i>.</p>	<p>Medium</p>	<p>Low</p>

# KPI Table Tea

## Key Performance Indicators Tea Program

Overall Target (2009-2013) Cumulative Target (2009-2013) Cumulative Result (2009-2013)

### Result Area 1: Tangible improvements in condition of production in countries of origin

No. of producers trained in sustainable production practices	442,000 smallholders	492,748 smallholders & 25,000 workers	495,423 smallholders & 22,088 workers
No. of producers certified or verified ( <i>worker target up to 2016</i> )	310,000 smallholders & 505,000 workers	406,000 smallholders & 50,000 workers	382,097 smallholders & 36,409 workers
No. of ha managed under certified or verified production ( <i>up to 2016</i> )	390,000 ha	84,200 ha	160,427 ha
Average yield improvements on smallholder farms in Kenya	10%	10%	20% <sup>2</sup>

### Result area 2: Tangible improvements in sustainable markets

No. of additional end buyers certified/verified tea	10 companies	19 companies	26 companies
Volume (MT) of certified/verified tea available <sup>3</sup>	107,500	107,500	224,624

### Result area 3: Effective collaboration and institutionalization at sector level

No. of successful activities with other certification bodies ( <i>only TIP</i> )	3	No target for 2013	4
No. of national/international tea sustainability platforms set up ( <i>only TIP</i> )	9	No target for 2013	9
No. of Farmer Field Schools established ( <i>Only Kenya, up to 2015</i> )	3,200	1,560	1,487
No. of key Indian tea industry stakeholders participate in the code development ( <i>only India</i> )	8	8	17

### Result area 4: Knowledge on sustainability & supply chain approaches developed & shared

No. of learning trajectories started on key bottlenecks <sup>4</sup>	14	8	14
No. of external studies into program effectiveness <sup>5</sup>	7	4	6
No. of local researches institutionalized in sustainable tea production	3	2	Local research institutes involved in tender procedures

<sup>2</sup> 36% yield increase has been recorded for farmers participating in the Farmer Field Schools.

<sup>3</sup> This target has been set for available volume certified/verified, not purchased as such. In the future IDH will keep monitoring on both levels.

<sup>4</sup> Next to the cost-benefit analysis, the outcomes of the understanding wages report have been presented in Berlin and Tea 2030 report has been presented.

<sup>5</sup> Baseline and impact assessment for India and Kenya have been initiated.



# Soy

## 10% of EU soy import responsibly produced in 2015

The IDH Soy Program aims to delink soy production from deforestation and to reduce the negative social and environmental impact of soy production. The program strategy is to upscale the production and sourcing of responsible soy, since criteria for responsible soy farming enforce legal compliance and address social and environment issues such as pesticide use and labor conditions. In 2013 we were successful in engaging South American soy farmers, but a lower uptake in the market than foreseen, lead to fewer incentives for farmers to produce responsible soy. To enhance the effectiveness of the program, IDH revised its approach during 2013.

### Main sustainability issues targeted

Deforestation due to soy expansion, improper agrochemical use, community relation and labor issues.

### Partners

#### Private partners

Agrifirm, Amaggi, Agriuniekvallei Ahold, SuperUnie, C1000, Centrico, Cefetra, De Heus, Friesland Campina, ForFarmers, Jumbo, Nidera, Nutreco, Lidl, Unilever, Vion, St. Ketentransitie Verantwoorde Soja, Nevedi, Product board MVO, COV, NZO, Product board PPE, CBL, LTO, Bemefa, Fapcen, Viluco, Los Grobo/ Ceagro, Sindicato LEM, Kumagro, Aapresid, Kiñewen, Technocampo, DAP, Bel Company, Nidera, Consumer Goods Forum, Nidera, Lantmannen; and others.

#### Other partners

RTRS, Agrolcone, KPMG, IFC, FMO, Solidaridad, WWF, Natuur & Milieu, Aliança da Terra, Dutch Embassies Brazil and Argentina, Dutch Soy Coalition, Tropical Forest Alliance TFA, The Nature Conservancy TNC, ProTerra Foundation, and others.

#### Governments

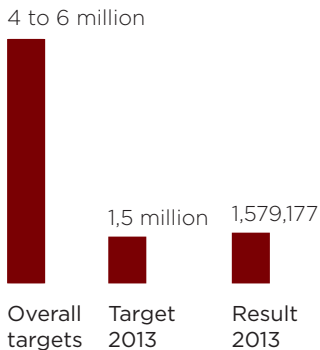
Embassies in Argentina and Brazil  
Local government (expected).

**Focus countries** NORTH-WEST EUROPE, BRAZIL, PARAGUAY, ARGENTINA,

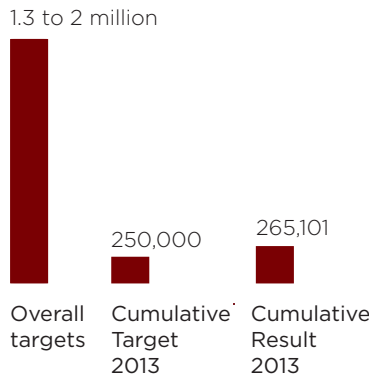


## KPI Progress 2013

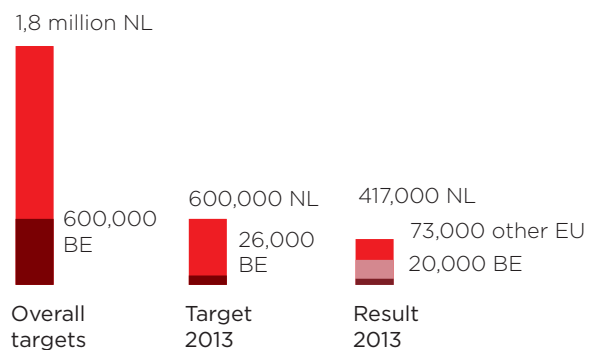
Volume (MT) of certified RTRS soy or on the way to RTRS certification, produced per year



Number of hectares under RTRS certified responsible land use by program partners

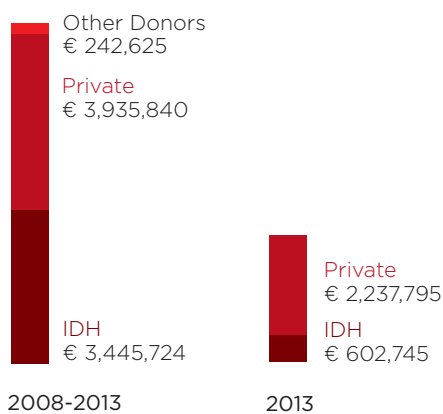


Volume (MT) of RTRS certified soy purchased by private partners in the IDH program in the EU per year



## Financials 2013

Actual Public and Private investment



### Theory of Change

To reduce the negative impact of soy production, IDH builds responsible sourcing commitment with European industry and retail to create demand driven incentives for responsible soy farming - RTRS standard or equivalent - in key supply sheds for the EU markets.

To upscale the supply of responsible soy, the Soy Fast Track Fund (SFTF) is supporting and co-financing front running farmers in over 20 projects in Latin America to transition to responsible soy, through (e.g.) gap analyses, advice and training.

In 2013, the European market uptake of RTRS certified soy remained limited to the Dutch, Belgian and Scandinavian markets, and targeted volumes were not attained. This has led to reticence of farmers in increasing certification volumes. At the same time, certification shows limitations in addressing key drivers

of deforestation. In high risk areas, land value increase and opportunity costs drive farmers to deforest, legally or illegally. These costs are insufficiently covered by certification premiums.

Because producers have the choice whom to sell to, market access is not a driver. This, in combination with small market demands, leads to a careful attitude of traders who need to assure their supply. In low risk areas, the compliance of soy farmers to RTRS does not help to halt deforestation.

In 2013, IDH started to develop additional approaches to take on the above challenges. An additional proposition was formulated - focused on Brazil - to include the whole sector towards a more responsible production based on a stepwise approach with a minimum entry level enforcing and assuring legal compliance. This process should

be “owned” by local supply chain actors, international traders and the European feed sector. Legal compliance to the new Forestry Code in Brazil is a crucial step to lower deforestation rates. This is also valid for Paraguay and Argentina. Compliance should be combined with leverage from the market, which will be organized through benchmarked market approach by Dutch supply chain, European retail and European Dairy Industry. The goal is to ensure a continued and growing demand for responsible soy RTRS or equivalent.

In key supply sheds, IDH aims to pilot smart supply shed solutions to encourage producers by involving public and private supply chain actors such as crushers/traders and local government officials – stimulating them to accomplish zero net deforestation. This will be piloted in the higher risk supply areas, linking soy and livestock market actors, input and finance providers, local government and NGO’s to combine the knowledge, powers (market and regulative) and incentives of all actors at the table that can help protect forests in high risk areas.

#### Key accomplishments in 2013

- **Production targets:** In 2013, 99.924 ha were newly RTRS certified, totaling 265.101 ha certified over 2012 and 2013. Additionally, 352.952 ha have developed to a pre-certified status (‘on the way to RTRS’), as many farmers wait for market response before they step into audit processes and associated costs. Globally, a total of 1.12 million tons of RTRS certified soy has been produced and offered on the RTRS platform in 2013, of this production, -60% (~ 690,000 tons) can be related to SFTF program partners that certified their lands in 2012 and 2013. 21 projects are in progress in Argentina, Brazil and Paraguay, preparing for potential certification of ca 1,000,000 ha (ca. 3 million tons/year) of responsibly produced soy by 2015. Despite difficulties to engage farmers, the SFTF was still able to engage with new producers and is finalizing contracting the last projects in the pipeline with farmers (starting Q2 of 2014).
- **Market uptake:** The Dutch ‘Stichting Ketentransitie’ realized a volume of 545,000 tons of certified soy, of which 417,000 tons were RTRS and 128,000 tons were certified by standards leading to RTRS level. In 2013 this buying process was supported by the creation of a local benchmark mechanism, the responsible soy transition guidelines (‘on the way to RTRS’) to broaden in a transparent way the possibilities of traders to meet the requirements and engage in a stepwise process towards RTRS or equivalent responsible soy supply. Overall an increase of 73% was realized in the uptake in the Dutch market of responsible soy compared to 2012. Abroad, IDH’s partners reached their targets: in Belgium the feed association Bemefa bought 320,000 tons of certified soy, of which 20,000 tons were RTRS - an increase of ca. 40% over last year. In Sweden, the

50% volume target RTRS was reached by Lantmannen, the major Swedish feed processor, according to target. In Denmark (feed, dairy) and UK (retail) engagement is increasing on responsible soy. First engagement has also started in France.

- **Process towards responsible soy production:** IDH convened a dialogue between strategic local producers and trade and the European feed sector on a mainstreaming, continuous improvement proposition for the whole Brazilian soy and European feed sector. This aims to achieve a basic agreement for a broader and common road towards responsible soy production and sourcing. This is expected to conclude in Q2 of 2014.
- IDH is aligning with the Consumer Goods Forum (CGF) and the Tropical Forest Alliance (TFA) agenda’s to drive global demand for responsible soy and their targets on zero net deforestation.
- **Other results:** A Brazilian RTRS HCVA biodiversity map was accomplished and tested.

#### Deviations

- The trend for farmers to question why the market is not ready to buy, compromises the targeted KPI’s at farm level in the soy program. Despite this, the SFTF was able to engage with new producers. The SFTF is finalizing and contracting the last projects in the pipeline with farmers (starting Q2 of 2014).
- Performance of SFTF projects is lower than expected, especially at individual project levels (after program results in 2012 exceeded expectations). Most farmers are preparing for, but are not paying auditing costs, until the market for certificates or mass balance becomes clearer. We are therefore introducing a category of so-called ‘pre-certified farmers’ (or ‘on the way to certification), indicating farmers that are close to certification, but have not yet made the last step. Their volumes are computed in the first KPI (volumes certified and ‘on the way to RTRS’).
- A data correction in relation to the report 2012 had to be made: last year we reported 247.715 ha as RTRS certified. This was for a large part based on total farm area as reported in the audits, including the forest area. This should, however, refer to soy area only. The correct number in 2012 was 165.177 ha’s soy area RTRS certified. Due to this correction, the full cumulative RTRS certified area over 2012 and 2013 remains close to the figure of last year, and the estimation of forest area protected, due to this correction, is even ca 3000 ha lower than last year result. In reality, progress has been made over last year (99.924 ha newly certified and a substantial area of pre-certified farmers, including progress on protected forests). Also the even larger amount of ha’s certified contain substantial amounts of protected forests, which will come back in future reports. However, the trend set with farmers questioning why the market is not ready to buy, worries, and compromises the targeted KPI’s at farm level in the soy program.

- For the above reasons, the newly contracted SFTF projects in 2013 shifted from RTRS certification per se to a stepping stone approach, covering meaningful changes on the way to certification at farm level. In 2014 the SFTF will further shift focus to a smart landscape approach to create responsible and risk free supply sheds, to increase leverage on legal and illegal deforestation. This new accents are reflected in the KPI's the year plan 2014.
- The Dutch 'Stichting Ketentransitie' has faced lower contributions of members and higher premiums. Contracting of purchases delayed and the final volume was 55% of the planned volume of 1 million MT. Uptake in other countries was slower than expected. Participation of the large international traders to drive responsible soy to Europe has not met expectations. At the positive side, Fefac, representing the European Feed Industry, has taken an active role and developed a pro-active agenda with the producing countries.
- As a general conclusion, soy has now entered into a long term seller's market, with expected multi-annual growth averages of some 7 million metric tons. This equals some 3 million hectares of annual expansion, of which 2.5 million hectares will have to be absorbed between Brazil, Argentina and Paraguay - the target region for the SFTF. This will put a permanent pressure on land use, inducing land use changes as well. The understanding that these challenges cannot be faced on-farm level alone, or by certification like the RTRS, has led the regional management SFTF team to come with a more radical measure on mid 2014. This involves a more holistic and integrated approach, working in combination with other agricultural products and services (including carbon, habitat, ecosystem services, policy influencing) produced by the same farmers, neighboring farm clusters and other relevant regional stakeholders operating in key supply shed areas. We expect that market players, including finance institutions, will be keen to co-invest and partner with SFTF to solve sustainability issues in the key supply areas in risk prone areas.

### Lessons Learned

- Dutch demand alone is less than 2% of production and regretfully this does not activate the ABCD's to organize sustainable supply sheds. A larger coalition including more European countries is needed to provide enough leverage (with 35 MT, about 25% of production). Volumes are also needed to keep costs down.
- The lack of commitment of large crushers and local players to RTRS has challenged IDH to create support for a new dialogue to challenge Brazilian key soy actors (traders and producers) to come up with a new local proposition to link with international responsible soy standards.

### Local government engagement

Within the new supply shed approach, government at local levels such as state and municipal agriculture and environment secretaries will be playing a relevant, if not a key role. This role can be reflected in necessary enforcement, but also in planning and support to local stakeholders to promote responsible practices and collaboration to protect biodiversity. The Dutch government has been a positive partner in promoting responsible soy practices.

### Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
Market uptake and premiums too low to interest producers in certification. High investments expected for farmers' legal compliance and conform to standards in high risk areas.	A stepping stone approach in market and production countries towards legal compliance. Projects to help farmers in solving issues. Investments in creating responsible supply sheds for the markets at local level.	High	High
Other less credible standards dilute market attention for RTRS.	IDH has taken several initiatives lately to stimulate a new stepping stone approach to mainstream the initiative on responsible soy, and keep RTRS at the horizon for the sector. Also supported a benchmark for the Dutch Stichting Ketentransitie.	Medium	Medium



# KPI Table Soy

Key Performance Indicators Soy Program					
	Overall Target (2011-2015)	Cumulative Target (2011 - 2013)	Cumulative Result (2011 -2013)	Annual Target (2013)	Annual Result (2013)

## Result Area 1: Tangible improvements in condition of production in countries of origin:

Volume in metric tons of certified soy RTRS or on the way to RTRS produced per year	4 to 6,000,000	Na	Na	1,500,000	1,579,177 <sup>2</sup>
No. of hectares of certified farms in high deforestation rate program areas	260-400,000 (20%)	181,000	258,717	60,000	94,027
No. of hectares under RTRS certified responsible land use by program partners	1.3 to 2,000,000	250,000	265,101	165,000	99,924
No. of hectares of conserved forest/HCVA on certified farms	150,000 to 250,000	60,000	83,707	30,000	26,128

## Result area 2: Tangible improvements in sustainable markets:

No. of EU business partners (groups) committed to purchasing sustainable soy	Total make up 10-15% of European market share	5	11	(+) 4 strategic companies in UK/DK/CH + 1 trader	4
Volume in metric tons RTRS certified soy purchased by private partners in IDH program <i>per year</i>	4-6,000,000 EU 1,800,000 NL 600,000 BE	na	na	NL: 600,000 BE: 26,000	NL: 417,000 BE: 20,000 Eu partners total: 510,000
% of RTRS soy procured by NL/BE/UK/Scandinavian private partners out of total	100/100/30/50	30/3/1/10	23/4/1/20	NA	NA

## Result area 3: Effective collaboration and institutionalization at sector level:

No. of partnerships between producer associations and private partners working towards responsible soy certification	5	4	3	2	1
No. of effective instruments at RTRS to guide/help farmers and markets	3	2	3	1	1 (HCVA Map Brazil finalized)
RTRS formally recognized by major chain actors in soy mainstream market	RTRS/responsible certified soy sector policies in NW EU	NL, BE, SW, UK, Aqua engagement	NL, BE, SW and EU feed. Building UK, CGF, TFA, retail UK and Denmark. Development of milestone approach to mainstreaming.	UK engagement. Aqua sector engagement started	Engagement Consumer Goods Forum (CGF); Tropical Forest Alliance (TFA). Retail group (RTRS). DK market. Fefac. Benchmarking to RTRS and stepwise approach launched in NL

## Result area 4: Knowledge on sustainability & supply chain approaches developed & shared:

Studies into strategic issues for mainstreaming sustainability in supply chain	4	3	2	+1	0
No. of solutions/contributions to key bottlenecks for market transformation	4	3	3	+1	1 (Benchmark instrument for NL supply chain)

<sup>2</sup> 552.904 MT RTRS certified and 1,026.273 MT pre-certified (on the way to RTRS)



# Tropical Timber

9 million hectares of tropical forest sustainably managed by 2015\*

Deforestation in the tropics – and the resulting ecological, social and economic degradation – is happening at an alarming rate. Sustainable Forest Management (SFM) has proven to play a key role in curbing deforestation. The IDH Tropical Timber Program aims to improve the business case for SFM in the tropics by supporting concession holders in their process towards achieving SFM certification, and by mainstreaming demand for sustainable tropical timber in Europe.

\* The target has been reviewed to be 9 million instead of 10 million from 2014 onwards. For more information see the Deviations section.

#### Main sustainability issues targeted

Deforestation and forest degradation

#### Partners

##### Private

Numerous concession holders in the three regions, approximately 25 companies in Europe. For full list of partners, visit [www.idhsustainabletrade.com/timber](http://www.idhsustainabletrade.com/timber).

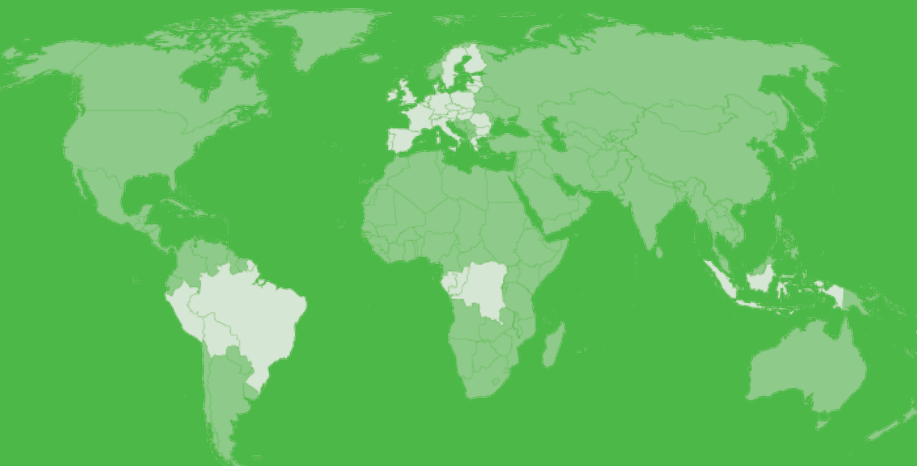
##### Other partners

WWF, FSC, PEFC, ICLEI, Copade, ICCO, EITF, ATIBT, Tropenbos International, and others. For full list of partners, visit [www.idhsustainabletrade.com/timber](http://www.idhsustainabletrade.com/timber).

##### Governments

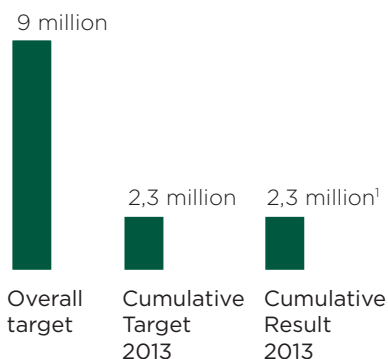
Dutch government, numerous local authorities in Europe.

**Focus countries** BOLIVIA, BRAZIL, CONGO BASIN REGION, EUROPE, INDONESIA, PERU AND SURINAME.

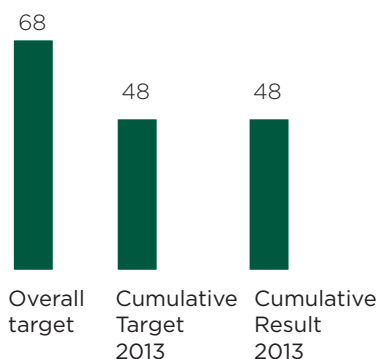


## Progress 2013

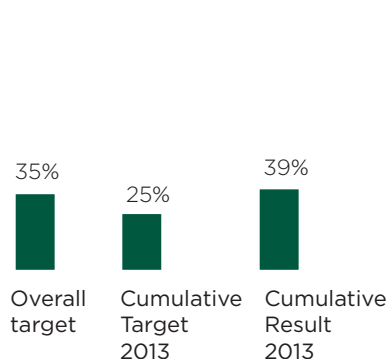
Number of hectares of forest under FSC certified sustainable management



Number of partners formally committed to buying/using legal and sustainable tropical timber in the EU (including private and non-private partners)



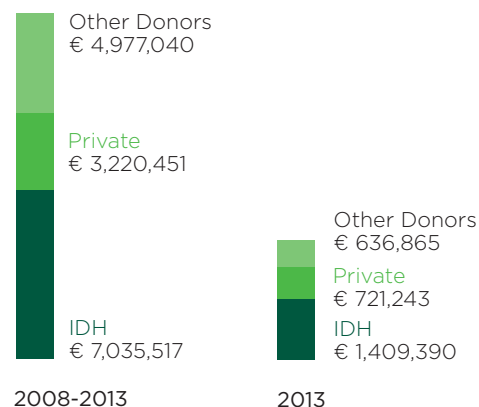
Total market share of FSC certified timber in the Dutch market



<sup>1</sup> 7.1 million hectares in the pipeline to be certified

## Financials 2013

Actual Public and Private contributions



## Theory of Change

One of the main threats to tropical forests is deforestation related to the conversion of land to for example agricultural land use. Without SFM tropical forests are losing value and are being (illegally) logged at a large scale. SFM however is still far from being the standard in the tropics, with over 90% of tropical production forest not SFM certified.

The recently adopted legality regulation in the EU (and similar regulation elsewhere), which bans the import of

illegally logged timber and timber products, and improves the relative business case for certified SFM, presents us with a unique opportunity to make SFM more mainstream. To seize this opportunity, the market needs to send the strong message that demand for sustainably produced tropical timber is growing. In production countries important opportunities outside the original program focus - like Suriname, where 95% of the land is covered by forest - have been included to support the overall SFM case.

