



# Annual Report 2015

Global Convening  
for Impact



Ministry of Foreign Affairs



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,  
Education and Research EAER  
**State Secretariat for Economic Affairs SECO**

**DANIDA**

# IDH, the Sustainable Trade Initiative

The statutory name of the foundation is Stichting IDH Sustainable Trade Initiative. It has its registered office in the municipality of Utrecht, the Netherlands. The foundation's objectives are to promote sustainability in the main international trade chains. It aims to reinforce public-private consortiums that operate in those international chains in order to create positive impact and value (from an economic, social and environmental perspective) in developing countries and emerging markets. The foundation does not have a profit agenda.

It attempts to achieve these objectives by:

- a) Bringing together result-oriented coalitions of companies, NGOs, trade unions and governments;
- b) Coordinating visions and program agendas in the sustainable commodities sector;
- c) Financing sustainable chain implementation programs;
- d) Generating performances and results in the programs referred to in (c);
- e) Learning from important case studies, challenges and experiences in the programs referred to in (c).

The foundation is led by an Executive Board which is appointed by the Supervisory Board. The Executive Board represents the foundation, and currently comprises Mr. Joost Oorthuizen and Mr. Ted van der Put.

The supervision of the Executive Board's policy and of the foundation's general course of business has been assigned to the Supervisory Board. The Supervisory Board consists of at least seven people, who have an affinity for sustainable trade, general administrative qualities, independence, support for the objectives and statutes of the foundation, and a wide range of expertise, skills and (international) backgrounds.

Furthermore, a team of program managers, and departments of Operations, Public Affairs, Communication, Learning & Innovation, and Innovative Finance make up the IDH organization. During the course of 2015, IDH employed an average of 51.7 FTEs (2014: 45.8 FTEs).

# Report of the IDH Executive Board

## Methodological considerations

The annual report accounts for the plan of the reporting year at corporate and program levels. The achievements are reported against key performance indicators (KPIs). For each KPI, the 2015 results are compared to the planned targets for the year. This holds for all programs except for the commodity programs on Apparel, Pulp & Paper and Tin and the Initiative for Sustainable Landscapes (ISLA) for which no KPIs have been defined in the annual plan for 2015 due to the development phase of these programs. Deviations in reaching these KPI targets are explained as clearly as possible in each of the program chapters. The results presented in terms of KPIs are, to a large extent, based on information that IDH obtained through its implementing partners. The same goes for the reporting on the planned activities, which underpin the results. The role of IDH in obtaining the results has been highlighted by concrete examples per sector program.

By the end of 2016, a summary report will be published providing the cumulative KPI results covering the period of IDH's first multi-year strategy 2011-2015. This is primarily done by consolidating and validating the results that have been incorporated in the annual reports that were published during this period. As validation of the annual results is essential in reporting cumulative figures the annual report only includes annual results and not cumulative results, except for programs that already reported cumulatively over the past years. A final validation of the results is anticipated to take place by the end of 2016.

## Developments in 2015

In an energizing process with the IDH staff, we developed the "next stage" 2016-2020 strategy during the course of the year. With guidance from the Supervisory Board and institutional donors, we developed more focus in our future strategy, a stronger results-measurement structure for our demand-driven agenda in value chains, and an effort to balance innovation against realizing planned results. We also rigorously reviewed the key intervention logic and impact claims for each program, focusing on the necessary systemic innovations to address the bottlenecks in scaling sustainable practices. This was translated into the multi-year plan 2016-2020 that was approved by the Supervisory Board and institutional donors.

Financially, 2015 allowed us to formalize the €100 million 2016-2020 funding from the Dutch government. We

were also pleased to secure additional donor funding from DANIDA for 2016 and 2017 (DKK 39.5 million, equal to €5.3 million), and new funding from Norad through a partnership with NICFI (NOK 50 million equal to €5.3 million). In spite of the great support of our institutional donors there is a need for additional funding activities to get the needed financial support for the ambitious multi-year plan targets IDH has set itself for 2020.

During the year, we focused on enhancing our capacity in convening at the local level in origin countries. Building small but strong teams in countries of origin is an important component of the IDH approach. Trust, credibility and awareness of the situation on the ground are essential, and none of these can be satisfactorily established in a few months or without an effective local presence. Around our landscape programs in particular we have expanded our local presence. We are proud and satisfied with the way these new IDH colleagues have helped us to strengthen our role.

Maintaining our focus also meant that we went into exit mode for some programs as planned (such as Electronics). We will merge the Fruit and Vegetables, Spices, Flowers and Plants, and Cashew programs into one Fresh and Ingredients program; we did not start the implementation of new programs.

#### Program spending

In parallel, we stepped up our program spending significantly from €23.4 million in 2014 to €33.8 million in 2015. We closed the first multi-year stage of the IDH program interventions, reflecting the fact that our contracting pipeline management reached maturity. Most of our programs reached their output targets and investment levels, with some notable delays in investments for the Initiative for Sustainable Landscapes (ISLA), Cocoa, Coffee, Tea, and Fruit and Vegetables programs, which will be met in the course of 2016.

#### Innovation remains key

Scaling the impact of sustainable practices in value chains, with diminishing availability of public grant funding and more systemic challenges in producing regions, requires targeted innovations in our approach.

2015 was the second year of our **Initiative for Sustainable Landscapes (ISLA)** program, which brought considerable recognition from public- and private-sector partners, especially for our local convening role and for the framing of landscape-level governance issues of natural resources, commodity production development and community interests. Joint public-private platforms and interventions have been developed in the ISLA landscapes. In the partnership with NICFI (concluded Q4 2015), five landscape approaches were added (South Sumatra, Atjeh, and three in Liberia) and two landscape approaches will be strengthened (West Kalimantan, Mato Grosso).

The ISLA team has expanded significantly, and alignment with our commodity approach has deepened in 2015 in preparation for delivering proof of concept of the landscape approach in the years to come.

We have further built on our *Innovative Finance* program together with partners like the Dutch development bank FMO and the International Finance Corporation (IFC). We have worked on our pipeline of deals that will leverage a relatively small risk-sharing facility to large-scale investment with adequate return and measurable public impact. We see this approach as a key priority in our strategic innovation and learning agenda.

Core achievements in 2015 include:

- a) Convened 21 different stakeholders around an ambitious Memorandum of Understanding to achieve living wage payments and productive tea production in the Malawian tea sector in 2020;
- b) Over 2.2 million metric tons of BCI-verified cotton (12% of world production) providing large scale impact on reducing water- and pesticides use;
- c) Several national platforms launched in coffee growing counties to align policies and projects and unlock large volumes of sustainable coffee;
- d) The number of partners in the Fruits & Vegetables program grew to 40 and their % of sustainable sourcing to 66% against targets of 35 partners and 50% sourcing share;
- e) The first ASC certified shrimp was introduced on the market and 64,059 metric tons of shrimp were responsibly produced; following FIT Fund support to OMARSA (Ecuador) and Quoc Viet (Vietnam), two leading shrimp producing and exporting companies, whom became the first two ASC certified shrimp companies globally.
- f) The Electronics program successfully exited, leaving a legacy of 53 worker/management dialogue forums installed and an extensive package of best practices, methodologies and learning easily available through a China based website in English and Chinese.

At the end of 2015, we had local convening staff contracted in Indonesia, Vietnam, India, Kenya, Tanzania, Malawi and Nigeria; we continue to refrain from on-the-ground implementing ourselves.

#### Learning accelerated

Organizing and documenting “learning” and critical reflection has been a key component of the IDH approach since it started in 2009. During 2015, we defined our future learning agenda around four cross-sectoral themes: smallholder inclusion, reducing deforestation, improving working condition (including living wages and gender) and reducing toxic loading. The extensive use of so-called “white space sessions” and “office weeks”,

both designed to accelerate internal learning, indicates the energy within the organization to get our collective minds around these challenges. To do justice to this aspect of our work, we refer to the dedicated chapter in this annual report on Learning & Innovation.

### Professionalizing HR-related processes

To operationalize our commitments for the landscape work and the Grow Africa partnership, our staff increased to an average of 51.7 FTEs in 2015. The process of formalizing HR-related processes moved forward in 2015 with the approval of a renewed package of employment conditions by the new employee council. The employee survey indicated the need to strengthen management attention for recognition, transparency on HR issues and workload, which we translated into actions such as expanding our support staff, communicating the HR package, and more attention overall to the wellbeing of our staff. Since January 2015, IDH has one pension scheme: all employees are entitled to a defined contribution scheme.

### Internal Control and Financial Monitoring

The financial statements (“jaarrekening”) in this report have been subject to an audit by Mazars. In line with good governance IDH decided, after a period of six years, to change auditors from KPMG to Mazars. The auditor’s report has been discussed between Mazars and the Audit Committee of 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 includes: 1) all spending compared to budget and forecast; 2) contract pipeline monitoring; and 3) reviewing of risks. A summary of these discussions is also presented to the Super-

visory Board, and the Annual Report is published on our website.

IDH does not trade in financial derivatives. Payments are based on implementation contracts. IDH only works with reputable organizations and conducts a thorough partner assessment. On approval of the annual plan, IDH can request funds from its institutional donors.

IDH receives funding and contracts in several currencies, and as a consequence is subject to currency exposure. In 2015, the result of the currency exposure was an exchange rate loss of €0.4 million due to a significantly stronger US dollar during 2015 and a larger USD portfolio. This impacted the US dollar commitments in our coffee program. Hedging of this currency exposure is not allowed by IDH’s institutional donors, and IDH has implemented mitigation measures which are documented in IDH’s Treasury Policy.

The Dutch Ministry of Foreign Affairs has provided a formal guarantee to safeguard IDH’s liabilities regarding personnel costs and short-term liabilities when ending the grant.

### Risk management

In 2015, the risk management framework was further strengthened to cover financial, legal, reputational and operational risks at both IDH and program level. This entails monthly Management Team meetings and quarterly assessment of the key risks in the program review cycle. Specific risks per program are further detailed in the program-specific chapters of this annual report. On a strategic level, the following risks and mitigation activities have been identified:

Risks	Mitigating action undertaken
Tension between need for funding and speed of spending undermines the credibility of IDH with donors, and affects quality of intervention programs.	Intensification of our pipeline in 2014 resulted in much higher and more predictable spending in 2015. The guiding management principle here is that spending pressure is never an excuse for lowering contractual ambitions for impact.
Staffing not up the required level for the significant IDH ambitions.	Recruitment of new talent and IDH’s staff training program are tuned to ensure the quality required to match ambitions. This internal competence strategy is being shared with all employees. Growing number of examples of feedback from program partners underline appreciation for staff skills and maturity.
Reputation of IDH seriously harmed by program or partner calamities.	Formal and informal continuous risk management processes. No serious issues to report in 2015.
Decrease in political support from lead donors affects short-term funding.	Management and Supervisory Board attention to successfully maintain good level of support from current institutional donors, collectively reflected in the donor meeting set-up, and bilateral in challenging each others realities to maintain political support. New funding formalized from Dutch, Danish and Norwegian governments. New fundraising strategy focusses on raising additional funding beyond current donor commitments.

In 2015, the risk of a donor discontinuing its funding relationship with us emerged, but corrective actions were taken and a renewed contract has stipulated a constructive way forward. New phasing of donor contributions has been mitigated to manageable proportions by phased spending and more attention to fundraising. No IDH commitments to project partners have been affected. No other significant risks emerged.

### Financial developments 2015

IDH does not form equity, and consequently solvency is not a relevant financial KPI for IDH. Liquidity is monitored by periodic cash flow forecasts. At year-end 2015, the current ratio (current assets: short-term liabilities excluding appropriated funds) was 1.6 (2014: 1.7).

IDH's result in 2015 was nil (2014: nil), due to the fact that income is matched with expenditures during the year. We refer to the accounting principles as included in the financial statements.

IDH program spending (excluding program spending via IDH) in 2015 is €3.7 million lower than budgeted. The original Annual Plan stated €33.1 million. The private-sector program spending exceeded our expectations; the Annual Plan stated €41.4 million; the Annual Report €59,7 million. This resulted in a ratio of 1 : 2.2 versus the planned 1 : 1.3.

IDH organizational expenditures in 2015 was €1.3 million lower than budgeted. The original Annual Plan stated €5.4 million. The ratio between office costs and total budget is 4%, which is significantly below budgeted (6%).

### Outlook 2016

2016 will be the first year of our ambitious multi-year plan (MYP) 2016-2020, focusing on IDH's contribution to specific Sustainable Development Goals (SDGs). Program teams have developed new interventions and are translating those into convening, learning and co-funding contracts, tied to the newly designed Result Measurement Framework (RMF). Building on the experiences of the first IDH phase, our program interventions are based upon systemic, beyond certification solutions for complex issues such as living wages, deforestation and pesticides use. To monitor the impact of these interven-

tions efficiently, and accelerate cross sectoral learning, we have clustered our impact claims around four core impact themes.

Medium- and long-term additional funding is fundamental to maintaining current activity levels and to realizing our MYP impact claims. The MYP inspires further transition from scaling certified production to addressing the tougher, systemic SDG issues in producing countries. This requires an intensification of our learning, on-the-ground convening presence (especially local government engagement), and partnerships. We expect to formalize our representative office in Indonesia and Vietnam.

Our Innovative Finance agenda is gaining increasing traction from stakeholders and urgency with the changing donor and grant landscape. Partnerships like those with FMO and NICFI are fundamental to this.

The approved budget for 2016 is € 38.5 million. This excludes private and other donor program funding. In 2016 the new RMF framework will be implemented together with the IATI transparency rules.

The more we grow as an organization, the more we realize that a whole team of young and senior professionals within IDH is growing professionally and in experience. We feel privileged to have such committed employees working towards our joint mission, and are able to attract amazing talent willing to work for us. As management, we feel a responsibility to live up to the high expectations of our staff and to recognize and reward their contributions and eagerness to grow.

We would like to thank our employees for their great performance in 2015, especially in co-creating our ambitious new multi-year plan and Result Measurement Framework. Secondly, we would like to thank our program partners for their ongoing trust and contribution and to working with us on our programs. Delivering real, on-the-ground impact at scale can only be done if we combine forces.

We would like to conclude by thanking the IDH Supervisory Board members and our donor partners for their impressive commitment to supporting IDH's mission and for being a strategic and constructive sparring partner.

Thank you!

Ted van der Put



Member Executive Board

May 12th, 2016

Joost Oorthuizen



Chairman Executive Board

The following table indicates the key financial figures over 2011 – 2015:

<i>amounts in millions of Euros</i>	actual 2015	budget 2015	actual 2014	actual 2011 - 2015
<b>Program Contributions:</b>				
Private partners – via IDH	3.5	-	2.8	10.8
Private partners – directly to project	59.7	41.4	43.7	149.8
<i>Total private partners</i>	<i>63.2</i>	<i>41.4</i>	<i>46.5</i>	<i>160.6</i>
Other donors – via IDH	0.8	-	0.4	1.4
Other donors – directly to project	3.1	6.4	4.1	20.2
<i>Total other donors</i>	<i>3.9</i>	<i>6.4</i>	<i>4.5</i>	<i>21.6</i>
IDH	29.4	33.1	20.2	84.3
<b>Total Program Contributions</b>	<b>96.5</b>	<b>80.9</b>	<b>71.2</b>	<b>266.5</b>
<b>IDH Budget:</b>				
IDH Program Contributions	29.4	33.1	20.2	84.3
IDH contribution on behalf of private partners	3.5	-	2.8	10.8
IDH contribution on behalf of other donors	0.8	-	0.4	1.4
<b>Total IDH Program Contributions</b>	<b>33.8</b>	<b>33.1</b>	<b>23.4</b>	<b>96.5</b>
Learning, Innovation and Impact	1.5	2.1	1.1	5.0
Support and outreach	1.3	1.5	1.1	4.7
<b>Total Program Related Costs</b>	<b>2.8</b>	<b>3.6</b>	<b>2.2</b>	<b>9.7</b>
Congress and communication	0.2	0.4	0.3	1.8
Personnel	2.9	3.7	2.9	12.7
Organization	1.0	1.2	1.0	4.3
<b>Total IDH organizational expenditures</b>	<b>4.1</b>	<b>5.4</b>	<b>4.2</b>	<b>18.8</b>
Financial income and expenses	0.3	-	-0.1	-0.2
<b>Total Fin income/expenses</b>	<b>0.3</b>	<b>-</b>	<b>-0.1</b>	<b>-0.2</b>
<b>Total IDH Costs (incl contributions via IDH)</b>	<b>41.0</b>	<b>42.1</b>	<b>29.7</b>	<b>124.8</b>
<b>Total IDH actuals</b>	<b>36.6</b>	<b>42.1</b>	<b>26.5</b>	<b>112.6</b>
<b>Total incl. Partner Contributions</b>	<b>103.7</b>	<b>89.9</b>	<b>77.5</b>	<b>294.8</b>
Ratio program contributions IDH: private	1 : 2.2	1 : 1.3	1 : 2.3	1 : 1.9
Percentage IDH Office: Total IDH costs	10%	12%	16%	15%
Percentage IDH Office: Total incl. partner contributions	4%	6%	5%	6%

# Report of the Supervisory Board

As a Supervisory Board we have observed how the Executive Board is continuously strengthening its governance model, developing next level structures and procedures that fit a growing organization without losing its pioneering, entrepreneurial and agile nature. This is reflected in the inclusive process through which the Executive Board and staff – in close coordination with the Supervisory Board – developed its multi-year plan 2016-2020 with a clear ambition to engage in more complex sustainability issues (“higher hanging fruits”). Tools for Innovative Finance and ISLA have been added to the existing programs and interventions. IDH has also adopted a rigorous Result Measurement Framework as the foundation underlying the monitoring and assessment of progress on sustainable market transformation. These new processes and tools are integral part of the new funding agreement.

In 2015, the Supervisory Board met 4 times and both the Audit Committee and the Impact Committee had two formal meetings. More formally we approved the 2014 Annual Report and the 2016 Annual Plan and discharged the Executive Board for their 2015 responsibilities. We discussed the results of the Employee Survey with the Executive Board, especially on issues such as staffing requirements and organizational developments, including regional offices. The Supervisory Board also had its first fruitful meeting with the newly established Employee

Council. The Supervisory Board highly appreciates the passion for impact as the continuous driver for IDH staff.

IDH would not exist without the support of its many partners and certainly not without its institutional donors. Over the course of 2015 IDH and its donors have had challenging and constructive conversations leading to improved result measurement frameworks for the better of IDH. We have noticed that IDH has included most of the Dutch IOB recommendations in its updated 2016-2020 strategy.

We thank BuZa, DANIDA and SECO for their continuous support and we warmly welcome NICFI as a new donor. As of October 2016 a representation of the IDH Supervisory Board will join the regular IDH donor-meetings.

As part of the Supervisory Board cycle of appointment and resignation, we have implemented mutations in the composition of the Supervisory Board in 2015. Supervisory Board members Farah Karimi, Marc Engel and Peter Gortzak stepped down after 5 years of much appreciated support, and Agnes Kalibata and Christian Frutiger were welcomed as new members of the Supervisory Board.

We look forward to continue providing guidance, support, supervision and encouragement in working with the Executive Board and staff and we are excited to be part of the challenging IDH journey towards a more sustainable society.

On behalf of the Supervisory Board,

Andre Veneman



Chair of the Supervisory Board

May 12th, 2016



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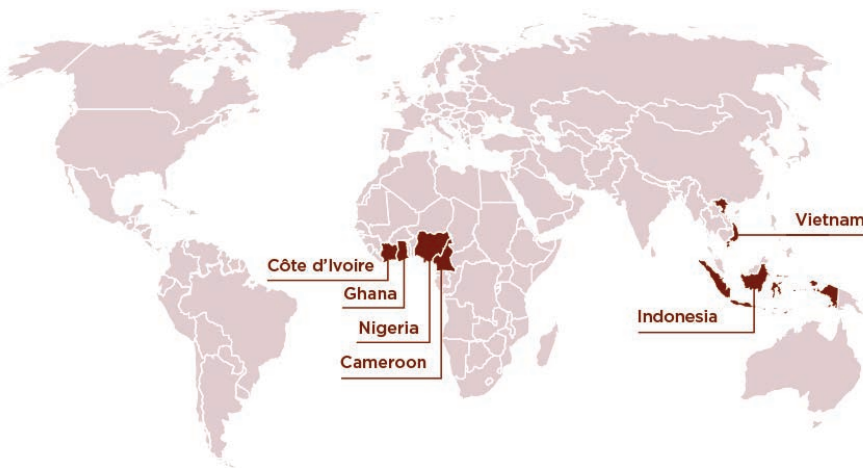
# Programs



# Cocoa

## 300,000 farmers to have improved livelihoods by 2015

The IDH Cocoa Program aims to transform the cocoa industry by supporting a new generation of cocoa farmers as entrepreneurs, who can produce 1,000kg/hectare or more. This transformation is possible when there is intensification of farmer productivity on existing farmland, diversification of farmers' income sources, and efficient service delivery models to facilitate farmers' access to inputs and finance. Combined, these have the potential to improve the livelihoods of cocoa farmers and their surrounding communities.



### Main sustainability issues targeted

- Low productivity
- Low profitability
- Poor economic and social resilience of farms

### Private Partners

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

### Governments

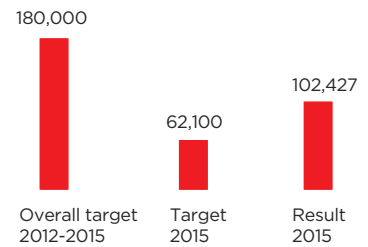
Cameroon, Côte d'Ivoire, Ghana, Indonesia, Nigeria, Switzerland, the Netherlands and Vietnam

### Other partners

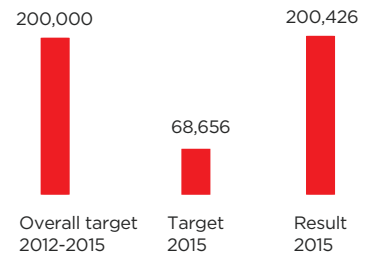
CIRAD, Cocoa Sustainability Partnership, Conseil Café Cocoa, CocTA, ICCO, MARD Vietnam, NEN/CEN, Rainforest Alliance, UTZ Certified, Solidaridad, Swisscontact, TechnoServe and WCF

### KPI Progress 2015

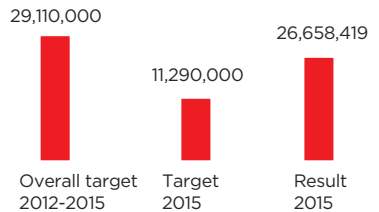
#### Number of farmers trained in certification module



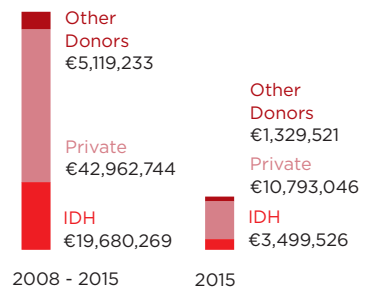
#### Volume (in metric tons) of certified cocoa produced



#### Value (in US \$) of financial products provided to producer groups/ organizations



### Financial Progress 2015



As the KPIs show, the overall program target was more or less met in terms of certification, soil fertilization, and access to finance for input use. Our activities accelerated the focus and investments of the private sector on farmer productivity and profitability as planned. However, we did not achieve the planned results in terms of replanting and average yield gains. The main reasons are that both the government and the private sector players are slower than anticipated in changing their dominant (business) practices.

### Sector context, theory of change and impact claims

By working closely with the private sector-led Cocoa Action Program on the one hand, and the local authorities in West Africa on the other, IDH has been able to drive large-scale change in the sector. Our fertilizer program became the official pillar of the wider cocoa action program. Through the different committees in Ivory Coast and Nigeria, the program became well embedded in the strategies of both national authorities and major private-sector companies in the cocoa and fertilizer industry. A scientific oversight committee provided the necessary credibility and authority to the program. IDH convened and led this fertilizer program. In Ivory Coast, soil fertilization has reached higher levels than ever, which to a large extent has been the direct result of IDH's leadership.

Overall yield increase was not attained because in Ghana and Ivory Coast, government policies on replanting prevented us from introducing the productivity package. As a result, the programs of the private-sector players achieved the targets on good agricultural practices and certification, but fell short in driving real productivity to the targeted levels (1,000 kg/hectare).

## Key planned activities in 2015 versus achievements

### #1 Phase out the Cocoa Productivity and Quality Program (CPQP):

- Evaluate the program's achievements.
- Share lessons learned and knowledge among the partners at country level.

► See KPIs 1, 6

#### Achievement

Due to lack of capacity, the target has not yet been achieved. The focus will be on providing an aggregated overview of what has been achieved within the CPQP program and what learnings on innovation have been gained during its execution.

#### Role of IDH

IDH will lead the evaluation and organize a workshop to share learnings with the key stakeholders.

#### Deviation

Due to staff changes, this activity has been delayed and will take place in Q3 2016 instead.

### #2 Manage and drive performance in the Cocoa Fertilizer Initiative, where at least five companies are implementing SMART action plans and IDH coordinates a non-competitive research agenda:

- Publish an updated soil map for the cocoa belt of Côte d'Ivoire.
- Set up financial risk-sharing mechanisms worth US \$500,000 to facilitate up-country availability of fertilizer.
- Support companies in developing service delivery models that deliver inputs to cocoa farmers.
- Train at least 1,000 extension agents on soil fertility management practices on cocoa farms.
- Establish strategies for the Cocoa Fertilizer Initiative in Ghana and Nigeria and initiate implementation.

► See KPI 4

#### Achievement

In the Cocoa Fertilizer Initiative in Côte d'Ivoire, seven companies implemented SMART action plans to fine-tune their models on training and distribution of fertilizer. Most companies performed

against their target, together facilitating the distribution of approximately 5,000 MT of fertilizer accounting for close to 10% of the market. Two partnerships in the cocoa and fertilizer industry are making use of the financial risk-sharing facility. A joint project to train cooperatives and independent agro-dealers on sustainable fertilizer marketing has commenced. Pilots started to combine training and coaching with close to 5,000 farmers, to find a way to assist farmers in their farm development planning. In April 2015, the initiative's scientific committee had a fruitful field visit during which the ongoing research was reviewed and reinforced. The study on soil mapping and fertilizer guidance continued to feed into the discussion on the need and feasibility of different cocoa fertilizers. Recommended fertilizer will be validated over the course of the next two years. Insights into farmer typology and farmer return on investment are maturing. In Nigeria, work has started on a soil mapping and fertilizer guidance study, but the official start has been postponed to mid-2016.

In both countries, the initiative is taken seriously by industry and authorities and will potentially influence the industry's behavior on this issue at large.

In Côte d'Ivoire, the public and private sectors developed a nationally harmonized training manual, which has been tested. Based on this, there was demand for public training tools such as image boxes and farmer information sheets.

#### Role of IDH

IDH runs the secretariat of the Cocoa Fertilizer Initiative and facilitates the exchanges among the initiative members. For example, by organizing the full-week field visit with the scientific committee and working sessions on the study outcomes from CNRA and CIRAD's work. IDH initiated the co-funding for pilot projects on coaching farmers, and facilitates the learning on these activities. By bringing a Cocoa Fertilizer Quick Scan (executed by IFDC) to the table, IDH brought the members more insights on the current status of the market.

#### Deviation

Soil fertility crop nutrition management on a perennial crop such as cocoa is a slow process and so are the outcomes from research on this topic. IDH has been too optimistic in projecting the publication in 2015, as there remains a full process of multi-stakeholder engagement and validation in the field.

Training of extension agents and subsequently farmers, remains within the domain of the implementing partners from the private and public sectors, and has not been picked up by the initiative in a pre-competitive manner. Development of the required high-quality training materials will be facilitated by the initiative.

The risk-sharing mechanism made available by AFAP harvested only moderate interest. For the two cocoa-fertilizer industry consortia, a total of US \$123,000 worth of guarantees was put in place from which no disbursements were needed to date.