### Key accomplishments in 2013

- Over 2 million ha of tropical forest has been certified through The Amazon Alternative, The Borneo Initiative and the Congo Basin Program, representing over 70% of total tropical forest certification worldwide.
- A new program for Peru, targeting the certification of approximately 500,000 ha of tropical forest and working on strengthening the Peruvian forest sector, was approved. The official launch took place in November 2013.
- A new program for Suriname, targeting approximately 500,000 ha, was approved. The official launch took place in November 2013.
- A Green Deal has been signed by IDH, Tropenbos, timber trade and industry associations and the Dutch government, committing to increase the amount of legal and sustainable timber on the Dutch market.
- An agreement has been reached with 48 parties to participate actively in the European Sustainable Tropical Timber Coalition (European STTC). This platform aims to increase demand in Europe for timber from sustainably managed forests to a mainstream level, as key unlocking move for the tropical timber sector.

### Deviations

Progress of the Congo Basin Program is significantly behind schedule, due to severe economic constraints and unclear support from stakeholders for FSC certification in this region. Therefore the program has been revised. This will also be reflected in the certification targets for 2014, which are revised to 1.5 million hectares. Market links between the Congo Basin and European demand will be strengthened, resulting from the activities in the European STTC.

Resulting from the deviations in the Congo Basin Program, delays in the other programs and lower costs for certification than expected, the Tropical Timber Program is behind schedule on spending.

### Lessons Learned

- Increasing the number of hectares under SFM in the tropics will continue to be difficult if the demand for sustainable tropical timber stays low in Europe and in the rest of the world. A strong and united message from the market, making the business case for SFM, is needed. To realize this, we are working to increase the awareness in Europe about the positive qualities of tropical timber and the positive effect of market demand for tropical forestry.
- SFM needs to be seen as a key solution to the problem of deforestation. The focus in the deforestation debate, which is predominantly on reducing the pressure from agriculture on forests, should be completed by a focus on increasing the value of preservation of the forest.

### Local government engagement

In the European STTC we actively involve national governments and local authorities in Europe. Responsible for up to 40% of tropical timber in European countries (e.g. roads and waterways, construction), local and national governments are key players in the tropical timber supply chain and able to influence and increase demand for sustainable tropical timber significantly. In addition, through policy and by building on their reputation, they have the power to influence the sector as a whole.

As part of the Peruvian Tropical Timber Program we are developing a national forestry sector platform to represent the interests of the sector towards national and international (governmental) institutions. The aim of the platform is to contribute to improved communication and representation between the forestry sector and institutions, which are often disconnected and mutually misunderstood.

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
Discussion/ campaigning by NGO's on working on certification with companies in DRC.	We are keeping an open dialogue and are being transparent about choices made, especially in the Congo Basin Program. Developing a strong DRC pilot, with WWF in co-lead.	High	High
Discussion (mainly in the Netherlands) on the definition of sustainable timber.	We are communicating clearly to the public and main stakeholders about the neutral position of IDH in this debate and are stimulating synergies and/or cooperation of opposing organizations in our programs.	Low	Medium
Not reaching the targeted volume ambition on number of ha's certified (visible in under spending).	Step up messaging benefits of certified timber from SFM in EU to improve the business case for concession holders. We are in close contact with project directors of the producer support programs. Large pro-grams are replaced and/or complemented by new programs which are smaller, more targeted and easier to control.	High	Medium

# KPI Table Tropical Timber

Key Performance Indicators Timber Program	Overall Target (2008 – 2016)	Cumulative Target (2008 – 2013)	Cumulative Result (2008 – 2013)
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## Result Area 1: Tangible improvements in condition of production in countries of origin

Number of hectares of forest under FSC certified sustainable management	9 million ha	2.3 million ha <sup>2</sup>	2.3 million ha
No of existing FSC certified ha under improved Sustainable Forest Management (CBP)	1.5 million ha	0 ha	0 ha

## Result area 2: Tangible improvements in sustainable markets

Volume in cubic meters of FSC certified timber and timber products available on the Dutch market	95,000 m <sup>3</sup>	10,000 m <sup>3</sup>	Tbd
Volume in cubic meters of FSC certified timber and timber products available on the European market	140,000 m <sup>3</sup>	5,000 m <sup>3</sup>	Tbd
Total market share of FSC certified timber in the Dutch market	35%	25%	39%

## Result area 3: Effective collaboration and institutionalization at sector level

Number of partners formally committed to FSC (including private and non-private partners)	Retail: 8 Construction: 5 Timber traders: 5 Project commissionaires/ awarding authorities: 50	Retail: 8 Construction: 5 Timber traders: 5 Project commissionaires/ awarding authorities: 30	Retail: 5 Construction: 3 Timber traders: 8 Project commissionaires/ awarding authorities: 9
Number of financial institutions providing loans to FSC certified companies (only TAA)	5	1	9
FSC competence platform for lesser known species established and functioning	1 platform that drives rising imports and application of certified lesser known species	Action plan developed, first memberships established	Action plan developed, memberships established, species under research agreed and ordered from origins,

## Result area 4: Knowledge on sustainability & supply chain approaches developed & shared<sup>3</sup>

Number of strategic reviews	1	1	1
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<sup>2</sup> T.71 million ha in the pipeline to be certified.

<sup>3</sup> KPI's have been changed, as lessons learned and best practices are captured on a continuous basis and not documented as separate results.



# Aquaculture

## 15% of EU import pangasius, shrimp and tilapia responsibly produced in 2015

The IDH Aquaculture Program aims to increase the supply of responsibly farmed fish and to reduce negative social and environmental impacts while respecting food safety requirements. The program supports pangasius, shrimp and tilapia farmers in transitioning towards more responsible practices with the goal of creating a volume equivalent to 15% of EU imports of responsibly farmed tilapia, shrimp and pangasius by 2015.

### Main sustainability issues targeted

Water pollution, source of feed, farm siting and biodiversity, social responsibility, workers and communities.

### Partners

#### Private

Anova Seafood, FEMEG, Mayonna, Nordic Seafood, Seafood Connection, Queens, DKSH & > 20 Vietnamese producing companies, Heiploeg, Chicken of the Sea, Royal Greenland, Blueyou Consulting, Minh Phu, Quoc Viet, Expalsa, Lyons Seafood, Omarsa, Marks & Spencers, Morrisons, All Dutch retailers.

#### Other partners

SNV, GIZ, ASC, GlobalGap, WWF in various countries, VASEP, ICAFIS/VINAFIS, WorldFish, New England Aquarium.

#### Governments

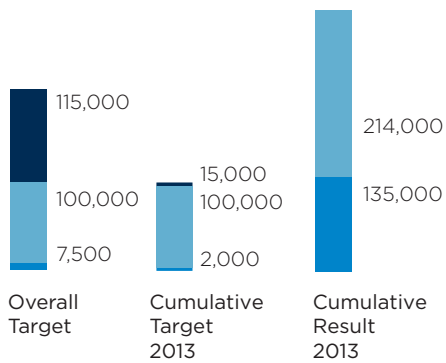
Vietnam (MARD),  
Indonesia (MOMAF).

**Focus countries** BANGLADESH, BELIZE, ECUADOR, INDIA, INDONESIA, THAILAND AND VIETNAM

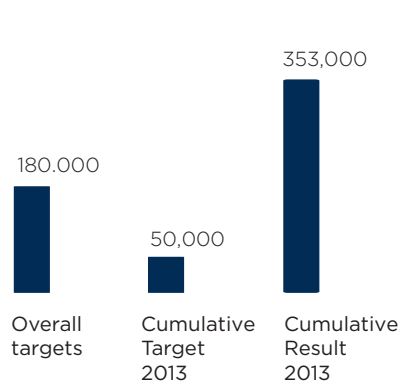


## Progress 2013

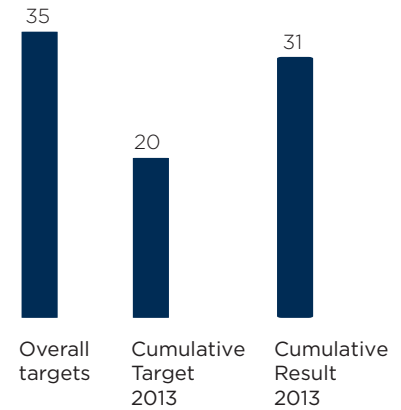
Volume of responsibly produced fish (whole fish) (MT).  
(Shrimps/Pangasius/Tilapia)



Volume of feed compliant with responsibility requirements (MT).

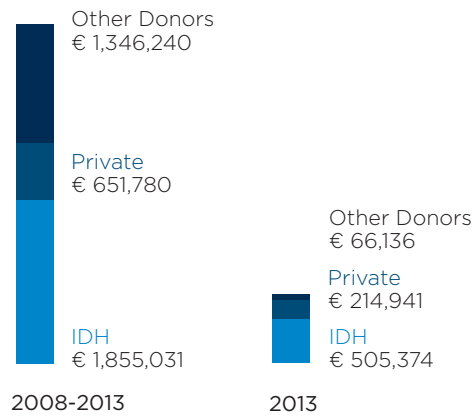


Number of private partners committed to the program.



## Financials 2013

Actual Public and Private contributions



## Theory of Change

Aquaculture, the fastest growing source of animal protein to feed the world, urgently needs its sector supply base to adopt sustainable practices. The IDH Aquaculture Program aims to accelerate this shift in tropical origins by leveraging retail and trade demand for responsibly farmed fish.

This will create incentives for traders and producers to transition towards responsibly farmed seafood. The Farmers in Transition Fund, which is set up by IDH, supports that transition through providing responsible trainings and co-funding to tropical sea food farmers. Different current practices in the supply base provide different starting points and a stepping-stone approach is taken to support this.



### Key accomplishments in 2013

- Launch of the first ASC certified pangasius product in the European market in February 2013.
- ASC Accelerator, the platform supporting improvement projects for the pangasius industry and implemented by SNV, has become the key mechanism in supporting the transition towards ASC certification in pangasius. The program was successfully closed at the end of 2013. A video that shows this unprecedented success and the key players that were involved in it (including European pangasius traders), was produced late 2013.
- Thanks to close collaboration with the Vietnamese government (D-Fish), the Vietnam Association for Seafood Exporters and Producers (VASEP), Vietnam Fisheries Society (Vinafis) and WWF, 37 producing companies engaged either directly or through the Vietnamese partners, more than 200,000 tons of fish were either ASC certified or were on the way to certification (accounting for more than 20% of the national pangasius production).
- Launch of the Farmers In Transition Fund (FIT Fund) during the European Seafood Exposition in Brussels, April 2013. The FIT Fund is a global fund supporting demand-driven improvement projects for shrimp and tilapia farmers.
- The US-based David & Lucile Packard Foundation became a donor partner in the FIT Fund, effectively making the FIT Fund a multi-donor support platform.
- Through the FIT Fund, IDH is now supporting projects in Belize, Ecuador, Indonesia and Vietnam, leading to increasing the volume of sustainability farmed shrimp to an estimated 42,000 MT in the coming year.
- Closing of the 2010-2013 sustainable pangasius SPSP project (implemented by GIZ, co-funded by Anova) due to reaching program targets.
- Ongoing support of ASC in the Supervisory Board and as core funder.
- By December 2013, the ASC had 758 products in distribution; of which 488 were pangasius (64%) and 144 were tilapia (19%). Products were available in 26 countries. The Netherlands are the number 1 country for ASC certified products (31% of global products).
- A spinoff of ASC has resulted in 135,000 tons of ASC certified tilapia (144 products) sold in 10 countries. This was achieved without any direct program investments in tilapia improvement projects.

### Deviations

- Due to the further delay in the release of the ASC shrimp standard and the global market situation in shrimp (shortage of supply of shrimp due to Early Mortality Syndrome, EMS, in China, Thailand and Vietnam, and expanding now to Latin America), the target volumes for shrimp could not be reached. The commitments made to the program in 2013 indicate that the overall target remains reachable.
- Although the targets set for the pangasius program are greatly exceeded, it required less public funding support than anticipated, albeit balanced by a 2:1 private sector contribution.
- Although the original targets for tilapia were set with the assumption that most of the progress towards ASC certification would have to be supported by IDH, the market pull created by promoting the ASC was sufficient to bring an overwhelming shift towards ASC certification in tilapia aquaculture. New targets will be set for 2014 onwards.

### Lessons Learned

- While investment in sustainable sourcing for traders is weak, strong signals of retail in the supply chain remain the dominant reason to act.
- Buy-in of key players in countries of production is essential for the success of the program.
- The business case for ASC pangasius production is at best neutral. The shift to ASC certification in pangasius was possible because of some key success factors (e.g. the strong coalition created in Vietnam, responsible for almost all the internationally traded pangasius). However, this may not be possible for shrimp, hence highlighting the need for a standard-neutral impact-focused program, while remaining committed to the ASC as a reference for responsible aquaculture.

### Local government engagement

- The ASC Accelerator (pangasius) program was implemented in close collaboration with the Vietnamese government. Close links have also been established for the launching of the FIT Fund.
- Regular exchanges were conducted with MOMAF/ Indonesian government as to ensure alignment of programs.
- In Ecuador, close collaboration with the export-focused government program Pro-Ecuador and consultation with the Vice Minister for Aquaculture set the foundations for a country wide engagement of the program.

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
ASC not able to meet the high industry expectations and is dragged into meaningless competition with other standards.	Managerial and funding support of ASC and support a collaborative “stepping stone” approach to other standards.	Medium	High
Disease problems shift the focus from sustainability to mere survival, while scarcity of raw material and high prices are disincentives for successful players to invest in sustainability programs.	Most responsible fish farming criteria also translate into farming practices that avoid massive disease outbreaks. This can help create more appetite for transitioning towards responsible practices.	Medium	High
Fragmented traction in value chain due to size and scale of private sector companies reducing the scale of projects for the FIT Fund.	Stepping up orchestrated engagement of retail towards their supply chains. Engaged with organizations this can bring clustering of private sector.	High	High
FIT Fund is seen as a program competing with initiatives by other organizations that have a longer history in the sector.	Engaged with other key initiatives (standards and NGOs) and started ‘incorporating’ some of them into the FIT Fund.	Medium	Medium
The FIT Fund is considered to be a tool to support ASC rather than an improvement program per se and it does not interest players not targeting ASC.	Continued caution; using neutral messaging and actions. Actively engaged with other certification schemes, while avoiding to undermine ASC with the message in support of ASC as the ultimate reference	High	Medium

# KPI Table Aquaculture

## Key Performance Indicators Aquaculture Program

	Overall Target (2010 – 2015)	Cumulative Target (2010-2013)	Cumulative Result (2010-2013)	Annual Target (2013)	Annual Result (2013)
<b>Result Area 1: Tangible improvements in condition of production in countries of origin:</b>					
No. metric tons of responsible/ASC certified fish produced (whole fish	P (Pangasius): 100,000 <sup>2</sup> S (Shrimps): 115,000 T (Tilapia): 7,500	P: 100,000 S: 15,000 T: 2,000	P: 214,000 S: 0 T: 135,000	P: 40,000 S: 0 T: 0	P: 163,000 S: 0 T: 135,000
No. farmers/workers benefitting from responsible aquaculture <sup>3</sup>	10,000	1,500	925	1,500	925
Volume of feed compliant with responsible requirements	180,000	50,000	353,000 <sup>4</sup>	50,000	353,000 <sup>4</sup>
No. hectares of natural ecosystem benefitting from the program <sup>5</sup>	10,000	2,000	475	150	229
<b>Result area 2: Tangible improvements in sustainable markets:</b>					
No. international seafood buyers committed to the program: supporting responsible improvement in producing countries	35	20	31 (10 traders, 21 retailers)	Na	na
No. metric tons of responsible/ASC certified processed seafood purchased by buyers committed to the program	P: 33,000 <sup>2</sup> S: 50,000 <sup>2</sup> T: 3,000 <sup>2</sup>	P: 33,000 S: 5,000 T: 1,000	P: 82,000 S: 0 T: 45,000	P: 28,000 S: 0 T: 0	P: 63,700 S: 0 T: 45,000
<b>Result area 3: Effective collaboration and institutionalization at sector level:</b>					
No. Support models built in producing countries	6	5	3	5	3
No. National public private dialogues in countries of production addressing sustainability issues beyond the farm-level	5	3	1	3	0
No. of donors contributing to the program	5	2	1	2	1
<b>Result area 4: Knowledge on sustainability &amp; supply chain approaches developed &amp; shared:</b>					
No. of studies executed	7	6	8	2	3
No. of learning pilots on key bottlenecks in the sector	4	3	3	2	0
No. of solutions for identified bottlenecks developed and implemented	5	5	2	2	0

<sup>2</sup> Total target will be increased 2014 onwards.

<sup>3</sup> Number of farmers benefitting from lower shrimp mortality (-5%) and lower FCR (-5%)

<sup>4</sup> Results include only feed used for pangasius and shrimp. Feed used to produce ASC tilapia is not included to the targets nor results, but amounted to 162,000 MT in 2013.

<sup>5</sup> Number of hectares of production benefitting from better effluent management as to limit eutrophication.



# Cotton

## 1.5 million MT Better Cotton lint on the market by 2015

The cotton industry is one of the most challenging sectors to bring about transformative change in. Wastage and the large amounts of pesticides and insecticides used cause immense damage to the environment and result in high economic and health costs to the farmers and their communities. Issues such as severe working conditions, child labor and unfair pay have increasingly been in the spotlight. The supply chain is fragmented and trade flows and government regulations change frequently.

The IDH Cotton Program is working to accelerate the supply and demand for Better Cotton through the Better Cotton Fast Track Program (BCFTP)- by convening a coalition of ten front runner apparel brands and public funders who are committed to procuring 100% sustainable fiber in the future. In 2013, 755,000 MT of Better Cotton have been licensed in 6 countries: India, China, Pakistan, Mali, Mozambique and Brazil. In 2013, the BCFTP licensed over 214,000 farmers in Better Cotton production, covering 731,000 hectares.

**Focus countries** BRAZIL, CHINA, INDIA, MALI, MOZAMBIQUE, PAKISTAN

### Main sustainability issues targeted

Excessive water and pesticide usage, degrading soil health and risks to biodiversity, promote 'Decent Work', gender inequality, child labor and poor livelihood standards.

### Partners

#### Private

adidas, IKEA, H&M, Levi Strauss & Co, Marks & Spencer, Nike, Walmart, VF Corporation, Tesco, Tommy Hilfiger Europe, Vaibhav Laxmi Industries, Arvind, CottonConnect, Trident, Zhongliang, Aksu Jintian Farm Co, Huaifu, Taichang Industrial Co, Huitong Textile Co, CMDT, OLAM, Guoxing, Luthai Fengshou Cotton Industry Co, Addchance Textile

#### Other partners

ICCO\*, Rabobank Foundation\*, FSP (Solidaridad)\*, AFPRO, Solidaridad, WWF India, WWF Pakistan, ABRAPA, ACF, APROCA

#### Governments

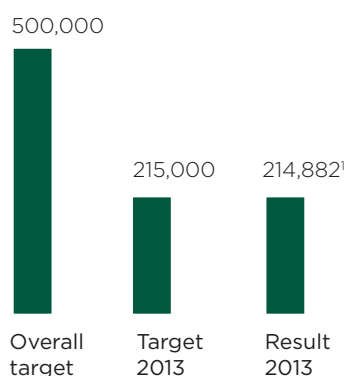
Mozambique

\* Funders

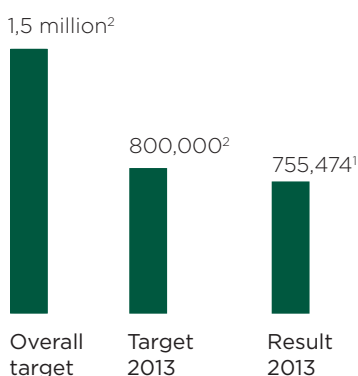


## Progress 2013

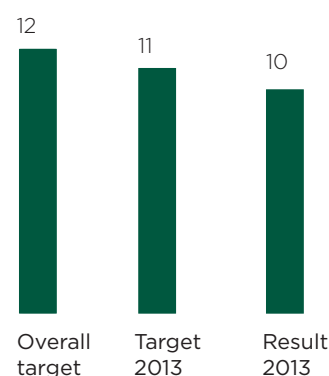
Number of farmers and workers trained



Volume of Better Cotton Lint licensed (MT)



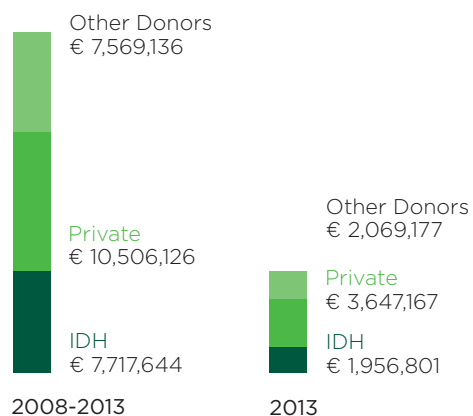
Number of new investors (brands) in the program



<sup>1</sup> As cotton is a seasonal crop, the numbers for 2013 production are not yet available; the production figures in the table relate to licensed figures for 2013 (please note that reporting will always be one year later for any calendar year as we only receive the final production figures in June).

## Financials 2013

Actual Public and Private contributions



## Theory of Change

Since 2010, the BCFTP accelerates the implementation of Better Cotton projects. As a demand-driven program, the BCFTP promotes and builds on the commitment of front-runner brands and retailers to procure Better Cotton as a leading principle in their business operations. Additionally, it aims to invest in farmer capacity to supply cotton in the geographies of their fiber procurement that is produced based on Better Cotton agronomic, environmental and social criteria.

Through training, farmers gain higher yields while using less pesticide, less water and more organic fertilizer, resulting in higher incomes from cotton and lower input costs - and in environmental benefits.

The global market share of Better Cotton is now 2.5% - which is more than that of Organic, Fair Trade and Cotton Made in Africa combined. Nearly 215,000 farmers and workers in Brazil, China, India, Mali, Mozambique and Pakistan have been trained and licensed to produce Better Cotton.

Comparing with Better Cotton and control farmers in 2012, we saw this year on national average a 14% higher yield in Pakistan for Better Cotton farmers, 19% less water use in China, 22% higher use of organic fertilizer in Mali, 14% less pesticide use for large farms in Brazil, and a 32% higher profitability for Better Cotton farmers in India.

### Key accomplishments in 2013

- VF Corporation, Tesco and Tommy Hilfiger Europe signed on to the BCFTP, increasing the financial and procurement commitment of private investors in the program. An outreach event was held jointly with BCI in San Francisco and was attended by major North American brands.
- In 2013 the BCFT Fund invested € 6.9 million in 32 projects in China, India, Mali, Mozambique and Pakistan. BCFTP accounts for 93% of Better Cotton production.
- We jointly designed a plan to help mapping major suppliers, fiber type and sourcing areas for brands and retailers to procure mass balance BC from spinners, in order to help increase market uptake.
- A supply chain work plan was initiated jointly with BCI to help brands increase BC procurement. As part of this work plan, brand specific and generic training supply chain events were held in Bangladesh, China, India and Turkey.
- Mozambique's first harvest as part of the BCFTP portfolio and IAM's (Instituto do Algodao de Mozambique) interest in nationalizing the Better Cotton standard is now official through a signed agreement between BCI and IAM. With Mozambique joining the program portfolio of countries, the BCFTP now operates in 6 countries. IAM is the cotton institute in Mozambique and is very keen on nationalizing the standard which will mean that all concessions in Mozambique will follow the Better Cotton production principles.
- Planning for the transition of BCFTP to the investment Vehicle in 2016 has been an important strategic exercise in 2013. Jointly with BCI, IDH engaged an external consultant to work on the Investment Vehicle design.