### #3 Start one or two blended finance programs on rehabilitation and input financing.

► See KPI 7

#### Achievement

Done. Program with MFI Advans through IDH/CLP Growth Fund successful, reaching 70,000 farmers on input financing in 70 coops in Côte d'Ivoire. Blended financing program with IFC and Barry Callebaut in development.

#### Role of IDH

IDH structures deals with financial institutions and cocoa companies. IDH's key role is match-making. In addition to connecting partners, IDH helped design the blended finance construction so that risks and benefits were acceptable for all parties, including the ultimate beneficiary: the cocoa farmer. Our work on service delivery models has been instrumental in this process.

### #4 Scope work on malnutrition together with GAIN.

#### Achievement

Done, ongoing. First study conducted and partnership with GAIN established. Interests of private sector assessed and objectives written into future CLIP program.

## Role of IDH

IDH led this, with GAIN as knowledge partner.

## Deviation

Due to staff change, scoping still ongoing in 2016.

## #5 Support PPP in Vietnam:

- Develop the capacity of farmer extension services to deliver training.
- Enhance training curricula provided through extension services and technical colleges.
- Develop demonstration farms in strategic areas.

## Achievement

By the end of 2015, numerous outreach workshops and trainings were conducted to motivate and train cocoa farmers on good farming management, with a total of 3,854 farmers trained by Mars and Puratos.

National technical guidelines were developed by NAEC, leading cocoa experts and corporate partners, and supported by IDH. The guidelines can be used by any actors in the supply chain. The guidelines will be used by NAEC to conduct training for government extension service providers at the provincial and district level. In collaboration with Nong Lam University in HCMC, a curriculum was developed for agronomy students on cocoa plantation.

To motivate farmers to invest in cocoa and support technical transfer, the PPP cocoa program has supported the setup of 40 demonstration farms in strategic areas of Mekong Delta, Central Highlands and South East region. Demo farms are used extensively to conduct field trainings.

## Role of IDH

IDH supports the PPP from the Vietnam office, providing financial support and the Vietnamese IDH staff actively participating in the platform meetings. With the conclusion of the PPP Cocoa phase 1, IDH has been working closely with Helvetas, our private partners, MARD departments, and the national agriculture extension center to strengthen the governance of the PPP for cocoa. IDH is seen not only as a partner but also as a source of advice to build on experiences with other agriculture commodities.

## #6 Scope cocoa working capital financing for farmers in Indonesia:

- Innovate on financial mechanisms to support farmers' business development, "business lead-ing model".
- Develop extension services to improve economic performance of cocoa producers (farmers) through inclusive business development.
- Strengthen cocoa producer (farmer) forum capacity on organization and services development.

## Achievement

A Taskforce (TF) on Agri-Finance of Cocoa Sustainability Partnership (CSP) was established. This TF was led by Swisscontact from October 2014 to December 2015 and IFC has taken over the lead from January 2016. The TF members are representatives of the private sector (Mars, Mondelez, Olam, Nestlé) and NGOs (IDH, Swisscontact, IFC, Brightwater Foundation).

An MoU was signed between CSP and the Ministry of Agriculture (MoA) on cooperation program synergy between CSP and MoA on sustainable cocoa development in Indonesia.

CSP grows as a PPP platform for sustainable cocoa development in Indonesia, whose main members are private sectors. Other members are NGOs, research institutes, cocoa associations and farmer's forums.

CSP endorsed by national and regional governments as a main partner working on cocoa sustainability.

## Role of IDH

IDH participates in the design of the blended financing deals, ensuring a win-win-win for farmer, supply chain company, and investor.

IDH is a member of the CSP supervisory board and is actively involved in the Agri-Finance TF. The main activities of the TF are the development of the cocoa finance landscape in Indonesia, development of a tool to assess farmers' creditworthiness, and increasing farmers' accessibility to government credit schemes.

There has been a TF (October 2014 to December 2015) to facilitate the communication between CSP and the government, which was led by IDH with support from chairman of CSP (Swisscontact). The Government is now on board in CSP and this TF for the coordination with Government is no longer active.

IDH led the content of the program cooperation focusing on soil fertility, planting materials, and farmers' empowerment.

IDH has been very active in strengthening CSP's institution and governance since 2011.

#### Deviation

No deviations, however:

- CSP needs to have better management and governance by enhancing the capacity of the secretariat members (currently there are eight employees).
- The taskforces are organized and established but there have been no concrete results yet. In 2016, it is expected that some taskforces will show significant and tangible results which can provide information on the impact of behavioral change at farmer level (with increased adoption levels).

#### #7 Collaborate actively with the CORIP program in Ghana:

- Support 10 Rural Service Centers for cocoa growers, and introduce agronomic practices that will contribute to reaching 1,000kg/hectare in Ghana.
- Actively contribute to CORIP's learning and impact measurement agenda by building on CPQP learnings.
- Drive performance of company programs.

► See KPI 1

#### Achievement

During 2015, IDH actively engaged with the CORIP program, specifically by providing advice and support in the development of the M&E framework.

The CORIP program has approved an additional five new Resource Service Centers for 2016. Of the 18 total Resource Service Centers that are in the program, 11 have been established.

In consortium meetings and bilateral meetings, IDH and Solidaridad discussed the CORIP learning and impact agenda. This dialogue will be further continued around the mid-term evaluation that the program will carry out during 2017.

Solidaridad continues to drive the performance of the companies by means of regular field visits.

#### Role of IDH

CORIP is a Dutch Embassy program, which is managed by Solidaridad West Africa. As one of the financiers of the CORIP program, IDH played a control and advising role as member of the Program Advisory Board. IDH has been involved in the M&E framework which was developed beginning 2015. The latest discussions of the Program Advisory Board have been around the mid-term evaluation that is planned for 2016.

#### Deviation

Since 2014, the CORIP program is working on a delayed schedule due to slow start-up of the projects.

### Lessons learned

- We were correct to bring local authorities into the governance lead, while ensuring implementation remains organized practically. Though decision making can be slow, local authority leadership is key to driving lasting change. The fertilizer governance setup has been one of the key reasons for the success of the program.
- Changing business practices of major companies takes time, as they tend to be risk averse. Prototyping success before aiming for scale is our new approach to this lesson. As such, IDH will engage more with companies to design prototypes that are ambitious in their depth of impact, but more modest in size; these will be designed to be scaled by the company and thereby change business practices.
- Scientific communities can have deeply embedded convictions, interests or viewpoints, which can hamper innovation. Managing this process of creating clarity and alignment with such communities and industry requires intensive, continuous convening of stakeholders.

### Risk Assessment

Risk	Mitigating action undertaken
Lack of government involvement.	Engaged frequently and effectively with the government in Côte d'Ivoire, particularly for the fertilizer initiative where the CCC (Conseil Café Cacao) is chairing the Fertilizer Initiative.
Lack of financial sector involvement.	Engaged intensively with financial institutions such as Advance, FMO and IFC.
Insufficient quantity of improved planting material.	Assisted private-sector partners in nursery development as an important aspect of our CPQP program.
Inadequate measurement of productivity improvements.	Finalized ongoing field-level impact studies and developed an impact indicator protocol.



# KPI Table Cocoa

#	Key Performance Indicators	Overall target 2012-2015	Target 2015	Result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin:</b>				
1	Number of farmers trained in certification module	180,000	62,100	102,427
2	Number of producers certified	234,198	57,000	43,533
3	Area (in hectares) of cocoa trees rehabilitated	381,794	104,344	27,382
4	Average volume (in kilograms) of inorganic fertilizer used per hectare of land	448	572	337
5	Volume (in metric tons) of certified cocoa produced	200,000	68,656	200,426
6	Average yield (kg/hectare/year) <sup>1</sup>	1,000	626	614
<b>Result area 2: Tangible improvements in sustainable markets:</b>				
7	Value (in US \$) of financial products provided to producer groups/organizations <sup>2</sup>	29,110,000	11,290,000	26,658,419
<b>Result area 3: Effective collaboration and institutionalization at sector level:</b>				
8	Number of institutions/entities trained <sup>3</sup>	95	TBC	31
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:</b>				
9	Number of best practices shared in sector (through websites, events, etc.)	7	1	6

## Deviation justification per KPI:

- **KPI 1, 2 & 5:** The drive of our company and NGO partners towards certified cocoa production and sales has led to an encouraging outperformance against our KPIs on the number of farmers trained for certification (102k rather than 62k) and the volume of certified cocoa purchased in our program (200k rather than 67k metric tons). The farmer group actually certified in 2015 lacked behind as capacities on the ground to actually certify the large new group of farmers was lacking behind.
- **KPI 3:** Farm rehabilitation has proved to be difficult to achieve (27k hectares rather than the targeted 104k). National policies like the ban on grafting in Côte

d'Ivoire to avoid further spreading of the swollen shoot virus, complicated the business case for farmers to rehabilitate their farms. Furthermore, the lack of concessional long-term finance stops farmers to replace their trees and live through the period of reduced income. IDH will therefore put more effort in the years to come on making medium and long-term loans available to farmers through the financial institutions to help them invest in the productivity of their farms and trees.

- **KPI 4:** The IDH fertilizer initiative in Côte d'Ivoire has had positive results on the volume of fertilizer used by farmers. The market surpassed 50,000 tons in 2015, from less than 10,000 tons when our program

1. Partners apply different yield measurement methodologies which makes aggregation unreliable. In early 2014, IDH initiated a field-level impact study covering Côte d'Ivoire, Ghana and Nigeria which looks into impact indicators including yield; the report is due in Q4 2016. Various partners have independently conducted rigorous outcome studies on their CPQP projects in which yield has been looked at more carefully. Data presented in these studies indicated a main crop yield on farmers' plots of 360 kg/hectare/main crop (approx. 412 kg/hectare/year) in Côte d'Ivoire and an annual yield on farmers' plots of 375 kg/hectare/year in Nigeria. Estimations of annual yield increases lay at 30% and 10% respectively.

2. Previously, partners also included pre-financing rather than how much has been made available to producer groups/organizations for the development of those groups/organizations. Corrections have therefore been made.

3. As most institutions are trained over a longer period of time, aggregation is not straightforward. In the upcoming year, IDH will therefore look more closely at the yearly targets and result.

started just a few years ago. Our convening role, and our efforts in soil mapping, cocoa-specific formulae recommendations with national bodies and the alignment amongst industry organized in cocoa action on responsible practices have had good results. Actual farmer use of fertilizer per hectare has been lacking behind. IDH has therefore made finance available for more intensive farmer coaching for proper fertilizer use, and has worked with local financial institutions to provide farm finance for fertilizer use.

- **KPI 6:** The original objective of the program was to achieve 1 ton/ha, while farm productivity only reached a little over 600 kg/hectare. Various impact studies<sup>4</sup> show that certification – and the related training on good agricultural practices – only modestly increases the yields of farmers. The lack of proper input use, the lack of farm rehabilitation and the absence of longer-term finance explain the limited achievements in productivity gains. The CPQP evaluation in 2016 will further unpack our key lessons.

4. For example, LEI (2016) “Impact of UTZ certification on cocoa producers in Ghana, 2011 to 2014”.



# Tea

## 20% of global tea production to be sustainable, and 700,000 smallholders and 500,000 workers to have better livelihoods by 2016

The IDH Tea Program brings together a consortium of the largest tea packers in Europe and Asia and the most important NGOs in the sector. The program promotes sustainable tea production in Africa and Asia, and sustainable procurement in Western Europe and Asia. It has first-hand experience with the upscaling of both certification training and a farmer field school (FFS) extension model. The program is strongly committed to working towards living wages in key tea-exporting countries.



### Main sustainability issues targeted

- Livelihoods of smallholders
- Working conditions of tea workers
- Deforestation and forest degradation

### Private Partners

Tata Global Beverages, Taylors of Harrogate, Unilever, Tesco, Jacobs Douwe Egberts (JDE), Typhoo, The Ostfriesische Tee Gesellschaft (OTG), The Kenya Tea Development Agency (KTDA), the Ethical Tea Partnership (ETP) and KNVKT

New in 2015: Van Rees, Tea and Merchants Association Malawi, Marks & Spencer, Mother Parkers, Finlays, Tea Association of Malawi (TAML), Twinings and Rington

### Governments

India, Kenya, Rwanda, Tanzania and Vietnam

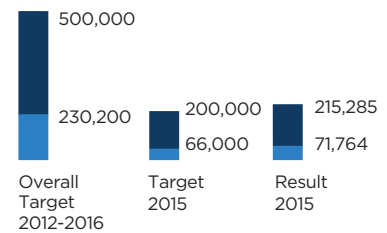
New in 2015: Malawi

### Other partners

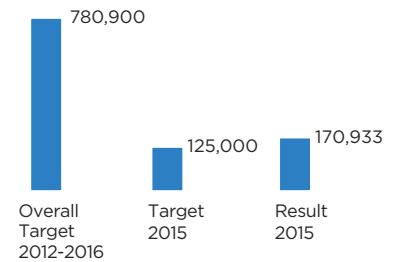
Tea Board of India, Wood Family Trust, Gatsby Charitable Foundation, Oxfam GB, Solidaridad, Rainforest Alliance, International Rescue Committee (IRC), UNICEF, Fair Trade International, UTZ Certified, GIZ and Ethical Trading Initiative

### KPI Progress 2015

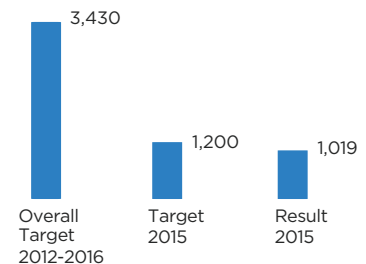
Number of smallholders and workers trained in sustainable production practices. **Smallholders, Workers**



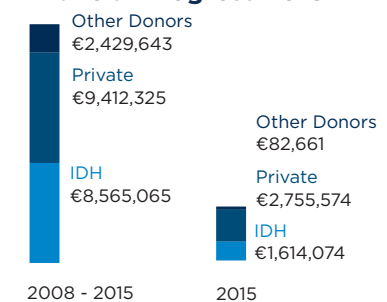
Volume (in metric tons) of certified/verified tea available (metric tons)



Number of farmer field schools (FFS) established



### Financial Progress 2015



The program is well on track with its goals. By the end of 2015, 18% of tea globally was sustainably produced; 630,860 smallholders and 215,285 workers have so far been reached. Our target on the number of workers is progressing slightly slower than expected due to delay in the implementation of the trustea program. By the end of 2016, it is anticipated that 400,000 workers will be involved.

### Sector context, theory of change and impact claims

Over the years, large tea packers and their suppliers have embarked on a market transformation journey in tea by making third-party certification mainstream. Global tea packers such as Tata Global Beverages, Unilever, Twinings, Taylors of Harrogate and Jacobs Douwe Egberts made 100% commitments to certified tea by 2020. In the early years of the IDH tea program (started in 2008), the focus was on mainstreaming certification and training farmers through farmer field schools. Pre-competitive collaboration on sustainability was difficult; companies were not used to embarking on discussions with competitors and civil society. By now, the industry has made a significant shift to being much more open to pre-competitive collaboration in order to deal with issues that cannot be solved just by certification and that cannot be dealt with any company alone.

IDH has a strong convening, investment and learning role in several global tea sustainability initiatives. These initiatives concentrate on upscaling sustainability in the tea industry, targeting both export and domestic markets by embedding sustainability in the strategies of the relevant private- and public-sector supply chain partners. The tea program focuses on four areas:

1. Upscaling technical assistance via lead farmer trainings and/or farmer field schools;
2. Mainstreaming the certification of tea farms while continuously strengthening performance and development of sustainability schemes;
3. Implementing “stepping stone standards” for Asian domestic markets;
4. Addressing social issues (such as living wages and sexual harassment) in tea production.

The farmer field school methodology is a major driver for improvements at household level, both in terms of tea production and improved practices to grow other crops. Combining this methodology with certification training produces the highest positive impact on the livelihoods of farmers and the environments they operate in. Development and implementation of stepping stone standards are supported in the emerging Asian domestic markets, mainly India, because international standards have not been able to penetrate here. These markets account for the majority of global tea production and consump-

tion. Compliance with stepping stone standards allows producers to improve their practices according to local circumstances – leading to an expected positive impact on farmer and worker livelihoods. Past experience shows that deeply rooted social issues need to be resolved through partnerships with local governments and strong NGO partners with specific expertise in the issues addressed, such as living wages and sexual harassment. Innovative collaboration in these areas is required, such as in the Malawi Tea 2020 program to achieve a living wage by 2020.

### Key planned activities in 2015 versus achievements

#### #1 Global: convene private sector and NGOs at TEAM UP 2015 to keep the sustainability agenda on track. Focus on proof of impact on social issue interventions.

► See KPI 10

##### Achievement

Achieved. For the third time, IDH and ETP have organized the global tea sustainability event: TEAM UP. Over 200 global participants discussed topics such as living wage, gender, agrochemicals and smallholders. A highlight was the participation of the Minister of Agriculture of Malawi sharing his insights on the Malawian Tea Revitalization Program, supporting the living wage 2020 target. New partnerships were formed and these will report their progress at the TEAM UP 2016 event.

##### Role of IDH

IDH co-hosted the event, co-created the agenda, and participated in the plenary sessions. IDH also arranged the visit of the Malawian Minister of Agriculture and key Rwandan tea stakeholders to the event.

#### #2 Kenya: exit sustainability program with KTDA; ensure embedding in KTDA operations. Scope intervention on sexual harassment. Attract more partners to Southwest Mau landscape project under the ISLA program.

► See KPIs 1, 2, 4, 5, 6, 7

##### Achievement

Achieved. The final 842 farmer field schools (FFS – included in the overall FFS established of 1,019

in 2015) started in July 2015, making a total of 3,447 FFS under the program. Several discussions were held with KTDA management to embed the program within their operations. All 66 KTDA factories were trained on social issues. Scoping of women's safety/gender program started. Progress on Southwest Mau ISLA program reported under ISLA chapter.

#### Role of IDH

IDH participates in quarterly steering committee meetings of the KTDA program, provides co-funding to the program, and drives M&E. IDH initiated discussions with Kenyan industry and civil society organizations on a program to reduce sexual harassment and gender-based violence (GBV) in the tea areas in Kenya.

#### Deviation

The upscaling and embedding program with KTDA and Unilever experienced some delay. The last FFS will graduate in June 2016 instead of December 2015.

### #3 India: upscale implementation of trustea; apply smallholder strategy in the field; establish the trustea organization; and ensure professional code management with international credibility.

► See KPIs 1, 2, 3, 5, 6, 8, 9, 10

#### Achievement

Partly achieved. The volume targets were met. Currently 20% of the Indian tea produced is trustea verified; 250 estates and bought-leaf factories (BLFs) are trustea verified; and 215,000 plantation workers and 14,000 small tea growers have been reached.

Trustea successfully engaged in the debate on minimum wages for tea plantation and factory workers of smallholder farmers, and has recognized these higher minimum wages as reference points for its verification program.

#### Role of IDH

IDH acts as the Vice Chair to the program and runs the secretariat, leading meetings such as the trustea program committee and the funders steering group. IDH also provides a local convener to the program based in India, drives M&E and learning

through monthly operation meetings with the program partners, guides the baseline measurement of the trustea program, and provides co-funding.

#### Deviation

Implementation of smallholder strategy in the field appeared to be difficult, especially around dealing with leaf agents. Currently demands for trustea verification appear to be too high for bought-leaf factories. Further work needs to be undertaken to get them properly on board with the program.

Extensive discussions were held with trustea partners on the legal setup of the trustea organization. Further work will be undertaken to establish the organization in 2016.

### #4 Malawi: facilitate implementation of a holistic program on living wages with activities on nutrition, human resource policies, smallholder capacity building programs, strengthening of trade unions, and gender equality. Further analyze economics of the tea sector in Malawi to define a realistic roadmap to improve living wages.

► See KPIs 1, 2, 5, 6, 7

#### Achievement

Achieved. IDH and partners ETP, Oxfam and TAML have reached an agreement with the supply chain to work on the Malawi 2020 Tea Revitalization Program. The target is to achieve a living wage and living income for tea workers and smallholders by 2020. A MoU reflecting this agreement was signed by 21 different organizations across the supply chain, including all producers in Malawi (under TAML), traders, packers, certification bodies, and civil society. The program received support from three Ministers in Malawi. A roadmap was developed and endorsed by all stakeholders during a planning session in Malawi. This roadmap includes activities on collective bargaining, improved nutrition, strengthening gender policies, and interventions to improve the overall tea quality in Malawi.

#### Role of IDH

IDH, ETP, TAML and Oxfam jointly convened the coalition of 21 different organizations. IDH chairs the Malawi Tea 2020 quarterly steering committee and runs the secretariat of the program. Through this convening role, IDH is able to broker between the interests of the many stakeholder groups in

this program. IDH also runs the work stream on innovative finance to unlock investments in replanting, irrigation and factory upgrading to improve the performance of the Malawi tea sector. IDH provides co-funding to partners for activities under the roadmap.

**#5 Grow Africa Tanzania: implement the program for the development of a new smallholder integration business model in Tanzania. Finalize baseline assessments and setup of farmer field schools. Develop a long-term business plan to 2020 for 2,300 hectares of land.**

► See KPIs 1, 2, 5, 6, 7, 10

**Achievement**

Largely achieved. The new smallholder model is being implemented. 10 FFS were set up, which are

due to graduate in 2016. In addition to the existing governance structure of the project (steering committee and operational committee), a farmers' committee has been established, consisting of 18 representatives from the villages involved in the project, meeting on a quarterly basis. A baseline study was finalized by LEI-Wageningen UR.

**Role of IDH**

IDH is part of the governance bodies of the program and coordinates the implementation through a local convener. IDH actively brokers between the interests of the buyer and the smallholder farmers, through ensuring farmer representatives are part of the governance of this project. IDH set up a Farmers Committee in 2015.

**Deviation**

Initial discussions were held on the long-term business plan, but these are not yet finalized.

**Lessons learned**

- In the tea sector in Malawi all different components necessary to revitalize the sector need to be taken into account in order to achieve living wage.
- Buyers often use anti-trust regulations to avoid discussions on prices and volume commitments to help realize the living wage. We were able to start these discussions through the creation of a safe environment and strong guidance on anti-trust do's and don'ts.
- Creating strong local ownership of the program is a challenge, but it is especially important where a sensitive topic such as wages is concerned. We actively built relationships with producers and government officials, and worked closely with partners to include the agricultural workers union in key meetings.
- From our initial work on gender in Kenya, we have learned that tea plantations in Kenya are willing to seriously improve and share best practices to reduce sexual harassment and gender-based violence within tea communities. However, these discussions need to be well managed under Chatham House rules.

**Risk Assessment**

Risk	Mitigating action undertaken
Funding constraints for (expensive) greenfield smallholder development; high risk profile, long-term funding needed.	Engaged financial institutions and local governments over the course of 2015 to discuss options for blended finance. In addition, a close working relationship internally has been established between the tea program team and the innovative finance team through regular meetings, combined involvement in external meetings where necessary, and a trip to Malawi.
Continued trend of low tea prices in East Africa.	Made tea a part of the rehabilitation and renovation forum organized by the IDH learning team in November (Malawi Tea 2020 case). The IDH tea team has continued working together with its partners to better understand the smallholder business case through studies (baseline and mid-term impact assessments) and the development of a cost-benefit tool for producers (initially only Kenya, and now also replicated to Rwanda).

# KPI Table Tea

#	Key Performance Indicators	Overall target 2012-2016	Target 2015	Result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Number of smallholders and workers trained in sustainable production practices:			
	• Smallholders	230,200	66,000	71,764
	• Workers	500,000	200,000	215,285
2	Number of smallholders and workers certified/verified:			
	• Smallholders	700,000	20,000	25,860
	• Workers	500,000	149,500	215,285
3	Number of hectares under certified/verified sustainable production techniques	496,900	150,000	133,987
4	Average yield improvement (kg per bush) on small-scale farms in Kenya	1.5	1.5	1.21
<b>Result area 2: Tangible improvements in sustainable markets</b>				
5	Percentage of global tea production sustainably produced (overall tea program target)	20%	17%	18%
6	Volume (in metric tons) of sustainable produce (certified/verified) available	780,900	125,000	170,933
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
7	Number of Farmer Field Schools (FFS) established	3,430	1,200	1,019
8	Number of trainers trained:			
	• Farmers	3,500	1,025	1,088
	• Local trainers	1,300	200	505
9	Number of Indian stakeholders committed to trustea program	15	No target set	Already achieved and reported earlier
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
10	Number of learning trajectories started on key bottlenecks (gap analyses, baseline studies, pilots, learning tools)	15	5	3 finalized, 2 in progress

## Deviation justification per KPI:

- **KPI 1 & 2:** The number of smallholders and workers trained is higher as under the trustea program we have been able to train more smallholders and workers in 2015 than originally targeted. The conversion from trained smallholders to certified/verified in some cases happened faster than expected, therefore the result achieved is higher than targeted initially.
- **KPI 3:** The target was based on an average number of hectares/smallholders/workers, and this is the actual area that is currently under sustainable production.
- **KPI 4:** KTDA reports each year on the yield in kg per bush; for 2015, this was 1.21 kg per bush. This will be recalculated over the entire course of the project in the evaluation, which is expected to be finalized by mid-2016.
- **KPI 7:** The 1,019 FFS achieved include 842 FFS set up in the IDH-KTDA-Unilever program. Results here have been slightly lower due to delays in this program resulting in a six-month extension to achieve the targets set.
- **KPI 9:** This target and results were already achieved in 2014, so no new target was set in 2015.
- **KPI 10:** The baseline study for the Mufindi Outgrowers Project in Tanzania was finalized by LEI Wageningen; a report on Team Up 2015 has been published; an evaluation report on farmer field schools in Kenya, Uganda and Malawi in partnership with ETP and TGB has been published. The baseline study for trustea and a baseline on smallholder greenfield development in Rwanda are in progress.



# Soy

## 10% of European soy imports to be responsibly produced by 2015

The IDH Soy Program aims to delink soy production from deforestation and environmental degradation, and to reduce the negative social impact of soy production. To accomplish this goal, the program works to scale up the production and sourcing of responsibly farmed soy. As certification has shown limitations in addressing key drivers of deforestation, the soy program has also developed pilot interventions in high-risk areas, based on a landscape approach.



### Main sustainability issues targeted

- Deforestation
- Agrochemical use
- Community relations and labor issues

### Private Partners

Agrifirm, Amaggi, Ahold, Aprosoja, Abiove, Cargill, FEFAC, SuperUnie, C1000, Centrico, Cefetra, De Heus, Friesland Campina, ForFarmers, Jumbo, AgriUniekvallei, Nidera, Nutreco, Lidl, Unilever, Vion, St. Ketentransitie Verantwoorde Soja, Nevedi, MVO Nederland, COV, NZO, CBL, LTO, Bemefa, Nevedi, FHL, DVT, AIC, Dakofo, Fapcen, Viluco, Los Grobo, Agrex, Sindicato LEM,

Kumagro, Aapresid, Kiñewen, Technocampo, DAP, Bel Company, Nidera, Consumer Goods Forum, Nidera, Lântmannen, Sindicato Coromandel, APDC, CAAF, AIBA, ADM, Unicoop, Abiove, Aprosoja, Payco and Noble PY

### Governments

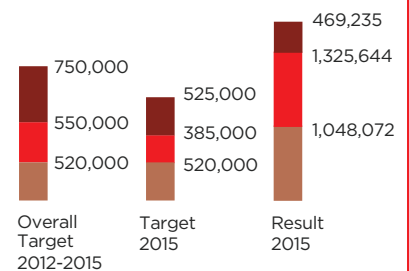
Dutch embassies in Argentina and Brazil, local municipalities in Brazil.