### Deviations

During 2013 the cotton program reviewed some of its key performance indicators and the associated targets in order to better reflect the interventions and the current status of the program. The reviewed indicators will be included to the IDH reporting from 2014 onwards. The volume targets for Better Cotton licensed and procured were increased already for 2013 given the high results in 2012.

### Lessons Learned

It is clear that in order to scale our impact, we will need to upscale our uptake. All the lessons learned below are connected to the uptake issue.

- We will engage local stakeholders and mid-stream actors in producing countries. This means demonstrating a clear business case to supply chain players (ginners, spinners) to incentivize them to transact in Better Cotton. The introduction of the Mass Balance System by BCI has played an instrumental role in encouraging mid-stream actors to work with Better Cotton.

- Retail brand uptake needs continuous improvement. This requires a transition in engagement from the CSR departments to the commercial functions of buying and sourcing to position Better Cotton as an undifferentiated commodity, and adopting its leading principle in their business operations.
- Working with governments: to achieve the dual objectives of scale and impact, Better Cotton standards need to be embedded into country cotton production standards. Working with the government in Mozambique has been successful on this front. Working with IAM has been a step towards nationalizing BC standards across all concessions and good case practice to learn from. This requires an ongoing effort in liaising with the local governments to demonstrate a clear business case and hence, moving away from a 'project-based' approach to an institutional approach that allows for a systematic transformation of the cotton market.
- Learning and knowledge sharing: the idea is to create 'role models', to share the best case practices across private partners and where possible, to replicate and scale successes in order to bring us closer to our goal. The cotton program will work on case studies to study cost efficiency of investments and social goals with the help of experts and consultants. Sharing the results and impact with our stakeholders will allow us to revise our models to better focus the program for the next phase.

### Local Government Engagement

- In Mozambique, the signed agreement between BCI and IAM (Instituto do Algodao de Mozambique) means that that the cotton cultivated across all the concessions will follow the Better Cotton production principles. This is a big step and a good example of embedding Better Cotton principles into country standards for cotton production.
- In India, agriculture is mostly a topic on the state agenda and there are ongoing conversations with certain state governments to explore the possibility of state-wide interventions in adopting Better Cotton as the mainstream standard for cotton cultivation. It still remains an ongoing process and a focus area for this year.
- In China, BCI is actively seeking collaborations with local and central government (initially by engaging with the Ministry of Agriculture) to see how we can embed the Better Cotton principles in the China Good Agricultural Practices (GAP) which are going to be developed.

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
Difference in interests of investors, managing their visibility in the program.	Building consensus on the future direction of the program and aligning the interests of the program and the stakeholders.	Low	High
Low procurement by retailer brand partners.	Increasing demand by bringing 3 new brands on board and working with existing brand partners to increase uptake. Demonstrating the business case for brands by way of awareness, support of champions and mutual accountability. Creating a supply chain work plan jointly with BCI to help uptake in supply chain.	High	High
Retail brand interest dies out due to the non availability of customer facing claims in the BCI system.	Convene/participate in discussions between brands & BCI for solutions to a claims framework that is credible yet meaningful to brands. Support BCI with funding to work on traceability and other IT solutions.	Medium	Medium
Not achieving enough scale in Better Cotton production to transform the market.	Encouraging projects to have a vision to scale and be self-reliant before granting funds. Innovating to embed the BCI standard in country standards and benchmarking with other standards - working with the governments, mid-stream players, and trade bodies - to achieve the same. E. g.: Mozambique, ABRAPA's ABR standard, CmiA.	Medium	High
Inabilities to be self reliant: projects do not continue BCI after exit of funding.	Developing a Self-Reliance Strategy that involves partial funding until self reliance is achieved. All projects approved must have the ability to become self reliant within a fixed tenure. Innovate to embed the BCI standard in country standards.	Medium	High

# KPI Table Cotton

## Key Performance Indicators Cotton Program

### Result Area 1: Tangible improvements in condition of production in countries of origin:

	Overall Target <sup>2</sup> (2010 – 2015)	Annual Target <sup>2</sup> (2013)	Annual Result (2013)
Number of farmers licensed	500,000	215,000	214,882 <sup>3</sup>
Number of hectares where BC is grown	1,500,000	600,000	731,430
% of female farmers trained of total farmers trained	10-15%	Not measured till now	Indicator measured in 2014
Volume in MT of BC lint licensed <sup>4</sup>	1,500,000	800,000	755,474 <sup>3</sup>

### Result area 2: Tangible improvements in sustainable markets:

Number of new investors in the program	12	11	10
Volume in MT of qualified Better Cotton procured by private partners <sup>4</sup>	750,000 (is 50% of total BC production)	90,000	84,000 <sup>5</sup>
Private sector investment in the BCFT fund	€15,000,000 <sup>6</sup>	€ 4,500,000	€ 3,586,239

### Result area 3: Effective collaboration and institutionalization at sector level:

Number of local implementing partners	Not determined	+3	+5
Number of regional taskforces established	1 in India 1 in China	1 meeting in India, China and Pakistan	BCI regional taskforce meetings
Number of national/international public-private partnerships, including local government	Partnership in Mozambique, India, China	2	Mozambique with Govt, in India & China partnerships with private supply chain companies for BC supply creation

### Result area 4: Knowledge on sustainability & supply chain approaches developed & shared:

Best Practices Learning Platform for partners established	1	1 Platform meeting in India, China and Pakistan	2 training events held in Bangladesh and China
Number of studies into BCFT impact executed by an external evaluator	4	N/A	3
Implementation of key lessons learned into the program regarding project cost efficiency	Efficiency model with annual benchmarks is implemented	Introduction of the self reliance principle	Project assessment criteria redefined and implemented, bringing substantial cost efficiency and impact

<sup>2</sup>The Cotton program targets are progressive targets from 2010 - 2015. Therefore, we do not report on cumulative targets and results but only on the annual target and result.

<sup>3</sup>Licensed figures for the 2013 harvest season; the final training numbers, produced volume, and volume procured will be available in September 2014 in BCI's annual Harvest Report.

<sup>4</sup> The targets were revised in 2013 –Targets for Volume (MT lint) of Better Cotton licensed and Volume (MT lint) of Better Cotton procured by private partners were increased as the 2012 results were almost equal to the target for 2013.

<sup>5</sup> Collected from brands and retailers for the year 2012-2013 (July-June). Brand internal reporting cycles vary.

<sup>6</sup> Private sector investment in the BCFTF is €15 Million cumulatively by 2015





# Electronics

## More sustainable manufacturing practices in 75 factories by the end of 2015\*

IDH, together with Dell, HP, Philips, Apple, Nokia and civil society organizations, has developed a program to improve working conditions and diminish the environmental impact of over 75 electronics factories in China, reaching over 200,000 workers. The core mechanism of the program builds effective and innovative worker-management dialogue to strengthen the 'continuous improvement muscle' of local manufacturers. This is a prerequisite to addressing the root causes of social and environmental performance issues.

### Main sustainability issues targeted

Working conditions and energy efficiency.

### Partners

*Private*

Dell, HP, Philips, Apple, Nokia

### Other partners

Dutch Federation of Trade Unions, ELEVATE, Good Electronics, IndustriALL, Somo, Economic Rights Institute, Globalization Monitor

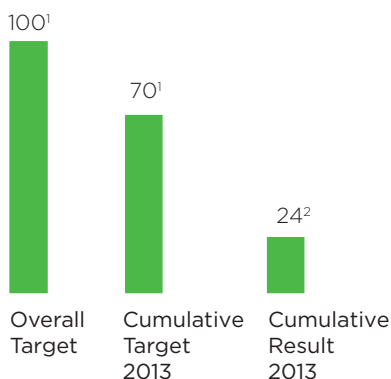
\* Target reviewed during 2013. See the deviations section for more information.

Focus countries CHINA

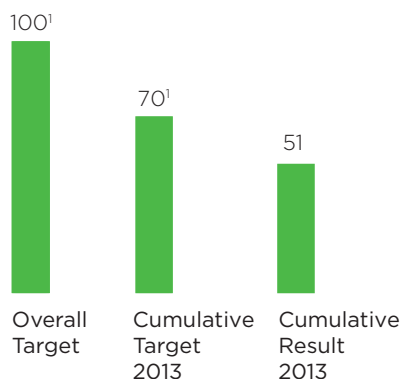


## Progress 2013

Number of worker/management dialogue forums installed or identified



Number of supplier work plans approved

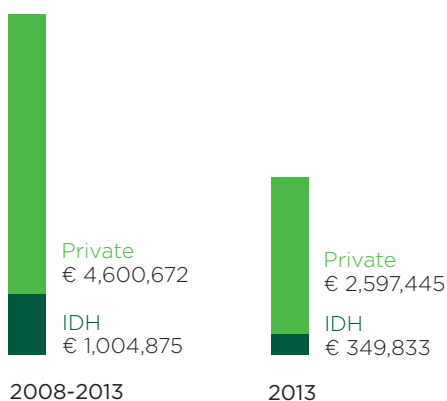


<sup>1</sup> Targets for the program have been reviewed in 2013. See more details in the Deviations section below.

<sup>2</sup> Reflecting the total number of worker-management groups following the core curriculum on WMD.

## Financials 2013

Actual Public and Private investments



## Theory of Change

The program builds on the experience of traditional auditing having limited impact on structural non-compliance issues. By supporting suppliers from the bottom-up instead of enforcing standards top-down, the program addresses the root causes of non-compliance together with the supplier. Therefore this 'beyond auditing' program targets systemic support and capacity building instead of 'policing'.

Solutions for compliance issues (such as reduction of excessive overtime) are thus tackled and linked to business performance (such as production efficiency, lower employee turnover or lower rejects). Improvements are

implemented with the support of a local pool of topic experts, and are owned and monitored by a supplier team of management and worker representatives.

The supplier team is coached to systematically build worker representation systems so workers and managers can collectively identify and solve issues in the factories. International brands contribute through public commitments, direct engagement as buyers and by co-funding of fundamental and lasting changes in their supply base. This way they can both reduce vulnerability to reputational damage and improve manufacturing performance.

### Key accomplishments in 2013

- 27 suppliers received the Entry Point Assessment, which identifies and prioritizes main issues. With last year's 24, this makes a total of 51<sup>3</sup>.
- Pre-competitive and constructive cooperation and frequent meetings were held with brands and CSO's in the Steering Group, international Reflection Group and local Working Group.
- A business case study was completed and published in cooperation with ELEVATE & KPMG. Please see: [www.idhsustainabletrade.com/electronica-worker-management-dialogue](http://www.idhsustainabletrade.com/electronica-worker-management-dialogue).
- Several media publications including in The Guardian and BBC/Click.
- Fast track supplier proposition was developed in order to address uptake and impact challenges and to further innovate the original approach.
- Organized a buyer-supplier session in December in Shenzhen which enhanced brand and factory engagement, in order to create more impact.

### Deviations

- Our ambition to reach 100 electronics suppliers and 500,000 workers has been adjusted to 75 suppliers and 200,000 workers. This is because the incentives for suppliers to participate are less appealing than anticipated under current market pressure and the average factory size is smaller than calculated in the development phase in 2011. Also, the program throughput time is long and the consultative 'beyond compliance' nature of the program deliverables is difficult to make appealing for suppliers ahead of engagement in the program.
- The business case work done with KPMG received significant appreciation from the industry partners; a second phase (including buying behavior impact on supplier practices) has been discussed in the Steering Committee but has not (yet) been approved.

### Lessons Learned

Buyer-supplier session and impact reviews show that the program can have a larger impact by:

- Strict monitoring on the timely progress of the approved work plan.
- Implementing 'mid-term' performance review with suppliers to boost momentum and initiate corrective action when necessary.
- Ensuring strong(er) commitment and 'buy in' from supplier top management, e.g. in engaging their local staff, as well as enhanced bandwidth for involvement from brands.

### Local government engagement

IDH partnered with the Chinese Ministry of Commerce and GIZ in organizing a worker management dialogue conference in China to share lessons learned and identify strategies for harmonizing different approaches. In scope where the WE program (funded by GIZ), the ILO Score program and the work done on this subject by the Chinese trade union ACFTU.

<sup>3</sup>3 suppliers have decided to withdraw from the program which makes the total number of suppliers in the program 48

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
No Chinese government license to operate.	Update meetings with local government (2012) and partnering with Chinese Ministry of Commerce in W-M dialogue event (2013)	Low	High
Lack of supplier commitment.	Developed fast track program. More brand supported engagement meetings in China. Facilitated direct engagement brands-suppliers. Measure and correlate workers' impact with business impact.	High	Medium
Lack of brand/CPO commitment.	Identified and follow up on measures for higher impact in December 2013 Hong Kong meeting.	Medium	High
Service providers' availability and quality.	Improved quality of reviews, capacity building and good resource planning.	Medium	High

# KPI Table Electronics

## Key Performance Indicators Electronics Program

	Overall Target (2011 – 2015)	Cumulative Target (2011-2013)	Cumulative Result (2011-2013)	Annual Target (2013)	Annual Result (2013)
<b>Result Area 1: Tangible improvements in condition of production in countries of origin</b>					
Number of worker / management dialogue forums installed or identified	100	70	24	20	5
Number of Supplier Work Plans developed and approved	100	70	51	50	51
Number of workers under improved working conditions in factories in the program	500,000	250,000	n/a	100,000	n/a
% of identified needs improved / addressed via worker / management dialogue	80% in 100+ factories	50% in 30 factories	n/a <sup>5</sup>	50% in 30 factories	n/a <sup>3</sup>
% decrease in Workers Turnover Rate compared to sector average	5 % in 100+ factories	2% in 30 factories	n/a <sup>5</sup>	2 % in 30 factories	n/a <sup>3</sup>
% of reduction in energy consumption (in mwh per x RMB turnover)	5% in 25 factories	2% in 5 factories	n/a <sup>5</sup>	2% in 5 factories	n/a <sup>3</sup>
<b>Result area 2: Tangible improvements in sustainable markets</b>					
Number of private partners committed to the program	5 brands, 1 00+ suppliers	5 brands, 90 suppliers	5 brands, 41 suppliers	1 brands, 50 suppliers	0 brands, 41 suppliers
Number of partnerships with Industry Platforms	4	2 (EICC and GeSI)	2 (EICC and GeSI)	0	0
Number of suppliers integrating sustainability in their management systems	100	20	27	20	16
Number of suppliers (not in IDH program) using network of local trainers / methodology	50	10	n/a	10	n/a
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>					
Number of local trainers trained	50	35	23	35	19
Number of partners committing to the Roadmap for Change	Companies: 10 Civil Society: 5 Government/NGOs: 3	Companies: 4/ Civil Society: 2/ Governments: 1	n/a <sup>4</sup>	Companies: 4/ Civil Society: 2/ Governments:1	n/a <sup>4</sup>
Chinese government policy favorable to sustainable electronics / aligned with IDH program targets	Guangzhou government favorable policy or activity	Guangzhou government support activities	n/a <sup>4</sup>	Guangzhou government support activities	n/a
Industrial policy favorable to sustainable electronics / aligned with IDH program targets	5 Brands, 1 Industry platform favorable policy	Commitment of 5 Brands to reflect on policy	n/a	Commitment of 5 Brands to reflect on policy	n/a <sup>4</sup>
<b>Result area 4: Knowledge on sustainability &amp; supply chain approaches developed &amp; shared:</b>					
Number of learning sessions held	4	3	3	1	1
Number of learning trajectories on key bottlenecks started	4	2	2	1	1

<sup>3</sup> Results can only be measured at the end of the program.

<sup>4</sup> No measurable results in local and industry policy changes yet



# Coffee

## 25% worldwide coffee sales sustainable in 2015

The Sustainable Coffee Program (SCP) is the largest global, pre-competitive public-private initiative, which acts as a global convener of the coffee supply chain, predominantly in the program's focus countries. The SCP builds and supports both global and national sector strategies involving trade and industry partners, (local) governments, NGO's and standard setting organizations. It strives to unite the sector and to provide a forum for close collaboration with local governments. The ambition is to accelerate sustainable coffee production, yields and export availability to a mainstream level, enabling coffee producers to become more resilient in an ever changing market.

### Main sustainability issues targeted

Productivity, sustainable input use, quality, farmer organization, access to finance, effectiveness of extension services, climate adaptation, involvement of women & youth, income diversification and livelihood of farmers.

### Partners

#### Private

DE Master Blenders 1753, Nestlé, Mondelēz and Tchibo.

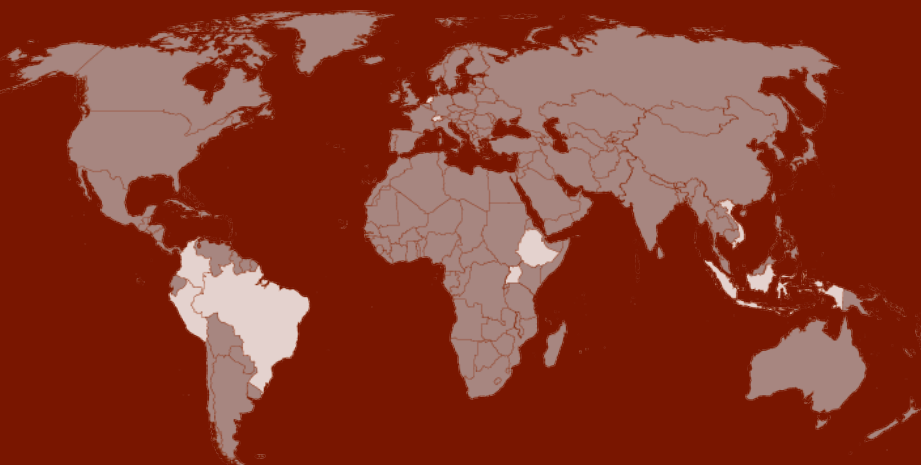
### Other partners in the Steering Committee

The Royal Dutch Coffee and Tea Association (KNVKT), The European Coffee Federation (ECF), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), World Wildlife Federation US (WWF - US).

### Governments

Brazil, Colombia, Ethiopia, Uganda and Vietnam.

**Focus countries** BRAZIL, COLOMBIA, ETHIOPIA, INDONESIA, PERU, UGANDA AND VIETNAM

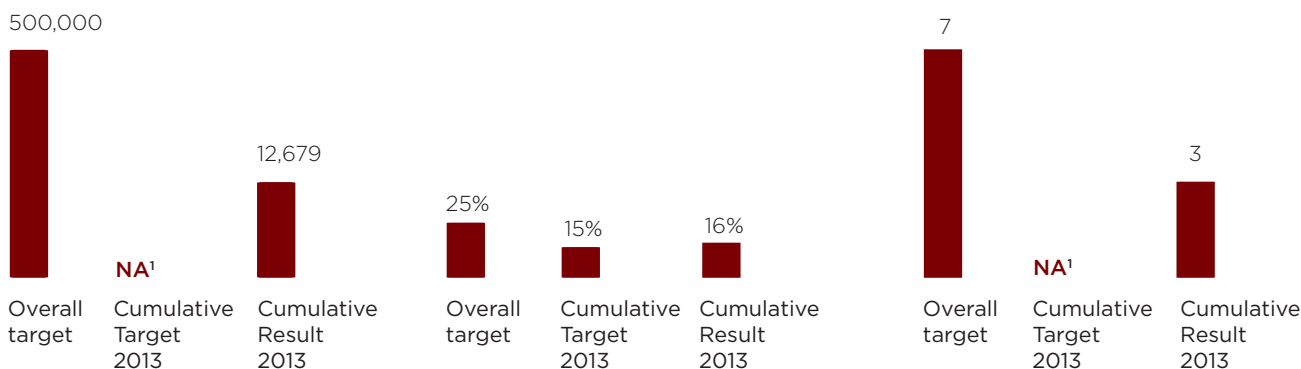


## KPI Progress 2013

Number of farmers trained (directly and indirectly)

% of global sales of green coffee that is sustainably sourced

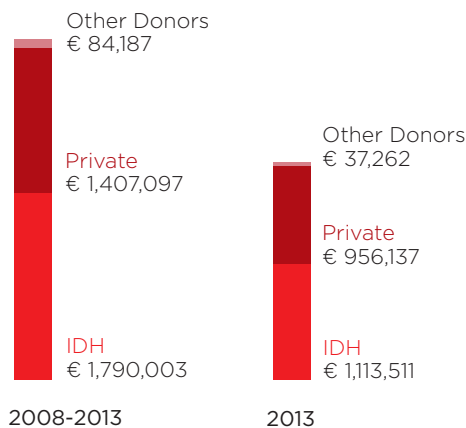
Number of functioning national stakeholder structures in place



<sup>1</sup>The SCP program, for which the partner contracts were only signed early 2013, is build on progressing insights how to approach the systemic sustainable improvement needs of the coffee sectors in the target producing countries. Against this background it took some time after program start to identify overall program progress KPI's and the associated targets. However for contracted Field Level Projects and other project assignments specific KPI's have been agreed in line with the intervention logic.

## Financials 2013

Actual Public and Private contributions



### Theory of Change

Sector wide, sustainable coffee production will not keep up with increasing demand. There are challenges in most producing countries regarding unsustainable production practices, low yields and quality, farmer poverty, lack of access to finance and climate change. The sector recognizes the need to move beyond its earlier competitive and certification driven efforts, and towards a much more systemic and institutionalized, pre-competitively collaborative, impact-oriented approach, to make the coffee sectors, in the key producing countries, more sustainable.

### Key accomplishments in 2013

- The SCP governance structure was finalized, financial commitments of the program's key private partners were secured contractually and an external independent field level project assessment committee was installed.
- Detailed objectives were finalized per global work stream and key country.
- Visible progress on the program's ambitions on the ground was created through the first field level projects and national level activities in Brazil, Colombia, Ethiopia, Indonesia, Uganda and Vietnam.
- The first strategic business case analyses were carried out, bringing in-depth knowledge about sustainable coffee production and helping to fine tune national strategies for each first wave country (Brazil, Ethiopia, Indonesia, Uganda and Vietnam).

- A National Coordinator was contracted in Colombia to drive strategy development and program roll-out (already in place for Brazil, Ethiopia, Uganda and Vietnam).
- Increasing outreach to and establishment of strategic partnerships:
  - MoU with the aBi Trust and cooperation with UCDA in Uganda;
  - Strong role in establishment of the government endorsed Coffee Coordination Board in Vietnam;
  - Board position in Plataforma de Comercio Sostenible in Colombia;
  - Joined SCP roaster visit to Brazil coffee authorities;
  - Partnership with the Coffee and Climate initiative;
  - Support in Vision 2020 of the 4C Association and joined Sustainability Fora organized in Vietnam and Uganda (AFCA);
  - Outreach presentations to Deutsche Kaffee Verein, KNVKT, ECF, Coffee Outlook conference;
  - Outreach meetings at headquarters of all international coffee trading companies;
  - First meetings with many other donors interested in investing through the program.
- A new trader joined the national level agenda of Colombia, two US roasters and one domestic Vietnamese roaster are in the process of joining.

### Deviations

- National coffee sector engagement of a pre-competitive coalition like the Sustainable Coffee Program working through so called "National Coordinators" proves to be a unique (but rewarding) challenge, requiring joined roasters' in depth understanding of the issues and a joined willingness to fund proposed improvement actions. In 2013, this often required more time than we originally anticipated, resulting in delayed spending.
- Slower than originally planned progress on field level projects and therefore a smaller number of farmers trained. With currently over \$100 million project value received since mid 2013, with over 60 concept notes, indicate that the program is set to catch up on these targets. Pro-active outreach of field level projects with private partners and the roll-out approach to National Sustainability Curricula (a. o. Good Agricultural Practices) on a country/district wide scale will further fuel this pipeline. Because of this delay the 2013 program budget allocated was not fully used.
- As part of progressing insights from the Steering Committee on the key objectives of the program, overall key performance indicators and targets were revised in this first full year of implementation and in accordance with program governance processes.
- It was decided to focus prototyping national sector support on Brazil, Ethiopia, Uganda, Vietnam, Indonesia and Colombia rather than engagement in all focus countries.