### Other partners

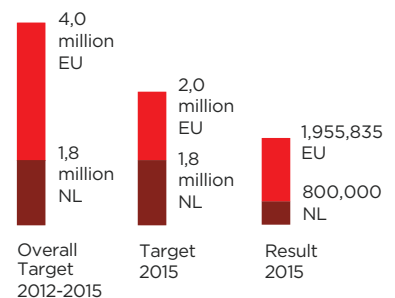
RTRS, Agroicone, Solidaridad, KPMG, IFC, FMO, WWF, Aliança da Terra, Dutch Soy Coalition, Tropical Forest Alliance (TFA), TNC, Earth Innovation Institute, ProTerra Foundation, IPAM, AIBA and ITC

### KPI Progress 2015

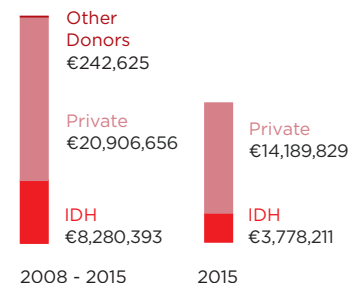
Number of hectares under responsible soy production. Certified, **Certifiable** (unaudited), meaningfully improved, Of which in high deforestation areas



Volume (in metric tons) of certified responsible soy imported per year by program partners



### Financial Progress 2015





In 2015, the eight northwest European countries where the feed industry cooperates with IDH (the Netherlands, Belgium, Germany, Denmark, Sweden, Norway, Switzerland, France and the UK) used over 14 million tons of soy, of which 8% was certified following the Round Table on Responsible Soy (RTRS) standard or equivalent according to the national feed associations. In the Netherlands, total soy usage was 1.8 million metric tons, of which 44% was RTRS or equivalent. Besides RTRS or equivalent, 8% of soy procured in these countries was certified according to Cefetra Responsible Soy (CRS). CRS was benchmarked with FEFAC Soy Sourcing Guidelines.

### Sector context, theory of change and impact claims

To reduce the negative impact of soy production, IDH builds responsible sourcing commitments with European industry and retail consortia to create demand-driven incentives for responsible soy farming (RTRS standard or equivalent) in key supply sheds for the EU markets. To ensure sufficient supply, IDH's Soy Fast Track Fund (SFTF) supports farmers in Latin America to move to responsible soy.

Although European market uptake of RTRS-certified soy has grown to 1.2 million tons/year and responsible soy is starting to be included in retail procurement, the demand for soy at RTRS level remains relatively limited. In recent years, this has led to hesitation by farmers in production areas to increase certified volumes. At the same time, certification has shown limitations in addressing key drivers of deforestation, and certification premiums do not sufficiently cover costs. As producers have a choice in who they sell to, market access based on RTRS is not a driver with strong leverage. This all leads to cautiousness of traders who need to ensure their supply.

To achieve scale, IDH developed additional approaches. The FEFAC Soy Sourcing Guidelines were completed, including a public consultation process. The ITC benchmark was ready in September 2015, after which nine standards benchmarked themselves. Verified legal compliance to the new Forestry Code in Brazil is a crucial step to lower deforestation rates. This approach is covered by the FEFAC Soy Sourcing Guidelines.

Verified legal compliance should be combined with leverage from the market for higher responsible soy standards, which will be organized through benchmarking and stronger market demand from the European retail and dairy industries. An agreement between the European feed sector with Brazilian trade and producer organizations Abiove and Aprosoja on a step-by-step approach with a minimum entry level is planned to be signed by April 2016, and is an important step towards a growing demand for responsible soy, RTRS or equivalent.

In the higher risk and key supply areas, IDH started a new approach in 2014 that pilots a supply shed-oriented

territorial/landscape approach to encourage producers, local governments and private supply chain actors from the soy and beef sectors to tackle the main risks in the supply shed and accomplish zero net deforestation. In 2015, six pilot projects started in Brazil (four in Mato Grosso), and one in Paraguay. IDH's Mato Grosso landscape program will further build on these projects.

### Key planned activities in 2015 versus achievements

#### #1 FIELD LEVEL

**Consolidate and conclude the producer-support program towards certification of responsible soy at farm level, laying a basis for supply and experience for autonomous rollout beyond 2015.**

► See KPIs 1, 2, 3, 4

#### Achievement

Increased the production of RTRS-certified and improved/certiably responsible soy: an additional 469,235 hectares of RTRS-certified soy and an additional 1,325,644 hectares of meaningfully improved/certiably soy in Latin America as a result of the Soy Fast Track Fund (SFTF) projects up to December 2015. Currently collecting all the lessons learned so the knowledge acquired can be disseminated among producers.

#### Role of IDH

Project assessment, program monitoring and funding. IDH had an active role in the development, assessment and monitoring of the SFTF program and all its projects; IDH initiated the learning and communication project; it maintained and continues to maintain relationships and communications with buyers and other international partners.

#### Deviation

Actual certification is lagging behind, while the number of pre-certified hectares generating meaningful impact is almost double to the target. Due to delayed market demand in Europe and insecure economic circumstances in Argentina and Brazil, farmers made the preparations but are holding off on the actual certification to save audit costs.

## #2 FIELD LEVEL

### Support GAP and legal compliance projects with large producer associations in Brazil (Aprosoja).

► See KPI 1

#### Achievement

Aprosoja agreed to report based on the Soja+ program (their sustainability program), and can do so on a detailed local level. This will provide good input for the supply shed risk identification process. A project with Abiove on the Soja+ program has started under SFTF III.

#### Role of IDH

Funding and assistance to build FEFAC guidelines and benchmark standards to it. Building agreement of feed industry with Abiove (traders) and Aprosoja (producers) in Brazil.

## #3 FIELD LEVEL

### Implement the pilot supply shed territorial program in Mato Grosso, Bahia (Brazil) and in Paraguay (SFTF III). In total, there are seven projects with a budget of €3 million until 2016. Preparation started end-2014. The focus is on implementing CAR/ Forestry Code Legal Compliance, smart landscape solutions, intensification of livestock, responsible soy production, and targeted stakeholder alliances.

► See KPI 1

#### Achievement

Started seven projects, one of which is in Paraguay, with ADM. The projects in Brazil are with the Nature Conservancy, Amazon Environmental Research Institute (IPAM), the Brazilian Oilseed Processors Association (Abiove) the Producers Association of Bahia (AIBA), Instituto Centro da Vida (ICV), and Earth Innovation Institute (EII). Due to their complexity, these projects have a longer preparation/start phase than farm certification projects. €170,000 is left to be contracted. Projects are closely monitored.

#### Role of IDH

Funding and co-creation of landscape program (call for proposals, indicator setting, project assessment and negotiation, stakeholder relations).

#### Deviation

Spending is behind due to the late start of many projects.

## #4 FIELD LEVEL

### Develop a risk assessment mapping system in Paraguay and Argentina.

#### Achievement

Due to the sufficient data availability, including the RTRS mappings being done, this has been canceled.

## #5 MARKET LEVEL

### Convene European industry and end-market stakeholders on a 2020 responsible soy agenda. Build on targets of CGF, European Soy Retail Group, Dutch Chain transition, European dairy commitments and agreements towards RTRS or equivalent sourcing, and the minimum entrance level assurance and benchmarking mechanism built by the European feed industry associations.

► See KPIs 5, 6, 7, 8

#### Achievement

Finished the FEFAC Soy Sourcing Guidelines, including a public consultation process. NGOs participated in the consultation, but remain critical. Abiove, Aprosoja, USSEC, Aapresid and Fediol are important partners in the process. The ITC benchmark was ready in September, after which nine standards benchmarked themselves (ADM, Cargill's Triple S, ISCC, AC, CRS, Femas, Bemefa, RTRS and SSAP (USA soy scheme)). Amaggi plans to develop its own scheme, to be benchmarked against FEFAC.

In the Netherlands, targeted volumes for Dutch retail (approximately one-third of the 1.8 million metric tons used) have been met as a result of the Dutch covenant, with 44% RTRS or equivalent also covering part of the exports. The dairy sector's commitment has a notably positive effect, also at European level (e.g. in Belgium and Denmark).

## Role of IDH

Bringing in expertise of benchmarking process of standards in other commodity programs; being an active member of the soy standard working group of FEFAC; and holding individual meetings with opinion leaders, reflecting and guiding on future directions.

## Deviation

The target of the Dutch covenant with the sector to achieve 100% of soy processed in the Netherlands being RTRS or equivalent at the end of 2015 has not been achieved, as the sector has only agreed to use certified soy for the products consumed in the Netherlands. 44% of the soy processed in the Netherlands was responsible. Only the dairy sector is using 100% certified soy.

## #6 MARKET LEVEL Support concrete outreach initiatives in Europe (RTRS, European feed and dairy industries).

► See KPIs 5, 6

## Achievement

Signed a Memorandum of Understanding between IDH and the Dutch Dairy Association in order to strengthen commitment of European dairy industries to RTRS or equivalent. This resulted in a platform, to for the European Dairy Association to discuss how companies can move towards sustainable soy in their supply chain.

IDH supported RTRS outreach. In the first half of 2015, 2,118,085 metric tons of RTRS soy credits were purchased (compared to 1,297,712 in 2014), showing a continuous increase.

FEFAC's national member organizations organized several outreach activities like, meetings, presentations and workshops with supply chain actors in the individual countries. In the Netherlands, an MoU was signed by the feed industry to commit to 100% of products on the retail shelf to be RTRS-certified, and for the rest to be minimally FEFAC compliant.

## Role of IDH

IDH convened a meeting of Europe's biggest dairy processors – Danone, Bel, Sodial, DMK, FC, NZO and Arla – who confirmed their commitment towards

responsible soy in their supply chain. This will be embedded into the European Dairy Association (EDA) governance with the establishment of a specific working group on responsible soy.

During various meetings, there were shared reflections on the future scope of RTRS.

## #7 MARKET LEVEL Set up the building blocks for the IDH Soy Program 2016-2020, focusing on market uptake of responsible soy in Europe and landscape interventions in key risk supply sheds in Latin America (Mato Grosso, Chaco in PY and Argentina). The focus is on intensified (use of degraded land) and sustainable land use and zero net deforestation.

## Achievement

Started SFTF III landscape approach projects in Brazil, which are stepping stones to the general IDH landscape in Mato Grosso. Achieved alignment in Mato Grosso between soy and beef sector. The state government of Mato Grosso presented its Green Growth Plan and issued a decree for the coalition that will be governing the plan. Started partnership project with Abiove, Aprosoja, Fediol and FEFAC, for gaining access to Soja+ data and creating area risk identification.

## Role of IDH

IDH developed the landscape approach in Mato Grosso, aligned stakeholders and introduced a financial component to the governor's Green Growth Plan.

### Lessons learned

- Part of the success of the FEFAC project is due to using a neutral benchmark data provider in the form of the International Trade Centre (ITC) in Geneva. This was based on positive experiences in other commodity programs.
- The Soy Fast Track Fund III (landscape) projects have a longer start-up time as they are less straightforward than the certification projects. However, we did achieve a single list of indicators for all these projects.

### Risk Assessment

Risk	Mitigating action undertaken
Brazilian local proposition does not align with what international stakeholders require.	Stepped up the relationships between IDH and its stakeholders. Successful engagement in ISLA Mato Grosso program has further increased trust and communication with the market. The FEFAC guidelines have been well communicated with producing countries. Outreach efforts are also being made in Argentina.
Uptake of (certified) responsible soy remains low, discouraging producers.	Created more clarity for the buyers through benchmarking. Invested in convening European frontrunners in retail, dairy, animal processing and feed industries.

# KPI Table Soy

#	SOY Key Performance Indicators	Overall target 2012-2015	Target 2015	Results 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Number of hectares under responsible soy production:			
	• Certified	750,000	525,000	469,235
	• Certifiable (unaudited), meaningfully improved	550,000	385,000	1,325,644
	• Of which in high deforestation risk areas	520,000	520,000	1,048,072
2	Number of hectares of protected native vegetation on private farms	250,000	250,000	724,681
3	Average volume reduction of active ingredients in pesticides and herbicides on program farms in relation to average local usage in priority/risk areas	10%	5%	6
4	Number of persons employed at certified farms from local community	n.a. <sup>5</sup>	n.a.	4,107
<b>Result area 2: Tangible improvements in sustainable markets</b>				
5	Market share commitment of European business partners (groups) to purchasing responsible soy:			
	• Number of European sector organizations or European countries with sector commitments representing > 50% market share	6	5	8 <sup>7</sup>
	• Of which percentage in the Netherlands	100%	100%	100%
6	Volume (in metric tons) of certified responsible soy imported per year by program partners			
	• Europe (volume RTRS or equivalent and benchmarked certification schemes)	4 million	2 million	1,955,835
	• Netherlands (volume RTRS or equivalent and benchmarked certification schemes)	1.8 million	1.8 million	800,000
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
7	Number of retail and industry standards in the Netherlands where responsible soy has been included	7	5	4
8	Number of local or international standards benchmarked against RTRS	4	4	3
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
9	Studies into strategic issues for mainstreaming sustainability in supply chain	4	4	3

## Deviation justification per KPI:

- **KPI 1:** Actual certification is lagging behind due to delayed market demand in Europe and insecure economic circumstances in Argentina and Brazil.
- **KPI 6:** The target of the Dutch covenant with the sector to achieve 100% of soy processed in the Netherlands to be RTRS or equivalent at the end of 2015 has not been achieved, as the sector has only agreed to use certified soy for the products consumed in the Netherlands. 44% of the soy processed in the Netherlands was responsible. Only the dairy sector is using 100% certified soy.

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- 5. IDH monitors the progress on this KPI, but no targets have been set as this KPI does not reflect the core purpose of the program.
- 6. This has proved impossible to measure, due to the fact that very few farmers are willing to supply this data.

- 7. Refers to 8 northwest European countries (NL, BE, UK, FR, DE, DK, SW, NO) now engaged with RTRS or/and feed industry commitments, representing 14 million metric tons. Public commitments to RTRS or equivalent made by NL, BE, SW, European Retail and CGF.



# Tropical Timber

## 9 million hectares of tropical forest to be sustainably managed by 2015

Sustainable Forest Management (SFM) has proven to be an effective way to curb deforestation and prevent forest degradation. The IDH Tropical Timber Program aims to improve the business case for SFM practices for concession holders by mainstreaming demand for legal and sustainable tropical timber in the EU, and by supporting concession holders in their process towards achieving SFM certification.



### Main sustainability issues targeted

Deforestation and forest degradation

### Private Partners

Danzer, Wijma, Rougier, Green Heart, numerous other concession holders and approximately 25 companies in Europe (including Kingfisher, IKEA and Tetrapak)

### Governments

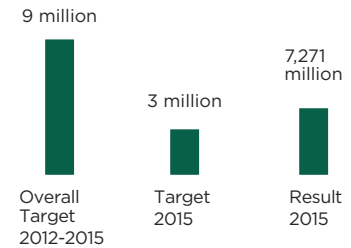
Dutch government, numerous local authorities in Europe, including the municipalities of Amsterdam, Madrid and Barcelona

### Other partners

WWF, FSC, PEFC, ICLEI, Copade, ICCO, ETTF, GIZ, KfW, Tropenbos International, Atibt, and several others

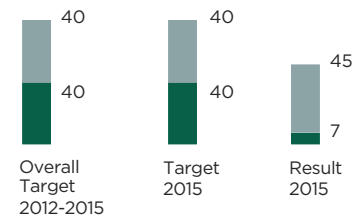
### KPI Progress 2015

Number of hectares of forest under certified sustainable management

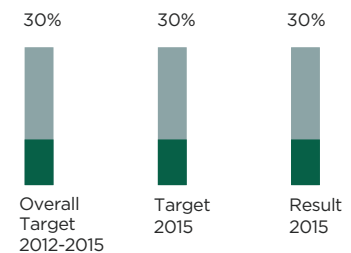


Number of partners committed to buying/using FSC in the EU (excluding national government partners)

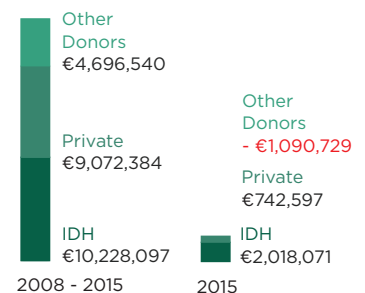
Public, Private



Total market share of licensed or certified sustainable timber on selected EU markets



### Financial Progress 2015



By the end of 2015, 7,271,000 hectares of forest were sustainably managed (of which 716,000 are FSC Controlled Wood certified, 4,715,000 are FSC certified and 1,840,000 FSC improved). Certification in Indonesia and the Congo Basin was slower due to difficult local circumstances. The program's key target of 9 million hectares to be sustainably managed in 2015, with co-financing through the implementing partners, is expected to be fully met when the program closes in June 2016. Some of the companies that did not reach certification in 2015 or early 2016 are expected to meet their target towards the end of 2016. IDH is considering providing limited support to these companies within the new scope of the program, so that investments already made will not be lost.

### Sector context, theory of change and impact claims

One of the key threats to tropical forests is conversion into agricultural land uses that have immediate economic value. By increasing the economic value of forests without compromising natural integrity (through SFM), the attractiveness of conversion can be decreased, and degradation prevented. For this to materialize increasing demand for sustainable tropical timber is pivotal. Certification is a way to verify legality, ahead of implemented Voluntary Partnership Agreements as required under EU law (and elsewhere). However, certification has not been used as such.

SFM has also proved to be an effective tool to turn the sustainable use of forest resources into a viable business case when combined with intensified land use in the same region. The forest that is aimed to be protected will be profitable. Viable SFM can in that way reduce costs and provide one of the best safeguards available.

## Key planned activities in 2015 versus achievements

### #1 Support certification processes in the Congo Basin (DRC, Congo, Cameroon and Gabon), the Amazon (Peru, Suriname and Guyana) and Indonesia, by providing co-funded services that are crucial to achieve certification.

► See KPI 1

#### Achievement

The **Congo Basin** Program has been successfully completed. Many lessons were learned on the business case for sustainable forest management, on community forestry certification, and on micro-zoning in DRC. These lessons have been captured in a business case toolkit, which is also valuable for the new phase of the program. In 2015, IDH assured the re-certification of the IFO concession of Danzer (1.2 million hectares) in the Republic of Congo, which helped meet the certification target of the program. An additional project on wildlife management (one of the key strategies to preserve biodiversity) was completed, achieving all targets.

The ProMadera program in **Peru** has certified 26,012 hectares (Controlled Wood) so far, within a native community-owned forest. This is the first FSC-Controlled Wood certification of a community-owned forest in Peru.

The program in **Suriname** is officially closed; all targets have been met, resulting in 407,000 hectares certified (both full FSC and Controlled Wood). This means that 45% of the concessions in Suriname have been supported by IDH.

The program in **Guyana** is currently focused on the last concession, Iwokrama, to certify 350,000 hectares. The program has also supported the certification of a number of companies in Brazil that did not manage to certify within the timeframe of the Amazon Alternative (IDH program which ended in 2014), but were still eager to certify.

The **Borneo** Initiative (TBI) certified 185,330 hectares in 2015, including the world's first certified mangrove forests. Concerning market links, TBI focused on improving trade links, and is on target regarding the number of importers relationships have been established with.

#### Role of IDH

With all the implementing partner programs, IDH provided guidance and monitoring on progress. The main role of IDH was to provide co-funding, which the implementing partners used to support

the companies to pay for activities needed to realize certification. For example, the funds were used to undertake High Conservation Value Assessments and to implement Reduced Impact Logging trainings.

#### Deviation

Certification results for the **Congo Basin** Program were initially not as forecasted. However, with the certification of the Danzer concession, all targets have been achieved. There was also outperformance on the improved FSC certification, reaching 1.84 million hectares.

In 2015, the forestry sector in **Peru** encountered major issues due to the new forestry law, severely impacting the ProMadera program. Spending and KPI results are behind schedule (target for 2015: 200,000 hectares) and the strategy for 2016 will be revised to meet spending targets and to spend some of the remaining funds on the enabling environment (such as legality trainings and support for a Private Forest Sector Platform, which represents the forestry sector in Peru to national government and international institutions).

In 2015, the target of The **Borneo** Initiative (TBI) was to certify 703,165 hectares of forest, while only 185,330 hectares were actually certified by the end of 2015, due to delays on government approval of management plans, delays in awarding certificates after the audits had taken place, etc. TBI is facing severe delays but foresees no long-term problems as the pipeline of the program has sufficient hectares to realize the 2016 end target.

### #2 Broaden the coalition and support compliance with individual commitments of participants in the European Sustainable Tropical Timber Coalition (STTC), which will increase the demand for sustainable tropical timber in Europe.

► See KPIs 2, 3, 4, 5

#### Achievement

In 2015, the European Timber Trade Federation (ETTF) became an implementing partner of the STTC. Focus countries are Spain, Italy, France, Denmark and Germany, of which the trade federations will be stimulated to adopt the model used in the Netherlands (in which a target is set per year for the ratio of certified timber). Only Italy has cur-

rently proved difficult to mobilize. ETTF has succeeded in getting Atibt and PEFC, two key players in the sector, on board as lead partners, and several PEFC proposals are coming in. This means that the European STTC is now the first and only initiative in which both certification schemes FSC and PEFC are actively participating together. The number of participants is steadily growing.

#### Role of IDH

With all the implementing partner programs, IDH provided guidance and monitoring on progress. IDH provided the implementing partner with co-funding to undertake activities that promote the use of sustainable tropical timber in Europe, such as promotional events at trade fairs and trainings for procurement officers.

### #3 Remove common obstacles and support collective activities to make the European market transition easier, and significantly increase the share of sustainable tropical timber. Such support may include promoting tropical timber use and marketing lesser-used tropical timber species.

► See KPIs 2, 3

#### Achievement

IDH co-funded two studies into Life Cycle Analyses within the STTC (window frames and pile planking), as well as research towards less-known timber species in Suriname, and workshops for architects in Belgium, Germany and Spain. A trade mission to Suriname with various European companies occurred in November, resulting in several potential business contacts between European buyers and certified producers.

IDH is also co-funding a study by WWF on the ecological impacts of FSC in Cameroon and Peru. Soil cover analyses in both countries have been completed.

IDH, Kingfisher, TetraPak, Ikea and recently SCA and Precious Woods have joined forces in the VIA initiative, which researches key questions companies have on the impact of FSC certification. The objective is to supply clear answers to these questions and make certification easier to promote.



#### Role of IDH

IDH provided the implementing partners with co-funding to undertake activities which make the use of sustainable tropical timber in Europe easier, such as technical studies on the impact of tropical timber (Life Cycle Assessment, Environmental Impact Assessment, etc.).

#### #4 Further develop IDH's position as innovator and driver of change in the sector, as well as in origin countries, to further support sustainable forest management. Use proven and innovative convening and bottleneck-solving strategies, including cross-sector and public-private partnerships.

#### Achievement

Developed a new strategy for the European STTC, including closer cooperation with ETTF, which will take on a leading role in achieving the program's targets.  
IDH further developed scope for 2016-2020.

#### Role of IDH

IDH develops the new strategy with the support of its partners and an occasional consultant.

#### #5 Upscale the Peru Tropical Timber Program.

► See KPI 1

#### Achievement

The Peru program has merged with the GIZ ProAmbiente program in 2015, and the combined strengths of both programs continued under the name ProMadera.

#### Role of IDH

The main role of IDH is to provide co-funding that the implementing partner uses to support the companies to pay for activities needed to realize certification. For example, the funds were used to undertake High Conservation Value Assessments and to implement Reduced Impact Logging trainings.

#### Deviations

See above.

#### #6 Support tropical timber producers in attaining sustainability certification.

► See KPI 1

#### Achievement

Supported the certification of 7,271,000 hectares through the timber program, of which 716,000 hectares are Controlled Wood. This is over 40% of all tropical timber certification worldwide.

#### Deviations

The expectation is to achieve 8.3 of the 9 million targeted hectares when the Timber Program closes in June 2016.

### Lessons learned

- Forests and forest management do not exist in isolation from other land uses, as the forest is under threat from other land uses.
- Sustainable Forest Management (SFM) directly reduces the opportunity costs of prevented deforestation.
- SFM safeguards the preservation of forests better than any other mechanism we have at our disposal

### Risk Assessment

Risk	Mitigating action undertaken
Lack of producer interest in certification.	Offered supplementary services surrounding SFM (to support the business case, such as trainings on legality requirements by the European market) and worked on increasing demand in Europe and in domestic markets.
Demand does not pick up due to negative image.	Developed a new strategy for the STTC, with the European Timber Trade Federation as implementing partner, to increase demand involving major players (retailers and national timber federations) in the sector. We challenged NGOs to take responsibility for promoting SFM instead of campaigning against tropical timber in general.
Ongoing lack of NGO support for cooperation with and between FSC and PEFC and other local standards.	Continuously communicated IDH's neutral position in this debate clearly to the public and main stakeholders. We stimulated synergies and/or cooperation of opposing organizations in our programs. The biggest success in this respect is the participation of both certification schemes (FSC and PEFC) in the European STTC.

# KPI Table Tropical Timber

#	Key Performance Indicators	Overall target 2012- 2015	Target 2015	Cumulative result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Number of hectares of forest under certified sustainable management	9,000,000	3,000,000	7,271,000
<b>Result area 2: Tangible improvements in sustainable markets</b>				
2	Total market share of licensed or certified sustainable timber on selected EU markets	30%	30%	30%
3	Annual cubic meters of licensed or certified sustainable timber imported into the EU	300,000	300,000	350,000
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
4	Number of partners committed to buying/using FSC in the EU (excluding national government partners)			
	• Public	40	40	7
	• Private	40	40	45
5	Number of national governments in Europe with effective formal engagement in the European STTC	5	5	0
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
6	Number of strategic reviews	1	0	1

## Deviation justification per KPI:

- KPI 1:** Certification in Indonesia and the Congo Basin was slower due to difficult local circumstances. The program's key target of 9 million hectares to be sustainably managed in 2015, with co-financing through the implementing partners, is expected to be fully met when the program closes in June 2016. Some of the companies that did not reach certification in 2015 or early 2016 are expected to meet their target towards the end of 2016.
- KPI 4 & 5:** The public parties were to be brought in as participants by the STTC lead partner ICLEI. However, due to capacity issues within this organization, the targets could not be achieved. The STTC is now providing ICLEI with the resources required to allow them to allocate staff time to engaging third parties.



# Aquaculture

## 15% of EU imports of pangasius, shrimp and tilapia to be responsibly produced by 2015

The IDH Aquaculture Program supports fish farmers in moving towards more responsible farming practices, increasing the supply of responsibly farmed fish and reducing negative social and environmental impacts, in line with food safety requirements. The program creates demand for responsibly farmed fish by engaging value chain partners, and aims to support the responsible production and sourcing of 15% of European imports of tilapia, shrimp and pangasius by the end of 2015.



### Main sustainability issues targeted

- Water pollution
- Farm siting and biodiversity<sup>8</sup>
- Social responsibility
- Workers and communities

### Private Partners

AAC, Anova Seafood, Asda, Belize Shrimp Growers Association, Blueyou Consulting, Chicken of the Sea, the Co-operative, DKSH, FEMEG, Foppen, Lyons Seafood, Marks & Spencer, Mayonna, Morrisons, Nordic Seafood, Omarsa, Royal Greenland, Sainsbury's, Seafarms, Seafood

Connection, Tesco, Thai Union, Waitrose, Queens, 13 Vietnamese shrimp-producing companies, 41 Vietnamese pangasius-producing companies and GSSI partners

### Governments

FAO Member Countries, Vietnam (MARD), Indonesia (MOMAF) and Ecuador (ProEcuador)

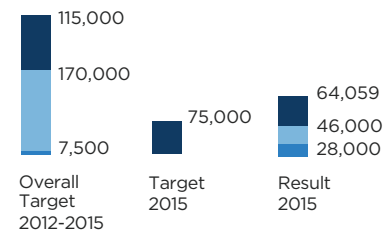
### Other partners

ASC, China Blue, GAA, GIZ, GSSI, ICAFIS/VINAFIS, Issara Institute, New England Aquarium, SFP, SNV, UPEI, VASEP, WorldFish, WUR and WWF

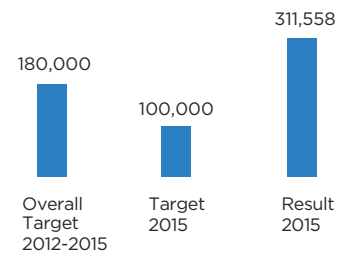
8. Related to land ownership issues, carrying capacity of water bodies, salinification of neighboring agricultural land, and other community related issues.