- During 2013 the Coffee Program has made significant progress in contracting new projects and fine tuning its strategy. As a result, the Key Performance Indicators have been reviewed during the year and the new sharpened KPIs are reported already in this report (see KPI table below). Some of the indicators have been completely excluded in 2013 due to changes in the program. For example, indicators related to the national sustainability focus are no longer applicable. Instead, the Coffee Program focuses on developing National Sustainability Curricula and getting those endorsed by national governments.

### Lessons Learned

- Sharpening the program focus based on progressing assessments of program strengths is a valuable part of the pre-competitive collaboration approach.
- Field level project applications need a lot of guidance and (tripartite or more) contracting procedures take a lot of time due to often poorly written project proposals and requests from deviating and complex contract structures. For the 2014 call for proposals more time is planned for proposal improvement feedback and clearer procedures have been put in place. These improvements will ensure a smoother contracting phase.
- Ongoing stakeholder management and engagement pays off and this has created an environment of trust, which makes it easier to take decisions efficiently. The face-to-face meetings every 6 weeks (excluding joined field visits) with the 10 (mostly private sector) SCP Steering Committee members provide a strong base for program commitments.

### Local government engagement

By design, the SCP engages upfront with local coffee sector authorities (including government) in its focus countries.

- In Vietnam, the program has been pivotal in transitioning the World Economic Forum coffee taskforce, an existing platform, into the Vietnamese government endorsed Coffee Coordination Board (convening public + private; local + international stakeholders). Additionally, the SCP is working on a National Sustainability Curriculum, which is fully supported by the Vietnamese government and local authorities.
- In Ethiopia, on various government levels, meetings took place with the aim to contribute to improvements in the traceability of mainstream coffee through the ECX (national exchange). As traceability is a prerequisite for further private public partnership investment in sustainable production, advancements could have significant impact for the almost 2 million smallholders.
- In Brazil, the program cooperates with government institutions by incorporating sustainability issues and local producer support funding into the new national coffee standard and extension services, on a federal and state level.



**Risk assessment**

Risk	Mitigating Action Undertaken	Current probability	Current impact
Ethiopia: political challenges to add traceability functionality to the functioning of the exchange (ECX).	Due to the unpredictable progress a low cost engagement with clear go/no go's has been agreed in the SCP and continuous updates to manage expectations. Intensive involvement from senior Nestle and Mondelēz representatives (in the form of multiple visits) has ensured strong engagement with the Ethiopian government. IDH keeps close contact with senior TechnoServe and ACIDI-VOCA staff working from Ethiopia	High	Medium
Brazil: insufficient funds for roll out of projects.	Identification of national and state funds available in Brazil and support to farmers in accessing these funds. Managing realistic foreign funding expectations with program partners. Ongoing senior outreach from brands, IDH and NC are to create program visibility and support (e.g. in a joined country visit in May 2013)	High	Medium
Not getting required other donor funding due to disproportional shift of donors to food crops.	Donor outreach is in progress and is already creating success (SECO, Danida); program progress and ambitions have rebalanced with available funding. Some donors have reviewed single focus on food security (like USAID)	Medium	High

# KPI Table Coffee

## Key Performance Indicators Coffee Program

	Overall Target (2012-2015)	Cumulative Result (2012-2013)	Cumulative Target (2014)
<b>Result area 1: Tangible improvements in condition of production in countries of origin:</b>			
Number of farmers trained (direct and indirect)	500,000	12,679	50,000
Number of farmers organized or in improved farmer organizations through program activities	500,000	9,827	50,000
Volume of GCE that is produced sustainably by farmers trained in the program (MT)	NA	26,821	60,000
<b>Result area 2: Tangible improvements in sustainable markets:</b>			
% of global sales of green coffee that is sustainably sourced	25%	est 16%	15%
<b>Result area 3: Effective collaboration and institutionalization at sector level:</b>			
Number of national strategies developed	7	4	3
Number of national stakeholder structures in place and functional	7	3	3
Total amount of non-IDH funding into the program activities (committed in millions USD)	60	22.5	14
<b>Result area 4: Knowledge on sustainability &amp; supply chain approaches developed &amp; shared:</b>			
Number of learning studies carried out and reports published that inform national and global sustainability strategies	25	11	7



# Cashew

**By 2015, 330,000  
African farmers produce  
sustainable cashew**

The IDH Cashew Program is an industry-driven program working to make the production, processing and trade of cashew nuts more sustainable. By organizing the sourcing areas of newly set up processing facilities and by creating strong market linkages between newly established medium to large scale cashew processing factories in Africa and Western end buyers, social-economic development of a sustainable cashew value chain is ensured while natural resources are being preserved.

**Main sustainability issues targeted**  
Smallholder livelihoods & professionalization, working conditions, health & safety at processing level.

**Partners**

*Private*

Ahold, Intersnack, Olam, Trade & Development Group, Equatorial Nut Processors

*Other partners*

African Cashew Initiative (ACI), African Cashew Alliance (ACA), Bill & Melinda Gates Foundation, Chainfood, FairMatch Support, Gesellschaft für Internationale Zusammenarbeit (GIZ)

**Governments**

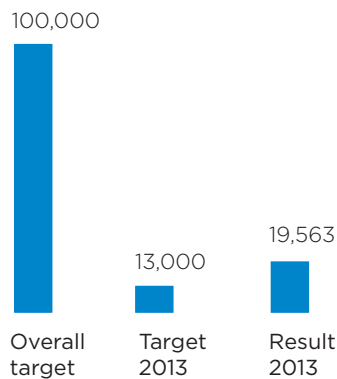
Via ACI.

**Focus countries** BENIN, BURKINA FASO, CÔTE D'IVOIRE, GHANA, KENYA AND MOZAMBIQUE

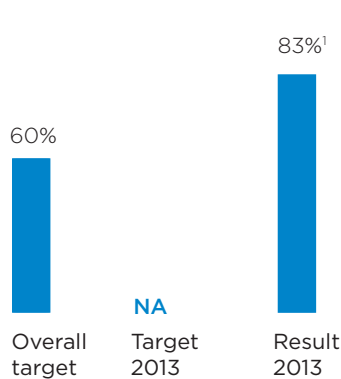


## KPI Progress 2013

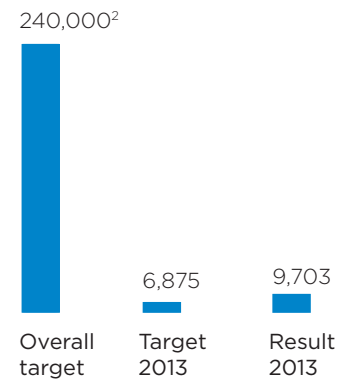
No. of farmers directly involved in the program.



% of RCN sourced directly from farmers of farmer groups (= capture rate)



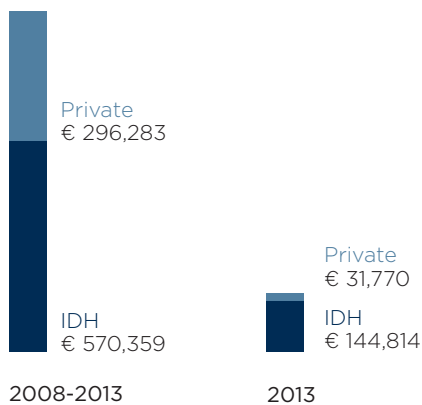
Volume RCN (MT) traceable from farmer aggregation to end buyer and vice versa.



<sup>1</sup> The result of 2013 only reflects the 2 pilot projects in Burkina Faso and Cote d'Ivoire, while the overall target of 60% is based on a wider project scope also including other countries such as Mozambique where the local context is significantly different

## Financials 2013

Actual Public and Private contributions



### Theory of Change

The interest in direct sourcing from Africa continues to grow and organizing the sourcing areas in an efficient and sustainable manner becomes more crucial. Although the industry foresees that demand for raw cashew nuts (RCN) outside Africa will remain, the changes in the sector create a new setting and enhance the need to develop different approaches to secure future supply in both a qualitative and quantitative manner.

The total value chain is engaged in the transformation process, focusing on increasing productivity and qual-

ity of cashew nuts. This is expected to lead to improved sources of livelihood for farmers and better working conditions at processing level, and to more security of supply for cashew roasters.

The International Cashew Sustainability Initiative mainly aims for better and more secure farmer income and livelihoods, and aims to create locally added value in a sustainable manner.

### Key accomplishments in 2013

In 2013 the Cashew Program has moved from the development phase into the implementation phase.

- Central level achievements
  - The multi-year strategy of the Cashew Program has been approved by the Steering Committee.
  - The pilot phase, including the development of the management information system named the Integrated Sustainable Supply Improvement System (I-SSIS), has been finalized.
  - IDH and the African Cashew Initiative (ACi – funded by the Bill and Melinda Gates Foundation (BMGF) and the German Federal Ministry for Economic Cooperation and Development (BMZ)) have entered a strategic partnership to harmonize field level implementation via the Cashew Matching Grant Fund.
  - An action plan and shortlist of key sustainability issues was identified as a basis for the sector reference framework on how to validate sustainability in the cashew sector.
- Local level achievements
  - In total, 184 farmer aggregations have been established in Cote d'Ivoire and Burkina Faso, in which 19,563 farmers have been trained. More importantly, a direct link between those farmers and processors has been established.
  - In July 2013, IDH and ACi have launched a second call for proposals under the Cashew Matching Grant Fund. In total this generated 22 applications from 7 different countries. Of these, 10 applications have been developed into full proposals of which at least 4 are directly funded by IDH (in Burkina Faso, Cote d'Ivoire, Mozambique and Kenya).

### Deviations

- After approval of the multi-year strategy for the program, the final negotiations and contracting phase with private partners have taken longer than expected. Due to this and the delay in the pilot it has been difficult to get additional private partners on board in 2013 and therefore also resulted in a delay in IDH spending.
- Full integration with ACi did not seem feasible as this would hinder the work on the ground. Therefore a strategic alliance has been set up. This structure has already proven to work well between both parties – providing the necessary alignment between the different organizations and exchange of best practices and knowledge, while at the same time each organization can follow its own process and procedures in the operational set up of the field level projects.

### Lessons Learned

- Upscaling both local activities as well as further increasing the engagement of private partners in the management information system remains crucial for the success of the program. More time is needed to develop full proposals, as the dynamics in the sector and time and funding resources available with the private parties involved delay the development of large scale projects in the cashew sector.
- An ambitious target is set on the volume running through I-SSIS (Management Information System), and the industry foresees that demand from raw seed outside Africa will remain. Therefore in 2014 it will be discussed in the Steering Committee to expand the scope beyond Africa and also include Asian processed raw seeds and eventually worldwide production, leading to more volume and more partners.
- On the local level it turned out that joint implementation by FairMatch Support and companies works out well. Challenges for the future lie in making farmer aggregations more sustainable business models. Also, a clear incentive system rewarding better quality and efficiency should be in place.

### Local government engagement

Mainly via the African Cashew Initiative, which is a direct actor in the producing countries, local governments have been involved in further strengthening the local cashew sector. These governments have been supportive both in creating an enabling environments for investment in production, processing, consumption and export, as well as in sector specific research. The Cashew Matching Grant Fund has proven to be a suitable instrument to foster cooperation between various government agencies.

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
Lack of tangible IDH attribution given to the crowded donor field working on cashew.	IDH has both actively aligned efforts with ACi on the ground and carved out its space in the sector by taking up the work that is currently not tackled by other donors active in cashew, namely by writing a sustainability vision for the entire cashew sector.	Medium	High
Confidentiality of commercial data (hard to gain and easy to lose) of the two partners involved, which illustrates the impact of the program.	IDH has been engaging with potential new partners.  The owner of the data decides which party can see what type of information further down in the supply chain.	Medium	High
Private sector commitments to invest funds, on top of what they are already doing themselves, remain limited. The local SME processors mostly lack the financial capacity to invest.	Strategic alliance with ACi set up in which private partner base is expanded. In addition to this, other financing models like pre- and crop financing are interesting options for the cashew companies – and are therefore explored within the program.	Medium	High
Dependence on primarily one implementing partner organization.	Outreach to potential new IPs, making sure not all capacity remains within one organization and explore options for combined implementation by more than 1 implementer.	Low	Medium

## KPI table

KPIs were finalized for the IDH Annual Plan 2014 and are therefore not reported upon this report.

# Programs in Implementation **Light**

In 2013, IDH orchestrated six light programs – natural stone, spices, tourism, fruit & vegetables, flowers & plants and palm oil. Light programs are important for IDH, but the resources we invest are limited compared to our pillar programs. In the course of 2013 IDH invested relatively more in fruit & vegetables and palm oil due to the strong business drive that developed in these two sectors. In the following pages, you'll find extensive overviews and reports on our light programs' results, as well as detailed descriptions of key achievements, deviations, lessons learned and an assessment of risk. Take note that the fruit & vegetable, flowers & plants and palm oil programs went into implementation in 2013 and therefore, will not report on a full KPI set this year. Conversely, 2013 was the final year for our tourism program and the full results are now available.



# Spices

**20% of all pepper and 10% of the volumes of 3 other spices imported in the EU produced sustainably**

The Sustainable Spices Initiative (SSI) brings together leading international companies and NGOs aiming to sustainably transform the mainstreamspices sector. The SSI aims to ensure the long term supply of sustainable, quality spices, making spice production attractive for farmers in the long run, safeguarding food safety and reducing negative impact on the environment. This should facilitate spice production to become, or remain, an important element of a diversified farmer livelihood strategy, strengthening smallholders households' economic resilience.

#### **Main sustainability issues targeted**

Livelihood of smallholders, labor conditions including child labor, excessive pesticide use and waste water management issues.

#### **Partners**

##### *Private*

Cassia Coop, Euroma, Intertaste, ITC-India, Jayanti, McCormick, Nedspice, Olam, Sabater, Symrise, Unilever, Unispices and Verstegen.

##### *Other partners*

Cordaid, Both Ends, ICCO, KIT, Rainforest Alliance, SNV Asia, World Spices Organization, European Spice Association.

#### **Governments**

Dutch embassies in India, Indonesia and Vietnam.

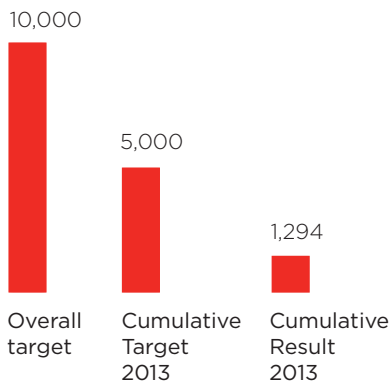
**Focus countries** INDIA, INDONESIA, MADAGASCAR, VIETNAM



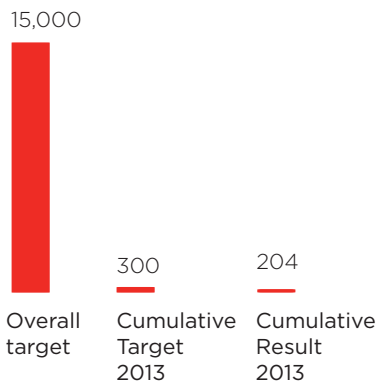


## KPI Progress 2013

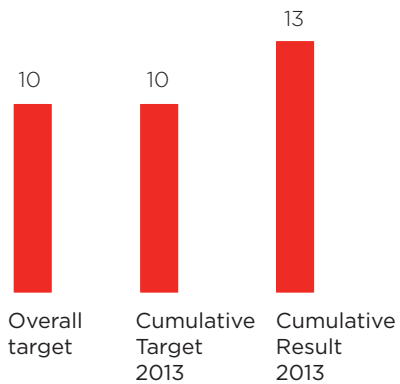
Number of smallholders trained on sustainable production practices



Volume of certified sustainable pepper purchased by program partners (tons)

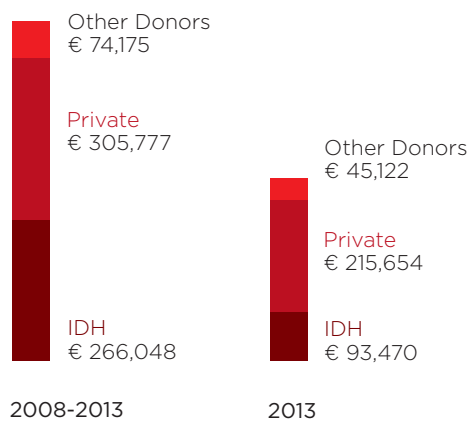


Number of private partners investing in the program



## Financials 2013

Actual Public and Private contributions



### Theory of Change

Poor agricultural practices, especially uncontrolled pesticide use, poor labor conditions, poor processing and increasingly substituting spices production for other high-value crops or jobs, caused increased concerns over long-term supply, food safety and traceability. These were and are the main drivers for frontrunners in the sector to initiate and join the Sustainable Spices Initiative, hosted by IDH. Sustainable production of spices still is at its starting phase and poses quite a challenge for the sector, given the large number of smallholders and diversified amount of spices and countries of production involved. SSI has a combined approach:

- Creating engagement and commitment on sourcing of sustainable spices at retail, brands and processing industry.
- Support the sector in developing credible and cost-efficient sustainability standards for spices to guide the industry and service end-buyers.
- Support processors to reach their supplying producers and train them to improve production circumstances and to comply with sustainability standards. One of the tools in achieving the ambition of the SSI is the Spices Producers support Investment Fund (SPIF).
- Collaboration with local industry platforms building learning and support programs to tackle key sustainability issues in specific countries.
- Institutional embedding of SSI into the sector.

### Key accomplishments in 2013

- For the first time, over 1000 MT certified pepper, cassia, turmeric and chillies were produced worldwide, by SSI program partners. Total area RA certified reached 1463 ha and nearly 900 farmers were trained.
- Three strategic new members joined in 2013: ITC India (IN), Symrise (DE) and Sabater (SP), bringing respectively solid field experience in chillies and vanilla, and introducing paprika into SSI. Paprika is seen as one of the key spices in the sector, and was missing in SSI context.
- The Local Interpretation Guidelines (LIG) of the Rainforest Alliance SAN standard for the 7 spices of the program are nearly finalized. The LIG for pepper in Vietnam was formally approved by SAN, final drafts were submitted for cassia, pepper (Indo), vanilla and cloves. The other three drafts (ginger, chili, turmeric) are planned for submission in Q1 2014.
- The cost-benefit study on sustainable pepper production in Vietnam was finalized.
- A new strategy was developed for SSI to achieve mainstreaming through broadening the number of strategic spices in SSI, opening up for new standards and benchmarking them, and collaboration with local spices industry platforms to tackle key local sustainability issues.

### Deviations

- Against the expectations of the industry, only a small percentage of the 450 tons certified pepper was really sold as such in the market, due to a low buying commitment from the food industry, retail and end users. The lack of commitment of end buyers to buy certified products visibly led some processors to lower their ambitions and targets in project proposals.
- As a result, the number and size of proposed producer support projects is lagging behind target. In 2013 only 2 new projects were contracted. Also lack of experience among processors, resulting in smaller and more experimental projects at this stage, is seen as reason for the limited number of projects.
- To address the issue of low end-market commitment, SSI is bringing more new players, especially from the food industry and retail, as well as new key international processors to SSI. For the final project call of SPIF Q2 2014 several leads have been identified, with a possible catch up on project contracting. IDH has invested in support for the smaller processors to build up proposals.
- Delivery of Local Interpretation Guidelines (turmeric, ginger, and chili) of RA is slightly delayed.

### Lessons Learned

The Cost Benefit study developed by KIT and IDH concluded that the business case for RA certified pepper is not a given. The right conditions must be in place, including:

- A (slight) premium, which is needed in the initial years.
- Efficiencies in the field, preparing for certification, at a group level.
- Clearer market uptake and sharing of initial investments at the startup phase.
- A beyond certification agenda, focusing e.g. on productivity or added value closer to farm.
- Working directly with farmers and providing services to them at better value (e. g. inputs) eventually creating a higher fidelity rate. Inclusion in backward integration schemes seem to work for both, processors and farms, creating a better control on food quality, safety and sustainable practices.

### Local government engagement

In 2014, projects at local level on specific sustainability issues with private sector associations (WSO, VPA) are going to be developed. These organizations are well linked to local authorities such as the Spices Board of India and Vietnamese Ministry of Agriculture. For Vietnam also the local WEF setting will be explored. Collaborations with local Dutch Embassies are foreseen.

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
Market uptake low. Care for sustainable spices left for processors alone, with low uptake of sector.	Broadening SSI stakeholder participation. 3 new key players added to SSI in 2013. Increasing retail and brands engagement/ commitment started and expected in 2014.	High	High
SAN standard RA certification only is a too narrow choice for sector to reach mainstreaming, given the high B2B profile of spices sector.	Benchmark RA to other sustainability and sector standards. To be concluded in 2014.	High	Medium

# KPI Table Spices

Key Performance Indicators Spices Program						
	Overall Target (2012-2015)	Cumulative Target (2012-2013)	Cumulative Result (2012-2013)	Annual Target (2013)	Annual Result (2013)	
<b>Result Area 1: Tangible improvements in condition of production in countries of origin</b>						
Number of smallholders trained on sustainable production practice	10,000	5,000	1,294	2,500	874	
Number of hectares of land managed using sustainable techniques	20,000	7,000	1,463	2,000	1,463	
<b>Result area 2: Tangible improvements in sustainable markets</b>						
Number of private partners investing in the program	10	10	13	1	3	
Number of IDH partners that have actively engaged value chain partners through producer support pilot programs	10	10	7	5	4	
Volume (tons) of certified sustainable pepper purchased by program partners	15,000	300	204	300	154 <sup>1</sup>	
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>						
Number of non-business program partners involved in the program in origin countries (including local/regional governments, sector boards)	10	5	6	0	2	
Number of industry-wide accepted mainstream sustainability standards for spices	1	1	1	0	0	
Coalitions consisting of 2 or more partners that did not work together on sustainability issues before IDH program started.	10	5	7	0	3	
Number of pilots with organizing farmers developed in sourcing countries	5	4	6	2	3	
<b>Result area 4: Knowledge on sustainability &amp; supply chain approaches developed &amp; shared</b>						
Number of best practices documented and shared	5	2	0	0	0	
Number of GAP analysis and base-line studies	10	7	8	2	3	
Number of solutions for identified sustainability bottlenecks developed	3	1	1	0	1	

<sup>1</sup> Based on partial results



# Natural Stone

## Improved labor conditions for 10,000 workers by 2015

The Natural Stone Program comprises northwestern European retailers, traders, importers and their suppliers that are committed to offering ethically produced products. The aim of the program is to diminish the negative social and environmental impact of natural stone mining and processing. The main target countries are India and China, being the largest producers of natural stone.

### Main sustainability issues targeted

Heavy, dangerous work in quarries, excessive working hours, child labor mainly in the manual cutting of cobblestones, poor housing for migrant laborers, adverse impact on water supplies, air and landscape.

### Partners

#### Private

VNNI – Vereniging van Nederlandse Natuursteen Importeurs. ABN – Algemene Bond van Nederlandse Natuursteenbedrijven, FEBENAT, Aggregate Industries, Arte di Granito, B&Q, Beltrami, Ceramic Prints, Dekker Natuursteen, Hoogenberg, Jetstone, Michael Oprey & Beisterveld, Petrus, Stoneasy, Struyk Verwo Infra, Natuursteenbedrijf van Leeuwen, Gebroeders Voets water en wegenvbouw, Hofman, Pelt & Hooykaas Natuursteen.