### KPI Progress 2015

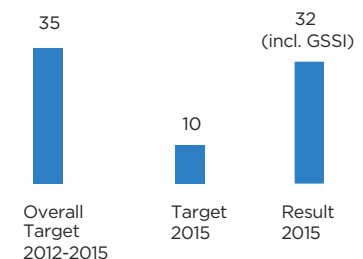
Volume of responsibly produced fish (whole fish) (metric tons) (Shrimps / Pangasius / Tilapia)



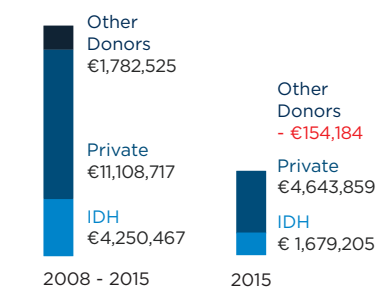
Volume (in metric tons) of responsible feed produced



Number of seafood buyers - retail, food service and importers committed to programs and/or supplier improvement projects



### Financial Progress 2015



IDH opened the Farmers In Transition (FIT) Fund in 2013, as a co-funding instrument to support producers (of shrimp, tilapia and pangasius) to shift towards more responsible farming practices. In 2015, this fund attracted five new field-level projects. In addition to the above, 220,000 MT of responsibly produced pangasius was produced as a result of the ASC Accelerator Program<sup>9</sup>. IDH continued to support the Aquaculture Stewardship Council (ASC) both on the Board and financially. Although the number of projects grew only moderately in 2015, the potential impacts are significant as we have chosen to focus on more scalable and impactful projects. The two flagship projects are (1) a multi-country aquaculture improvement project implemented by WWF targeting large-scale transition for ASC certification in China, India and Thailand, and (2) an ambitious zonal management project with > 10,000 smallholders to mitigate cumulative (disease) impacts of shrimp farming in Indonesia and Thailand, implemented by SFP (zonal disease management is a 2016-2020 strategic focus). The total FIT Fund portfolio now translates to 22% of EU shrimp imports, 29% of EU tilapia imports, and 82% of EU pangasius imports – and an aggregated 38% of EU import volume. Note that part of these volumes are still on their way to certification and/or improvement, and final delivery will partly be covered in the 2016-2017 program. The summary report 2011-2015 which will be available by the end of 2016 will include the results so far against overall program ambitions.

### Sector context, theory of change and impact claims

Aquaculture is the fastest growing and potentially most sustainable source of animal nutrients to feed the world, but urgently needs its sector supply base to adopt sustainable practices. IDH's Aquaculture Program aims to accelerate this shift in production practices, by leveraging both the retail and trade demands for responsibly produced seafood. The program aims to demonstrate the business case for responsible on-farm health and feed management, and engages the sector around a strategy to address these challenges. The expected results are increased availability of responsibly farmed seafood and the creation of a governance framework to sustain these changes. Currently, different practices in the supply base equate to different approaches in sustainability. To raise the level of sustainable practices across the world and encourage improvement steps depending on the starting level of an individual producer, IDH supports a continuous improvement approach. This uses different improvement steps to measure progress across different initiatives and certification schemes. Program activities include:

- Strengthening retail demand for responsibly produced key aquaculture species (shrimp, pangasius and tilapia) by building aligned buying requirements through

active IDH leadership in the Global Seafood Sustainability (GSSI) Board;

- Managing and resourcing the FIT Fund that co-develops and co-finances farmer support programs in public-private partnerships with retail, trade and producers to adopt responsible practices focused on aquatic health and feed practices embedded in either certification or improvement projects;
- Providing financial and technical support for the development of a management tool for responsible health and feed management for shrimp farms involved in our FIT Fund projects in Vietnam by the University of Prince Edward Island (UPEI) in Canada;
- Investing in further building the Aquaculture Stewardship Council (ASC) certification organization through monetary support and active IDH involvement in their Supervisory Board (SB);
- Through our ASC Supervisory Board membership, providing technical support in aligning overall farm audit requirements between ASC and other certification schemes, i.e. Global Aquaculture Alliance Best Aquaculture Practices (GAA-BAP) and GLOBALG.A.P. in order to simplify certification processes and reduce farm transition costs;
- Co-investing in the ASC Responsible Feed project, which aims to harmonize the certification requirements between the various ASC standards, as well as with GAA-BAP and GLOBALG.A.P.;
- Chairing the ASC Working Group to develop a smallholder certification methodology to enable small-scale farmers to achieve ASC certification;
- Playing an active role in the GSSI Board to support the launch of its benchmark tool for certification schemes to assess compliance with the relevant FAO Guidelines in a global, multi-stakeholder effort to create transparency and relative performance to key buyers;
- Working with the key GSSI stakeholders to develop the future platform strategy involving new work streams, such as defining a global approach to improvement projects and working conditions in both aquaculture and fisheries.

These interventions translate into increased access for farmers to international markets, more responsible and efficient use of inputs such as antibiotics and feed, and improved working conditions. These impacts make aquaculture a more sustainable activity from an environmental, social and economic standpoint.

9. The public-private partnership program, convened by IDH, brought together the Vietnamese government (D-Fish), Vietnam Association for Seafood Exporters and Producers (VASEP), Vietnam

Fisheries Society (Vinafis), WWF, 7 EU pangasius importers, and 37 Vietnamese pangasius-producing companies on a collaborative roadmap to achieve Aquaculture Stewardship Council (ASC) certification.

## Key planned activities in 2015 versus achievements

**#1 Through the FIT Fund, monitor 2014 contracted project results and further co-invest in scalable and cost-effective producer support (with a focus on shrimp farming). This will enable farmers to improve business performance, reduce impact on the environment, improve social responsibility, and increase supply chain resilience.**

► See KPIs 1, 2, 3, 4

### Achievement

The FIT Fund has grown and invested in a total of 17 field-level projects and €11.4 million in private sector investments, targeting improved working conditions and reducing environmental pollution through implementation of good farming practices. The total impact of the program now reaches up to 28,861 farmers and workers, and the responsible production of 158,000 MT shrimp, 32,500 MT tilapia, and 46,000 MT pangasius.

### Role of IDH

IDH actively sought new partnerships and fostered existing relationships with seafood buyers and NGOs to leverage demand for responsibly farmed seafood into actionable improvement projects on the ground. For example IDH has actively engaged with SFP on the design and development of an ambitious (Walmart Foundation co-funded) zonal FIT project in Thailand and Indonesia, supporting a total of 12,000 farmers to implement a zonal management regime as a means of mitigating cumulative (disease) impacts.

**#2 Continue supporting the Aquaculture Stewardship Council (ASC) standard (including their feed dialogue work) as one of the most credible certification schemes. Mobilize international market demand for responsible production, while encouraging cooperation with other initiatives and certification schemes to reduce costs and maximize impact.**

► See KPIs 5, 6

### Achievement

The ASC continues to develop its strong position in the market place, with 4,306 approved products available in 54 countries. IDH continues to have

a seat on the ASC Supervisory Board in order to support the growth of the organization, develop market uptake, and support cooperation with other certification schemes.

Favorable market position for Ecuadorian exporters due to the weakened Asian shrimp markets, combined with a slow recognition of the ASC label in the US market, is limiting appetite for Ecuadorian producers and exporters to shift to ASC. IDH, however, has managed to contract a large project applying the ASC standard as a reference for 1,500 small farmers. In addition to this, in collaboration with WWF, IDH has convened two large exporters in Ecuador and Honduras to shift to ASC certification, backed by EU market demand.

### Role of IDH

In 2015, IDH continued to support the young ASC standard by directly contributing to the ASC's outreach work and the ASC Feed Project. By supporting the outreach work, IDH contributed to mobilizing international market demand for responsible production. Through supporting the ASC Feed Project, IDH contributed to the design of an ambitious aquaculture feeds standard to be released in 2016, developed through a multi-stakeholder process.

### Deviation

Despite the strong market position of ASC (the actual market uptake is lower than targeted. For pangasius, this is partly related to the overall status of the industry, which is reducing its volume due to over-supply and low market prices. Some producers are shifting to other species, diversifying production or aiming for higher-valued fish species. For shrimp, the low market uptake is equally disappointing. This is related to the relatively slow adoption of large producers shifting to ASC certification, the delayed release of the ASC standard for group certification (smallholders) and the high volatility in terms of prices and availability, causing producers to sell ASC-produced shrimp as regular product.

**#3 Develop partnerships with key retailers, food service companies and seafood buyers in responsible sourcing, in order to support their programs for more responsible fish farming practices.**

► See KPI 5

### Achievement

We have renewed our retail and supplier engagement, working in close collaboration with the recently developed Fresh and Ingredients program.

In order to demonstrate IDH's commitment to working with credible certification schemes based on FAO Guidelines, IDH has also taken a seat on the GSSI Steering Board.

### Role of IDH

IDH actively fostered partnerships with key retail, food service companies and seafood buyers within the frameworks of the GSSI and Project ISSARA.

### Deviation

Through partnering with GSSI, IDH has been able to significantly grow its partnership with key retailers, food service companies and seafood buyers, outperforming the 2015 target. Note that although the partners in the GSSI are committed to benchmarking of certification schemes, they are not necessarily committed to the IDH program targets.

## #4 Identify key business drivers and mechanisms towards responsible production and consumption, to strengthen the business case for responsible aquaculture (e.g. through disease control).

► See KPIs 9, 10

### Achievement

IDH is supporting the pilot testing of the GSSI Global Benchmark Tool.

In 2015, IDH partnered with University of Prince Edwards Island (UPEI), the Collaborating Centre for aquatic epidemiology of the World Organization for Animal Health (OIE), on an innovative tool to analyze disease risk factors associated with shrimp farming in Vietnam. The pilot has been rolled out across all field-level projects in Vietnam.

### Role of IDH

IDH co-financed and was actively involved in the finalization, launch and adoption of the GSSI Benchmark Tool with key industry end-buyers.

IDH co-financed the design and validation of a field-level project (FLP) monitoring tool for shrimp farmers by the University of Prince Edward Island

(UPEI) to prevent and manage health and disease in a more efficient and effective way.

IDH commissioned a scoping study to identify drivers and bottlenecks for the aquaculture sector in Ghana.

IDH commissioned two scoping studies on aquatic animal health and feed management to sharpen our focus and interventions for the coming years.

## #5 Strengthen scalable public-private partnerships in at least four key countries of production.

► See KPI 7

### Achievement

The scoping studies to work on responsible health and feed management have started to focus on Vietnam, Indonesia, Thailand and Ecuador, outlining the potential future role of IDH to convene public- and private-sector actors within these countries. In addition, the Sub-Saharan African PPP investment opportunities to strengthen responsible aquaculture were initiated in Ghana and Nigeria. In Vietnam, in September 2015, a cooperation agreement was signed between MARD, VASEP (Vietnam Association of Seafood Exporters and Producers), VINAFIS (farmers' association), IDH, GIZ and WWF to create a restructured PPP taskforce for fish (PPP Fish). IDH envisions the PPP Fish to be the vehicle for direct involvement of companies or by conveying the voice of the companies through the existing partners.

### Role of IDH

IDH actively contributed to the establishment of the Cooperation Agreement by designing the proposal for the agreement and reigniting the PPP taskforce for fish. This PPP taskforce was initially chaired by Metro but because of changes in Metro Vietnam, ownership of the taskforce needed a new chair and structure. IDH was proposed as co-chair of the PPP though we were in favor of VASEP taking on that role - which in the end, by instrumental support of IDH, was also granted to VASEP.

### Deviation

Only in Vietnam, a national public-private partnership around aquaculture has been formalized. Although building blocks for similar platforms in Indonesia, Thailand and Ecuador are already in place through our partnerships with SFP and ProEcuador, we have decided to focus on Vietnam first.

## Lessons learned

- After extensive studies and industry interviews during 2015, pillars for the IDH Aquaculture Program for 2016-2020 have been determined. Responsible health and feed management are directly affecting investment and reputational risk, and contribute most significantly to sustainable production and environmental impact. Ongoing disease outbreaks have led to huge volatility in the shrimp sector in particular. A farm management tool, based on pond-level data, is being developed and validated by UPEI with our Vietnamese industry partners to demonstrate its added value in responsible health and feed management, leading to more efficient and environmentally conscious production.
- The leading donors in aquaculture (Moore, Packard, and Walton Family Foundations) identified the need for alignment of their funding. Creating partnerships with them is taking more time than anticipated.
- It has proved to be very challenging to start an “IDH aqua only” engagement with leading retail and trade, so we are trying to leverage our position in GSSI as well as joining forces with our Fresh and Ingredients colleagues. The GSSI global platform involved in benchmarking seafood certification schemes will only affect an estimated 20% of global volume produced. However, with its established pre-competitive membership (including large trade and retailers), GSSI is well positioned to extend its scope to address systemic challenges in the aquaculture sector beyond certification, which include responsible health and feed management practices for aquaculture farms through improvement projects.

## Risk Assessment

Risk	Mitigating action undertaken
Disease problems shift the focus from sustainability investments to mere survival of fish, and therefore of seafood companies.	<p>Contributed to the dissemination of learning and better practices in aquatic animal health and disease management by commissioning and disseminating a study on shrimp health and disease issues and the potential role of IDH, public and private sectors in mitigating disease risks.</p> <p>Included disease management, where appropriate, as an element in FIT Fund projects, to strengthen the business case for responsible production. As a result, IDH actively contributed to field-level projects that specifically address disease impacts (SFP projects in Hainan - China, Indonesia, Thailand).</p> <p>Started a partnership with aquatic epidemiology center of excellence (UPEI) to explore the business case for adopting responsible disease management practices to address the disease issue more broadly.</p>
Fragmented traction in value chain due to size and scale of private-sector companies, reducing the scale and reach of projects for the FIT Fund.	Established partnerships with key organizations (like donors, standards, WWF, SFP, GSSI), and presented the FIT Fund as a tool and umbrella, rather than as a separate initiative. This has been done at key aquaculture seafood industry events such as the Boston and Brussels seafood Expo, the GOAL Conference in Vancouver and various GSSI Board and Working Group meetings.
The FIT Fund is (wrongly) perceived as a tool to support the ASC rather than as improvement programs per se, so it does not interest players not targeting ASC.	<p>Communicated the impact-oriented and step-by-step approach adopted by the FIT Fund to key stakeholders.</p> <p>Partnered with the standard-neutral GSSI members and positioned the FIT Fund as an overarching tool.</p> <p>While continuing to work with ASC, IDH participated more actively in activities by other standard-setting organizations (such as GAA and GLOBALG.A.P.). IDH is now formally collaborating with GAA on their iBAP program.</p>



# KPI Table Aquaculture

#	Key Performance Indicators	Overall target 2012-2015	Target 2015	Result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin:</b>				
1	Volume (in metric tons) of responsibly produced fish (whole fish) • Shrimp • Pangasius • Tilapia	115,000 170,000 7,500	75,000 0 0	64,059 46,000 28,000
2	Number of farmers benefitting from decreased shrimp mortality (5%) and decreased feed conversion ratio (5%)	10,000	7,000	18,888
3	Number of workers benefitting from improved farm practices	10,000	9,000	2,178
4	Volume (in metric tons) of responsible feed produced	180,000	100,000	311,558
<b>Result area 2: Tangible improvements in sustainable markets</b>				
5	Number of seafood buyers – retail, food service and importers committed to programs and/or supplier improvement projects	35	10	32 (incl. GSSI)
6	Volume (in metric tons) of whole fish equivalent of responsibly produced seafood sold to/purchased by program partners (seafood buyers). Equivalent of 15% EU import in terms of volume • Shrimp • Pangasius • Tilapia	80,000 120,000 5,200	80,000 0 0	10,848 0 888
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
7	Number of national public-private dialogues in countries of production addressing sustainability issues beyond the farm level	5	3	3
8	Number of donors contributing to the program	5	3	0
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
9	Number of executed studies and learning pilots on key bottlenecks in the sector: • Studies • Pilots	7 4	4 1	3 1
10	Number of solutions for identified bottlenecks developed and implemented	5	3	2

## Deviation justification per KPI:

- **KPI 3:** The 2015 result for the number of workers benefitting from improved farm practices is much lower than the initial target (2,178 vs. 9,000). This is related to the fact that the 2015 projects only added farms with relatively few workers, or large numbers of small-holders who don't employ workers. Also note that the 2014 result was much higher than targeted (6,798 vs.

1,000) which will balance out the overall result on the 2012 – 2015 target.

- **KPI 6:** The reported volumes are based on ASC market uptake volume. Pangasius uptake has gone down compared to 2014 (reported as 0). Shrimp shows a much lower uptake rate than anticipated. This is partly

related to the relatively slow shift of large producers to ASC, but more so to the volatile market (prices and availability). Various ASC-certified shrimp producers note that buyers are not willing to pay the price for ASC shrimp, so they are forced to sell their product as regular product (whereas it is actually responsibly produced). Further support to producers to generate critical mass as well as a swift adoption and uptake of the ASC Feed Standard (to be released in 2016) are needed to drive up volumes and consolidate prices. Parallel to this efforts are taken to increase sourcing commitments of retailers and traders.

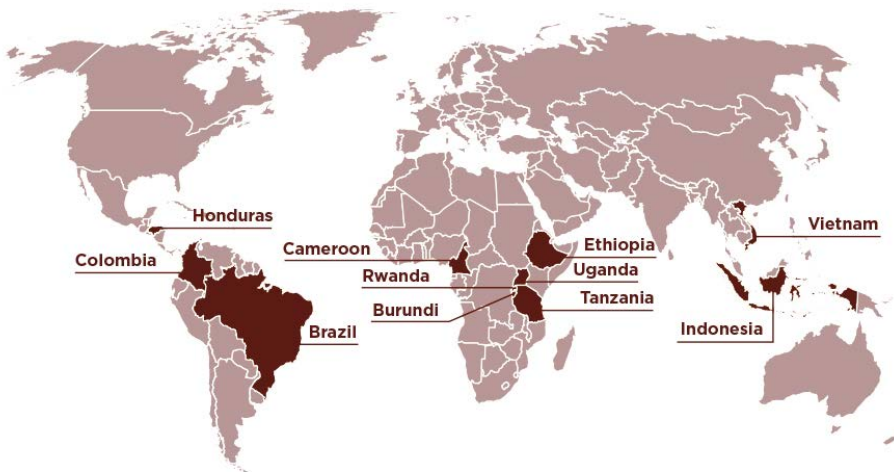
- **KPI 8:** Despite the ambition to have other donors committed to the aquaculture program, it turned out be challenging to achieve. The reason being that most donors have been focused on supporting the fisheries industry to improve its environmental performance and are in the process to also commit their funds to support the aquaculture industry in a complimentary way. In the next few years, IDH will continue to try and align its aquaculture strategy with these donors to support the industry overcoming the main challenges related to responsible health & feed management.



# Coffee

## 25% of coffee sales worldwide to be sustainable by 2015

The Sustainable Coffee Program (SCP) is among the largest global, pre-competitive, public-private initiatives in the coffee sector, acting as a global convener of supply chain partners and provider of producer support, predominantly in the program's focus countries. The SCP builds and supports global and national sector strategies; involving trade and industry partners, (local) governments, NGOs and standard-setting organizations.



### Main sustainability issues targeted

- Productivity of smallholder farmers
- Sustainable input availability and use
- Farmer organization
- Farmer access to finance and bankability
- Effectiveness of extension services
- Climate change adaptation
- Involvement of women and youth
- Income diversification
- Livelihood of farmers

### Private partners

ECOM, Jacobs Douwe Egberts, Lavazza, Nestlé, Mother Parker's Tea & Coffee Inc., Olam, J. M. Smucker Company, Simon Lévelt and Tchibo

### Governments

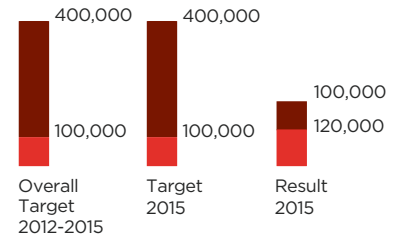
Brazil, Colombia, Ethiopia, Indonesia, Tanzania, Uganda and Vietnam

### Other partners

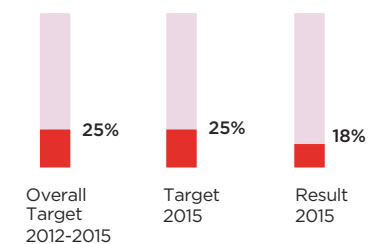
Conservation International, The Royal Dutch Coffee and Tea Association (KNVKT), The European Coffee Federation (ECF) and Hivos

### KPI Progress 2015

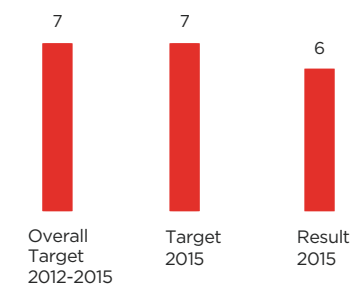
#### Number of farmers trained (directly and indirectly)



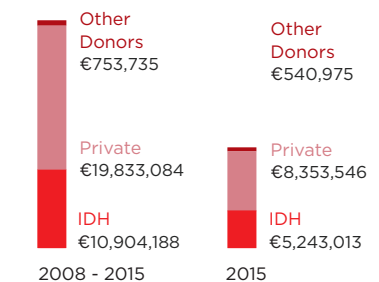
#### Percentage of global sales of coffee that is sustainably sourced



#### Number of national stakeholder structures in place and functional



### Financial Progress 2015



It provides a forum for close collaboration with local governments and sector institutions. It also aims to accelerate the adoption of sustainable coffee production practices by coffee farmers globally, resulting in higher yields and better quality coffee. Through bringing export availability of sustainably produced coffee to a mainstream level, coffee producers are enabled to become more resilient in an ever-changing market.

The SCP started with the target of 25% sustainable coffee sales worldwide. While this target still captures several elements of the SCP's objectives, the results are also influenced by factors beyond the scope of SCP, and the target does not reflect all "beside certification" results. The SCP has therefore been focusing more on the following indicators:

- The number of national sustainability curriculums (NSCs) developed by local stakeholders (public, private, CSO, standards) endorsed by governments, and rolled out by extension services;
- The number of producers trained on key subjects for sustainable production, environmental and social sustainability issues;
- The adoption rate of improved practices by producers.

The original target is still being tracked and reported on, as it is an indication of the commitments of the coffee industry (>36% of the industry is represented in the SCP) to buy more sustainably certified or verified coffee. It also shows the increasing availability of sustainably certified or verified coffee in the global marketplace.

### Sector context, theory of change and impact claims

Sector-wide, smallholder coffee farming does not provide viable livelihoods, and the currently predicted coffee production practices are not expected to keep up with the increasing demand. In most producing countries, there are challenges in relation to 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, towards a more systemic, pre-competitively collaborative, impact-oriented approach towards making coffee supply in key producing countries more sustainable. IDH acts on behalf of the SCP Partners as the program manager, convening stakeholders at both global and national level, and developing and implementing pre-competitive improvement projects and technical assistance projects. The program focuses on three levels that together move the sector towards sustainability:

- **Field:** With specific (coalitions of) companies, IDH invests in targeted supply chain interventions to maximize impact on region-specific sustainability challenges (generally concerning smallholders).

- **National:** IDH develops and strengthens producing-country platforms for mobilization of national priorities and leveraging of stakeholders, including the government, to improve accountability and maximize policy impact and efficiency of investments within countries.
- **Global:** IDH aligns programs and develops partnerships with initiatives that target specific sustainability issues (e.g. climate change) that are of key significance to the sector as a whole (especially the smallholder families that produce most of the world's coffee), and disseminating the learning and outcomes sector-wide.

### Key planned activities in 2015 versus achievements

#### #1 Conclude the "first wave" of pre-competitive national-level work streams (so-called Requests For Funds) started in 2013/2014.

► See KPIs 1, 2, 3, 5, 6, 7, 8

#### Achievement

Most national level work streams are concluded. The established national public-private platforms and the pre-competitive national-level work streams, both started under SCP, are designed to continue "self-propelling" with stakeholder ownership.

#### Role of IDH

IDH co-develops and subcontracts all the SCP implementation activities to partner organizations or the contracted national coordinators (except for activities in Indonesia and Vietnam, where it has locally employed consultants). IDH coordinates with these partner organizations and contractors to ensure timely delivery and alignment around the activities agreed in the country strategy and overall SCP program objectives.

#### Deviations

Details about deviations on specific activities are described in the relevant rows described in the relevant sections on the next pages.

## #2 Endorsement of the National Sustainability Curriculums (NSCs) by national governments (Brazil, Tanzania), followed by public and private extension rollout (including rollout of already approved NSC in Vietnam).

► See KPI 3

### Achievement

Endorsement of 4 NSCs by national governments in Brazil, Tanzania, Uganda and Vietnam.

Rollout of NSC started in Brazil and Uganda together with national extension services.

A booklet has been produced, capturing the learning of the national coordinators in the NSC development phase. This helps others in the sector to implement such a process.

### Role of IDH

IDH has continued to engage with producing-country governments and other key stakeholders in the focus countries, thereby directly contributing to the commitment of all key stakeholders towards the NSC process. IDH has subcontracted organizations to carry out on-the-ground activities related to the NSC. The use of the NSC as minimal (baseline compliant) extension material is a requirement of any project that receives support from IDH, in countries where an NSC is available.

IDH provided input, contracted and edited the booklet on NSC development learnings.

### Deviations

Finalization and rollout of the national sustainability curriculum in most countries has been delayed, as a result of the complexity of aligning the different institutions and initiatives involved. However, by aligning in Vietnam with the World Bank's Vietnam Sustainable Agriculture Transformation (Vn-SAT) program, and ensuring the NSC's use in the implementation of this program, the NSC rollout process is back on track and has a higher upscaling potential than before.

## #3 Strengthen the pre-competitive foundation of SCP in the "Vision 2020 Global Coffee Alliance" with International Coffee Organization (ICO) and the 4C Association Platform (4CA).

► See KPIs 3, 6

### Achievement

The pre-competitive foundation of the SCP has been strengthened in the "Vision 2020 Global Coffee Alliance" by signing a Memorandum of Understanding with ICO and 4CA. In addition, a Vision 2020 "umbrella MoU" has been signed between IDH, 4CA and two likeminded US-based organizations/initiatives, SCAA and SCC.

Under the framework of Vision2020, the groundwork has been laid for a merger between the SCP and the 4CA's function into the new Global Coffee Platform (to take place in 2016)

### Role of IDH

IDH is closely engaging with ICO, 4CA, SCC, SCAA and many others on behalf of the SCP, and was an active member of the Vision 2020 taskforce. IDH was closely involved in the necessary reform of the structure of the 4CA, as announced in 2016.

## #4 Obtain additional \$3 million contracted field-level projects for effective impact at farm level.

► See KPIs 1, 2

### Achievement

New field-level projects' calls for proposals apply stricter qualification criteria to enhance impact. This has resulted in successfully selecting 12 projects (out of 31 applications) which together account for \$4 million of investment from IDH and \$8 million of investment from the private-sector partners. Three out of the 12 projects are with locally based private-sector organizations, two in Indonesia and one in Tanzania. These projects combined will reach more than 85,000 farmers.