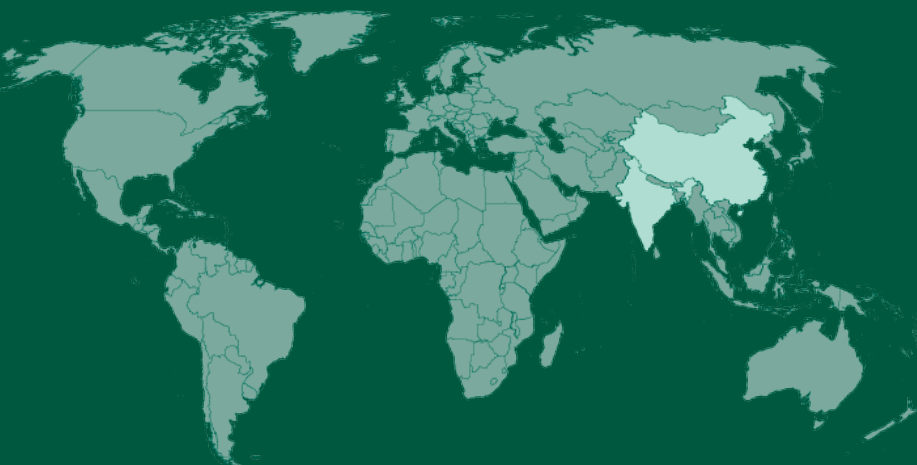
#### Other partners

LIW, FNV Bouw, Building and Wood workers International, The Forest Trust (TFT).

#### Governments

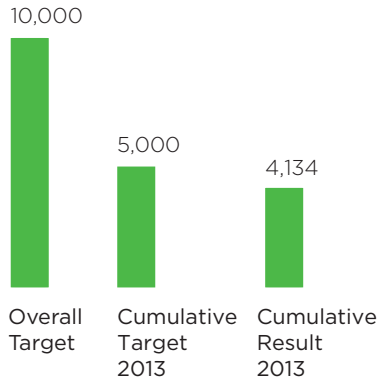
The Netherlands

Focus countries INDIA, CHINA

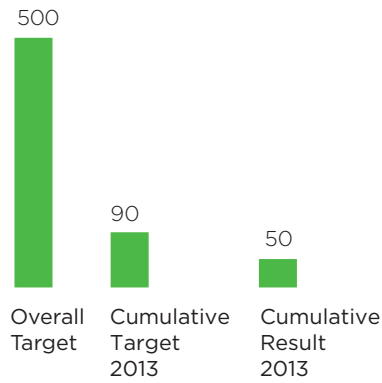


## KPI Progress 2013

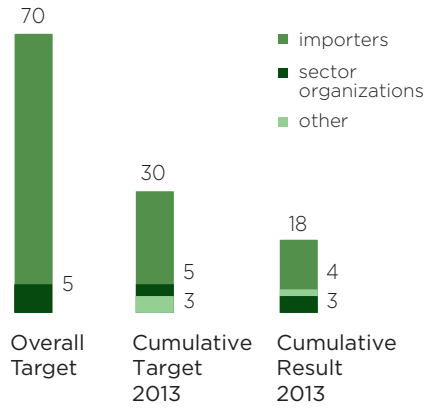
Number of workers under improved working conditions in factories and quarries of the suppliers participating in the program.



Number of suppliers committed to improving working conditions in their factories and quarries.

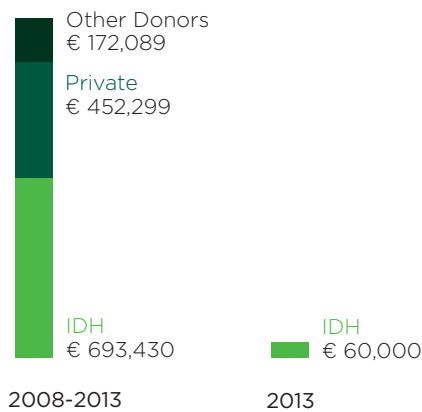


Number of private partners committed to the program (TFT RSP membership).



## Financials 2013

Actual Public and Private contributions



### Theory of Change

With mainly SME companies, the natural stone sector in Europe lacks leverage to effectively change production practices in supplying countries such as India and China. By uniting northwestern European retailers, traders and importers, The Forest Trust (TFT) Responsible Stone Program creates critical mass and a pragmatic step-by-step approach to engage and help suppliers to offer an ethically produced product.

Besides working on increased supply of responsible stone, the Responsible Stone Program targets the demand side through active outreach to public buyers of natural stone. IDH support to the program is gradually being phased out. The secretariat and the implementation of the program are fully transferred to the UK based non-profit organization TFT. The IDH support will shift to on-the-ground projects and to strengthening the implementation in the production countries. IDH will exit the sector entirely by 2015.

### Key accomplishments in 2012

- Retention of private sector commitment during the up-scaling of the program, which included stricter participation criteria and financial contributions by members.
- Reconfirmation of the support by civil society organizations and the unions (FNV Bouw & BWI) and additional financial support from Hoofd Bedrijfschap Ambachten (HBA) was received for market outreach to the Dutch speaking markets;
- Besides the regular implementation program, a first impact project in Rajasthan, India, has been started with the aim of supporting the establishment of a child labor free zone.

### Deviations

- A new KPI has been added to reflect the progress of the program: the number of on-the-ground projects in execution and preparation. This will be included in the Annual Plan for 2014. So far, 2 on-the-ground projects are in preparation.
- Due to the planned phase-out of the program, the learning KPI has been reduced to a learning paper on the program development and execution.
- Acquisition of additional suppliers is behind schedule. The focus was put on retention, servicing current members and assuring the TFT program uptake.
- Due to involvement of larger suppliers, the initial target of 500 suppliers has been adjusted to 70 suppliers. The number of targeted workers remains the same.
- The number of involved suppliers decrease to 50. To reduce costs and increase market leverage, workplans were adjusted with a focus on shared suppliers.
- Besides the drop out of members caused additional drop out of suppliers.
- The number of participation organisations remained the same. Due to increase in membership costs some smaller members decided to exit the program in the course of 2013. Due to this development the target for participating organisations was readjust to 30 instead of the 45 that was set in 2012. Additional emphasis was put on acquisition of new companies to prevent further decrease in members. However this had limited effect and the total number of participating organisations in 2013 was 25.

### Lessons Learned

Roll-out of the program remains difficult due to the current recession in the building sector and resulting limited appetite of buyers to invest in the supplier's base. The sourcing commitment of the public sector towards sustainable products remains a paper tiger and does not generate additional demand from public buyers for responsible stone. Therefore additional focus on communication towards end-user is initiated for 2014 with support of the HBA and Dutch Unions.

### Local government engagement

- Not applicable

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
Declining private sector commitment due to an increase in costs and recession in the building sector.	Though a lot of account management and support of the supply chain was done to prevent this from happening, primarily due to the recession in the building sector, the private sector commitment declined.	High	High
Limited TFT capacity and program uptake.	Monitoring and planning through IDH board membership.	Medium	High
Lack of customer interest in sustainability in non-UK countries.	Communication campaign was developed in Q4 2013, and financed by HBA.	Medium	Medium
Sustainability claims by members regarding stone from the suppliers.	Monitoring of communications by TFT.	Low	Medium



# KPI Table Natural Stone

Key Performance Indicators Natural Stone Program			
	Overall Target (2012-2015)	Cumulative Target (2012- 2013)	Cumulative Result (2012-2013)

## Result Area 1: Tangible improvements in condition of production in countries of origin:

Number of workers under improved working conditions in factories and quarries of the suppliers participating in the program	10,000	5,000	4,134
Number of suppliers committed to improving working conditions in their factories and quarries	500	90	50

## Result area 2: Tangible improvements in sustainable markets:

Number of private partners committed to the program	70 importers, 5 EU sector organizations	30 EU importers, 5 EU sector organizations, 3 construction companies	18 importers, 2 stonemasons, 1 retailer, 1 trader, 3 sector associations
Percentage of total market share of participating companies	25% of NW-European Market	15% of NW-European Market	Less than 5% of NW-European Market
Percentage of natural stone imports from high risk countries of program partners that is sourced sustainably	10%	0%	0%

## Result area 3: Effective collaboration and institutionalization at sector level:

Number of non-private partners committed to the program (including local/regional government and sector boards)	15	7	6
Number of European countries engaged in international initiative for natural stone	12	6	6
Verification system formally recognized by key sector players	Formal acceptance and recognition by EU end-users (Public buyers & cooperate buyers)	5	First get program up and running

## Result area 4: Knowledge on sustainability & supply chain approaches developed & shared:

Number of learning trajectories on key bottlenecks started	2	1	0
Number of best practices documented	4	1	0
Number of solutions for identified key bottlenecks developed and implemented	2	1	0



# Tourism

## To certify 884 accommodations by 2013

At the end of 2013, IDH formally ended the Tourism Program. The focus of the past two years has been on consolidation and embedding of the program in new and/or strengthened structures. The program invested in strengthening the Travelife certification scheme and structure, strengthening the network of supporting organizations mobilizing market demand in the Netherlands and providing sustainability training to incoming tour operators.

### Main sustainability issues targeted

Energy use, waste disposal, labor conditions and relations with local communities.

### Partners

#### Private

TUI Nederland, Kuoni Nederland, Oad Group, Terra Travel (Baobab), De Reisspecialisten Groep, Sawadee Reizen, SNP Naturreizen, Fox vakanties, ANWB, Corendon, Thomas Cook.

#### Other partners

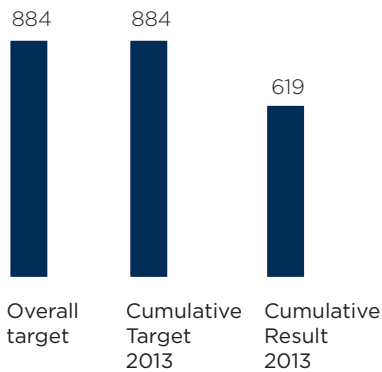
Travelife, MVO Netherlands, Abta, ANVR CBI.

**Focus countries** BRAZIL, EGYPT, KENYA, TANZANIA, THAILAND AND TURKEY



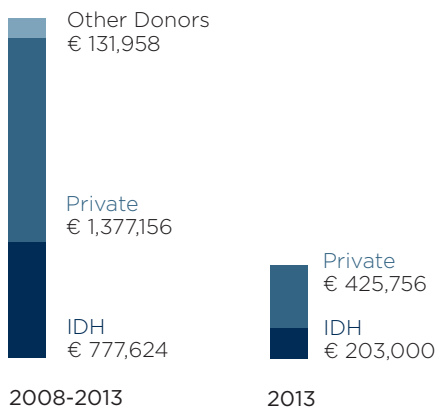
## KPI Progress 2013

Number of Travelife certified accommodations in total



## Financials 2013

Actual Public and Private contributions



### Theory of Change

By supporting the Travelife certification scheme, IDH has contributed to strengthening the Travelife system, currently the only credible and internationally recognized sustainable tourism scheme worldwide.

With the support of IDH, the standard was revised to better accommodate small and medium sized accommodations and realized the recognition of the Global Sustainable Tourism Council. In addition, IDH supported the start of the Tourism Network of CSR Netherlands in which Dutch initiatives on sustainable tourism of the sector association ANVR and several others are now well embedded.

Eventually, IDH set up a structure for strong alignment between Dutch and European initiatives of CSR Netherlands, ANVR and Travelife. These initiatives will continue working on the Travelife certification of accommodations worldwide. Almost 900 were certified with the support of IDH in the six focus countries.

### Key accomplishments in 2013

- During the 'Changes in tourism' day at the 'Vakantiebeurs' on January 9th, 2013, the Vision on the future of Tourism in 2025 was launched by Princess Laurentien of the Netherlands. This Vision has been widely accepted in the Dutch tourism sector, as witnessed by the participation of over 50 travel companies in the workshops related to the Vision. The first three Travelife Certified Awards were handed out by Mr. Taleb Rifai, Secretary-General of the UNWTO (UN-World Tourism Organisation) to the Dutch tour operators TUI Nederland, SNP Natuurreizen and Avontuur.nu.
- A CSR Netherlands Tourism Network was established as a sustainable continuation of the IDH Tourism Program (and replacing the former IDUT network) under the leadership of CSR (MVO) Netherlands.
- Successful phasing out of IDH from the sector and embedding of the initiative in other structures.

### Deviations

- Destinations approached in Thailand and Brazil were only partly implemented. After initial trainings, no follow up trajectories were started due to delays on the part of the implementing partners ECEAT.
- CBI, our key partner on trainings of incoming tour operators, decided to halt all trainings planned in 2013 and beyond, due to budget constraints.

### Lessons Learned

- It proves to be difficult for tour operators to invest in sustainability at destinations because of the flexible relationships with accommodations and service providers, and because of economic hardship in the sector. To overcome this, sustainability needs to be further embedded in the business.
- Like in all sector transformations leadership within frontrunner companies is a key success factor. In the tourism sector this comes strongly from TUI and some others, but there clearly is a need to broaden this leadership support.
- Sustainable tourism is multifaceted and differences per destination and type of accommodation require tailor made approaches. Cooperation with local organizations and standards is helpful in this. No well functioning structure is in place to act on this.

### Local government engagement

The Tourism Program has not engaged with local governments in any of the destination countries or in Europe.

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
Program has no real control on the ground over certification of accommodations.	Incoming tour operators, which are closer to the accommodations, are trained on sustainability and the need for certification of accommodations.	High	Medium
Private sector is not keen on investing in the program/in sustainability.	Tour operators are made owner of sector vision, and match funding is found through other activities as well (which are directly benefitting the companies).	High	High

# KPI Table Tourism

Key Performance Indicators Tourism Program		Overall Target (2012-2013)	Cumulative Target (2012-2013)	Cumulative Result (2012-2013)
<b>Result Area 1: Tangible improvements in condition of production in countries of origin</b>				
No. of Travellife certified accommodations in total,		884	884	619
No. of Travellife certified accommodations in the selected countries:				
	Brazil: 6		Brazil: 6	Brazil: 1
	Egypt: 30		Egypt: 30	Egypt: 75
	Kenya: 6		Kenya: 6	Kenya: 5
	Tanzania: 6		Tanzania: 6	Tanzania: 0
	Thailand: 9		Thailand: 9	Thailand: 19
	Turkey: 36		Turkey: 36	Turkey: 135
<b>Result area 2: Tangible improvements in sustainable markets</b>				
No. of NL travel companies participating in program activities <sup>1</sup>		12	12	App. 50
No. of EU market leader tour operators participating in program		3	3	3
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
No. of multi stakeholder destination approaches developed		2	2	2
No. of paying members to CSR Netherlands Tourism Network <sup>2</sup>		26	26	22
No. of accommodations subscribed to the Travellife system ('paying members')		1,473	1,473	1,292
No. of sets of criteria revised		1	1	1
<b>Result area 4: Knowledge on sustainability &amp; supply chain approaches developed &amp; shared</b>				
No. of learning trajectories started on marketing of sustainable holidays		1	1	15 <sup>3</sup>
No. of solutions for identified sustainability bottlenecks developed,		1	1	15

<sup>1</sup> With the development of the CSR Netherlands tourism network as a new structure for private sector participation in the program, participation of travel companies is now measured through their participation in program activities (workshops related to the Vision 2025).

<sup>2</sup> The CSR Netherlands Tourism Network replaces the IDUT (see key accomplishments above). Due to this change some non-market players dropped out but are still committed to the tourism program

<sup>3</sup> Learning trajectories were organized in the form of workshops related to the Vision 2025, of which many more were actually organized than originally foreseen because of very enthusiastic participation of travel companies after the launch of the Tourism Vision 2025.



# Fruit & Vegetables

To make imports of fruit and vegetables from Africa, Asia and South America 100% sustainable in 2020

The Sustainability Initiative for Fruits and Vegetables (SIFAV) aims to make sourcing and import of fruit and vegetables from Africa, Asia and South America 100% sustainable in 2020. European retailers and traders in the sector and civil society organizations have signed a covenant with IDH committing to 100% sustainable sourcing and import in 2020.

#### Main sustainability issues targeted

Production, livelihoods of farmers, water sustainability, social, environment compliance, food safety and food security.

#### Partners

##### Private

SuperUnie, Ahold, Jumbo, C1000, Lidl Nederland, The Greenery, Eosta, Fairfield's, Jaguar, Nature's Pride, Van Oers United, AgroFair, Staay Food Group, Special Fruit, Bakker Barendrecht, Chiquita, Dole, ICA, Mara Fresh.

##### Other partners

ICCO, Solidaridad, Productschap Tuinbouw and Frugi Venta.

##### Governments

Costa Rica, South Africa, local Dutch embassies and The Netherlands.

**Focus countries** ARGENTINA, BRAZIL, COLOMBIA, COSTA RICA, ECUADOR, EGYPT, GHANA, ETHIOPIA, INDIA, KENYA, MOROCCO, PERU, SOUTH AFRICA

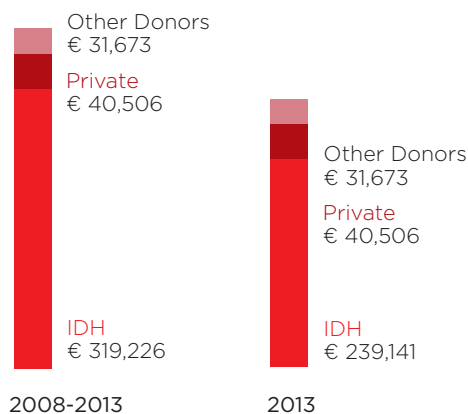


## KPI Progress

KPIs were finalized for the IDH Annual Plan 2014 and are therefore not reported upon this report.

## Financials 2013

Actual Public and Private contributions



## Theory of Change

The objective of the SIFAV Program is to support producers and farmers to produce sustainably, thereby increasing yield, product quality, food safety, food security, and improving working conditions and sustainable water use. The sustainable production of quality fruit and vegetables provides farmers and producers access to lucrative and established markets, which reduces the risk associated with volatility of demand for producers. This should ultimately result in increased income, better working conditions and a higher quality of life for producers, farmers and their workers.

The program also works towards a systemic change through standard harmonization. Throughout the sector, a wide range of different social standards are used. Encouraging and supporting selected standards to go through GSCP (Global Social Compliance Program) equivalent benchmarking tools, creates a critical mass of comparable standards. This should lead to wider, mainstream acceptance of standards within the sector, as well as reducing audit fatigue and cost associated with producers and farmers conducting various audits annually.

Producers and farmers can benefit from harmonization of standards, e. g. with market recognition and endorsement of different standards. This provides a level playing field, creating a 'bottom-up' approach that allows producer countries to develop their own standards and seek international recognition and endorsement.

## Key accomplishments in 2013

- All 6 social standards selected in the program have been completed or are going through GSCP equivalence benchmarking processes.
- Six key international fruit and vegetable traders, service providers and retailers have signed the covenant. This has enabled SIFAV to become a more international initiative taking it beyond the Netherlands.
- The baseline study was conducted to find out companies' levels of sustainable imports of fruits and vegetables. Results show that over 60% of companies that participated in the baseline study import sustainably according to covenant criteria.
- Ten of high level sustainability projects involving support for farmers, producers and national sustainability initiatives have been started in several producer countries.
- Four new Dutch traders have joined the covenant and many of these have employed or assigned persons within the company to be responsible for sustainability.
- SIFAV has strengthened and built institutions for meaningful changes in producer countries, e. g. the Sustainability Initiative of South Africa (SIZA) in South Africa and Pineapple Platform in Costa Rica. Since IDH involvement private sector companies have started investing in their supply chain.



### Deviations

Contracting with some partners for projects in Africa took more time than anticipated, because some private partners were not able to secure funds. This was partly due to a delay in the pilot blended financing program, which at the end could not be realized due to the financial institution's constraints. As a result, our 2013 spending forecast was also influenced.

### Lessons Learned

- Initiating pre-competitive projects has been unsuccessful. The majority of companies prioritize projects focused on improving their own suppliers and supply chain. Therefore stimulating discussions in the general assembly are needed that encourage precompetitive interaction.
- It's taking too much time for companies to allocate funds for investments in their supply chain. More attention is needed on encouraging their timely investments.
- Private partners showed positive acceptance of the covenant monitoring tool.

### Local government engagement

SIFAV is funding the Costa Rican Pineapple Platform which is establishing a National Plan for responsible production and trade of pineapple. With the support of the Dutch Embassy in San Jose, SIFAV has been working with UNDP and Costa Rican government to realize this plan.

SIFAV is also funding a three year SIZA capacity building program which is initiated by the fruit producer association of South Africa and supported by the South African government. The SIZA capacity building program is aimed at building capacity of all fruit farmers and producers in South Africa, focusing on sustainable production and compliance to social and environmental standards.

In both programs and countries, SIFAV is contributing to the efforts of building local institutions for meaningful changes, involving both private sector and national governments. Since SIFAV involvement, private sector companies have started investing in their supply chain.

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
<p>The fruits and vegetables sector is a dynamic sector with big and small size players. The potential conflict of interest between private companies could prevent them from working jointly and pre-competitively addressing sustainability issues in the sector that need to be solved.</p>	<p>SIFAV is engaging with all players from big size retailers, from international brands to small size traders. These are also represented in the SIFAV steering committee. The steering committee provides a platform where pre-competitive solutions to sustainability can be discussed and negotiated.</p>	<p>Medium</p>	<p>Medium</p>
<p>Lack of large scale investment project proposals with impact from partners can slow down the SIFAV program from having a significant direct impact at field level in producer countries.</p>	<p>Apart from the IDH financial instrument, SIFAV is actively working to provide partners with different financial options. It is expected that the PWC monitoring tool will show private partners that more investment in sustainability is needed within their supply chain.</p>	<p>High</p>	<p>High</p>
<p>At a global level, leverage of Dutch trade and retail players is too limited to get a severe buy-in from the producing countries. A broader private sector commitment is needed.</p>	<p>The SIFAV program is engaging with European retailers, traders as well as international brands to join the program. This will increase the leverage in producing countries.</p>	<p>High</p>	<p>High</p>



# Flowers

**90% of all internationally traded flowers and pot plants by FSI members sustainably produced by 2020**

IDH united key players from the floriculture sector in a global Industry platform called the Floriculture Sustainability Initiative (FSI). The platform was launched in January 2013 and acts as an industry umbrella, uniting front running organizations in floriculture in their ambition to mainstream sector sustainability. The participating companies have committed to having 90% of their internationally traded flowers and pot plants sustainably produced. It is a global coalition with strong representation from production, trade, retail and civil society organizations. With the FSI Equivalency Tool, in combination with a joint agenda and projects, the program is tackling key hotspots in the production of flowers and plants.

#### **Main sustainability issues targeted**

Working conditions, gender, water use & water contamination, transport and CO2 emissions.

#### **Partners**

##### *Private*

BGI, Dutch Flower Group, Dutch Horticulture Board, EHPEA, FleuraMetz, FloraHolland, Florint, LTO Noord Glaskracht, Milieu Programma Sierteelt (MPS), Pfitzer BV, UnionFleurs, Pflanzen-Koelle Gartencenter, Ahold, VGB, Asocoflores, AIPH, Euroflorist, IKEA, Kenya Flowers Council, ANCEF, Waterdrinker, Chrysel International.