### Role of IDH

On behalf of SCP, IDH has developed the criteria for farm impact and managed the call for proposals. IDH is the direct contract partner in investing in these projects together with private-sector partners.

## #5 Strengthen the monitoring and evaluation framework to ensure positive impact by field-level projects.

► See KPIs 1, 2, 3

### Achievement

The work stream to align on common indicators together with the private sector has been finalized. This paves the way for field-level results of projects to be measured and compared so that there is better alignment.

A specified new Result Measurement Framework (RMF) has been developed for the coffee program.

### Role of IDH

IDH contracted the Sustainable Food Lab to facilitate the common indicator work stream in which also IDH participated. IDH actively contributed to the process and has translated the outcome into new KPIs for the field-level projects in the coffee program. IDH's overall RMF has been included in this sector-learning exercise.

## #6 Measure the impact of national- and global-level activities.

► See KPIs 1, 2, 3

### Achievement

Successfully measured activities at global and national levels (such as the adoption of the NSC), but ongoing challenges are faced to get meaningful and mandatory data from our implementing partners.

### Role of IDH

IDH chases and aggregates the reported data and relies on implementing partners to collect this information from national-level stakeholders who are using the NSC as their extension material.

## #7 Develop and implement a focused learning agenda on service delivery models, access to finance, and climate adaptation.

► See KPI 8

### Achievement

To better understand the current economics of service delivery models, five case studies were conducted in Vietnam, Cameroon, Ethiopia, and Tanzania (two). Most were finalized by the end of 2015 while two needed a few more weeks into 2016. The outcomes of these case studies will be discussed with the implementing partners in a workshop in May 2016. This workshop should lead to a publication on lessons learned, and our aim is to further engage with these partners to see how they can improve their service delivery models to better meet the needs of farmers.

Strong Africa (AFCA Nairobi) outreach, with a well-attended IDH co-led smallholder input finance workshop, helped to convene stakeholders on the issue of access to finance.

Pre-feasibility study on coffee input financing in Tanzania and Uganda started (co-funded by IDH and DEG).

Explored possibilities of involvement in second phase of the Coffee & Climate initiative.

### Role of IDH

IDH has undertaken all engagement with the companies that participated in the service delivery model case studies, to ensure their cooperation and willingness. IDH has contracted NewForesight to carry out the analysis, and joined NewForesight in the field for two of the five cases.

The workshop in Nairobi was co-organized between IDH, the 4CA, AFCA and DEG. The initiative for smallholder finance was contracted to facilitate the workshop and to report on the outcomes.

The pre-feasibility study was funded by IDH and DEG. IDH subcontracted the initiative for smallholder finance to carry out the study, and distributed the outcomes to its partners.

IDH has been coordinating with the Coffee & Climate Initiative on behalf of the SCP and its funding partners. Our aim in 2016 is to bring the Coffee & Climate Initiative closer to the newly established Global Coffee Platform to ensure broader dissemination and better alignment with other sector players involved in climate change-related work.

### Deviation

Phase 2 agreement between SCP and the Coffee & Climate Initiative was anticipated to have been reached by the end of 2015. This has not been realized as evaluation of phase 1 took longer than anticipated, and is expected for April 2016 instead.

## #8 Implement an innovative farmer service center project in Uganda.

► **Not captured in current KPI set. Additional focus on institutional change as key element of 2016-2020 strategy**

### Achievement

Started implementation of an innovative farmer service center project in Uganda to demonstrate the cost-effective delivery of training, finance and processing services to farmer groups from the mills as aggregation point.

### Role of IDH

IDH will invest in this project and sits on the steering committee to monitor the success of the project, ensuring the sharing of learnings with the sector. IDH will be present in Uganda for an annual meeting and will monitor the project.

### Deviations

The contract was anticipated to be signed in 2015, but has been delayed to 2016 due to complex alignment between the contract partners involved. It is now expected to be signed in April 2016.

## #9 Align on sustainable water management initiative in Vietnam.

### Achievement

Good coordination achieved with the landscape (ISLA) program on funding and progression of on- and off-farm activities, studies and working groups.

Used coffee program network with private sector for continuation of projects under ISLA, focusing more on water and resource management.

Linked core farmers/beneficiaries of coffee pro-

jects with new projects under ISLA program to work on landscape-related issues rather than just farm-specific issues.

Integrated discussion on ISLA intervention into Vietnam Coffee Coordination Board's (VCCB) meetings/dialogues for better cooperation and alignment among stakeholders. The VCCB was established with support from the coffee program.

The ISLA approach has allowed us to build better relations with the Lam Dong and Dak Lak provincial authorities, which helps us to make our coffee intervention more effective.

### Role of IDH

IDH is directly implementing both the ISLA and the coffee program in Vietnam, and is therefore directly involved in this coordination.

## #10 Continue to expand the private-public partnership (PPP) consortium with both international and national partners.

► **Not captured in current KPI set. Key in 2016-2020 strategic objective to strengthen sector governance**

### Achievement

Reaching out to traders, other (smaller) roasters especially North American roasters (e.g. Mother Parkers and SCAA successful, Starbucks not), to join the SCP program, steering committee and Vision 2020 has resulted in commitment from a new trader to join the SCP Steering Committee, which also led to the extension of their partnership in more countries and at global level. New partnerships were also formed with Lavazza, Olam and Conservation International.

### Role of IDH

IDH reaches out to potential new partners directly, and therefore the success of attracting new partners can to a large extent be attributed to IDH. The existing SCP partners also promote the SCP within their stakeholder network.

## Lessons learned

- Close engagement with the producing-country governments is crucial to ensure the effectiveness of the program and long-lasting impact, because governments set and implement policy, steer public extension services and will be in the country long after the SCP. IDH strongly encourages national coordinators and public-private platforms in SCP focus countries to formally engage the government in activities (e.g. NSC rollout and policy change on inputs or farmer finance). To streamline these engagements and allow closer cooperation with governments in future, IDH signed an MoU with ICO and 4CA.
- In order to create alignment with other initiatives in the sector to avoid duplication as well as competition for resources and partners, IDH plays a strong role (together with 4CA) in bringing the new Global Coffee Platform (GCP) into existence. IDH took two key learnings from the process: firstly, the GCP connects a much broader multi-stakeholder membership base to the SCP agenda. We learned that the decision-making process with a larger stakeholder group is more inclusive but slower than with a smaller group. Secondly, the Sustainable Coffee Challenge (SCC - operated by Conservation International, funded by Starbucks) was also launched at the end of 2016. To avoid inefficiency and confusion in the coffee sector, IDH and 4CA created cooperation and alignment between SCP and the SCC; by inviting the SCC into the Steering Committee of the SCP, inefficiency and confusion can be reduced and the focus can shift from competitiveness to complementarity.
- From the service delivery model analysis, we learned two important points: firstly, service delivery to farmers remains a donor-funded activity (public or private in the case of roaster-funded projects) and is rarely integrated into the business practices of companies. Secondly, the impact of these services is often positive in SDG terms but not yet to the extent that they show real economically sustainable impact when it comes to moving farmers from subsistence farming to a business model that can provide a decent livelihood for the household. Accelerated learning between sector stakeholders on this issue is planned for 2016. We discovered there are two elements likely to play an important role in these changes:
  1. Better understanding the differences between farmers within a certain service delivery (in terms of investment capacity, land size, other income sources, ambitions, etc.) to allow the service delivery to be better linked to the needs of each farmer;
  2. When it comes to better business practices, farmers should be supported beyond their coffee business by helping them to optimize their decision making on their total farm portfolio.

## Risk Assessment

Risk	Mitigating action undertaken
Ethiopia's political challenges reversing supply chain transparency initiatives. In general, East African political changes and challenges.	Planned go/no-go milestones in the Ethiopia program, and engaged with embassies. Ensured careful, long-term, robust partner selection in all African countries. Sought support from partner Embassies where possible.
Slowdown of program scaling due to insufficient other donor funding (e.g. due to disproportionate shift of donor funds to food crops).	Increased coffee program-focused donor outreach, and mobilized support from (industry) partners and associations that support the SCP and the new Global Coffee Platform.
Announced DEMB/ Mondelez merger creates (together with Nestlé) SCP partner dominance that could be perceived as excluding other (smaller) roasters.	Engaged in wider platforms (like the co-creation of the new Global Coffee Platform membership organization) as prerequisite to ensure ongoing SME inclusion and engagement, and dissemination of learning to the whole coffee sector.
Difficulty of credibly measuring targeted number of farmers through local extension services with rollout of new curriculum.	Asked NSC implementers, private-sector partners, and other commodity programs to help develop an assurance model. We would like this to be integrated into the GCP; our new (former 4CA) colleagues have strong experience in this.



# KPI Table Coffee

#	Key Performance Indicators	Overall target 2012-2015	Cumulative target 2015	Cumulative result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Number of farmers trained	500,000	500,000	220,000
	• direct	100,000	100,000	120,000
	• indirect <sup>10</sup>	400,000	400,000	100,000
2	Number of farmers organized or in improved farmer organizations through program activities	500,000	500,000	90,000
3	Number of National Sustainability Curriculums developed and endorsed by the government.	4	4	4 <sup>12</sup>
<b>Result area 2: Tangible improvements in sustainable markets</b>				
4	Percentage of global sales of coffee that is sustainably sourced	25%	25%	18%
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
5	Number of national strategies developed	7	7	7
6	Number of national stakeholder structures in place and functional	7	7	6
7	Total amount of non-IDH funding committed to the program activities (in US \$ millions)	60	60	47.1
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
8	Number of learning studies carried out and reports published that inform national and global sustainability strategies	25	25	21

## Deviation justification per KPI:

- **KPI 1:** The target of 500,000 farmers to be reached directly and indirectly was subdivided into 100,000 farmers directly and 400,000 farmers indirectly, via the rollout of the National Sustainability Curricula (NSC) in Brazil, Uganda and Vietnam. By the end of 2015, the result of the number of farmers reached directly via IDH-funded field-level projects is 120,000 farmers (20,000 farmers more than the targeted 100,000 farmers). Of the targeted 400,000 farmers to be reached indirectly, we have only been able to measure 100,000 farmers. This does not mean that no more farmers have been reached, but it was harder than expected to accurately measure the number of

farmers for the NSC rollout. Another reason for not reaching the target is that the rollout process in Vietnam was delayed due to the finalization process for the NSC lasting longer than anticipated. We expect to complete the targeted NSC roll-out process in 2016 and, through that, to reach an additional 300,000 farmers (100,000 in Brazil, 25,000 in Indonesia, 25,000 in Tanzania, 100,000 in Uganda and 50,000 in Vietnam).

- **KPI 2:** The target for the number of farmers organized in groups was set at 500,000 by accident. It was not the explicit focus of the program to measure

10. Up to end 2015, we have only measured how many farmers were trained directly. After the finalization of the National Sustainability Curriculums in Vietnam, Uganda, Brazil and Colombia by the SCP, local extension services will train farmers in the National Sustainability Curriculum. These farmers will be counted as indirectly trained farmers.

11 The Brazil, Uganda and Vietnam NSCs are final and endorsed. The Tanzania NSC is finalized and endorsed by the public coffee authority, the Tanzania Coffee Board (TCB). However, the formal authorities needing to sign off on this are the Ministry for Agriculture, Livestock and Fisheries, and the Prime Minister's Office for Regional Administration and Local Government. These authorities have verbally expressed their endorsement but formal written endorsement has yet to take place. This is expected by end of May 2016.

the organization of farmers in groups to this extent. The objective of creating farmer groups is explicit for 90,000 farmers (three-quarters of the farmers reached through our FLPs). Most of the farmers reached through our investments in FLPs are supported with training on organizational capacity building to ensure better access to market (bulk marketing of coffee) and better access to financial services. This varies from formal cooperatives to smaller informal producer groups that come together for training and to market their coffee as a group. Overall, we have reached 90,000 of the total 120,000 directly reached farmers with support on organizational capacity building. Unfortunately, it is not possible to conclude anything about the targeted 400,000 indirectly reached farmers on whether they were also supported with some form of organizational capacity building.

- **KPI 6:** We have been able to set up or support existing functional stakeholder structures in six countries (Brazil, Colombia, Indonesia, Tanzania, Uganda and Vietnam). In Ethiopia, we were also anticipating to work on a stakeholder structure as soon as we saw the successes of the ECX traceability system. This would generate further investments from international trade and industry into institutional capacity building of the Ethiopian coffee sector. Unfortunately, the traceability

system took longer than expected to be up and running, and SCP investments into a stakeholder structure have therefore not yet taken place. The traceability system is functional as of February 2016, and further discussions about investments in Ethiopia will take place in the context of the Global Coffee Platform (future home of the SCP).

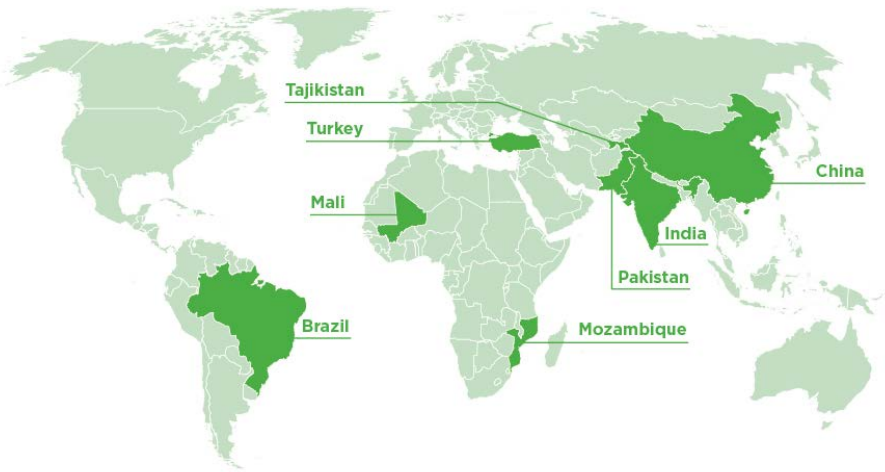
- **KPI 7:** We have set ourselves a very ambitious target to generate US \$60 million in additional investments and commitments to program activities, with only a US \$15 million investment from IDH. We are proud to have reached US \$47.1 million in additional investments - i.e. a 1:3 ratio of IDH investment to other investments.
- **KPI 8:** The SCP has initiated and published several relevant coffee studies, which have been successfully adopted by the industry. Some highlights are the business case studies done by TechnoServe, the "Coffee Farming as a Family Business" toolkit done by Hivos, and service delivery model analysis done by NewForesight. So far, 21 studies and reports have been published. In 2016, we anticipate at least four more publications, meaning that by the end of the SCP we should have reached the target of 25 publications.



# Cotton

## 1.5 million MT of Better Cotton lint to be produced by 2015

The Cotton Program accelerates sustainable market transformation of the global cotton fiber market by leveraging both supply and demand of Better Cotton. On the supply side, the program works with local producers to ramp up the share of sustainable fiber through the Better Cotton Fast Track Program (BCFTP). On the demand side, the program convenes front-running retailers and brands who commit to a publicly stated goal on procurement of sustainable fiber in the future.



### Main sustainability issues targeted

- Excessive water and agrochemical (chemical pesticides and fertilizer) usage
- Degradation of soil health and risks to biodiversity
- Gender inequality
- Child labor and living standards

### Private Partners

Adidas, Bestseller, C&A, IKEA, H&M, Levi Strauss & Co, Marks & Spencer, Nike, VF Corporation, Tesco, Tommy Hilfiger Europe, Vaibhav Laxmi Industries, CottonConnect, Trident, Pratibha Syntex, STAC, Spectrum International, Basil Commodities, Anandi, Zhongliang, AksuJintian Farm, Huafu, Taichang Industrial, Huitong Textile, CMDT, OLAM, Sanam, Guoxin, Luthai Fengshou

Cotton Industry, Keteng Trading and Wanhu Trading

### Governments

National level in Mozambique, provincial level in Maharashtra (India) and Shandong (China), city government in Songzi (Hubei province in China)

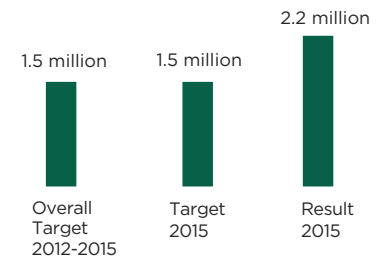
### Other partners

ICCO\*, Rabobank Foundation\*, FSP (Solidaridad)\*, ASA, STAC, CAIM, AFPRO, Solidaridad, WWF India, WWF Pakistan, ABRAPA, ACF, Dilasa, APROCA, PRDIS, MYKAPS, We Care Society, Vrutti, BASIX, Deshpande Foundation, CABI, Lok Sanjh, REED Society, IPUD, SAROB and XPCC

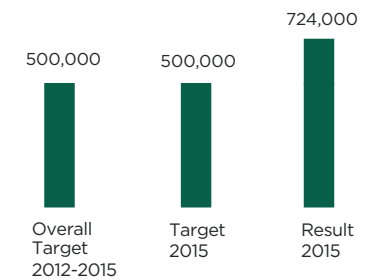
\*Funders

### KPI Progress 2015

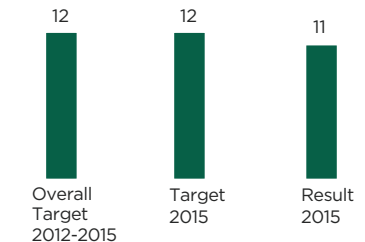
Volume (in metric tons) of BC lint licensed



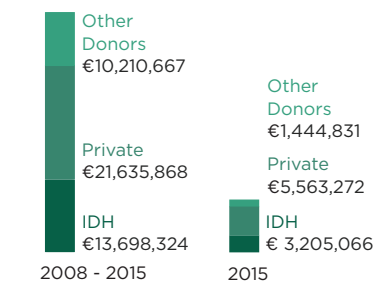
Number of farmers trained



Number of new investors in the program



### Financial Progress 2015



Over the last six years that the program has been running, it has scaled tremendously. In 2010, 55,000 farmers were trained on the Better Cotton (BC) production principles (including both social and environmental aspects) and 35,000 MT of BC lint was licensed. This number has grown to 725,000 farmers across 2.2 million hectares in 2015, producing more than 2 million MT of BC lint. The program started out with four brands as private-sector funders – in 2015, we had 11 brands that not only contributed to the Better Cotton Fast Track Fund, but also have publicly stated goals on sustainable cotton procurement. One of the biggest successes of the program has been diversifying our implementing partners' base to include civil society, supply chain, government departments, and private-sector companies – driving a multi-stakeholder approach towards scaling production, establishing the business case for engagement of the private-sector partners, while demonstrating results for public good. At the same time, the program is driving cost efficiency with our implementing partners in capacity creation. We started at €45/MT Better Cotton in 2010 – this is down to €5/MT Better Cotton in 2015.

### Sector context, theory of change and impact claims

The growing of cotton poses numerous sustainability challenges owing to an indiscriminate use of pesticides as well as immense water wastage, involving both high economic and health costs to the farmers. Issues of severe working conditions, child and forced labor have also been in the spotlight in recent years. Challenges in the sector expand beyond the environmental and social aspects. Between the farm and the clothing store, there are multiple actors involved in trading, cleaning, spinning, and weaving the fiber. Different kinds of cotton are blended to increase the quality of yarn. Those factors translate into a lack of visibility in the supply chain: generally, brands do not know who their manufacturers are and where their cotton comes from.

The BCFTP was developed through a close collaboration between IDH and BCI, where BCI would bring their cotton expertise, and IDH would bring the program management and strategic positioning needed in the market to accelerate BCI's impact. Since 2009, IDH has managed the program through a governance structure composed of the Secretariat, an Executive Board and an Investment Committee (the latter being composed of all stakeholders' representatives). Strategically, IDH's role has been to convene new partners to join the coalition (apparel retailers and brands mainly) and to ensure the creation and management of a sizeable fund and its investment in the correct geographies to scale up supply, as well as training key mid-stream partners to provide procurement support to retailers. Along these lines, IDH also piloted innovation models in supply creation and learning studies to support BCI in its mission, as well as strategic thinking regarding the exit strategy of

the BCFTP. As the BCFTP Secretariat, IDH provides the professional framework needed to support the program: giving investment advice to the Investment Committee, fund management, monitoring and auditing the financial progress of field projects, while providing a framework to the implementing partners for achieving self-reliance and cost efficiency in project management (e.g. optimization of management structures, setting KPIs and target setting).

At field level, IDH and BCI engage with cotton farmers by training them according to the BCI standard in order to drive change in farming and social practices that would result in addressing productivity, livelihood and Decent Work criteria. The BCI Result Indicators show that Better Cotton farmers get better yields than their neighboring conventional farmers, and a higher gross margin owing to their rationalized application of pesticide, water and fertilizer input. Furthermore, the farmers demonstrate an awareness and application of Decent Work conditions that translate into the abolishment of child labor and bonded labor, equal pay for equal work (women, migrant labor), and health and safety training for all farm workers. Six years in, the BCFTP has created significant momentum, ramping up the global market share of Better Cotton to approximately 12% of global production. In 2015, nearly 724,000 farmers were trained, of which 625,000 farmers (86%) in Brazil, China, India, Mali, Mozambique, Pakistan, Turkey and Tajikistan, have been licensed as Better Cotton farmers.

### Key planned activities in 2015 versus achievements

#### #1 Capacity building: focusing on China and Turkey, increase capacity for Better Cotton (BC).

**Reach a goal of 1.5 million metric tons (MT) of BC lint produced excluding Brazil (including Brazil, the expected quantity of BC is over 2 million MT lint).**

(Note: The BCFTP overall official target is 1.5 million MT lint, including Brazil)

► See KPI 4

#### Achievement

In the cotton season 2015-2016, nearly 625,000 farmers were licensed (out of 724,000 trained) across 2 million hectares. 2.2 million MT of BC lint has been licensed – achieving the BCFTP goal of 1.5 million MT lint. Brazil accounts for 860,000 MT of lint produced across 570,000 hectares – hence, the BC production excluding Brazil is 1.35 million MT lint.

In China, nearly 500,000 MT of BC lint has been licensed (up from 100,000 MT last year). IPs contributed 63% of the total investment in China – due to more self-reliance and exit planning.

The cotton program also provided catalytic funding to IPUD (Turkey Cotton Association) to support the formation and creation of local ownership towards the production of Better Cotton in Turkey, which is a key sourcing country for the BCFT brands.

#### Role of IDH

IDH worked with the BCFT IPs to drive cost efficiencies in project budgets.

In India, IDH engaged a Better Cotton consultant to work with CAIM, a Government of Maharashtra initiative, to scale their BC project, bring convergence with their ongoing initiatives in sustainable agriculture, and build internal management capacity.

In China, IDH directly liaised with the supply chain IPs to increase their contribution to project costs – five IPs funded their project in its entirety.

Through the BCFT Fund, IDH recommended and supported the expansion of Tajikistan and Turkey projects.

#### Deviation

While we have achieved our program KPIs, we fell 150,000 MT short of our unofficial target for 2015 (KPIs excluding Brazil). The decreased production figures are due to delayed and untimely monsoons in a predominantly rain-fed farming situation in India, and floods in the cotton-growing areas in Pakistan.

### #2 Supply chain engagement: work closely with brands to drive the increase in procurement of Better Cotton.

► See KPIs 6, 10

#### Achievement

Six BCFT brands exceeded their procurement targets in 2015.

The BCFT brands had an uptake of 250,000 MT BC lint (almost double from the previous year).

Mass awareness of the Mass Balance Administration (MBA) system through BCI's annual supply chain forums and industry events in key geographies: Bangladesh, India, Pakistan, China, Hong Kong, Sri Lanka, Turkey, Mexico, Vietnam and Cambodia.

#### Role of IDH

The BCFT supply chain specialist commissioned by IDH worked with the brands to set their procurement targets, facilitated brand-specific supplier workshops, and organized mass trainings for industry awareness of BCI and the MBA system.

IDH organized and funded the BCI supply chain events in Vietnam, Cambodia and Mexico – training over 150 supply chain delegates and partners of the BCFT brands on the BCI MBA system.

#### Deviation

In 2014, the BCFTP retailer uptake target for 2015 was revised to align with the BCI uptake goals. 300,000 MT lint was a stretch target for BCFTP (the BCI overall target was 250,000 MT lint, which has been achieved).

### #3 Funding structure: transition to the Growth & Innovation Fund (GIF) structure; define the operating model for the GIF; ensure a seamless transition from the BCFTP to the GIF without a negative impact on the investment at farm level.

► See KPI 7

#### Achievement

The BCI GIF funding and service-level agreements were signed; the GIF was launched on January 1, 2016 with IDH as the strategic partner.

The IDH cotton program team designed the fund-management process for the BCI GIF, which was ratified by the BCI Council and leadership team.

Nine out of 11 BCFT brands have communicated their ongoing financial commitment by agreeing to financial support equal to or greater than the current year for the GIF.

In December 2015, the first investment year for GIF was planned (2016 season) and a portfolio was approved with a 15% growth in KPIs at the same investment level as 2015.

#### Role of IDH

IDH is currently the largest funder to the BCI GIF, and is working with the BCI team on a GIF fund-raising strategy.

The financial transition from the BCFTP to BCI GIF was facilitated by IDH, ensuring sufficient funds for the first investment cycle in 2016-2017.

IDH engaged intensively with the IPs to increase scale while maintaining 2015 cost levels through optimization of project structures and processes.

#### #4 Brand outreach to add private-sector participation: continue to explore options for adding brands and retailers to the BCFTP and then the GIF. Focus on some of the large US brands to create a need for, and awareness of, Better Cotton in the US.

► See KPI 5

#### Achievement

In 2015, the Dutch apparel brand C&A joined the program, increasing the financial and procurement commitment of private investors in the BCFTP. Later in 2015, C&A also hosted the first BCI GIF Buyer & Investor Committee meeting at their offices in Vilvoorde, Belgium.

BCFTP also co-hosted an outreach event with BCI and VF Corporation at The North Face showrooms in New York in July 2015 to engage more US brands and attract new members to BCI. As a result, five American brands joined BCI since 2015: American Eagle, Ann Inc., William Sonoma, Marc Jacob and GAP.

#### Role of IDH

IDH supported the outreach event in the US in-kind in the form of training by the BCFT supply chain specialist and agenda coordination with the BCI.

#### Deviation

BCFTP came to an end with 11 brands, instead of the targeted 12.

While BCI continued to recruit new brand members, no major outreach was done to bring new members to the BCFTP, since it was the final year of the program.

#### #5 Discover innovative ways of embedding Better Cotton: use the learnings that we derive from the CAIM project and CMDT and see whether there are ways to build on embedding Better Cotton principles.

► See KPI 8

#### Achievement

The CAIM BC project (a Government of Maharashtra initiative) scaled by 35% in 2015, training 56,000 farmers – the largest scale project in India.

IDH also initiated a pilot project with 13,000 farmers with MAVIM, another public-sector corporation funded by the Ministry of Women & Child Welfare in India – working on an alternative model of delivering extension services, building capacities within existing women-led management groups at the village level.

In China, IDH convened partners (SWAN Machinery and Shandong Inspection Bureau) to initiate the Better Ginning Program – a platform to match the demand-supply expectations of “Spinners and Ginners” in Shandong. A specific intervention based on the prominent need in China, the intention is to transfer ownership of the pilot program (after proving the ginner/spinner business case) to the industry association.

#### Role of IDH

For CAIM, IDH has removed the support of the consultant engaged in 2014, and facilitated the transition/ transfer of knowledge to the management – 2016 will be the first season for them to run independently.

In China, the partners have been engaged and the training program for the ginners is underway – IDH is monitoring the project and preparing to document a study on the pilot.

#### Deviation

Management challenges in CMDT have delayed efforts to systematically work on embedding the BC standard in Mali. One of the two projects was self-funded by CMDT.

**#6 Capacity building in South Africa: explore possibility for Better Cotton capacity in South Africa as part of a larger engagement.**

► See KPI 4

**Achievement**

BCI is working directly with an organization in South Africa to have BC through a partnership agreement.

**Role of IDH**

At this stage, the cotton program is not supporting this engagement, but IDH's Innovative Finance team is engaging with a large supply chain company on a sustainable cotton project in Zambia<sup>12</sup>.

**Deviation**

Expanding into South Africa was not a part of the BCFTP investment strategy owing to its ranking in global cotton production and lack of importance in the BCFT brands' supply chains. In line with this, BCI has received an expression of interest for a self-funded country partnership in South Africa.

**#7 BCI footprint in Vietnam/Indonesia: increase participation in these countries (until now, the supply chain engagement and participation in Better Cotton has been fairly limited).**

► See KPI 10

**Achievement**

Large-scale supply chain meeting for mid-stream partners of the BCFT brands and other prospective BCI members was organized in Vietnam (by IDH) and Cambodia (by IDH and TESCO).

Nine out of 11 of the BCFT brands were represented – by internal and/or supply chain partners – at these events.

**Role of IDH**

IDH was the organizer and host for these forums, which collectively had nearly 150 participants who were made aware of the BC standard and how to operationalize BC procurement via MBA system.

**Deviation**

Cambodia was more relevant than Indonesia, with a larger representation of the BCFT brands' supply chain partners in this key sourcing country.

12. Zambia does not use BCI, but Cotton Made in Africa (CmiA) – a different sustainability standard. The intervention in Zambia is also a part of the Innovative Finance project portfolio. Since 2014,

BCI has had a one-way partnership agreement with CmiA, which allows all CmiA cotton to be bought as Better Cotton but not vice versa.

## Lessons learned

- With the experience gained in the last six years across projects of varying scales, partnership models and countries, in 2015, we took a conscious decision to engage with projects that met minimum criteria in terms of our field-level KPIs – farmers, production and hectares – providing a solid foundation for scale projects and optimization of management structures within projects. Strategic supply creation is a combination of picking the right geography (catering to the demand of BCI brand members), selecting projects of a reasonable size with potential to scale cost effectively, and choosing the right implementing or strategic partner.
- Several factors (awareness of the merits of the MBA system, intensive supply chain support by IDH to the frontrunner (BCFTP) brands to operationalize BC procurement, outreach events in new sourcing hubs, and brands' communications support by BCI) led to a large increase in uptake in 2015. There is a strong need for the BCI Supply Chain team and IDH (as the BCI GIF strategic partner) to engage with the brands on an ongoing basis to ensure Better Cotton procurement becomes part of "business as usual".
- There is a need to identify cost effective models for BC expansion and growth. We need to define new models for farmer engagement (for both new and existing farmers) by piloting alternative methods for service delivery of the BC standard, capacity building of the frontline field staff, and ongoing engagement of mature farmers in the BC system. Innovation needs to take place by looking at country/standard partnership models (being led by the BCI) and cost-effective models for extension delivery through embedding with supply chain associations, government services and provincial solutions.

## Risk Assessment

Risk	Mitigating action undertaken
Transition from the BCFTP to the Growth & Innovation Fund (GIF) resulting in loss of continuity.	Selected by BCI to be strategic partner to the BCI GIF – providing fund management services, innovating in supply and demand creation, and playing a strategic role in fundraising for the BCI GIF. IDH continued to engage with BCI to develop the processes and structure of the new Fund.
Low procurement by retailer brand partners affecting both brand and supply chain appetite for the standard.	Continued to work with the BCFT brands and their supply chain in key geographies (particularly in new markets like Vietnam, Cambodia, Mexico, etc.) to demonstrate the benefits of the MBA system. This has led to the highest spinner and retailer uptake so far, and in 2015, 250,000 MT of BC lint was taken up by brands (up from 117,000 MT lint in the previous year).
Lack of volume-based fee collection.	To manage the cash flow of the Fund at the time of contracting for 2016-2017, IDH facilitated the process whereby the BCFT brands continued to pay the minimum financial contribution upfront to secure their position on the BCI GIF Buyer & Investors Committee (discounted against their procurement). Simultaneously, BCI and IDH continued to drive uptake at brand level and to make combined fundraising efforts for the GIF. Secured project funding for 2016-2017 – bringing a 10% increase in scale at 2015 cost levels.
The current farmer engagement model does not have a defined end date for mature farmers' training, resulting in ongoing engagement.	In addition to the multi-year licensing system introduced by BCI, IDH also consulted the BCFT IPs on driving cost efficiencies by optimizing producer unit structures, and by looking at training costs per farmer, keeping in mind the maturity of the projects and their engagement with the same farmers over the years. This has also been marked as one of the key areas of innovation for the BCI GIF.



# KPI Table Cotton

In 2015, IDH played four roles in relation to the BCI: as an institutional donor, independent director on the BCI Council, convener of the culminating Better Cotton Fast Track Program, and strategic partner to the future BCI GIF. In terms of volume, the BCFTP accounted for 82% of all Better Cotton production in 2015. The KPI table be-

low captures the field-level results of the BCFTP (which forms a sub-set of the BCI overall results) – and those activities and programs related to the supply chain, engaging with public organizations, fund/investment management and learning – which can be attributed to the role played by IDH in the BCFTP Secretariat.

#	Key Performance Indicators	Overall target 2010-2015	Target 2015	Result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Number of farmers trained	500,000	500,000	724,000
2	Number of hectares where BC is grown	1,5 million	1,5 million	2 million
3	Percentage of farmers trained, complying with the Better Cotton standard	90%	90%	86%
4	Volume (in metric tons) of BC lint licensed	1,500,000	1,000,000	1,828,800
<b>Result area 2: Tangible improvements in sustainable markets</b>				
5	Number of new investors in the program	12	12	11
6	Volume (in metric tons) of qualified BC procured by private partners	300,000	300,000	250,000
7	Private sector investment in the BCFT fund	€ 15 million	€ 15 million	€ 16,1 million
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
8	Number of national/international public-private partnerships, including local government	Partnership in China, India and Mozambique	Increase scale of project with CAIM and explore one other option	CAIM scaled (India) by 35%; initiated projects with provincial governments in China
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
9	Number of studies into BCFT impact executed by an external evaluator	4	4	5
10	Best Practices Learning Platform for program partners established	Cost efficiency model with annual benchmarks to be devised and implemented	Efficiency model with annual benchmarks is implemented	Benchmarks for project-cost efficiency implemented; supply chain training events held in Mexico, Vietnam, Cambodia, and the US.

## Deviation justification per KPI:

- **KPI 6:** In 2014, the BCFTP retailer uptake target for 2015 was revised to align with the BCI uptake goals. 300,000 MT lint was a stretch target for BCFTP (the BCI overall target was 250,000 MT lint, which has been achieved).



# Electronics

## Address root causes of social and environmental performance issues through worker-management dialogue

To improve the working conditions of over 200,000 workers and to reduce the environmental impact of over 75 electronics factories in China, IDH has developed a program together with Dell, HP, Philips, Apple, Microsoft, ELEVATE, ERI and civil society organizations. In the electronics industry, a wide variety of trainings on labor, health and safety, and environmental performance is being offered. However, effective worker-management dialogue is still lacking, and is needed as a prerequisite to addressing the root causes of social and environmental performance issues. IDH's intervention therefore focuses in this area, to develop tools and support systems for worker dialogue.



### Main sustainability issues targeted

- Working conditions
- Health and safety of workers
- Energy and efficiency standards

### Private Partners

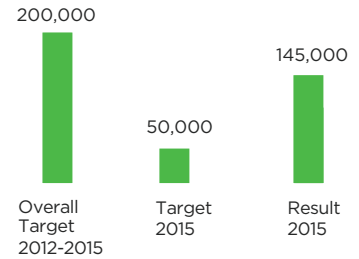
Dell, HP, Philips, Apple and Microsoft (Nokia)

### Other partners

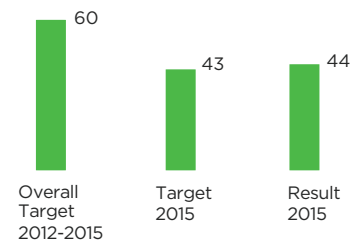
Dutch Federation of Trade Unions, ELEVATE, Good Electronics, Somo, Economic Rights Institute (ERI), Globalization Monitor, IndustriALL, International Hong Kong Liaison Office and EICC

### KPI Progress 2015

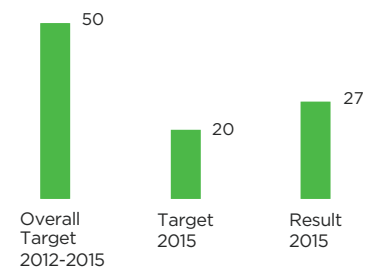
Number of workers reached by improvement activities in the program



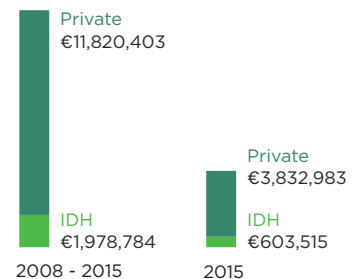
Number of suppliers who have reached higher maturity of worker-management dialogue



Number of training organizations established and trained



### Financial Progress 2015



The goal was to create a platform for multi-stakeholder collaboration and dialogue, and to collectively develop a curriculum that can be rolled out in 75 factories in China. This will generate continuous improvement within these factories through worker-management dialogue, and engaging the factories on improving their social and environmental performance. During 2015, the curriculum was finalized and implemented in full at the factories in the program. IDH continued its role as the convener of the brands and civil society organizations that make up the steering committee and reflection group. IDH managed the implementing partners on the ground to provide the trainings and services within the factories in China, and to monitor progress and Exit Point Assessments.

### Sector context, theory of change and impact claims

The program builds on the experience of traditional auditing having limited impact on structural non-compliance issues by itself. By supporting suppliers and workers directly and locally instead of enforcing audits top-down, the program addresses the root causes of non-compliance together with the supplier. This “beyond auditing” program therefore offers systemic support and capacity building instead of “policing”.

In this way, solutions for labor standards compliance issues, such as reduction of working hours, can be tackled and linked to business performance – i.e. improved production efficiency and lower employee turnover. Solutions to these issues are implemented with the support of a local pool of both independent and NGO-based topic experts, and are owned and monitored by a supplier team of management and worker representatives.

The supplier team is coached to provide a sustainable mechanism for problem solving and solution finding in the factory. The international brands contribute by bringing their suppliers to the program as part of their public responsible sourcing commitments, and by co-funding fundamental and lasting change to their supply base. In this way, they reduce their vulnerability to reputational damage and improve manufacturing performance. IDH manages and co-finances the implementing partners in China that oversee the creation of the supplier teams and coordinate the independent and NGO-based experts. By convening the program stakeholders, such as brands and civil society organizations, IDH created a multi-stakeholder dialogue to develop and implement the curriculum and support the supplier engagement. This collaborative effort helped support the work targeted to be done under KPIs 1 through 4 (see KPI table at the end of this chapter). In addition, the last year of the program also focused on learning more about the dynamics within the factories, to understand which factories benefit most from certain services. This has in part been done by organizing learning sessions between suppliers and service providers, and by conducting Exit Point Assessments.

## Key planned activities in 2015 versus achievements

### #1 Finalize the implementation of worker-management dialogue and non-dialogue curriculum within all 54 participating suppliers by summer 2015.

► See KPIs 1, 2, 3, 4

#### Achievement

In 2015, 53 out of 54 suppliers completed the IDH program.

#### Role of IDH

IDH supported the curriculum creation, coordinated the work of the implementing partners on the ground, and facilitated the international multi-stakeholder dialogue.

#### Deviation

Trainings have been done for all factories except one. The supplier that did not complete the program has not paid their contribution and has been resistant to implementing the improvement services. After consultation with the related brand, we consider this factory as disengaged from the program because of a lack of motivation.

### #2 Perform Exit Point Assessments on all 54 suppliers, providing insights into the overall program impact at supplier level.

► See KPIs 6, 10, 11

#### Achievement

Exit Point Assessment work kicked off, including an extensive workers survey, management interview and end-dialogue session for each factory.

#### Role of IDH

Providing guidance on the Exit Point Assessment format; coordinating the implementing partners

#### Deviation

All the Exit Point Assessments have been done; the report writing and overview of lessons learned is being finalized and is estimated to be done by the end of April 2016.

**#3 Ensure good documentation of the overall program methodology, training resources, lessons learned, and impact areas. Identify possible application to more responsible manufacturing in middle-income countries in general.**

► See KPIs 10, 11

**Achievement**

Contracted the “legacy package”, documenting all public deliverables (tools, insights, etc.) of the Electronics Program in a very accessible way for the closing event in December in Hong Kong.

Hosted a number of learning sessions between suppliers, service providers, and experts.

Developed two public quarterly reports and 10 individual brand reports for 54 suppliers, with key insights into KPI trends, benchmarking of suppliers, and brand performance.

**Role of IDH**

IDH has created a legacy package of the program together with the implementing partners, and co-created a platform on which to publish it, together with Nomads Agency. The package is linked to the EICC e-Learning Academy.

**#4 Design and implement an exit framework to ensure follow-up and embedding of the successful elements and lessons learned into the broader industry (both companies and other stakeholders) by convening a group of front-runners around a collective impact strategy. In parallel, build the business case for suppliers to work on dialogue in the future by understanding the links between productivity, efficiency, and dialogue improvement, and how each one amplifies the impact of the other.**

► See KPI 9

**Achievement**

Established further alignment for embedding the curriculum and other program tools into the existing alliance with the EICC and individual companies.

Measured a decrease in turnover on average in the program. This cements the business case for the program intervention, namely that workers’ intention to leave the factory (turnover) is inversely related to increased maturity in worker-management dialogue.

**Role of IDH**

Supporting the creation of EICC’s stakeholder outreach program; providing inputs in the e-Learning Academy and wider discussion on capacity building; providing proof and publications of the program and its results.

### Lessons learned

- The program used a top-down (brand) approach, which reduced supplier ownership of the program. This could have been mitigated in part by a more thorough factory-needs assessment at the start.
- The time and resources needed to develop the worker-management dialogue curriculum were extensive, which made it hard to maintain momentum. We should have focused earlier on worker-management dialogue.
- Worker-management dialogue confirmed labor/social improvements as effective actionable next steps beyond compliance; the Exit Point Assessments provided good insights into a business case for these improvement activities.

### Risk Assessment

Risk	Mitigating action undertaken
Lack of supplier commitment.	Leveraged brand participation and outreach to incentivize suppliers. Hosted a number of meetings to share learning between suppliers to showcase progress and benefits.
Lack of brand/CPO commitment.	Held Steering Committee meeting with brands headquarters, following up on bilateral calls.
Service providers' availability and quality may be below desired level.	Aided in the training of additional trainers. Created and shared an overview of the best-rated and most-used service providers, to stimulate the uptake of the best available services and the legacy package of learning materials for continuation of the work. It is available through the platform IDH and Nomads agency created ( <a href="http://www.idh-electronics.com">http://www.idh-electronics.com</a> ) and through the EICC e-learning academy.

# KPI Table Electronics

#	Key Performance Indicators	Overall target 2012-2015	Target 2015 <sup>13</sup>	Result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Number of Entry Point Assessments completed	75	0	0
2	Number of worker/management dialogue forums installed or identified	60	0	0
3	Number of workers reached by improvement activities in the program	200,000	50,000	145,000
4	Number of suppliers who have reached higher maturity of worker-management dialogue	60	43	44
<b>Result area 2: Tangible improvements in sustainable markets</b>				
5	Number of private partners committed to the program	5 brands 75 suppliers	0	5 brands 53 suppliers
6	Number of suppliers monitoring sustainability KPIs	75	0	48
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
7	Number of local trainers trained in worker-management dialogue	300	0	0
8	Number of training organizations established and trained	50	20	27
9	Number of partnerships with industry platforms	4	2	2
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
10	Number of supplier sessions held	4	1	3
11	Number of learning trajectories on key bottlenecks started	4	2	1

13. KPIs with a target of 0 for 2015 were included as they were critical in earlier stages to enable the rollout of the program.



# Cashew

## 25,000 farmers to have higher and more stable income and access to services by 2015

The IDH Cashew Program works to make the production, processing and trade of cashew nuts more sustainable across the industry. By organizing the sourcing areas and creating strong market links between farmer aggregates, processing factories in Africa and western end-buyers, the socio-economic development of a sustainable cashew value chain is improved while natural resources are preserved. IDH's cashew activities are an integral part of the African Cashew Initiative (ACI), which unites the work of Gesellschaft für Internationale Zusammenarbeit (GIZ), the Bill and Melinda Gates Foundation (BMGF), and IDH in the cashew sector.



### Main sustainability issues targeted

- Smallholder livelihoods
- Working conditions
- Health and safety at processing level

### Private Partners

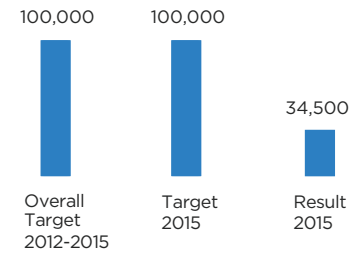
Ahold, Intersnack, Olam, Trade & Development Group, Equatorial Nut Processors, Usibras Ghana, Fludor Benin, Jungle Nuts and Migotiyo Plantations

### Other partners

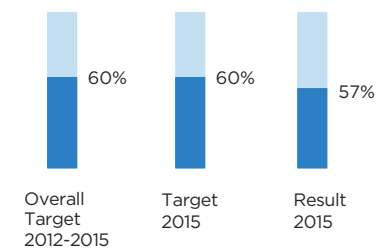
African Cashew Initiative (ACI), African Cashew Alliance (ACA), Bill & Melinda Gates Foundation, Chainfood, FairMatch Support and Gesellschaft für Internationale Zusammenarbeit (GIZ)

### KPI Progress 2015

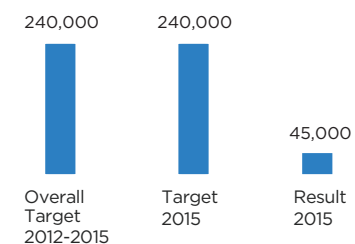
Number of farmers directly involved in the program



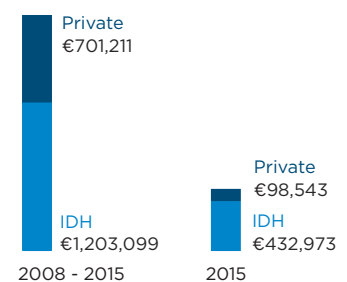
Percentage of raw cashew nuts (RCN) sourced directly from farmers or farmer groups (=capture rate)



Volume (in metric tons) of RCN traceable from farmer aggregation to end-buyer and vice versa



### Financial Progress 2015



In 2011, IDH started developing a cashew program to support better and more secure farmer income (and therefore livelihoods). It combines two work streams: improving market links along the supply chain, and improving cashew farmers' livelihoods. These work streams include creating more transparency in the supply chain through traceability, and stimulating good agricultural practices at farmer level. The first pilot projects on field-level improvement started in Burkina Faso and Ivory Coast in 2012. IDH established a strategic partnership with ACI in which other public and private funders, such as GIZ and BMGF, align and coordinate their investments. IDH joined the ACI as core partner, and jointly invested with GIZ and BMGF in field-level implementation projects via the Cashew Matching Grant Fund.

IDH's work to develop a supply chain management information system (MIS) became one of the five work streams of ACI, aiming to improve market links in the cashew supply chain. In 2013, the IDH Cashew Program moved from the development phase to the implementation phase. By the end of 2014, the MIS was renamed 3S – Sustainable Supply System (3S) and was launched the following year. 3S is a pre-competitive system that is governed by a separate foundation called the Sustainable Nut Initiative (SNI)<sup>14</sup>, which was established mid-2015. IDH convened and supported dedicated private-sector parties to set up SNI, whose objective is to stimulate traceability and sustainability in the nut sector. SNI will be a self-financing foundation and 3S system which is managed by and for the private sector. IDH supported the transition of leadership to the private sector and provided the co-funding for the development of the 3S system and the field-level projects.

The program started with the assumption that processing in Africa would increase. However, this development stagnated and the growth in African processing capacity was only modest. This, in combination with the delay in the development of the 3S system, resulted in a lower volume of traceable cashew.

In parallel, the first field-level projects co-funded by IDH have been completed, supporting about 34,500 farmers and providing the first testing grounds on applying the 3S system in the field to benefit the supply chain as a whole. Due to the existing ACI program, in which a large number of farmers were already trained, IDH focused on the delivery of the 3S system and coordinated its investment with ACI in relation to the field-level projects. This resulted in a lower investment in field-level projects and a lower number of farmers trained.

### Sector context, theory of change and impact claims

The interest in sourcing cashew from Africa continues to grow; organizing the sourcing areas in an efficient and sustainable manner that also secures future supply becomes crucial. Through the ACI, the total value chain

is engaged in increasing productivity and quality of cashew nuts. Increased productivity is expected to lead to improved sources of livelihood for farmers, better working conditions at processing level, and more secure supply for cashew roasters.

The focus of the IDH work streams is to support businesses in creating sustainable business links along the supply chain by developing and implementing a traceability approach, while providing a more secure income and better livelihoods for farmers. By tracing the quantity and quality of cashew, and the conditions under which it is produced, this system enables benchmarking and focused training of farmers as well as making supply more secure for traders and roasters. With the combination of traceability (3S system) and targeted actions (co-funded through ACI match fund), the (sustainability) risks in the supply chain can be mitigated and addressed.

The benefits of this approach include:

- Farm to fork (risk) management: transparency for the retailer on production and processing conditions;
- More efficient sourcing;
- Stronger processor–farmer relations;
- Data-driven supplier performance that allows monitoring of product quality and quantity at farmer or regional level, as well as customized support to farmer groups resulting in higher yields and better quality;
- Existing certification/verification schemes can be easily linked in 3S. This improves access to finance for farmers and processors by using the data sets and performance of the suppliers.

Currently, the system is being successfully used in Ivory Coast, Mozambique, Kenya, Ghana, Benin and Burkina Faso, and monitors the performance of 18,095 farmers.

### Key planned activities in 2015 versus achievements

#### #1 Carry out at least two more projects using the traceability system, probably in Ghana and Kenya.

► See KPIs 1, 2, 3, 4, 5

#### Achievement

The focus in 2015 was on the further rollout of the traceability approach:

- Started three pilot projects in Benin, Ghana and Kenya, training a total of 650 farmers and devel-

14. Available through: <http://www.sustainablenutinitiative.com>.



oping long-term business links between all supply chain actors (additional 1,500 farmers will be trained in 2016).

- Successfully completed first project in Burkina Faso in March 2015, with all stakeholders emphasizing that the project brought about lasting change towards a more equal and inclusive relationship between farmers and processors.

#### Role of IDH

IDH provided co-funding for the activities.

### #2 Involve retailers to create a stronger market pull.

▶ See KPI 6

#### Achievement

Five retailers (in the Netherlands, UK, Scandinavia and US) have expressed their interest in this approach. IDH will support the outreach to retailers in combination with other sectors (as part of the Fresh and Ingredients program). To be continued in 2016.

#### Role of IDH

IDH plays a convening role and is reaching out to the relevant stakeholders.

### #3 Adapt and implement the 3S for the macadamia supply chain.

#### Achievement

Started a pilot project in Kenya aiming to explore the broader application of traceability in the nut sector.

#### Role of IDH

IDH co-funded the activities.

### #4 Use the information gathered in the system to provide custom-made trainings and interventions to farmers and processors.

▶ See KPI 7

#### Achievement

Initial data on farmer cooperatives have been gathered. Based on these results, the ACI core partners have agreed that the traceability system (3S) will be further rolled out to enable more data-driven farmer support aiming to:

- Monitor product quality and quantity at farmer and regional level;
- Customize support to farmer groups;
- Generate higher return on investment.

#### Role of IDH

IDH helped to set up the 3S and co-funded the activities.

### Lessons learned

- Instead of certification, the program developed a risk-based approach that broadly recognizes all supply chain players. It consists of a combination of traceability (analyses and performance supplier base), a solid and independent risk assessment of the sourcing region, and target investment on the main risk by the supply chain. This approach is currently being further developed with direct input from end-market players (including retailers).
- Combining product quality, food safety and sustainability criteria in the same approach creates a stronger buy-in from retail and end-market.
- The transition of the traceability tool to the private sector was key for IDH to evolve into its new role in supporting the Fresh and Ingredients program. It is also the proof as to whether the chosen model and commitment is strong enough to continue without IDH support. This phase requires strong convening from IDH and takes time.

### Risk Assessment

Risk	Mitigating action undertaken
Increased competitive pressure from India and Vietnam threatening the business case of processing in Africa.	Increased support, with higher flexibility to African processing, created a competitive advantage through traceability and storytelling.
Other actors developing tools similar to 3S.	Ensured commitment and embedding in ACI strategy. Continued to increase the number of partners so that joint market share of current and prospective users of 3S amounts to roughly 80% of cashew imports to Europe.
3S not being picked up by the market.	ACI endorsed 3S, and ACI projects started to integrate 3S. Recurring check-in with market players on commitment and target setting.
Insufficient alignment with ACI and other sector organizations.	IDH and ACI increased the level of collaboration by aligning intervention strategy with monitoring and evaluation.
In West Africa, the Ebola crisis might render some project travel unsafe and could therefore slow down progress. The same is true for the political unrest in Northeast Kenya.	Both risks have decreased dramatically. No further mitigation was required.

# KPI Table Cashew

#	Key Performance Indicators	Overall target 2012-2015	Cumulative target 2015	Cumulative result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Percentage of raw cashew nuts (RCN) sourced directly from farmers or farmer groups (=capture rate)	60%	2013: 35% 2014: 50% 2015: 60%	57%
2	Percentage of cashew above minimal quality levels (based on predefined minimum levels KOR, humidity, nut count)	80%	80%	47%
3	Average additional farmer net income per annum (yield based)	US \$91	US \$91	US \$91 <sup>15</sup>
4	Number of farmers directly involved in the program	100,000	100,000	34,500
<b>Result area 2: Tangible improvements in sustainable markets</b>				
5	Volume (in metric tons) of RCN traceable from farmer aggregation to end-buyer and vice versa	240,000	240,000	45,000
<b>Result area 3: Effective collaboration and institutionalization at sector level:</b>				
6	Number of business partners committed to the consortium	15-20	15-20	9
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
7	Number of learning trajectories started on key bottlenecks within the sector (including business case analyses)	4	4	2
8	Number of innovative tools facilitating traceability and sustainability within the cashew supply chain	5	5	1

## Deviation justification per KPI:

- KPI 2:** The major projects were closed till mid-2015. The KOR remained unchanged as no new training was started on this issue.
- KPI 4:** The number of farmers trained is lower than planned. Within the ACI partnership, a large number of projects were rolled out, resulting in the training of almost 400,000 farmers. IDH's focus within ACI was on the market linkage work stream. Our priority was therefore to finalize the traceability system in 2015, and to focus on a smaller number of projects that are related to farmer market linkage.
- KPI 5:** Volume of traceable raw cashew nuts (RCN) is lower than anticipated; this is due to a decrease in processing volume in Africa and delays in operationalizing the traceability system (3S). With the commitment of current and new partners, the 3S will be integrated in the sourcing of key market players in the coming period.
- KPI 6:** The initial core group of partners consisted of six partners who were actively involved in the development and testing of the 3S system. Due to the delay in the development of 3S, IDH chose to work with this core group and only start the rollout once the system was established and launched.
- KPI 7:** In 2015, the focus was on the closure of the existing projects. No new learning trajectories were initiated.
- KPI 8:** The program focused on the delivery of the 3S system, hence on one tool only.

15. In total ACI (incl. IDH projects) exceeded the 2015 target of creating average additional net income of US \$91 per annum per ACI-assisted farmer, by reaching US \$120 by the end of 2014.