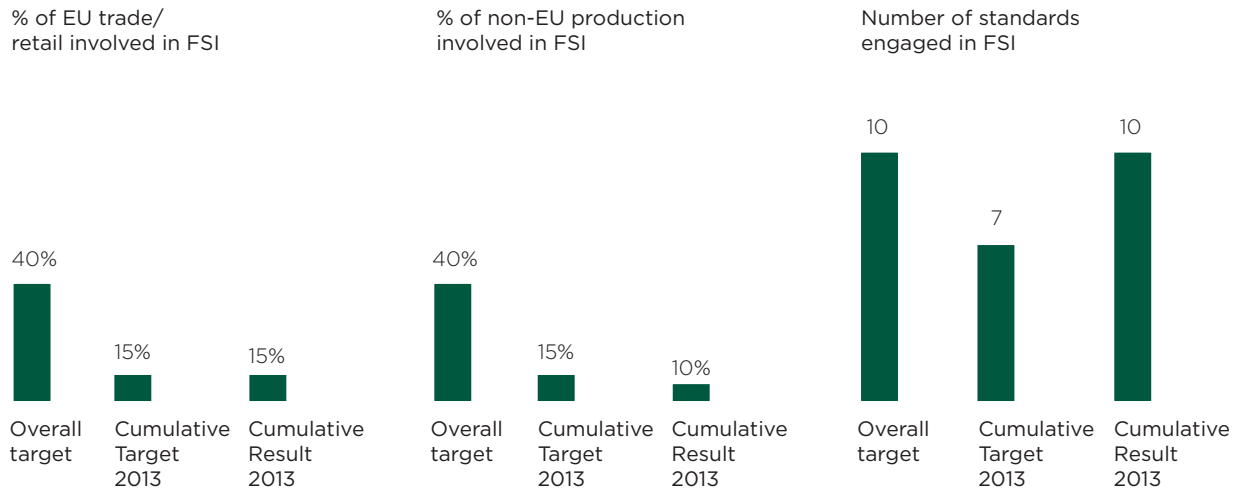
##### *Other partners*

Fair Flowers Fair Plants (FFP), Hivos, Max Havelaar/ Fair Trade, WWF Kenya, BSR, Global G.A.P., GSCP, International Trade Centre (ITC)

**Focus countries** COLOMBIA, ECUADOR, KENYA, ETHIOPIA AND THE NETHERLANDS

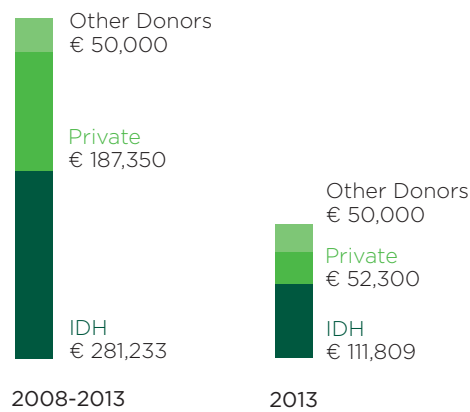


## KPI Progress 2013



## Financials 2013

Actual Public and Private contributions



## Theory of Change

The fast expansion of the floriculture sector has led to significant economic growth and prosperity in production countries in the last few decades. However, the floriculture sector also encounters sustainability issues that are comparable to those in other agricultural sectors. The FSI unites various parties through developing a shared vision, reversing fragmentation of standards, projects and interventions, avoiding duplication of costs and creat-

ing a structure that can help tackle current and future sustainability issues at sector level. Next, the FSI expects to build an international and pre-competitive cooperation of key players, both from the private sector and civil society, aiming to in-crease sustainability in the floriculture industry.

### Key accomplishments in 2013

- International launch of the FSI. 24 key players are engaged and recommitted to the Flowers & Plants Program.
- Participation and strong commitment of key producing countries Colombia, Ethiopia, Kenya, and the Netherlands.
- Finalization of the governance structure and legal constitution of the FSI. The initiative is hosted by Union Fleurs in Brussels. Additional external funding has been secured.
- Equivalency Tool finalized: 10 standards are currently engaged in the equivalency process.
- Impact Projects: nine key social and environmental topics have been identified.
  - Social: occupational health & safety; working conditions; women workers rights; working hours, overtime & wages; workers housing.
  - Environmental: reduction of use of chemicals, organic or illegal input; reduction of carbon emissions; water use & water pollution; waste (packaging & solid waste disposal).

A call for proposal was sent out in January 2014.

### Deviations

- Although the participation of UK and German retail is behind schedule, both Euroflorist and IKEA became active members of the program.
- Development of the monitoring tool was delayed; therefore the baseline measurement could not be executed.

### Lessons Learned

- The neutral facilitation of retail, trade, production and civil society has been essential to bring the main actors together, to set a joint sustainability agenda and to align actions.
- By convening the co-operation between existing benchmarking facilities of ITC, GlobalGap and the Consumer Goods Forum (GSCP), transparency and comparability of standards was created, providing the market with more insight on sustainability risks and how they are covered by the standards. This enabled standards to go through the benchmarking processes in a more fluent manner.
- Both local and international standards should be approached. The involvement of both types of standards was essential for the successful development and acceptance of the FSI Equivalency Tool.

### Local government engagement

- Not applicable

### Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
Buy-in and involvement of non-EU production countries/producers.	Active involvement in governance of the organization.	Medium	High
Eroding engagement of current participants.	Account management By FSI. Active involvement in the design and development of FSI activities. E.g. FSI Projects and the development of the Equivalency Tool.	Medium	High
Lack of civil society endorsement and engagement.	Transparency of the FSI governance & activities. Invitation to CSOs to participate in the FSI and its activities.	Medium	Medium
Lack of understanding of the use and structure of the FSI Equivalency Tool.	Clear definition and communication of the FSI approach & sustainability. Custom usabilities for member groups.	Medium	High

### KPI table

KPIs were finalized for the IDH Annual Plan 2014 and are therefore not reported upon this report.



# Palm Oil

## Avoid potential deforestation due to expansion of palm oil

The Palm Oil Program aims to promote green growth by increasing palm oil production while avoiding deforestation, improving the livelihoods of hundreds of thousands of smallholders and making traceable sustainable palm oil production more cost efficient in the long term. Boosting smallholder yields and developing regional supply sheds is essential in achieving the ambitions of the program, while also aligning the industry efforts in defining and achieving traceability. Increased productivity would prevent smallholders from encroaching on forested areas. Supply sheds are clusters of mills and refineries located in the same geographical area, working to include small-holders into their sustainable production.

### **Main sustainability issues targeted**

Deforestation, GHG emissions and smallholder livelihoods.

### **Partners**

#### *Private*

Relevant private players in the industry including: Consumer Goods Forum companies (Unilever), producers (PTPN III) and banks.

#### *Other partners*

RSPO, SPKS, Wild Asia, TFA 2020.

#### *Governments*

Indonesia and the Netherlands

**Focus countries** INDONESIA, MALAYSIA

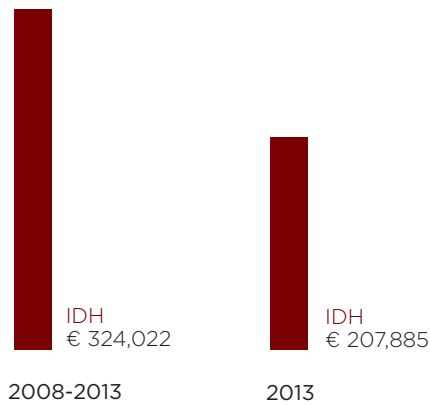


### KPI Progress

KPIs were finalized for the IDH Annual Plan 2014 and are therefore not reported upon this report.

## Financials 2013

Actual Public and Private contributions



### Theory of Change

To accommodate the growing demand for palm oil, its production needs to increase without harming the environment. The biggest opportunity for production increase lies with independent smallholders, as their average productivity is very low mainly due to poor planting material and farming techniques, and lack of access to financing.

However, investments in the productivity of independent smallholders cannot take place without precompetitive

collaboration among the mills and refineries that source from these independent smallholders. The IDH Palm Oil Program brings together independent smallholders in supply sheds, so direct investments can be made in education, training and resource development. As productivity of sustainable supply sheds increases, the availability of traceable, sustainable palm oil will reach critical mass, and the cost of producing such oil will fall. As a consequence, sustainable palm oil becomes the norm, while smallholders' incomes increase and the expansion of land conversion are avoided.



### Key accomplishments in 2012

- In November 2013, IDH, PTPN III, RSPO and Unilever signed a MoU to develop a prototype in North Sumatra with 568 farmers on around 4,000 ha. This will serve as key model and the basis for development of the North Sumatra supply shed in 2014.
- Together with the Dutch Embassy in Indonesia, IDH co-hosted a Forum on Sustainable Production and Trade, focusing on palm oil and pulp & paper, in conjunction with the Dutch Prime Minister visit in November 2013.
- Positive engagement with key stakeholders: Indonesian government (Presidential Delivery Unit - UKP4; National REDD+ Agency); off takers (Unilever and other CFG and non-CFG members); producers (PTPN III and others); potential implementers (SPKS, Wild Asia, BioCert); banks (FMO and a number of local Indonesian banks); associations & NGOs (Roundtable on Sustainable Palm Oil, Sawit Watch, Palm Oil Smallholders Union (SPKS), World Economic Forum - Partnership on Indonesia Sustainable Agriculture (PISagro); and potential donors (USAID).
- Performed business case analyses across all supply chain actors.
- Initial development of an innovative financing model for smallholders.
- Presentation at the Tropical Forest Alliance (TFA) 2020 in Jakarta in June 2013, leading to public endorsement of the IDH Palm Oil Program.

### Deviations

Implementation was expected to start in Q4 2013 with PTPN III. However, due to the lengthy process involved in clearing PTPN III of the RSPO sanction, implementation will start in 2014.

### Lessons Learned

- Stakeholder engagement can be resource intensive. We therefore need to be selective in engaging stakeholders and in deciding upon objectives for engagement with each stakeholder.
- It helps to have a working prototype in engaging stakeholders, particularly with producers.
- Capacity for implementation is low - there is a limited number of organizations that can deliver implementation on the ground and we need to be aware of that when designing interventions.

### Local government engagement

This is still at an early stage since implementation has not yet begun. However, several crucial contacts have been made on a national and local level. For example, links with the Head of Kotawaringin Barat district (Bupati) and its Head of Plantation (Kepala Dinas) in the province of Central Kalimantan, which will be a key focus of the program in the next six months.

## Risk assessment

Risk	Mitigating Action Undertaken	Current probability	Current impact
Companies not working together. Precompetitive collaboration is a novel and challenging concept for Indonesian companies.	Tailored prototypes to allow companies to operate within their own supply chains.	Medium	Medium
As smallholders raise their productivity and income through intensification, they are more motivated to convert nearby forested areas.	Baseline designated shed areas and put in place a robust monitoring and enforcement mechanism. Monitoring will be done in cooperation by the mill and local government.	High	High
Donors and banks are hesitant to fund the program because it has not been tried before.	Prototyping it first with a development bank (FMO).	Medium	High
Lack of capacity on the ground to execute the program.	Partner with mills that have strong capacity to implement. Where relevant, capacity building of local stakeholders and implementing partners by pairing them up with international experts.	Medium	Medium
Insufficient refineries and mills are willing to cooperate with our program.	Exploiting leverage points to these first-mover refineries and mills to build the first prototypes. By having successful prototypes, some of the other producers will be attracted to partner in our program.  Upscale existing prototypes like those of Wild Asia in Malaysia.	Low	High
Local governments not engaged in protecting forest boundaries.	Engaged and liaised with the REDD+ Agency, National, Provincial and District governments to support the program.	Medium	High

# Programs in **Scoping**



# Tin

## Supply chain intervention to support a sustainable tin sector in Bangka, Indonesia

In 2013, following allegations by FoE of non-sustainable tin mining in Bangka by electronics brands' supply chains, IDH The Sustainable Trade Initiative convened a group of electronics brands (EICC members), Friends of the Earth (FoE) and ITRI (international tin industry association). The purpose of this group was to understand the sustainability issues in tin mining in Bangka and how the companies involved (initially especially electronics brands) could contribute to positive change. The program included a fact finding consultancy, a stakeholder consultation process and an agreement to a collective action plan.

### Main sustainability issues targeted

Environmental degradation and occupational health & safety.

### Partners

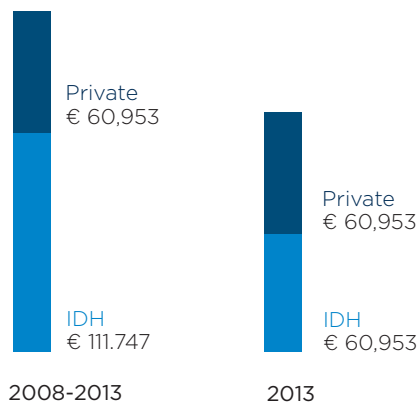
The Electronic Industry Citizenship Coalition®, Friends of the Earth, the international tin industry association (ITRI).

Focus countries INDONESIA



## Financials 2013

Actual Public and Private contributions



### Key accomplishments in 2013

- IDH, together with the Electronic Industry Citizenship Coalition® (EICC®) and Friends of the Earth formed the IDH Indonesian Tin Working Group, which was joined later by the international tin industry association (ITRI). Participating members from the EICC include Apple, BlackBerry, LG Electronics, Philips, Samsung and Sony.
- In order to better understand the complexities of tin production on Bangka Island, a situational analysis and sustainability assessment was conducted by an independent consultant, Estelle Levin Ltd., assessing the potential for improved sustainability and downstream company intervention.
- In December 2013, members of the Tin Working Group and representatives from IDH and Estelle Levin Ltd. travelled to Bangka to share the findings of the situational analysis and sustainability assessment, and deepen their own understanding through site visits and engagement with Indonesian stakeholders. This visit marked the end of the Tin Working Group's research process.
- Following its research and field visit, the Tin Working Group designed and committed to a twelve-month high level action plan, including the following key elements:
  1. Communicate industry signals to the central government in Jakarta in support of strengthening the regulatory frame. Facilitate the development of a local industry roadmap, including the topics of reclamation & offshore mining.
  2. Convene a group of committed local smelting (and mining) companies that take ownership of an actionable roadmap towards improved sustainability

management

3. Facilitate the development of a local industry roadmap, including the topics of reclamation & offshore mining.
4. Monitor the progress of the local group's efforts.
5. Explore and apply, where possible, market reward for this group of local companies committed to improved sustainable mining.

- A work plan, based on the high level action plan, will be implemented in Indonesia together with the key local stakeholders, through a local convener.

### Lessons Learned

- A critical mass of initial industry partners is a condition for starting these relatively short term interventions and this raises the chances of wider industry adoption in the future.
- Robust and objective research and consultancy to explore stakeholders' agendas is a key ingredient to unlock key bottlenecks as illustrated in the above examples. Although with increased trust (in which IDH played an essential convening role) there was industry willingness to fund this research and consultancy work, the IDH co-funding was important to avoid delay and build in more credibility in this first step.
- Bringing the right facilitation skills to the party has proven to be essential to build trust among competitors and other stakeholders with perceived conflicting agendas. The way the meetings are conducted and followed has been an important part of this.
- Bringing in the right change management skills has facilitated a process in which local industry ownership was gradually built in, increasing the sustainable and market proof character of the intervention.
- Modeling (and 'building') leadership and focus towards a collective vision and ambition for the sector. Avoid dwelling too much on distracting operational issues. This leadership might initially come from IDH, but should in the end be taken over by industry players with authority. The growing experience and track record of IDH as a market transformation change agent is clearly an asset in playing this initial leadership role.



# Pulp & Paper

To delink deforestation from pulp & paper production and to improve the sustainability of the sector overall

#### Main sustainability issues targeted

Deforestation, social exploitation, water and air pollution, energy inefficiency

#### Partners

Getting partners on board will intensify in Q1 & Q2 2014. Since the program has not yet officially launched, no partners are officially confirmed.

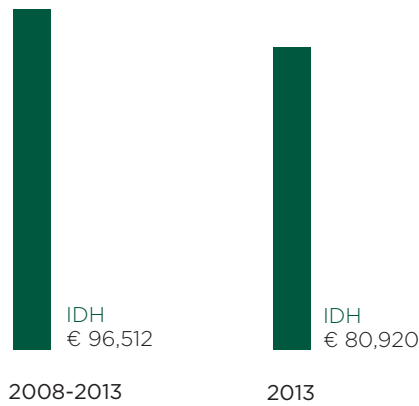
The Sustainable Trade Initiative program for Pulp & Paper (STIPP) aims to address the challenges and bottlenecks in improving the sustainability of the global supply chain, through pre-competitive collaboration of key industry players. Deforestation is the key issue and the initiative seeks market solutions to address it. Indonesia is the initial priority, since the country is the third largest emitter of greenhouse gases globally. This position is largely due to deforestation and forest degradation, of which the pulp and paper sector is an important component.

**Focus countries** INDONESIA INITIALLY, WITH CHINA PLANNED FOR THE NEXT PHASE



## Financials 2013

Actual Public and Private



### Key accomplishments in 2013

- Clarified program intervention logic.
- Moved program design from the scoping - to the development phase.
- Developed relationships with producers, NGOs and experts such as Asia Pulp & Paper (APP), Greenpeace, WWF, World Business Council for Sustainable Development (WBCSD), Rainforest Alliance (RA), The Forest Trust (TFT), Ata Marie, Nestlé and Unilever.
- Convened APP, APRIL, WBCSD, RA and TFT at the Tropical Forest Alliance 2020 in Jakarta. The attendees agreed that the IDH Sustainable Trade Initiative Pulp & Paper Program would be of value to the sector and encouraged further development.

### Lessons Learned

- Having a good knowledge partner at the start (such as Ata Marie) would have made program development much more efficient, and would have helped us with initial networking with the producers.
- Engaging stakeholders one-on-one is resource intensive. We are exploring how we can be more selective in our approach, and how to use associations to reach a wider audience without the need to engage with every member individually.
- Internationally accepted sustainable forest management standards (FSC, PEFC) are not realistically implementable in Indonesia, mainly as FSC does not allow certification of wood cut after 1994.
- Companies and organizations are calling for a multi-stakeholder landscape approach to achieving sustainability, but so far there is little evidence of any successful implementation.
- STIPP has gone through a number of changes in recent months as IDH seeks to add differentiated value to existing sustainability efforts. It now seems clear that STIPP should drive the learning and innovation agenda in order to debottleneck key constraints faced by the industry, enabling it to move towards zero deforestation and improving the sustainability of the sector overall. Specifically, there is a great opportunity in yield intensification to reduce pressure on expansion, and a number of potential sustainability tools - such as HCS standards or peat land best practice management - have not yet been defined sufficient to allow sector-wide application. STIPP should convene stakeholders to develop solutions and acquire stakeholder consensus on these issues.



# Apparel

## To improve social and environmental practices of low wage apparel manufacturers

### Main sustainability issues targeted

Labor conditions, environmental performance and efficient water and energy use.

### Partners

Sustainable Apparel Coalition (SAC).  
Other partners to be identified.

In 2013, IDH has been scoping the potential value it could add to overcome the sustainability challenges in the apparel & footwear sector, with the aim of developing a program in 2014. As part of that, IDH partners with the Sustainable Apparel Coalition (SAC) - a group of leading apparel and footwear companies and public stakeholders. SAC aims to develop a shared vision on sustainability and an industry-wide index for companies to measure and evaluate the sustainability and performance of apparel and footwear production. Development activities started in 2014.

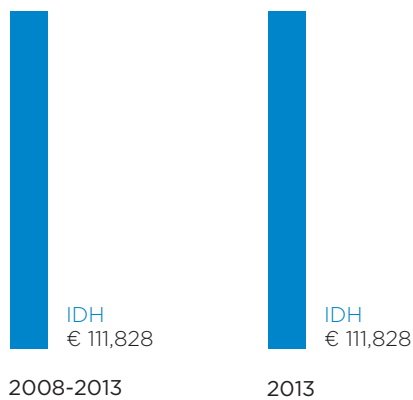
**Focus countries** ASIA, CENTRAL AMERICA





## Financials 2013

Actual Public and  
Private contributions



### Key accomplishments in 2013

- Partnership developed between IDH and SAC. IDH has supported SAC in establishing an official SAC-EU office to be opened in 2014. This included recruitment activities, as well as support in defining the appropriate governance structure and scope of activities. IDH also became an official member of the SAC-EU advisory board.
- IDH has taken the lead in facilitating a 'business case' work stream as part of the 'SAC vision 2020' project. Companies with which IDH is engaging in this work stream include Nike, Adidas, Inditex, ANN Inc., H&M, IC Company, Patagonia, REI, and Target.
- IDH scoped the local sector dynamics in Bangladesh through a local consultant, in order to define potential interventions.

### Lessons learned

The scoping activities have brought us to the following conclusions:

- There is a need for an industry approach that goes beyond 'compliance', tackling the more systematic supply chain issues.
- On a supplier level, this relates to demonstrating or enabling a positive correlation between investing in responsible manufacturing practices and longer term changes that benefit business. On a buyer's level, this relates to ensuring that there is a business case for a sustainable supply chain as well as a sourcing strategy that stimulates and enables sustainable practices at suppliers (at tier 1, 2, 3 and beyond.).
- The current political situation in Bangladesh, the pressure on resources and the rather specific focus related to the implementation of the fire and building safety accords make it (also according sector stakeholders) difficult and undesirable to currently start new "additional" interventions in Bangladesh.
- The systemic challenges as described above are similar to those in other producing "low income" countries. Therefore IDH will focus on an approach in 2014 that strengthens the linkage between financial (business) performances and returns on the one hand, and sustainable manufacturing practices on the other. This will be done through:
  - a) Facilitated dialogue with leading companies on best practices,
  - b) Business case analyses at a number of suppliers of leading brands and retailers, and
  - c) Prototyping interventions (with a broader scope than only Bangladesh).

# Supporting activities

## Learning & Innovation

The focus of the Learning and Innovation Program in 2013 has been threefold. First, we have continued our core business of driving performance, impact and continuous improvement in the IDH pillar programs. Insights derived from business case analyses and impact assessments have helped to consolidate lessons learned, to initiate and prototype next-stage strategic responses, and to embed sustainability into value chain business models and national policy environments.

Second, as the pillar programs mature they enable the learning program to create cross-sector knowledge products as public goods. This year our efforts have been realized primarily in the Impact Booklet and its seven underlying impact studies, in addition to several other publications and learning events as mentioned in more detail below. Through these activities we have improved the engagement of key stakeholders in the learning on market transformation, and will continue to do so in 2014.

Thirdly we have expanded the capacity of the learning team to better cater to the needs of the programs and to create innovations and knowledge products for the wider stakeholder environment. To reach this goal we recruited two new senior learning managers - one specialized in deforestation issues and one in innovative finance. Also a new director of learning and innovation was appointed.

### Achievements in 2013 at program level

**Cocoa** - We developed an underlying base of field evidence through a series of cocoa research papers in partnership with CIRAD, on modeling how the industry can integrate fertilizer distribution into their supply chain models. New insights on grafting, rehabilitation and use of fertilizer in Indonesia were used to create better understanding of improving cocoa production in Cote d'Ivoire. In 2013 the cocoa fertilizer initiative came into full swing, demonstrating that this intervention developed by the learning program is having a positive impact in the supply chain. The work has been acknowledged by the WCF Senior Leadership Council and we have been requested, together with them, to further expand our cocoa fertilizer program.

**Cotton** - We supported BCI to scope and conceptualize a new investment vehicle to replace the BCFTP Fund from 2015 onwards. This new investment vehicle aims to support Better Cotton supply creation in line with the BCI strategy and vision. A consultant (CEPA) has been selected to design the fund with whom we have collaborated closely. The development strategy for the investment vehicle and governance model will be finalized in Q1 2014, enabling the BCI to make a final decision in the first half of 2014.

**Tea** - Three reports were completed in 2013; a cost-benefit analysis of upscaling farmer field schools and Rainforest Alliance certification in Kenya (implemented by KTDA), a business case analysis for the Indonesian domestic tea standard Lestari, and a living wage report comparing minimum wages and living wages in Indonesia, Malawi and India. The cost-benefit analysis of upscaling farmer field schools and RA certification by KTDA was fed back to the senior management of the 65 factories and used to design an upscaling strategy using a farmer-led extension approach.

**Aquaculture** - An EU market study exploring the potential benefits to invest in the market development of ASC certified pangasius was published in partnership with CBI and shared with the Vietnamese industry. The market study was backed up with a cost-benefit analysis of ASC certified pangasius. Both analyses were presented to the industry in Brussels and were well received. Additionally, we collaborated with New England Aquarium in preparing a benchmark study on shrimp, which provided good input to the Farmers in Transition (FIT) Fund. The projected field level projects for shrimp in Vietnam and Indonesia were postponed until later in 2014.