# Fruit and Vegetables

## 100% of all fruit and vegetables imported from Africa, Asia and South America to be sustainable in 2020

IDH's Sustainability Initiative Fruit and Vegetables (SIFAV) program started in 2012, with the aim of making Dutch imports of fruit and vegetables from Africa, Asia and South America 100% sustainable in 2020. Today, SIFAV has become a pan-European initiative with partners in seven European countries, all committing to importing 100% sustainable fruit and vegetables from Africa, Asia and South America in 2020.



### Main sustainability issues targeted

- Livelihoods of farmers
- Water sustainability
- Food safety
- Food security

### Private Partners

Agrofair, Albert Heijn, Bakker Barendrecht, C1000, Chiquita, Coop, Dole, Eosta, Fair Fields, Fair-Fruit, FV SeleQt, Fyffes, Georges Helfer, Giovanelli Fruchimport, Grøn Fokus, Hillfresh, Hispa, HPW, ICA, Jaguar, Jumbo, Levarht, Lidl, Mara Fresh, Nature's Pride, Olympic

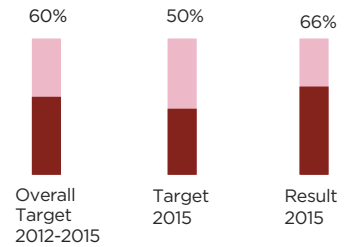
Fruit, PPO Services, Safari Fresh, Special Fruit, Staay Food Group, Superunie, The Greenery, Timer Fruit, Total Produce, Univeg, Van Oers United, Verbruggen Juice Trading Sustainable Products and Yex Partner

### Other partners

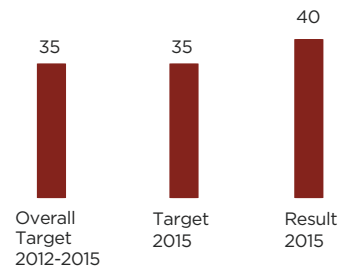
ICCO, Solidaridad, Frugi Venta, ETI/SMETA, SIZA South Africa, BSCI, Fair Trade, SA8000, Rainforest Alliance, IMO Fair for Life, GSCP, Sedex, Leaf Marque, EU Organic, US Organic, GLOBALG.A.P.

### KPI Progress 2015

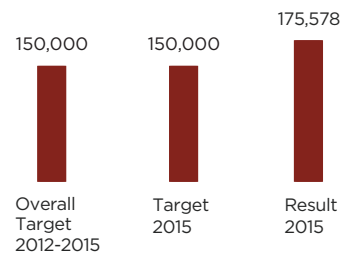
Percentage of certified/audited fruit and vegetables out of the total volume of fruit and vegetables sourced by covenant members and SIFAV partners



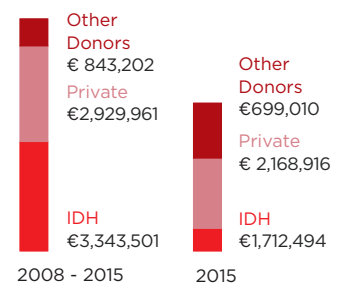
Number of partners and signatories in the covenant



Number of smallholder farmers/workers trained in improved agricultural, environmental and social practices (GAP, GEP, GSP)



### Financial Progress 2015



The covenant target for January 2015 was 50% of companies' total sustainable import (in mass). The program has targeted international retailers, traders and brands to join the SIFAV program. The relevance of the covenant is proved by its growth to 40 signatories in 2015, surpassing the target of 35. In January 2015, the overall percentage of sustainably sourced fruit and vegetables by covenant partners was 66%, surpassing the 2015 target of 50%. The total reported mass (in metric tons) of fruit and vegetables sustainably sourced by program partners is 1,176,649, an increase of 169% compared to the previous year. The total mass that is covered by the covenant has increased significantly, mainly due to the entry of new covenant members. Existing partners report 11% more sustainably sourced products and 9% less non-sustainable products. The increase in sustainably sourced products is due to partners' determination to improve sustainability through investment in, and support provided to, their suppliers.

### **Sector context, theory of change and impact claims**

The fruit and vegetables sector is facing a number of sustainability issues. These issues are mostly at farmer level, and include low yield and inconsistent supply of quality products, limited knowledge of social and environmental systems, limited exposure to commercial farming and international market requirements, and poor access to funds. IDH, European retailers, traders and brands in the sector, and civil society organizations have signed a covenant committing to 100% sustainable sourcing and import in 2020. The issues described above are being tackled in projects initiated by members of the SIFAV program that have signed the covenant.

The objective of the SIFAV is to leverage market demand to support producers and farmers in sustainable farming of fruit and vegetables, resulting in increased inclusion of smallholder farmers, higher yield (resulting in stable supply of high-quality products as required by the market), improved food safety, better working conditions and water sustainability. The SIFAV strategy has been to attract more international retailers, traders and brands into the program by signing the covenant. The sustainable production of fruit and vegetables provides farmers and producers access to lucrative and established markets, which reduces the risk associated with the volatility of demand. This should ultimately result in increased income, better working conditions, and a higher quality of life for producers, farmers and their workers.

IDH helps partners identify key sustainability issues throughout their supply chain. After this identification process, we provide support for companies to develop practical implementation plans to tackle these issues. We help them formulate high-impact project proposals

to tackle sustainability issues in their chains. IDH supports the development of policies, guidelines and implementation plans by companies towards their suppliers. IDH co-funds projects that target smallholder farmer inclusion into global supply chains, and supports projects that aim to capture, leverage and institutionalize Good Agricultural Practices and best practices in sustainable production.

Benchmarking and aligning the wide range of existing standards is an attempt to lower audit fatigue and costs for producers and farmers. IDH encourages and supports standards to go through the GSCP (Global Social Compliance Program) and equivalent benchmarking tools to create a critical mass of comparable standards that should lead to wider, mainstream acceptance of them. Harmonization of standards can benefit producers and farmers – for example, through recognition and endorsement of different standards by the market. 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 planned activities in 2015 versus achievements**

**#1 Strengthen the relationship with current covenant members to tackle pre-competitive issues, and provide technical support and guidance. Support members in achieving the target of 50% sustainably produced fruit and vegetables in 2015.**

► See KPIs 5, 6, 8

#### **Achievement**

The 2015 covenant progress report conducted by PwC indicates that partners have reached 66% sustainably sourced fruit and vegetables by January 2015. The target for January 2015 was 50%.

SIFAV facilitated collaboration between PwC and covenant members who co-developed a new tool to make monitoring of their progress towards 100% sustainable sourcing more efficient. This tool helps companies to develop accurate reporting on sustainable sourcing volumes.

SA8000, IMO Fair for Life, Fair Trade and Rainforest Alliance have completed the GSCP benchmarking process for social sustainability, bringing the total to all of the seven standards that have completed the benchmarking. SIFAV actively supported GSCP to enable it to give adequate technical support to standards in this process.

### Role of IDH

See achievements against plan 2015.

SIFAV facilitated collaboration between PwC and covenant members to make efficient data monitoring on sourcing volumes possible.

SIFAV actively supported GSCP to enable it to give adequate technical support to standards in the benchmarking process.

### Deviation

The 2015 target on sustainable sourcing by companies was surpassed.

## #2 Strengthen and upscale cooperation with Frugi Venta (FV) to pursue and attract the remaining 70 Dutch fruit and vegetable traders to join the covenant, and reach out to the remaining retailers.

► See KPI 9

### Achievement

The number of covenant partners and signatories has increased to 40. Throughout 2015, Frugi Venta has been very vocal about SIFAV and has organized meetings with their members about the program and covenant. By the end of 2015, SIFAV has active involvement of eight retailers in the program, five of which have signed the covenant and three of which collaborate in SIFAV Producer Support Projects initiated by their service providers and trading partners.

### Role of IDH

Active outreach to potential partners by SIFAV. SIFAV asked FV to organize meetings and present about IDH and SIFAV in FV member meetings, to help get the program on the radar of FV members. This was then followed up with bilateral meetings with potential and new SIFAV covenant partners.

### Deviation

The 2015 target was surpassed.

## #3 Upscale the program beyond the Netherlands by encouraging more European retailers to sign the covenant, or to agree to comparable commitments if they cannot sign the covenant for legal reasons. Target at least three retailers, and invest in producer-support projects in order to speed up mainstreaming sustainability. Specific target countries are Belgium, Finland, France, Germany, Sweden, Switzerland and the UK.

Encourage the remaining multinational brands in the “Big 5” to join the covenant and invest in its supply chain.

► See KPI 9

### Achievement

More European partners joined the covenant in 2015. European retailers are increasingly involved in producer-support projects with their suppliers (examples are retailers in Belgium, Sweden and Switzerland). New partners have come on board in all targeted European countries except Finland.

Four out of “the Big 5” multinational brands are now covenant signatories. Conversations with the fifth brand are ongoing and will hopefully result in its joining in 2016. The big 5 are: Chiquita, Dole, Del Monte, Univeg and Fyffes.

### Role of IDH

Active outreach to potential partners by SIFAV. Meetings with potential and new SIFAV covenant partners were held bilaterally and with the help of FV.

Finland wanted to wait for concrete results from some of the Scandinavian partners before joining itself.

## #4 Scope and develop a strategy for the Processed Fruit and Vegetables covenant and get the first 10 signatories.

### Achievement

As part of the Processed Fruit and Vegetables work stream, IDH became a steering committee member of the European Juice CSR platform to align sustainability strategies in the sector.

The Processed Fruit and Vegetables covenant was prepared in close collaboration with industry

partners. The first general assembly took place in November 2015, with the first seven signatories being new companies into processed fruit and vegetables, and another 10 companies interested in joining.

IDH assigned WWF to conduct a targeted supply-country risk combination analysis. The Supply Risk Analysis-Specialized (SRA-s) is an analytical framework to evaluate risks and potential impacts associated with the production of agricultural commodities sourced or financed by companies. The results of this analysis are a list of sustainability issues to be targeted by private partners, thus providing crucial knowledge on needs and requirements to create sustainability in their supply chains.

#### Role of IDH

Active outreach to potential partners by SIFAV.

Scoping process carried out by SIFAV.

IDH became a steering committee member of the European Juice CSR platform.

Prepared the Processed Fruit and Vegetables covenant in close collaboration with industry partners.

IDH assigned WWF to conduct a targeted supply-country risk combination analysis.

### #5 Monitor the development of high-quality new project proposals.

#### Achievement

A call for proposals in Q2 yielded several high-quality producer-support project proposals. The involvement of Fair & Sustainable, which has been contracted by SIFAV to advise the private sector on the process of developing strong project proposals, has led to a significant increase in quality of the producer-support projects.

#### Role of IDH

SIFAV brought in external expertise to help companies improve proposal quality.

SIFAV contracted Fair & Sustainable to advise the private sector on the process of developing strong project proposals.

### #6 Increase the engagement of SIFAV in the Grow Africa program by supporting selected LOIs aiming to invest in fruit and vegetables projects in selected countries.

#### Achievement

In 2014 and 2015, over 100 companies submitted LOI into the Grow Africa platform with the intention to invest in agribusiness in Africa; many of these LOIs targeted the fruit and vegetables sector. SIFAV identified five projects in Mozambique, Benin, Kenya, Tanzania and Nigeria. The intention was to work with those companies to develop proposals for co-funding, but also to identify financial models to finance projects (in collaboration with financial institutions). The Mozambique project was already approved in 2015 and is currently in the contracting phase. The Benin and Nigeria projects are being processed.

#### Deviation

Deviations refer to the finance part of PSPs (this is not per se the Innovative Finance component, for which there is no specific SIFAV KPI):

Results are behind schedule due to the issues faced in Ethiopia by two PSPs, including serious social unrest and droughts, as well as a change of business partner in one PSP which delayed the setup of a financial assistance facility.

### #7 Unlock financial instruments from supply chain actors to support the SIFAV partners to reach the sustainability targets.

► See KPI 4

#### Achievement

IDH actively works with partners to help them become less grant dependent and unlock different financial instruments, such as loans or blended finance, apart from only grants.

In Senegal, we approved a banana project in which Rabobank is providing a cash loan to the company and where Colruyt, a Belgian retailer, has committed to purchase the bananas from these farmers. We will continue to work with Rabobank and other partners to identify financial instruments suitable for various projects.

In Guatemala, we are working with ICA and Nature's Pride on beans produced by smallholders. ICA adds a unique premium to the consumer price, and communicates about the project directly to their customers. The extra funds raised via this premium are reinvested into projects benefiting ethnic minorities (Mayan Indians) in Guatemala.

In South Africa, we work with ICA and Karsten on table grapes in a similar project setup where ICA communicates the project directly to its customers, who pay a higher price. The funds generated by these premiums are reinvested into projects on female entrepreneurship and empowerment. A study about the success of this model will be carried out in 2016, and presented as a model to SIFAV retailers that can be used in fragile or difficult production areas. This is creating employment, improving education, and contributing to livelihoods.

#### Role of IDH

IDH actively works with partners to help them become less grant dependent and unlock different financial instruments, such as loans or blended finance, apart from only grants.

#### Deviation

In addition to reaching project KPIs, we are working on proving the business cases of retailers and partners to work together in projects, where more key players in the value chain contribute financially to the efforts to tackle sustainability issues. These are successes that go beyond our regular KPIs but are worth mentioning.

### #8 Engage small- and medium-sized farmers for commercial farming locally in producer countries, involving local governments where possible.

► See KPIs 1, 7, 10

#### Achievement

A producer-support project on table grapes in India is being carried out with the involvement of local government, focusing on smallholder inclusion and social and environmental compliance for local and regional markets in India, as well as exports. The project is focused on reducing the use of agrochemicals.

The Solidaridad BOHESI project unites a number of banana companies, retailers and civil society organizations in the World Banana Forum, working on socially and environmentally sustainable banana production. It has a strong and successful component of local government in both Ecuador and Cameroon. In Cameroon, a major achievement is the creation of the C184 Committee. Following positive communications with the Labor Ministry, the committee is now aiming to secure government (and thus tripartite) participation. In Ecuador, there is a successful partnership with the Ministries of Labor and Agriculture. The BOHESI manual on OHS has strong potential to become the National Manual on OHS, as it will be adopted by the Ministry of Agriculture in Ecuador. In this case, the project could benefit some 200,000 banana workers in Ecuador alone. The partnership with the Ministry of Agriculture will contribute to multiplying the number of beneficiaries of the training sessions, as 70 agricultural extensionists (someone providing a crucial agricultural extension service) will disseminate the BOHESI training materials, especially to smallholders and smallholder associations.

In 2015, successful scoping projects in Nigeria were carried out, aiming to include local government and helping to develop local companies that target sustainable products in local markets. The project will help local government to institutionalize sustainable production, starting at the level of local markets, after which companies may grow into regional and export markets.

#### Role of IDH

IDH helps identify key sustainability issues in the supply chains and at the supplier level. After this identification process, we provide support for companies to develop practical implementation plans to tackle these issues. We help them formulate high-impact producer-support projects and proposals to tackle sustainability issues in their supply chains. IDH supports the development of policies, guidelines and implementation plans by companies towards their suppliers. In a number of SIFAV projects, there is a clear local government component.

#### Deviation

SIFAV pulled out of the pineapple platform in Costa Rica, as it was dissolved due to irreconcilable differences in the views of companies versus government. Due to successes regarding government involvement in four other countries, this did not lead to deviations in the SIFAV targets.



**#9 Expand SIFAV into the Grow Africa program, with a specific focus on Ghana.**

**Achievement**

In Ghana, we have signed two projects with partners HPW and ICCO/Agriplace Ghana on small-

holder inclusion and livelihood. The projects were identified in collaboration with the Dutch and Swiss Embassies. In Benin, we have identified a number of local companies that have been invited to submit project proposals for co-funding with SIFAV. One of them has submitted the application and is currently being assessed.

**Lessons learned**

- Annual independent monitoring of progress on sustainable sourcing – as agreed in the covenant – helps partners stay focused and keep working towards their targets. This has resulted in companies employing sustainability specialists and being ahead of their sustainable sourcing targets.
- Benchmarking helps to identify strengths and improvement points in various standards according to the GSCP benchmarking tool. This shows where standards need work on their weaknesses and where they outperform.
- SIFAV partners initiated smallholder inclusion projects in challenging socio-economic environments: countries that are not familiar with commercial farming and European retail requirements. Countries such as Ethiopia are highly rewarding in terms of our learning, but also a high-risk prospect in terms of reaching KPI targets. Farmers here need more support in getting the basics right (familiarizing them with commercial farming and European retail requirements), and it takes more time and investment than in countries that are already familiar with European market requirements.

**Risk Assessment**

Risk	Mitigating action undertaken
Perceived incompatibility between some standards and the GSCP benchmarking methodology made standard organizations hesitant to participate in the process.	Facilitated a series of meetings between the standards organizations and GSCP, based on which the “Equivalency +” process, a GSCP tool, was designed. Support to GSCP was provided to enable GSCP to provide adequate technical support to standards. Under this new process, standards organizations are guided through the benchmarking process by an expert consultant. Meetings were organized to help them understand the tool and their improvement areas.
Not reaching the sustainability targets set for 2015.	The sustainability targets for 2015 have been largely surpassed, so no mitigating action was needed.
Conflicts of interest between private companies could prevent them from working together.	Engaged all players, from large retailers and international brands to small traders. These are also represented in the Steering Committee (excluding India).
Limited large-scale, good investment project proposals with real impact from partners can slow down the SIFAV program from having a significant impact at field level.	Actively gave partners the opportunity to try different financial options. The PwC monitoring tool has shown private partners when and where more investment and scale in sustainability is needed within their supply chain. Furthermore, the involvement of Fair & Sustainable, which has been contracted by SIFAV to advise the private sector in the process of developing strong project proposals, has led to a significant increase in quality of the producer-support projects.
The ambitious target set for training smallholder farmers and workers in GAP, GEP and GSP depends largely on the Sustainability Initiative South Africa (SIZA) rollout and the UNDP platform. Setbacks in startup or delays/cancellation of such national/sector initiatives have a large influence on this KPI and the number of local trainers trained.	In the case of SIZA, our involvement (train-the-trainer pyramid) was concentrated over two years, keeping the end goals at the same level. With a significant contribution from the SIZA project, the adjusted targets have been met.

# KPI Table Fruit and Vegetables

#	Key Performance Indicators	Overall target 2012-2015	Cumulative target 2015	Cumulative result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Number of smallholder farmers/workers trained in improved agricultural, environmental and social practices (GAP, GEP, GSP)	150,000	150,000	175,578
2	Increased average yield per hectare per harvest cycle (bananas)	5%	5%	3% (annual)
<b>Result area 2: Tangible improvements in sustainable markets</b>				
3	Amount of money provided to farmers/suppliers for pre-financing input supplies, pesticides, etc.	€667,4500	€500,000	€667,450
4	Number of farmers who received pre-financing for input supplies, pesticides, etc.	3,800	3,800	1,085
5	Certified and/or monitored sustainable volume (in metric tons) of fruit and vegetables that remains in the Netherlands (and is not re-exported)	200,000	200,000	382,001
6	Percentage of certified/audited fruit and vegetables out of the total volume of fruit and vegetables sourced by covenant members and SIFAV partners	60%	50%	66% (annual)
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
7	Number of local trainers/suppliers trained to provide training to workers and smallholder farmers	1,500 (adjusted target)	1,500	3,994
8	Number of standards undergoing/underwent the GSCP/GLOBALG.A.P. equivalence process	7	7	7 (annual)
9	Number of partners and signatories in the covenant	35	35	40
10	Number of local institutions/national organizations that advocate for sustainability in producer countries	4	4	4
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
11	Number of learning products/reports/studies documented	4	4	7

## Deviation justification per KPI:

- **KPI 1:** The target was not reached due to the elimination of one project on bananas that was expected to contribute significantly to reaching the 5% yield improvement target.
- **KPI 6:** The delay is due to the issues faced in Ethiopia by two projects, including serious drought, social unrest, and a change of business partner in one of the projects. These delayed the setup of a financial assistance facility, leading to a lower number of farmers who have received pre-financing.



# Flowers and Plants

## 90% of flowers and plants to be obtained from responsible sources by 2020

The Floriculture Sustainability Initiative (FSI) aims to unite front-runners in the horticulture supply chain, with the target of 90% of all internationally traded flowers and pot plants being sustainably produced by 2020. To overcome the current sustainability barriers in the sector, FSI will provide its members with tools and support, acting as an industry umbrella to develop a shared vision and action plan, and to reduce the fragmentation of standards.



### Main sustainability issues targeted

- Working conditions (living wage, female labor, health and safety)
- Agrochemical use
- Water use and contamination
- CO<sub>2</sub> emissions (transport)

### Private Partners

Ahold, Fair Flowers Fair Plants (FFP), LTO Noord Glaskracht, Pfitzer BV, De Kwakel, Dutch Flower Group, ANCEF, Union Fleurs, FloraHolland, VGB, Milieu Programma Sierteelt (MPS), Pflanzen-Koelle Gartencenter, Stichting Max Havelaar,

FloraMetz, Waterdrinker, Chrysal International, Euroflorist, Kenya Flower Council, Asocolflores, AIPH, IKEA, EHPEA, Royal Lemkes, Palki, SHER/Afriflora, Florensis, Dudutech, Floralife, Koppert, Tuinbranche Nederland and Dümme Orange

### Other partners

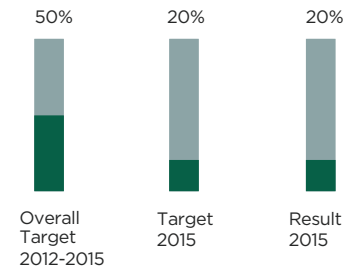
GSCP, GLOBALG.A.P., International Trade Centre, Hivos, WWF Kenya, HERProject and Partner Africa

### Governments

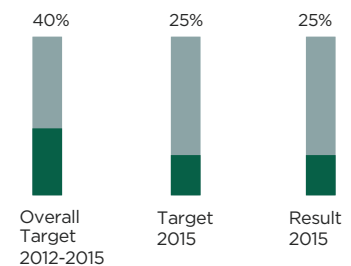
The Netherlands

## KPI Progress 2015

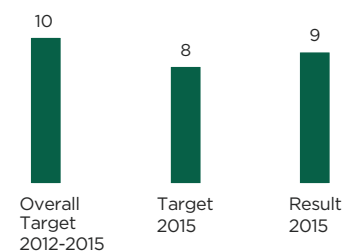
### Percentage of non-EU production involved in FSI



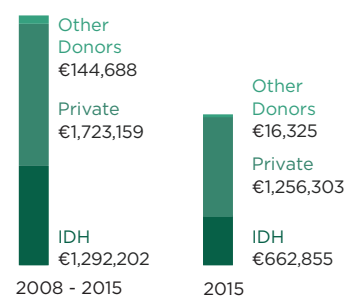
### Percentage of EU trade / retail involved in FSI



### Number of standards engaged in equivalency process (GSCP & GG)



## Financial Progress 2015



In 2012, the FSI structure was developed, and global stakeholders with an emphasis on grower engagement were brought together. The end result was a global coalition of 25+ global key players, which endorses the ambition of 90% of flowers and plants being sustainably traded and produced by 2020. In 2014, the sector started 10 impact projects on the key issues in the supply chain. This involved all major standards (15+) in a benchmarking process to create transparency and comparability of standards, and to agree on common sustainability reference points. In 2015, the global consortium continued to grow: the 10 impact projects and the benchmarking exercise are now finalized on target and within budget. A common measurement methodology was drafted to be delivered in 2016. Learnings from IDH's Fruit and Vegetables program were applied in developing the basket mechanism and measurement methodology.

### Sector context, theory of change and impact claims

In the last few decades, the fast expansion of the floriculture sector has led to significant economic growth and prosperity in production countries. However, the sector also faces issues that are comparable to those facing agricultural sectors. IDH supported the sector to establish a global platform, the Floriculture Sustainability Initiative (FSI), and convened a group of leading industry players to build a joint governance model and business plan for FSI. This resulted in the development of a shared vision, reversing fragmentation due to multiple standards, avoiding duplication of costs, and creating a structure that can help tackle current and future sustainability issues. It also builds an international and pre-competitive cooperation of key players, both from the private sector and civil society, aiming to increase levels of sustainability in the floriculture industry. In the last two years, IDH co-funded 10 impact projects on the key topics that were coordinated and implemented by the FSI partners. Nine out of the 10 projects have been successfully executed on target and within budget. One project will be finalized in Q1 2016. The main results of the projects related to the key topics are:

- **Living wage project:** Analyses and benchmarking in East Africa via three living wage studies and one business case for living wage and the true price of a rose;
- **Recidu project:** Analyses of residue contamination of flowers, and a best practice project on IPM, both in Kenya and Ethiopia;
- **Water project:** Construction of a wetland to filter and re-use the waste water on a 27-hectare farm: 40,500 liters/day saved and water is cleaner than natural input;
- **Female labor project:** Gender project in Ethiopia with 26 farms participating, and policy development by EPHEA;

- **Market linkage project:** Smallholder market links to international supply chain in Kenya (142 smallholders) and Colombia (43 small-scale farms);
- **Supply chain project:** Cooperation to create a transparency and traceability tool in the supply chain of plants.

### Key planned activities in 2015 versus achievements

#### #1 Broaden private sector engagement with a focus on:

- Increasing retailer representation (UK).
- Increasing producer representation (sub-tropical countries).

► See KPI 5

#### Achievement

Private-sector actors asked FSI to reach out to the Dutch government to endorse FSI as one of the formal sector covenants, in order to avoid double work and confusion in the sector.

Two new members joined the program, Partner Africa and Dümme Orange, one of the largest plant breeders in the world. This makes a total of 34 members in 2015 – all key players in the sector.

#### Role of IDH

FSI is in the final phase of applying for recognitions as sector covenant by the Dutch government.

IDH supported FSI in outreach to the private sector, in particular towards retailers. Through IDH's contact with retailers in other IDH programs (e.g. Fruit and Vegetables), FSI was also presented.

#### Deviation

Lower number of companies joined FSI in 2015 than expected. However, all current members remained in the FSI.

#### #2 Create an equivalency tool:

- Standards to move from quick scan (ITC) to formal benchmarking through GSCP/GG.
- Ongoing improvements to tool.

► See KPI 6

#### Achievement

In total, there are 15 standards in FSI's portal. Three standards were included in ITC standards in 2015. Out of these 15 standards, nine have now been benchmarked and/or are finalizing benchmarking. Seven standards are benchmarked or finalizing benchmarking against GSCP, and six standards are benchmarked against GG (some standards are benchmarked against both).

#### Role of IDH

Close cooperation and support by IDH to benchmarking partners (ITC, GLOBALG.A.P, GSCP) in motivating them to go through the process.

This included additional support for the GSCP process (EP+ approach), which was provided by IDH in the second half of 2015 to ensure benchmarks were started and finalized in time.

#### Deviation

Four additional standards included their information on ITC standards map.

One additional standard started the GSCP process.

### #3 Impact projects: roll out impact projects with FSI members.

► See KPI 1

#### Achievement

FSI's focus in 2015 was to ensure that all projects were delivered on schedule and targets. Currently, nine out of 10 projects have been finalized and one was extended until June 1, 2016 with additional activities (FSI measurement).

FSI was recognized as a leading sustainability platform in sector, with strong commitment from participating organizations.

#### Role of IDH

Lean FSI project management.

International participation of key players. Currently applying for sector covenant from Dutch government.

### #4 Measuring ambition: develop measurement methodology.

► See KPI 2

#### Achievement

The results of the benchmarking and FSI portal are being widely used and applied by the sector and civil society stakeholders.

FSI measurement methodology is being finalized by using the learnings from IDH's Fruit and Vegetables program. The first measurement will be communicated in June 2016.

#### Role of IDH

Benchmarking process successfully finalized; measurement methodology in final stage.

IDH provided additional convening and support to the standards involved.