**Palm Oil** - We worked in collaboration with the palm oil team to design and develop a study assessing the business case of sustainable palm oil production with an emphasis on the financial incentives for mills. In relation to this, we also worked with a consultant to structure a financial model for financing independent smallholders. The outcomes of both studies were presented at the Tropical Forest Alliance (TFA) 2020 workshop in Jakarta, generating great interest from the industry.

**Soy** - We helped to frame a next-stage strategy to mainstream responsible soy, based on the ownership of local stakeholders in Brazil who are currently distanced from the RTRS process. We engaged ICONE as a local partner to lead this work. Results were released in the form of a position paper in Q1 2014. We expect stakeholders to reach a consensus in Q2 2014.

**Coffee** - We finalized four business case studies on sustainable coffee production in Brazil, Ethiopia, Vietnam and Uganda. The study was well received by the program's steering committee and has generated great interest within the sector. The public versions can now be found on the SCP website. The business cases will be used to define the national investment strategies and the focus of field level projects in the various countries.

**Electronics** - We supported the Electronics Program to design and scope a business case study that looks at the

incentives for manufacturers to invest in improved working conditions. The study had a new innovative approach quantifying compliance with labor standards and was well received by key stakeholders.

**Spices** - We supported the IDH Spices Program and the Royal Tropical Institute in the scoping of a study on the business case for the supply chain to invest in sustainable pepper production by applying the Sustainable Agriculture Standard.

### Achievements in 2013 at cross sector level

**Impact Book** - We delivered seven impact studies through third-party research, which have been discussed and endorsed by the Impact Committee and Supervisory Council. The outcomes of the studies show solid proof of concept for our approach to public-private partnerships and real, meaningful impact at scale on the ground. Based on the studies we produced an Impact Booklet for distribution to our stakeholders, which can be found on the IDH website.

**OECD white paper** - We developed an issue paper on greening global value chains for the OECD, in collaboration with the Dutch Sustainable Growth Coalition and Ernst & Young. The published paper was distributed at the OECD Green Growth Knowledge Platform annual conference in Paris.

**Sustainable sourcing guide** - Together with IMD, SAI Platform, ITC and other partners, we contributed content and expertise in the development of a practitioners' sourcing guide for agricultural raw materials. The guide was further developed in 2013 through a series of workshops and interactions with procurement managers at the Future of Food seminar and Sustainable Value Chain Event 2013. This report has since been shortlisted for the BMW Foundation Young Leaders Award and is available on the IDH website.

**Sustainable Standards Resource Center** - We have supported the design and development of a Sustainable Standards Resource Centre, a web-based initiative to create a central platform for exchange of information around sustainable trade and market access.

**ISMC 2013** - We were involved in the organization of the 2013 International Supply Management Congress in partnership with Unilever, Rabobank, AkzoNobel, PWC, Shell and NEVI. The event attracted around 1000 participants, of which 300 were IDH network partners. The IDH expert workshop "From Porter to Practice" took a deep dive into shared value at work in different sectors, taking stock of a set of concrete experiences of companies operating in

Africa and Asia. Keynote speakers were from Armajaro, Rabobank, Grow Africa and Unilever.

**FMO-IDH Sustainable Supply Chain Initiative** - We designed a collaboration with FMO, the Dutch Development Bank, to move IDH into the next stage of market transformation and impact creation through an approach based on blended finance (grants and loans). We trialed the blended finance approach through a business case in Nigerian cocoa, helping to structure the public good delivery part of the project, working alongside the FMO team with their focus on due diligence and financial structuring.

**Sustainable Land & Water Program (SLWP)** - We were closely involved in the set-up of the new SLWP program, with the aim of designing a private sector business case approach. The launch took place early in Q1 2014 with two cases planned for 2014 - The Mau Forest in Kenya and the Central Highlands in Vietnam.

**Art of market transformation book & State of Sustainability Report** - These projects were postponed due to limited capacity.

## Impact studies

**IDH positions itself as a result-oriented sustainable supply chain initiative aiming for mainstream market transformation in major commodity markets. Impact, value driven investment and innovation are key principles in this work. As an initiative that engages with both the public and private sectors, we are responsible for not only communicating ambitious plans and activities, but also for showing meaningful results to our stakeholders.**

With this in mind, we established an impact assessment program on our major commodity programs tea, cotton and cocoa in 2012. The findings of these impact studies were published in a public synthesis report in 2013. In summary, the impact assessments confirmed change, impact and attribution at two levels:

1. Market transformation has started to take place in specific commodity sectors. The building of private sector coalitions and the appetite for investing in upstream supply chains has



been vital in this and IDH has been playing a strong role.

2. The upstream supply chain interventions of IDH programs have started to materialize in field level / household level improvements and impact.



Through conducting cost-benefit analyses for sustainable tea in Kenya and Indonesia - on the basis of private sector data - IDH has deepened its understanding of performance evaluation in addition to the ex-post impact evaluations. These cost-benefit studies showed that yield improvements and price premiums for certified tea are the key value drivers of the program. As such, it gave

insights into the business case for investments in upscaling farmer field schools, certification (including the earn-back periods) and the potential contribution to livelihood improvements for the various farmer segments.

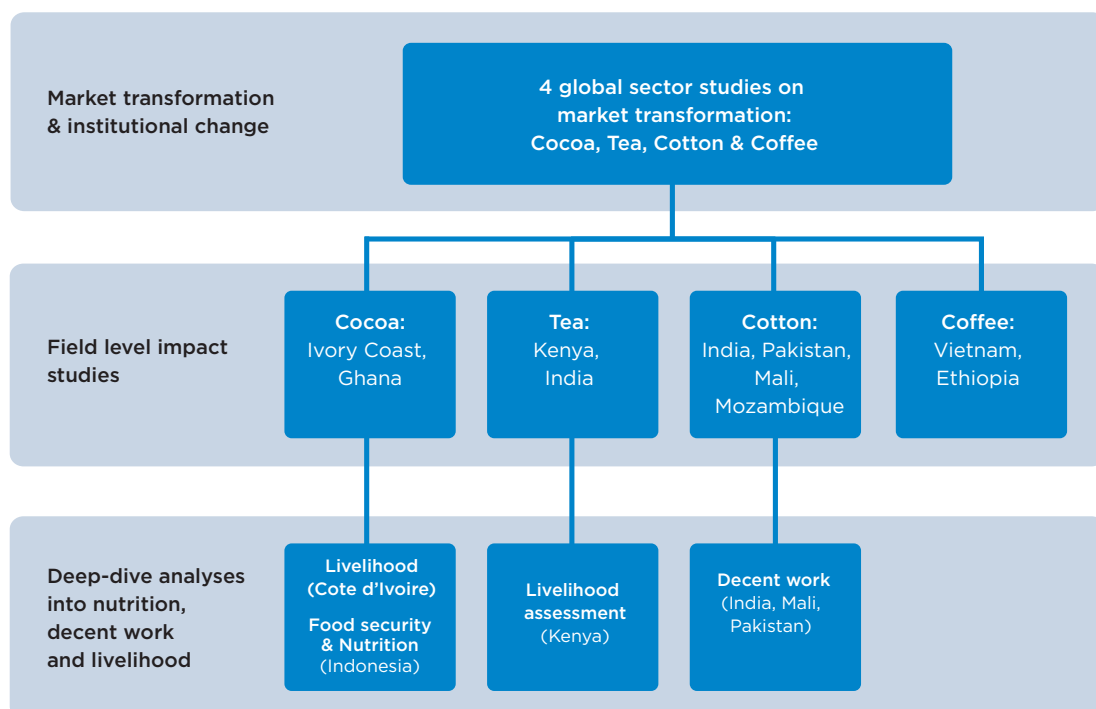
We highly valued the 2012 impact studies, the learnings from the synthesis report and working with company data in 2013. The studies indicated that cross sector social and environmental problems need approaches that go beyond the scope of single supply chains. Making better use of regularly collected company data will improve our understanding of immediate and intermediate chang-

es, and will help us to further develop as impact investors rather than being a donor. Therefore we formulated a new strategy and framework for impact studies for 2014. The 2014 impact evaluation framework will consist of three main work streams:

1. An analysis of the market transformation and institutional change brought about by IDH programs.
2. Field level / household level impact evaluation.
3. Deep-dive analysis into specific areas of meaningful change such as nutrition, decent work and livelihood improvement. The figure below depicts the overall framework of the proposed impact evaluation.

Field level studies in tea (Kenya) and cocoa (Cote d'Ivoire) started in fall 2013 and will be published together with the other studies in the second half of 2014.

The independent IDH Impact Committee which was installed in 2012 assisted and advised the organization to further develop its impact measurement system. One of the areas in which the impact committee promoted further development is the design of a cross sector dashboard that will help us to measure and report the social returns on investment of our programs. In the IDH Impact Committee, Frank Eyhorn, Co-Team Leader Rural Economy at the Advisory Services Department of the HELVETAS Swiss Intercooperation, replaced Francois Ruf, researcher at CIRAD-Montpellier, as CIRAD has become more directly involved in field level research in the IDH Cocoa Program.



# Institutional Cooperation and Partnerships

In 2013, we saw increased recognition of the pertinence of creating sustainable market transformation across global commodity supply chains, and a demand for the unique public-private partnership (PPP) approach of IDH. This has allowed for our growth towards a European PPP initiative; now with € 130 million funding (2011 to 2016) from the Dutch, Swiss and Danish governments, IDH is also actively discussing cooperation with other European development agencies, as well as with the European Commission with a view to turn IDH in a pan-European initiative on sustainable market transformation.

Moreover, IDH has enhanced its visibility across the international bilateral donor community, while strengthening relationships with multilateral organizations like IFAD, the World Bank and Development Finance Institutions (IFC, IADB etc.). Over 2013, IDH systematically approached those in the donor community who have aligned private sector development policies, invested in sustainable market transformations, and represent geographic areas in which IDH's private sector partners are based. IDH seeks cooperation with potential donors at an institutional as well as at a country level. Furthermore, where international initiatives like Grow Africa and Tropical Forest Alliance 2020 present good opportunities for alignment and support, IDH has actively sought engagement.

## Achievements in 2013

- Public-private partnerships are an effective solution to catalyze the transformation towards impact on public good. Therefore, to leverage its resources, the Swiss State Secretariat of Economic Affairs (SECO) signed a four year partnership for € 24,5 million (CHF 30 million)
- A four year partnership with the Dutch Ministry of Foreign Affairs (through the Environment, Water, Climate and Energy Department) was started. It will invest € 20 million in the Sustainable Land and Water Program (SLWP). The partnership aims to bring together the interests, knowledge and power of public and private stakeholders in selected 'resource vulnerable' regions. It will develop a business case to jointly work and invest in sustainability.
- We explored and continued dialogue with other bilateral donors such as the Norwegian Ministry for Development Cooperation, Irish Aid, Department for International Development, French Development Agency (AFD), the Swedish International Development Agency and the Australian Development Agency, on alignment with IDH programs.
- Outreach activities have been organized to raise the visibility of IDH's programs and partners at the European level. We organized and co-hosted with the

European Parliament a high level expert meeting on 'Improving Livelihoods Globally' through public-private partnerships, for over 40 EU and other policy makers in Brussels. Keynote speakers were Mrs. Lilianne Ploumen, the Dutch Minister for International Trade and Development Cooperation and Mr. Klaus Rudischhauser, Deputy Director Directorate General Development Cooperation from the European Commission. For the second year, we hosted a high level panel session in Brussels at the European Development Days, on public-private collaboration - scale to impact - for over 50 decision makers in development cooperation. The event was organized by the European Commission, and themed 'A decent life for all by 2030'.

- IDH joined the Tropical Forest Alliance (TFA) 2020, initiated by the US Agency for International Development (USAID), the US Department of State and the Consumer Goods Forum. TFA 2020 is a public-private partnership working towards reducing tropical deforestation associated with key global commodities, such as soy, beef, palm oil, and pulp and paper.
- Grow Africa, which operates under the umbrella of the World Economic Forum (WEF), mandated IDH to turn pledged commitments of multinational companies and African governments into actionable programs in Africa. A MoU is under discussion.
- We presented IDH to the International Fund for Agricultural Development (IFAD) at their Annual Governing Council Meeting and are continuing to explore opportunities for further collaboration in specific developing countries where the interests of IDH's private sector partners and IFAD are aligned.

# Risk Management

Risk management and transparency continue to be essential components of our work, and necessary in retaining our stakeholders' trust. The risk management framework we built in 2012 was strengthened and executed in 2013. The core components of this framework are:

- Monthly reporting on organizational risks and finance, planning and controls.
- Identify risks in the Management Team (MT) meetings, and if needed define mitigation activities.
- A due diligence check and assessment of partners using the IDH ICSR policy and implementation framework as guidance.

- Flag programmatic risks in scheduled program reviews (3-4 times per year depending on the program). Significant issues are discussed and decisions are made jointly with program staff and the management team (MT).

### Risk mitigation

Below table shows the risks identified for 2013 and the mitigating actions that were undertaken during the course of the year.

Risk External	Mitigating Action Undertaken
International donors move away disproportionately from cash crops to food crops following international food security models.	Increased donor outreach and mobilizing support from experts on the development benefit of ongoing support for cash crops. Show cases are built.
Eroding support in society (political and NGO's) for any kind of public-private partnership approach with international companies on sustainable sourcing.	Theory of change and funding model explained (cost effectiveness, impact and development benefits to stakeholders further demonstrated.
IDH not creating sufficient impact on all pillar programs versus raised expectations in outside world.	Process of continues improvement in our programs. Improved intervention strategy for example in the Soy Program.
Risk Internal	Mitigating Action Undertaken
Contracting and other operational delays due to insufficient legal, financial and administrative capacity.	Staff increase in relevant departments. Project and contract management systems developed and templates/work flows further optimized.
IDH staff in quantity and quality not up to the job.	Rigorous selection process for new staff. Bi-annual discussion on personal development and roll out of PME and Change Management training.

## Organizational Development

We are aware that ambitious plans can only be realized by staff that is 'fit for the job'. Personal development goals became more prominent within IDH, and throughout 2013 a solid capacity building plan was rolled out. One of the core pillars of this plan is to institutionalize continued learning in our organization, and creating an environment in which people feel stimulated and have time to reflect and learn.

## Human resources

In 2013, IDH grew from 32 to 41 employees (average from 31,7 FTE to 39,2 FTE)

	Actual FTE per dec 2013
<i>Management</i>	
Executive Director	1
Program Director	2
Director Int. Public Affairs	1
<i>Total</i>	<i>4</i>
<i>Programs</i>	
(Senior) Program Managers	9
Program Officers	7
Learning Department (incl. director)	3
<i>Total</i>	<i>19</i>
<i>Support</i>	
Office Support	4
Operations Department (incl. director)	10
Communications/ Public Affairs	4
<i>Total</i>	<i>18</i>
<b>TOTAL IDH</b>	<b>41</b>

Above overview does not include a. our program manager (4) and director (1) working in Asia and b. the learning manager seconded to IDH

In 2013 limited further expansion in personal has materialized, primarily in the operations area. The Learning and Innovation team grew to the originally planned 4 FTE. The number of program officers increased to more than anticipated. This is primarily because additional tasks were taken on by IDH regarding the administrative side of programs, for example in the management of funds and secondarily, to achieve the desired professionalism in program leadership and impact in our pillar programs.

## Employee satisfaction

We are aware that our team is our biggest asset in achieving the ambitious IDH program objectives and that there is significant pressure associated with that. Therefore, we take an active coaching and strategic guidance approach, measuring impact with the annual team satisfaction survey. In September such a team survey was conducted, from which the following conclusions could be drawn:

- A positive response and a positive trend (compared to the 2012 survey) on staff's perception of program impact, transparency of our work and the process of continues improvement.
- The level of guidance from people managers was sufficient; slightly more attention can be given to providing feedback and reducing stress levels.

## Training and development

To build the capacity of our staff, various learning trajectories were created:

- Program managers, learning managers and the MT participated in two 2-day sessions on change management. During these sessions insights into the paradigms and strategies to change were gained, personal convictions and management styles identified and a new learning method for internal and external use was discussed.
- Program officers participated in a 3-day session on PM&E. The focus of their training was on techniques for solidifying intervention frameworks, project assessments, KPI setting and getting more familiar with present planning, monitoring and evaluation tools.
- Connecting as a team, twice a year, a in a formal @office week was institutionalized. During these weeks all staff members come to the Utrecht office and focus on joint strategizing, innovative learning and teambuilding.

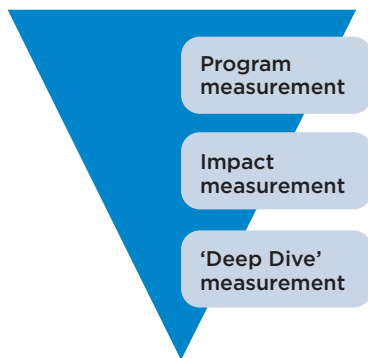
## Planning, monitoring and evaluation

IDH recognizes the importance of acting in a transparent and accountable way in the public domain. Therefore, in 2013 we further enhanced and embedded PME into the



DNA of our organization. This consisted of 2 core components:

- Roll out of an IT tool for project and contract management.
- Solidification of intervention logics and KPI framework per program.



### Program PM&E

Within IDH we distinguish 3 forms of performance measurement:

- Program measurement
- Impact measurement
- 'Deep Dive' measurement

Program measurements can be divided into two categories; program KPIs and project KPIs. Project KPIs are measured by the implementing partner on project level and reported to IDH. Program KPIs are overarching KPIs which are measured in the various program projects, aggregated for the program as a whole and reported upon in the annual report. In our program measurement we only use those KPIs that can be measured simply and 'SMART'ly by our program partners (in contrast to the impact and 'deep dive' measurement).

Impact measurement is used to measuring change and impact that can be attributed to IDH programs on the level of households and markets. Impact studies are done by external consultants in selected programs (for cocoa, cotton, tea and most recently coffee).

"Deep dive" measurement was introduced in 2012 as a new form of performance measurement and used in special cases for measuring in change in specific areas such as food security, livelihoods and decent work. "Deep dive" measurement is done by external consultants.

During 2013, IDH went through a rigorous process to

sharpen its interventions within its programs and streamline its monitoring and evaluation activities. M&E reviews were conducted mid-2013 in order to improve KPI logic, and to help programs deliver the impact they are set to reach. Reviews focused on verifying the logic of interventions and making sure that these interventions are monitored and evaluated with appropriate indicators on output, outcome and impact levels. At the same time the reviews intended to make M&E activities more manageable in the long run and prepare project activities for being managed through IDH's new project management system.

As a result of the review rounds, several programs made changes to their list of KPIs, or to the selection of KPIs that will be used for external reporting in the future. The indicators reported in the IDH Annual Plan and IDH Annual Report are only a deliberately smaller selection of all the indicators used in any given program. Thus, changes in these lists for external reporting did not necessarily mean that the earlier indicator was completely removed in the program.

In the process, the overall ambition of the programs remained constant. All programs based their KPI structure around output and outcome indicators grouped in the four IDH results areas. In all programs the planning, monitoring and reporting activities comply with the IDH Guidelines for Planning, Monitoring and Evaluation.

### Orion

The new project and contract management system 'Orion' is a vital tool that will enable us to improve control on our complex pipeline of contracts and program deliverables. In 2013 a 'Compiere' open source system was customized for IDH. Functionalities of the system are:

- Managing funds from various (public and private) donors
- Drafting and approving new contracts
- External reporting from Implementing Partners to IDH
- Internal reporting
- Customer Relation Management (CRM)

The go-live date of the system was postponed to the beginning of 2014 due to the fact that additional functionalities of the system are being added (CRM and a web-tool for IP reporting) and because the decision was made to transfer all ongoing contracts into the new system.

# Communication

In 2013 we planned to advance the IDH brand as a globally recognized and acknowledged partner for sustainable market transformation in 2013. We profiled IDH as a result-oriented impact maker and creator of inspiring innovative solutions. Looking back on 2013, we see that our impact campaign and international communication efforts translated into a steep increase of international media hits, improved position as an impact maker in the international donor community, and increased national and international media attention on our innovations.

## Corporate communication

We worked in 2013 towards achieving global recognition for IDH as an agent for sustainable impact at scale. In line with that goal, we produced an impact book presenting a concise analysis of 3 IDH impact sector studies and launched a strategic media campaign promoting our

impact results. The campaign culminated in a presentation of the impact book to the Dutch Minister of Foreign Trade and Development, Lilianne Ploumen. Other results were the creation of a short corporate video explaining our proposition and emphasizing our impact, and strong media coverage by Dutch special interest media such as Vice Versa, P+, One World and others.

To diversify its donor base, IDH wanted to improve international donor outreach in 2013. We produced a video about donor harmonization, we orchestrated (international) press coverage around the formalizing of the IDH-SECO partnership, organized a congress in Zurich and co-organized the EU donor meeting, 'European Development Days'. We also worked closely with the Public Affairs team to develop key donor messages and assisted in writing donor propositions.

Communication Targets 2013	KPI	Results
IDH website and sub sites transparent sources of information for stakeholders and press.	1 news item per week 200 visitors per week	90 news items (= 1.7 items per week) 2000 (!) visitors per week
IDH and its programs are visible in mainstream and professional international media.	20 times quoted in (international) media.	900 (!) times quoted in (international) media.
	Formulate and implement a social media strategy.	Twitter (850 followers), LinkedIn, Flickr, Prezi and Slide Share started.
Powered by logo and corporate text IDH carried by IDH program partners.	50% of partners carry logo.	Approximately 55-60% of partners mention IDH as partner on website.
	100% uses IDH text when communicating about IDH.	
Regularly informing our network.	Send 4 newsletters per year.	4 newsletters per year sent.
Strengthen our public network.	Send 2 embassy newsletters per year.	1 embassy newsletter sent.
Communicate more B2B programs, progress & impact.	A presentation per program.	Visualization started and new pitches in progress.
	New, edited 2 pagers per program.	2 pager produced.
Partnership communication	SECO-IDH launch	Ample press coverage, congress organized, video produced, SECO partnership in all our communication.
-	-	Corporate IDH video

## Program communication

To improve our international media representation, we strategically picked programs that were exemplary models of the innovative approach of IDH. An example of a 2013 program communication highlight was the very successful press coverage on the innovative fertilizer initiative in Abidjan. The communication team also worked - as planned - per program towards creating more fact-based explanations of our interventions, providing templates to give content structure and guidance, and

increased international press attention. We developed a "visualization" of the intervention strategy for the Flowers Program that will serve as a model for other programs.

We took a systematic approach in designing a program newsletter template which was rolled out for all programs. And we made huge progress in communication about the programs for coffee, cocoa, cotton and tea, of which tea was particularly well covered in the international press.

# Financials

# Balance sheet

As at 31 december 2013 (after appropriation of result)

	31 december 2013	31 december 2012
(all in euros)		
<b>ASSETS</b>		
<i>Intangible Fixed Assets</i>	284.968	-
<i>Current Assets</i>		
Accounts receivable	633.300	349.150
Advance payments and accrued income	4.563.869	1.777.834
Cash at bank	15.129.170	4.730.096
<i>Total Current Assets</i>	20.326.339	6.857.080
<b>TOTAL ASSETS</b>	<b>20.611.307</b>	<b>6.857.080</b>
<b>LIABILITIES</b>		
<i>Legal reserve</i>	284.968	-
<i>Short-term liabilities</i>		
Appropriated funds	13.418.931	3.923.048
Creditors	2.563.748	1.371.717
Taxes and social security charges	78.864	62.895
Accrued program and other commitments	4.264.796	1.499.420
<i>Total Short-term Liabilities</i>	20.326.339	6.857.080
<b>TOTAL LIABILITIES</b>	<b>20.611.307</b>	<b>6.857.080</b>

- Comparative figures have been reclassified to conform to current year's presentation

# Statement of income and expenditure

	2013	budget 2013	2012
(all in euros)			
<b>INCOME</b>			
Subsidies from governments	17.303.496	31.850.000	19.597.677
Other income	2.012.663	-	1.593.392
<i>total income</i>	<i>19.316.159</i>	<i>31.850.000</i>	<i>21.191.069</i>
<b>EXPENDITURES</b>			
Programs and Projects	13.413.807	25.100.000	16.073.677
Learning and Innovation	915.933	1.145.000	780.139
Impact assessments and evaluations	150.166	150.000	276.523
Support and outreach costs	968.044	1.145.000	911.963
<i>total program expenditures</i>	<i>15.447.950</i>	<i>27.540.000</i>	<i>18.042.302</i>
Congress and communication costs	410.368	550.000	299.662
Personnel costs	2.615.061	3.005.000	2.305.018
Organizational costs	911.370	755.000	641.213
<i>total organizational expenditures</i>	<i>3.936.799</i>	<i>4.310.000</i>	<i>3.245.893</i>
<i>Operating result</i>	<i>-68.590</i>	<i>-</i>	<i>-97.126</i>
Financial income and expenses	68.590	-	97.126
<b>Result</b>	<b>-</b>	<b>-</b>	<b>-</b>

- Comparative figures have been reclassified to conform to current year's presentation
- The budget reflects the approved budget of IDH's institutional donors the Dutch Ministry of Foreign Affairs, the Danish Ministry of Foreign Affairs and the Swiss State Secretariat for Economic Affairs (for a further breakdown we refer to Annex 1)
- For expenditures on Programs and Projects we refer to the accounting principles.

# Program Contributions and Investments 2008 - 2013

<b>Actuals 2013</b>				
(all in euros)	<b>Total</b>	<b>IDH</b>	<b>Private</b>	<b>Other</b>
Apparel	111.828	111.828	-	-
Aquaculture	786.451	505.374	214.941	66.136
Cashew	176.584	144.814	31.770	-
Cocoa	12.120.847	3.310.231	8.445.825	364.791
Coffee	2.106.910	1.113.511	956.137	37.262
Cotton	7.673.145	1.956.801	3.647.167	2.069.177
Electronics	2.947.278	349.833	2.597.445	-
Flowers & Plants	214.109	111.809	52.300	50.000
Fruit & Vegetables	311.320	239.141	40.506	31.673
Mining	121.906	60.953	60.953	-
Natural Stone	60.000	60.000	-	-
Palm Oil	207.885	207.885	-	-
Pulp & Paper	80.920	80.920	-	-
Soy	2.840.540	602.745	2.237.795	-
Spices	354.246	93.470	215.654	45.122
Tea	1.703.032	849.469	837.561	16.002
Tourism	628.756	203.000	425.756	-
Tropical Timber	2.767.498	1.409.390	721.243	636.865
<b>Subtotal programs</b>	<b>35.213.255</b>	<b>11.411.174</b>	<b>20.485.053</b>	<b>3.317.028</b>
Learning	915.933	905.933	-	10.000
Communication & Congresses	623.713	410.368	210.845	2.500
<b>Total</b>	<b>36.752.901</b>	<b>12.727.475</b>	<b>20.695.898</b>	<b>3.329.528</b>

- Note 1: Total private partners 2013 (€20.7 million) does not include €3.7 million due to delayed implementing partner reporting. This will be included in 2014 reporting
- Note 2: All program contributions are audited locally or at IDH level except for € 0.6 million (2012: € 1 million) private investments reported by 3rd parties and verified on site and €2.3 million (2012: €1.6 million) additional investments derived from audited financial statements and additional supporting documents provided by main brands of the Electronics Program

**Actuals 2008 - 2013**

(all in euros)

	<b>Total</b>	<b>IDH</b>	<b>Private</b>	<b>Other</b>
Apparel		111.828	-	-
Aquaculture	3.853.051	1.855.031	651.780	1.346.240
Cashew	866.642	570.359	296.283	-
Cocoa	36.663.307	11.912.878	22.348.798	2.401.631
Coffee	3.281.287	1.790.003	1.407.097	84.187
Cotton	25.792.906	7.717.644	10.506.126	7.569.136
Electronics	5.605.547	1.004.875	4.600.672	-
Flowers & Plants	518.583	281.233	187.350	50.000
Fruit & Vegetables	391.405	319.226	40.506	31.673
Mining	172.700	111.747	60.953	-
Natural Stone	1.317.818	693.430	452.299	172.089
Palm Oil	324.022	324.022	-	-
Pulp & Paper	96.512	96.512	-	-
Soy	7.624.189	3.445.724	3.935.840	242.625
Spices	646.000	266.048	305.777	74.175
Tea	12.829.420	5.114.231	5.368.207	2.346.982
Tourism	2.286.738	777.624	1.377.156	131.958
Tropical Timber	15.233.008	7.035.517	3.220.451	4.977.040
<b>Subtotal programs</b>	<b>117.503.135</b>	<b>43.427.932</b>	<b>54.759.295</b>	<b>19.427.736</b>
Learning	2.199.899	1.906.299	-	293.600
Communication & Congresses	2.190.537	1.187.692	910.882	91.963
<b>Total</b>	<b>121.893.571</b>	<b>46.521.923</b>	<b>55.670.177</b>	<b>19.813.299</b>

# Accounting Principles

## General

### *Principal activities*

IDH - the Sustainable Trade Initiative, is a foundation under Dutch law, and has its legal address at Nieuwekade 9 in Utrecht, The Netherlands.

The organization is primarily involved in promotion of sustainability within the main international trade chains. It wishes to reinforce public-private consortiums that operate in those international trade chains in order to achieve high impact and value creation (from an economic, social and ecological perspective) in developing countries and emerging markets.

### *Financial Reporting period*

The financial year coincides with the calendar year.

### *Basis of preparation*

These financial statements have been prepared in accordance with the guidelines for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board. The accounting policies applied are based on the historical cost convention.

### *Law on the financial remuneration of senior executives in the public and semi-public sector ("Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT)")*

The organization has complied with the formal Policy on the implementation of the rules of the WNT ("Beleidsregel toepassing WNT") and used this Policy as a guideline throughout these financial statements.

### *Going concern*

These financial statements have been prepared on the basis of the going concern assumption.

In accordance with the subsidy ruling from the Ministry of Foreign Affairs, IDH has not created a provision for continuity however a legal reserve has been formed for the prepayment on capitalized development costs of an ERP system. The Ministry of Foreign Affairs has provided a formal guarantee to IDH to safeguard IDH's liabilities regarding personnel and short term liabilities.

## Accounting policies

### *General*

The figures for 2013 have been reclassified to conform to current year's presentation. Unless stated otherwise, assets and liabilities are shown at nominal value.

An asset is disclosed in the balance sheet if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet if it is expected to result in an outflow from the entity of resources embodying economic benefits, and the amount of the obligation can be measured with sufficient reliability.

Income is recognized in the profit and loss account if an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognized if a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and/or if all risks related to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet if economic benefits are not probable and/or cannot be measured with sufficient reliability.

The revenue and expenses are allocated to the period to which they relate.

The financial statements are presented in Euros, the organization's functional currency.

## Use of estimates

Preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles, the reported values of assets and liabilities, and income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

## Transactions in foreign currencies

Transactions denominated in another currency are translated into the relevant functional currency at the exchange rate applying on the transaction date.

Monetary assets and liabilities denominated in another currency are translated at the balance sheet date into to the functional currency at the exchange rate applying on that date.

## Financial instruments

Financial instruments include trade and other receivables, loans, cash items and trade and other payables. Financial instruments are initially recognized at fair value. After



initial recognition, financial instruments are valued in the manner described below.

#### *Loans granted and other receivables*

Loans granted and other receivables are carried at amortized cost on the basis of the effective interest method, less impairment losses.

#### *Trade and other receivables*

Trade and other receivables are carried at amortized cost on the basis of the effective interest method, less impairment losses.

#### *Trade and other payables*

Trade and other payables are carried at amortized cost on the basis of the effective interest method, less impairment losses.

### **Intangible fixed assets**

#### *Development costs*

Development costs are capitalized in so far as incurred in respect of potentially profitable projects. The development of an intangible fixed asset is considered commercially profitable if the following conditions are met: the completion of the asset is technically feasible, the company has the intention of completing the asset and then of using or selling it (including the availability of adequate technical, financial and other resources to achieve this), the company has the ability to use or sell the asset, it is probable that the asset will generate future economic benefits, and the costs during the development phase can be determined reliably. Development costs are stated at production cost, less accumulated amortization and impairment losses. Upon termination of the development phase, the capitalized costs are amortized over their expected useful life. Amortization takes place on a straight-line basis.

The costs of research and other development costs are charged to the result in the period during which they are incurred.

A legal reserve is formed for the capitalized development costs of an ERP system that have not yet been amortized.

#### *Prepayments on intangible fixed assets*

Prepayments on intangible fixed assets are stated at cost. Prepayments on intangible fixed assets are not amortized.

#### *Impairment*

For intangible fixed assets an assessment is made as of each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, then the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realizable value. If it is not possible to estimate the recoverable value of an indi-

vidual asset, then the recoverable value of the cash flow generating unit to which the asset belongs is estimated.

If the carrying value of an asset or a cash flow generating unit is higher than the recoverable value, an impairment loss is recorded for the difference between the carrying value and the recoverable value. In case of an impairment loss of a cash flow generating unit, the loss is first allocated to goodwill that has been allocated to the cash flow generating unit. Any remaining loss is allocated to the other assets of the unit in proportion to their carrying values.

In addition an assessment is made on each balance sheet date whether there is any indication that an impairment loss that was recorded in previous years has decreased. If there is such indication, then the recoverable value of the related asset or cash flow generating unit is estimated.

Reversal of an impairment loss that was recorded in the past only takes place in case of a change in the estimates used to determine the recoverable value since the recording of the last impairment loss. In such case, the carrying value of the asset (or cash flow generating unit) is increased up to the amount of the estimated recoverable value, but not higher than the carrying value that would have applied (after depreciation) if no impairment loss had been recorded in prior years for the asset (or cash flow generating unit).

Taken the above principles into account, on each balance sheet date the recoverable value is determined for the following assets (regardless of whether there are indications of impairment):

- intangible fixed assets that have not yet been taken into use;
- intangible fixed assets that are amortized over a useful life of more than 20 years (starting from the time when they are taken into use).

#### **Trade and other receivables**

The valuation of trade and other receivables is explained under the heading 'Financial instruments'.

#### **Appropriated funds**

Appropriated funds include grants received in advance, but which are not yet part of program - and other expenditures. The appropriated funds are carried over to the next financial year.

#### **Non-current liabilities**

The valuation of non-current liabilities is explained under the heading 'Financial instruments'.

## Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

## Revenue recognition

### Government grants

Government grants are initially recognized in the balance sheet as appropriated funds if there is reasonable assurance that they will be received and that the foundation will comply with the conditions associated with the grant. Grants that compensate the foundation for expenses incurred are recognized in the statement of income and expenditure on a systematic basis, in the same period in which the expenses are recognized.

### Recognition of program partner funding directly in projects

IDH provides grants to projects to leverage other donor and private sector investments in sustainable sourcing based upon the co-funding principle. The criteria, reporting guidelines and audit protocol form an integral part of the funding agreements between IDH and an implementing partner. These investments are reported by IDH in its Annual Report and are not included in these financial statements, since they are not channeled through IDH.

IDH's convening role is one of its core activities and it is therefore key to report on this not only to its donors but also to the public. IDH has developed a framework that explains the guidelines for valuation of the (private) investments achieved by IDH's convening role. Based on this framework, the maximum leverage of IDH's investment with the (private) investment is factor five. These form a minor part of the total reported investments.

## Program expenditures

The foundation enters into conditional, multi-year contracts with implementing partners. The annual commitment to the implementing partner is determined based on the approved annual budgets of the implementing partners. The annual commitment is recognized as program expenditure in the corresponding financial year. The remaining obligation based on the contracts held with the implementing partners is recognized under the off-balance sheet assets and liabilities.

Once grant obligations cease to exist, they should be released to the statement of income and expenditure in the same financial year and noticeably be deducted from the program expenditures in the financial year.

Co-funding from other program partners received by the foundation will be recognized as income in the statement of income and expenditure of the foundation, when the foundation is contractually liable for the total financial commitment (the grant of the foundation and the co-funders) pledged to the implementing partners of the

foundation for the financial year. The total financial commitment (the grant of the foundation and the co-funding from the program partners), based on the approved annual budget of the implementing partner for the financial year, is recognized as program expenditure in the statement of income and expenditure of the foundation. On balance, the financial commitment of the foundation is recognized in the statement of income and expenditure.

Grants received as a contribution to the expenses incurred by the foundation are recognized in the statement of income and expenditure, and deducted from the expenses concerned.

## Employee benefits/pensions

### Pension plans

The main principle is that the pension charge to be recognized for the reporting period should be equal to the pension contributions payable to the pension fund over the period. Insofar as the payable contributions have not yet been paid as at balance sheet date, a liability is recognized. If the contributions already paid exceed the payable contributions as at balance sheet date, a receivable is recognized to account for any repayment by the pension fund or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the pension fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments, and that it is possible to reliably estimate the amount of the commitments. The existence or non-existence of additional commitments is assessed on the basis of the administration agreement concluded with the fund, the pension agreement with the staff and other (explicit or implicit) commitments to staff. The liability is stated at the best estimate of the present value of the anticipated costs of settling the commitments as at balance sheet date.

For any surplus in the pension fund as at balance sheet date, a receivable is recognized if the foundation has the power to withdraw this surplus, if it is likely that the surplus will flow to the foundation and if the receivable can be reliably determined.

## Taxes

IDH does not perform any entrepreneurial activities. The Dutch tax authorities have ruled that IDH is exempt from VAT and for Corporate Income Tax.

## Determination of fair value

A number of accounting policies and disclosures in the foundation's financial statements require the determination of the fair value for financial assets and liabilities. For measurement and disclosure purposes, fair value is determined on the basis of the following methods. Where

applicable, detailed information concerning the principles for determining fair value are included in those sections that specifically relate to the relevant asset or liability.

#### Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows.

#### Executive Board

The Executive Board of IDH consists of two directors, a chairman and a member. The employment remuneration meets the requirements of the Ministry of Foreign Affairs for assignment of MFS II grants, in which it is stated that the remuneration of the Executive Board does not exceed the remuneration of a director-general of the Dutch Government.

As per 1 January 2013 the 'Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector WNT' came in to force to which IDH is fully compliant. Based upon these criteria the below table shows the remuneration of the employees that are qualified, in accordance with the WNT, as senior executive:

In accordance to the WNT, the table below shows the composition of the Supervisory Board:

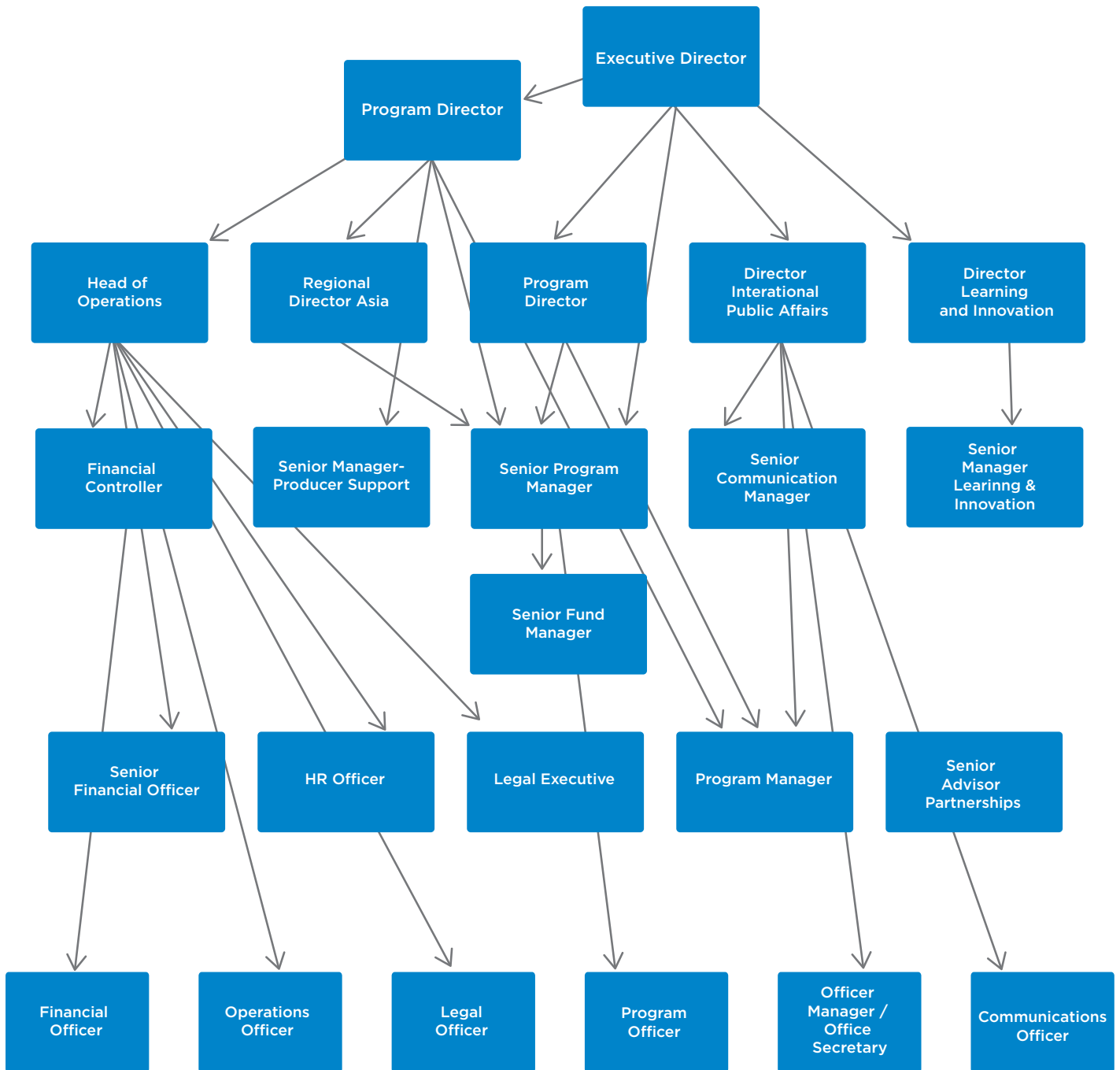
Name	H.J.M. Oorthuizen	T.H. van der Put	E.A. Bosgra
Position	Chairman of the Executive Board	Member of the Executive Board	Head of Operations
Employment agreement			
Type	indefinite period	indefinite period	indefinite period
Hours per week	40	40	32
Part time percentage	100%	100%	80%
Period	January - December 2013	January - December 2013	January - December 2013
Salary, holiday and year end allowance	€ 129.470	€ 120.970	€ 61.588
Other allowances	€ 390	-	€ 209
Pension and other insurances	€ 25.966	€ 24.810	€ 6.600
<b>Total remuneration</b>	<b>€ 155.826</b>	<b>€ 145.780</b>	<b>€ 68.397</b>

Name	Function	Appointed	Remuneration
Mr. A. H. J. Veneman	Chair	7 September 2011	€ -
Mr. J. A. van de Gronden	Member	7 September 2011	€ -
Mr. P.J. Gortzak	Member	13 October 2011	€ -
Ms. F. Karimi	Member	13 October 2011	€ -
Mr. J. W. M. Engel	Member	13 October 2011	€ -
Ms. C. A. A. Stiemer - Hermus	Member	13 October 2011	€ -
Mr. B. J. Marttin	Member	16 May 2012	€ -
Mr. G. Boon	Member	8 April 2013	€ -

All Supervisory Board members were in office until the end of the financial year 2013

# Annex

# Annex I: Organizational Structure



## Annex II: Ancillary Positions

### Executive Board

*Mr. H. J. M. Oorthuizen (installed as Chair of the Executive Board on 7 September 2011)*

- Member of the Better Cotton Initiative Council
- Member of the board of the International Cocoa Initiative
- Wageningen Ambassador for the Wageningen University

*Mr. Th. H. van der Put (installed as a member of the Executive Board on 7 September 2011)*

- Chairman of the Supervisory Board of Aquaculture Stewardship Council Foundation

### Supervisory Board

*Mr. A. H. J. Veneman (installed as Chair of the Supervisory Board on 7 September 2011)*

- Corporate Director Sustainability & HSE at AkzoNobel
- Chairman Supervisory Board Foundation 'Milieukeur'
- Member Sustainability Advisory Board COFRA
- Ambassador Amsterdam Climate Initiative
- Member of Worldconnectors
- Board member of True Price

*Mr. J. A. van de Gronden (installed as a member of the Supervisory Board on 7 September 2011)*

- CEO WWF Netherlands
- Juryman Edgar Doncker Price for nature conservation in the Netherlands
- Juryman Jan Wolker Price for best green book.
- Member of the Rotterdam Climate Council
- Member of Advice Aishan Foundation

*Mr. P. J. Gortzak (installed as a member of the Supervisory Board on 13 October 2011)*

- Head of Policy / Deputy Head of Corporate Strategy and Policy APG
- Board member Foundation 'Cultuurlab' (Pakhuis De Zwijger)
- Treasurer and Secretary of Foundation The Volkskrant
- Member of the board of Commissie Evaluatie Politie Wet

*Ms. F. Karimi (installed as a member of the Supervisory Board on 13 October 2011)*

- Executive Director of Oxfam Novib
- Member of the Board of Oxfam International\*
- Member of the Board of the Foundation 'Samenwerkende Hulporganisaties (SHO)'
- Member of Supervisory Board of VPRO

*Mr. J. Smit (installed as a member of the Supervisory Board on 13 October 2011, resigned per 1 January 2014)*

*Mr. J. W. M. Engel (installed as a member of the Supervisory Board on 13 October 2011)*

- Executive Vice President Unilever East Africa & Emerging Markets, Unilever Kenya Ltd

*Mw. C.A.A. Stiemer-Hermus (installed as a member of the Supervisory Board on 13 October 2011)*

- Senior Vice President Retail Transformation at Ahold

*Mr. B.J. Marttin (installed as a member of the Supervisory Board on 16 May 2012)*

- Member of the Executive Board Rabobank Nederland
- Member of the Board Rabobank Australia Ltd
- Member of the Board Rabobank New Zealand Ltd
- Member of the Board Rabobank Foundation
- Chairman of the Supervisory Board of Obvion N.V. (pending approval by the Dutch Central Bank)
- Chairman of the Supervisory Board of De Lage Landen International B.V.
- Chairman of the Shareholders Council of Rabo Development
- Member of the Board of the Unico Banking Group
- Vice-chairman of the Board of Directors of the American Chamber of Commerce
- Chairman of the Advisory Board of the Amsterdam University College
- Member of the Advisory Board of JINC
- Member of the Supervisory Board of the Wageningen University
- Member of the Dutch Trade Board

*Mr. G. Boon (installed as a member of the Supervisory Board on 8 April 2013)*

- Chief Financial Officer Nutreco

\*The board of Oxfam International is formed by individual Ox-fams (legal entities). Ms. Karimi is the natural person in this board who represents Oxfam Novib legal entity.

The Supervisory Board has created three committees in which the following members of the Supervisory Board are represented

**The audit committee:**

- Mr. B.J. Marttin
- Mr. G. Boon

**The impact committee:**

- Ms. F. Karimi
- Mr. J. W. M. Engel

In the impact committee additional two external members are represented:

- Dr. Bill Vorley – Principal Researcher, International Institute for Environment and Development, IIED
- Frank Eyhorn – Co-Team Leader Rural Economy at the Advisory Service Department, HELVETAS Swiss Inter-cooperation

Former member of the impact committee dr. François Ruf stepped down from the impact committee end 2013.

**The nomination and remuneration committee:**

- Mr. A. H. J. Veneman
- Mr. J. A. van de Gronden