### Lessons learned

- Retail engagement and proposition together with other programs (i.e. Fruit and Vegetables) is generating broader interest from retailers.
- Additional support and convening is needed to benchmark the standards, but the benchmarking process leads to improvements in standards and uniform auditing.
- Project management through FSI has successfully led to more pre-competitive, jointly owned projects. Learnings are reported back to all FSI members.

### Risk Assessment

Risk	Mitigating action undertaken
Dependency on IDH support may delay exit.	Approached additional funding sources (both private and public partners).
Lack of understanding of the use and structure of the FSI equivalency tool.	Added a tutorial option to the online portal. Examples were communicated on how the application should be used and applied by the members.
Refusal of standards organizations to be benchmarked against FSI equivalency tool.	Closely involved standards organizations in the process, which created trust and showed the benefits of participation. IDH also supported the redesign of the process, and offered additional support to make it easier for standards organizations to be benchmarked.
No UK retail participation in FSI.	By working closely with other IDH programs, in particular the Fruit and Vegetables program, IDH provided retailers a broader solution related to the key issues and made it more attractive to include flowers and plants.
Scale-down of coordination and outreach activities FSI.	Secured additional (non-IDH) funding to maintain the level of outreach and coordination.

# KPI Table Flowers and Plants

#	Key Performance Indicators	Overall target 2012-2015	Target 2015	Result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Impact projects on social and environmental improvements	n.a.	7 out of 9 projects successfully completed on schedule and target	9 out of 10 projects completed on target; 1 was delayed and did not meet all targets due to external administrative blockage
<b>Result area 2: Tangible improvements in sustainable markets</b>				
2	Percentage of internationally traded flowers and plants sustainably sourced by members	90%	Blueprint methodology finalized. Pilots with 3 trading companies	Completed
3	Percentage of EU trade/retail involved in FSI	40%	25%	25%
4	Percentage of non-EU production involved in FSI	50%	20%	20%
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
5	Number of countries engaged in FSI	15	10	8
6	Number of standards engaged in equivalency process (GSCP & GG)	10	8	9
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
7	Number of cross-sector learning trajectories	Development and operationalization of equivalency tool	2	2

## Deviation justification per KPI:

- **KPI 3:** Despite additional outreach, retail participation was limited. During the course of 2015, IDH started to combine programs such as FSI and SIFAV in a joint proposition to retail, which triggered broader interest. However, it did not result in additional retail participation within the FSI program.
- **KPI 4:** For non-EU players, the major production countries involved are Kenya, Ethiopia and Colombia. The focus remained on these countries as they produce the majority of the flowers and plants that are imported by the EU. Therefore, no additional outreach to other non-EU countries was initiated.
- **KPI 5:** In addition to the eight countries, Union Fleur is also closely involved in the program. Union Fleur accounts for 80% of the flower trade and represents 19 countries.



# Spice

## 20% of all pepper imported in the EU to be sustainably produced

The Sustainable Spices Initiative (SSI), hosted by IDH, brings together leading national and international processors, blenders, food industry/brands, retailers and NGOs to transform the sector sustainably. The SSI aims to be the predominant sustainability platform for spices, by creating broad engagement, developing and benchmarking sustainability standards recognized by the market, implementing pilot projects leading to the first certified volumes, and sharing good practices and learnings. In recent years, local stakeholder collaboration has grown in the spices program, as several issues need a local approach, including intervention of (and collaboration with) local governments and market actors.



### Main sustainability issues targeted

- Smallholder livelihoods
- Labor conditions, including child labor, migrants and women
- Excessive pesticide use

### Private Partners

Sustainable Spices Initiative (SSI): APPL, Cassia-Coop, Euroma, Griffith Foods, Intersnack, Intertaste, ITC India, Jayanti, McCormick, Nedspice, Olam, Sabater, Symrise, Unilever, Unispices and Verstegen

### Sustainable Vanilla Initiative (SVI)

(new): Nestlé, Unilever, General Mills, Barry Callebaut, Frontier Coop, McCormick, Silverspoon, Nielsen Massey, Virginia Dare,

DeMonchy, Prova, Mane, Authentic Products, Symrise, Givaudan, Firmenich, Mars, Rodelle, Costco and Touton

### Governments

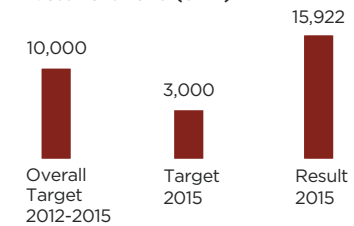
Dutch embassies in India, Indonesia and Vietnam, Ministry of Agriculture in Vietnam, Ministry of Commerce in Madagascar

### Other partners

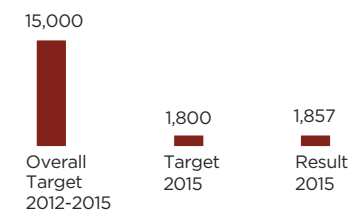
Cordaid, Both Ends, Hivos, ICCO, KIT, Rainforest Alliance, SNV Asia, World Spices Organization, All India Spice Exporters Forum India, National Vanilla Platform PNV and GEVM Madagascar and GIZ

### KPI Progress 2015

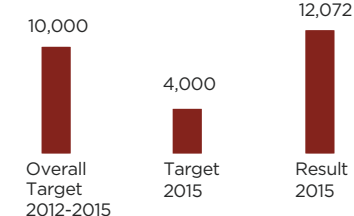
Number of smallholders trained on sustainable production practices in Spices Producer-support Investment Fund (SPIF)



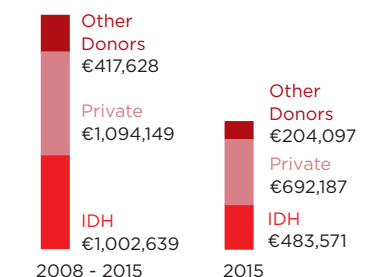
Volume (in metric tons) of sustainable pepper sourced and/or processed by program partners per year



Number of hectares of land managed using sustainable techniques



### Financial Progress 2015





Millions of smallholders are involved in the production of spices, which are an important cash crop. These farmers often face poverty and food insecurity. Depending on the spice and country, the production of spices faces labor issues (female, migrant and/or child labor) and environmental issues, particularly excessive agrochemical use.

In 2015, the spices sector continued to be challenged by issues that affect supply in both the long and short terms. The main issues for the sector were high residue levels of agrochemicals on the product, and contamination with allergens and toxins. Both issues concern the industry, as food safety is at stake, while importers run supply risks due to restrictive US/EU import regulations. This drives the sector to look for better traceability and control, by helping the smallholders to produce in a more sustainable way. This reduces agrochemical use and helps manage quality and food safety issues. Additionally, issues on livelihood and working conditions for women and migrants, and child labor issues, continue to be a risk. In Madagascar in particular, the vanilla sector is under pressure due to quality, market volatility and smallholder livelihood issues.

At global level, sustainability is being recognized as a key topic for the spices sector. It is increasingly being related to the core business, and is instrumental to creating a more credible sector. Sustainability also supports key drivers, such as quality, food safety and support to farmers/suppliers. SSI and its members play a role in setting this agenda. The program has been reaching its goals at field level, with farmers being trained and certified. SSI and its local platforms in India, Vietnam and Madagascar have put some key issues on the agenda with local governments. Although there are some signs of improvement, the uptake of certified products by food manufacturers has not developed as expected since 2013. Whereas the spices industry is getting involved, the engagement of their customers (the food industry) is still limited, as they are not yet willing to buy at the current premium prices. This is also influenced by the fact that spices are mostly an ingredient, which limits food manufacturers to profiling sustainability in their end-products. As a result, although production-level SSI targets are close to be met, the SSI generic market uptake targets of 20% of EU pepper imports and 10% of three other spices being sustainably sourced are far from being met. As part of our 2016-2020 strategy, the new Fresh and Ingredients program will ensure that members of the SSI define and monitor their own company targets, instead of generic EU import targets, thereby encouraging individual company commitment to SSI targets.

### Vanilla

In response to requests from a few SSI members, IDH scoped the potential need for a specific vanilla chapter under the new Fresh and Ingredients program. It was

concluded that there is a clear sense of urgency from food manufacturers and vanilla industry stakeholders to tackle sustainability issues, sector transparency and quality problems in vanilla production and processing in Madagascar. It was also concluded that the main food manufacturers and vanilla industry stakeholders are willing to engage. This led IDH to re-convene and re-launch the existing Sustainable Vanilla Initiative (SVI) in September 2015, in coordination with the US-based Sustainable Food Lab. By end of 2015, 16 international companies had joined the new SVI (of which three are SSI members), including major international food brands and flavor houses, backing a provisional plan to double the supply of (traceable) sustainably produced vanilla. This will improve the livelihoods and income of at least 20,000 vanilla farmers, improve quality by significantly reducing early harvesting of green vanilla and addressing improper vacuum packing, and contribute to better sector governance and transparency in Madagascar.

### Sector context, theory of change and impact claims

By ensuring the long-term supply of high quality sustainable spices, spice production becomes more attractive for smallholder farmers. It does this by providing cash income, ensuring decent working conditions, reducing negative environmental impact as part a diversified farmer livelihood strategy, and thus strengthening the economic resilience of smallholder households. Sustainable spices industry companies have better contact with farmers, provide support if necessary, have traceability and control in place, and are better able to ensure food safety and supply, which in turn improves credibility with end-buyers. IDH was asked by industry members to lead and convene supply chain stakeholders (in SSI) to help define and benchmark sustainability, engage the sector, and pilot field interventions. This in turn will drive sustainable farming practices, increase traceability in the supply chain and sector, and influence local policies, helping to lower social and food safety risks and to secure future supply.

In 2015, IDH invested most in local sustainability spices platforms and agendas. It drove the sustainability agenda for spices in India through a two-fold approach: firstly, by convening a local multi-stakeholder platform; and secondly, by scaling up the project portfolio for sustainable cultivation of spices.

### Sector collaboration in India

In August 2015, SSI partners and potential new members agreed to launch SSI India in 2016, with the support of the India All Exporters Forum. Five projects were initiated to test the scaling model used in IDH's cotton program in India, involving a total of 18,000 farmers, including turmeric, cumin and chili production in different Indian states. If successful (first results will be available in 2016), this methodology could cover more farmers at a lower cost to the companies. SSI India will focus not only

on increasing the supply of sustainable spices for export, but also aims to reach sustainable production for the local market. A target has been set to reach 25% sustainably grown spices in 2025. SSI India plans to involve local industry and market stakeholders as well, and will focus on the India-specific needs for responsible agrochemical management and smallholder inclusion.

#### Advocacy for pepper in Vietnam

In Vietnam, IDH helped to convene stakeholders and join forces for responsible agrochemical use in the pepper industry during 2015. The spices/pepper taskforce (under WEF), the Vietnamese Pepper Association's members, Ministry of Agriculture (MARD) agencies, and the European, American and Canadian Spices associations all agreed to put reduction of agrochemical use on their agenda. A joint action plan with clear timelines is currently in development. As responsible agrochemical use in Vietnam is an issue not only in pepper but also in tea, coffee, fruit and vegetables, IDH and MARD, with support from Grow Asia, are now convening public and private stakeholders to establish an agrochemical taskforce to address the issue across all these sectors.

#### Sustainable vanilla in Madagascar

The re-launch of the Sustainable Vanilla Initiative (SVI) by IDH was successful, as 16 international companies in 2015 (20 by April 2016) joined the initiative, representing an estimated market share of around 70%. The former SVI had failed to engage stakeholders, as it was driven by a few private members and therefore entered the competitive space. Until December 2015, the focus was on the launch itself and on setting up a dialogue with local exporters, sector organizations and the government in Madagascar. In a complex local context, SVI aims to create and support local ownership in order to maintain the quality of vanilla, increase the supply of sustainably produced vanilla, improve the livelihoods of vanilla producers, and support the professionalization and transparency of the sector.

### Key planned activities in 2015 versus achievements

#### #1 Broaden the scope and reach of SSI and of sustainable spices in the market by concluding work on the benchmarking tool, including reference to retail standards, and embracing more sustainable standards.

► See KPI 6

##### Achievement

Built up useful experience with sustainable production and sourcing through field projects.

Agreement among SSI members to compare RA, BCI standard and the Package of Practices that the farmers will be trained on based on the SSI standards mapping tool.

##### Role of IDH

IDH co-funds field-level projects and shares best practices and learnings on these projects.

IDH co-funds the first SSI pre-competitive field project where Package of Practices is used, and coordinates benchmark with RA. Comparison not conducted in 2015.

#### #2 Support SSI members' efforts in increasing participation and commitments of end-buyers and strategic processors.

► See KPIs 3, 4

##### Achievement

Spices strategy and integration of a joint multi-category approach and multi-year plan (MYP) for Fresh and Ingredients was conceptualized and well received at retail and sector levels.

SSI funded its first pre-competitive field-level project and monitoring system where 5,000 farmers are trained in Guntur, AP in India.

Successful joint SSI communication event at Unilever's Knorr Summit in 2016. Development of SSI outreach materials.

The draft for a new SSI governance structure was well received and will be worked out in detail in 2016.

SSI members committed to share learning on new SSI website.

No new members due to a temporary stop in recruitment in 2015. Around five interested new members, to be followed up in 2016.

Fresh and Ingredients retail-focused program was set up.

#### Role of IDH

IDH set up and explained Fresh and Ingredients program.

IDH co-developed field project and convened pre-competitive support.

IDH outlined the new governance structure and presented it to the SSI members.

IDH created the right atmosphere to share learning among SSI members, and will organize an online portal where learning can be shared.

#### Deviation

SSI members agreed a higher annual fee than expected, and proposed higher expectations.

### #3 Build local spices platforms in India and Vietnam to address critical sector issues, with a focus on responsible agrochemical use, by setting up SSI working groups in India and Vietnam, driving proactive agendas on responsible agrochemical use in collaboration with the World Spices Organization India and World Economic Forum (WEF) Vietnam.

► See KPIs 7, 8

#### Achievement

Launched the pepper/spices taskforce under the Ministry of Agriculture and Rural Development in Vietnam, with a defined agenda on agrochemical issues through a special agrochemical taskforce.

Top exporters of spices in India convened by IDH to create an SSI India platform for local and export markets (to be officially launched in 2016).

#### Role of IDH

IDH collected, anonymized and shared (residue-level) data with Vietnamese government, resulting in an agrochemical taskforce.

Convening and facilitating meetings and encouraging participation of stakeholders – defining a struc-

ture, governance, partnerships, etc. and building a network to create the foundation for a platform.

#### Deviation

The timeline for formalizing the India chapter of the SSI was optimistic, and SSI-I will only come to fruition in 2016.

### #4 Explore the possibility of convening the industry and brands in revitalizing the Sustainable Vanilla Initiative.

#### Achievement

In response to interest from the spices sector, IDH scoped the potential to work on a pre-competitive agenda in vanilla. A decision was made to re-launch the Sustainable Vanilla Initiative (SVI) in 2015 with the engagement of 16 members by the end of the year (including three key end-buyers: Nestlé, Unilever and General Mills) and most large international flavor houses. SVI will focus on vanilla quality and sustainable livelihood for smallholders.

#### Role of IDH

In close collaboration, SFL and IDH scoped and created traction among the private sector and Madagascar government to work together on a pre-competitive level.

#### Deviation

Successful scoping work led to more interest from private sector and government than expected.

### #5 Continue producer support of SSI members' pilot projects through the SPIF fund, building first availability of certified spices to the market. Collect learning from first-phase experiences, including sharing knowledge on service delivery models and private extension.

#### Achievement

Trained 15,922 additional farmers in 2015 by IDH-supported pilot projects. Four field-level projects were successfully finalized.

Initiated first SSI pre-competitive upscaling pilot project in India on sustainable production of chilies

with 5,000 farmers, 3,000 of whom were already engaged in BCI cotton programs.

Further contracted projects in India on capacity building in sustainable agriculture with 5,000 chili farmers, 5,000 cumin farmers and 3,000 turmeric farmers.

SDM study with ITC initiated to analyze the service delivery model of ITC to share best practices with the sector and evaluate how to improve the model used. This helps us to guide other projects in the future to generate a higher return on investment.

#### Role of IDH

IDH scaled up projects and monitored cost-efficiency; moving beyond backwards integration and simple PR-compliant projects and getting buy-in from other organizations to support the prototypes.

Built on the existing IDH expertise in cotton in India to develop proof of concepts and initiate prototypes in turmeric, chilies and cumin.

Selected ITC to do an SDM study because they have a holistic service delivery model that seems to be scalable. Through the study, we can understand the model better.

#### Deviation

Due to learnings from the cotton program, in 2015 many more farmers were reached for training than in previous years.

### #6 Broaden the SSI private partners to 18 front-running international and local processors.

#### Achievement

Reached out to new possible members through conferences and bilateral meetings.

#### Role of IDH

IDH attended spices-related conferences like ESA and Food Ingredients Expo to meet with existing SSI members, reach new members, and keep up to date with what is going on in the sector.

#### Deviation

SSI stopped including new members for a while due to upcoming new strategy and revision of governance. There are currently private-sector parties interested who have been invited in 2016.

### #7 Convene a sourcing commitment of at least three strategic end-users in retail and food industries to drive demand for sustainable spices.

#### Achievement

The three largest ice cream producers in the world – General Mills, Nestlé, and Unilever – have committed to participate in the Sustainable Vanilla Initiative (SVI). In 2016, Costco and Mars joined the SVI as well, and there are ongoing discussions with Sainsbury's.

#### Deviation

Given their relatively small volumes, spices are typically considered low risk for global retailers – unless food safety is at stake. For iconic products like vanilla, the importance of de-risking and creating a positive story behind the product is more important.

## Lessons learned

- Through copying the intervention model in our cotton program and via exchange meetings with cotton implementing partners, spices stakeholders are participating in pilot projects to improve the scalability and cost effectiveness of farmers. This resulted in reaching five times more farmers than was targeted for 2015.
- Through some of the other IDH programs that are now included in the Fresh and Ingredients program, we learned how to set the governance structure, and how to use a covenant as a tool to drive market demand for sustainable spices and vanilla.
- We started working on a “Package of Practices” in India; this creates pre-competitive cooperation and an aligned and efficient message towards the farmer. Looking at how this process worked in the coffee program may help us in the Sustainable Vanilla Initiative.
- Three main learnings were gained from the field pilot projects. Firstly, these projects proved to be a stepping stone for private sector and civil society to increase and intensify their activities in the spices sector. For example, a partner may follow up their spices project with an access to finance project, because the SPIF project professionalized the farmer sufficiently to be ready for access to finance. Secondly, we learned that projects work better if they are close to the business practices of a company, integrated into the normal way of working. Thirdly, learnings from these first sustainable spices projects empowered us to give more guidance and content support at the beginning of new projects. This will make future projects better focused, with a higher return on investment. We already see that due to the investments from IDH and private-sector partners in pilot projects, coupled with the learnings from the cotton sector, we reached twice as many hectares and farmers last year than in the first three years of the program. This shows a potential scalable approach for SSI.

## Risk Assessment

Risk	Mitigating action undertaken
Low demand from end-buyers for sustainably produced spices slowing down expected results of the program, and discouraging the supply chain from working on sustainability.	Developed communication materials in 2015 (Knorr Summit) on SSI to promote uptake for sustainable products by retail and food manufacturers. Joint retail approach started in Fresh and Ingredients program for 2016-2020 for several categories at once.
Weak business case for certified sustainable production at farm level.	Included increase in productivity and lower input costs (beyond certification) in farmers' training to help build the business case for farmers, based on lessons from cotton program and BCI.
Balance between building credibility and delivering results - we run the risk of losing key industry partners.	Developed local platforms to drive strategic topics of direct concern for exporters, e.g. agrochemical residues (Vietnam, India).

# KPI Table Spice

#	Key Performance Indicators	Overall target 2012-2015	Target 2015	Result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Number of hectares of land managed using sustainable techniques	10,000	4,000	12,072 <sup>16</sup>
2	Number of smallholders trained on sustainable production practices in SPIF	10,000	3,000	15,922
<b>Result area 2: Tangible improvements in sustainable markets</b>				
3	Number of private partners sourcing and/or processing sustainable spices (member of SSI)	15	2	0
4	Volume (in metric tons) of sustainable pepper sourced and/or processed by program partners per year	15,000	1,800	1,857
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
5	Number of sector platforms and associations collaborating with SSI	3	1	3
6	Number of industry-wide accepted mainstream sustainability standards for spices	4	3	0
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
7	Number of producer-support pilots implemented with program partners	10	0	8
8	Number of studies carried out that influence sector strategies on sustainability	3	0	2

## Deviation justification per KPI:

• **KPI 1 & 2:** When SSI started, sustainability was fairly new in the spices sector; there was very little experience in how to implement sustainability-related farmer training projects in the spices sector. Over the last three years, experience has been gained through the projects funded via the SPIF fund. In 2015, we started piloting more cost-efficient farmer training methods learned in IDH's Better Cotton program, as cotton farmers are also involved in spices production. This resulted in a higher number of farmers being reached in the last year – substantially more than in the first

three years of the program. A result related to the IDH Spices program, but not directly captured in the KPIs, is the increase in Rainforest Alliance (RA) certified spices. RA reported 29,631 hectares (36,300 MT) of certified spices and herbs globally, of which 12,235 hectares (6,102 MT) under pepper, 9,334 hectares (1,690 MT) under vanilla, and 1,165 hectares (8,422 MT) under chili – this includes the SSI projects. SSI supported RA to prepare their SAN standard for application in spices.

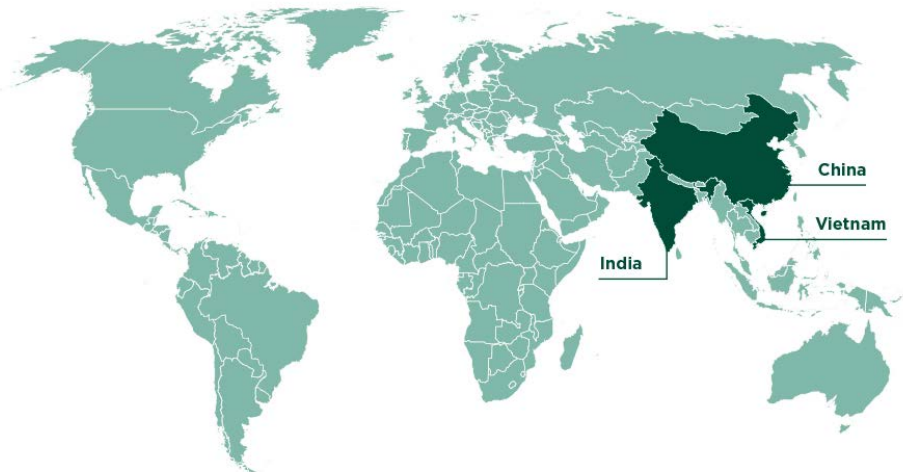
<sup>16</sup> For the 2015 result on this KPI, we only counted the hectares under sustainable practices from projects that were already being implemented for more than a year.



# Natural Stone

## Reduce the negative social and environmental impact of mining and processing

The Responsible 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 reduce 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

- Work safety
- Excessive working hours
- Child labor (mainly in the manual cutting of cobblestones)
- Poor housing for migrant laborers
- Negative impact on water supplies, air and landscape

### Private partners

VNNI – Vereniging van Nederlandse Natuursteen Importeurs, ABN – Algemene Bond van Nederlandse

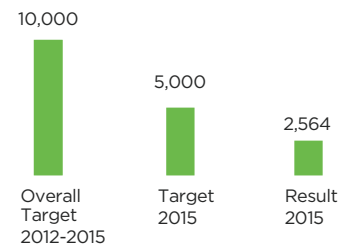
Natuursteenbedrijven, FEBENAT, Aggregate Industries, Arte di Granito, B&Q, Beltrami, Ceramic Prints, Dekker Natuursteen, Hoogenberg, Michael Oprey & Beisterveld, Stoneasy, Natuursteenbedrijf van Leeuwen and Gebroeders Voets water en wegenbouw

### Other partners

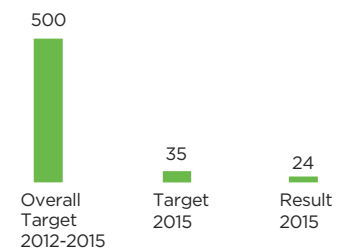
LIW, FNV Bouw, Building and Wood Workers International and The Forest Trust (TFT)

### KPI Progress 2015

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

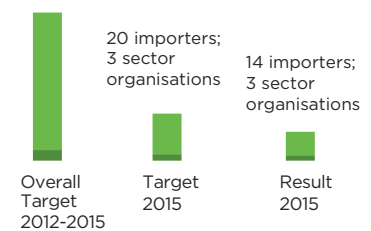


Number of suppliers committed to improving working conditions in their factories and quarries

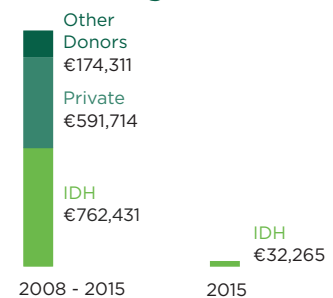


Number of private partners committed to the program

70 importers;  
5 EU sector organisations



### Financial Progress 2015



The initial aim of the program was to set up a separate Dutch initiative with its own certification scheme that would address the sustainability issues in production countries. However, it soon became clear that due to limited sourcing power and influence of the Dutch buyers this would not be feasible. A broader northwest European alliance was therefore formed by IDH to bundle the market demand, and a joint code of conduct was agreed. In practice, this meant that several national initiatives and European importers needed to agree on this cooperation. IDH played a key role in bringing this alliance together and aligning the national initiatives, which resulted in The Forest Trust Responsible Stone Program (TFT RSP). IDH supported the transition to a self-supporting initiative with its own international governance structure.

While convening the end-market in Europe, IDH supported the implementation of improvements in responsible practices for key suppliers in India and China. A three-step approach was developed to move both factories and quarries to improved business practices. This continuous improvement approach (deliberately chosen instead of a certification scheme) continues under TFT RSP. Certification would have taken more time, resources and investment, and would have less impact than the current second-party verification approach.

From 2013-2015, IDH activities were focused on the exit phase of the program. During this time, the cost of participation for importers was gradually raised to the point of self-financing, making IDH's exit possible. Unfortunately, this meant that a number of companies dropped out. The makeup of the program switched from a large group of small companies to a smaller group of larger and international importers. This shift in participation had the short-term consequence that the suppliers (processors and quarries) involved changed, which resulted in a lower number of workers and suppliers effectively participating. On the upside, it also formed the basis on which the program can evolve without IDH funding.

### **Sector context, theory of change and impact claims**

The natural stone sector in Europe lacked the leverage to effectively change production practices in supplying countries such as India and China, as it is mainly made up of SME companies. By uniting northwestern European retailers, traders and importers, the Responsible Stone Program created critical mass and a pragmatic step-by-step approach which engaged and helped suppliers to offer an ethically produced product. In addition to working on increased supply of responsible stone, the demand side was targeted through active market outreach to public buyers of natural stone. IDH supported the initial start-up of the initiative by convening the northwest European market and contributed to the adaptation of the program approach. IDH also co-funded

the piloting of the implementation project in both India and China. Last but not least, IDH made a great effort in the final phase of its engagement to slowly exit the program, and to transfer and handover all activities to TFT Responsible Stone Program.

### **Key planned activities in 2015 versus achievements**

In 2015, no new IDH activities were started. Remaining activities were closed during the course of 2015. All activities have been integrated in TFT Responsible Stone Program with key stakeholders from Belgium, Scandinavia, UK and the Netherlands.

#### **#1 The Forest Trust (TFT) will continue the Responsible Stone Program with key stakeholders from Belgium, Scandinavia, UK and the Netherlands. IDH will stop its support for the program, both financially and in its supporting and facilitation role.**

► See KPIs 5, 6, 7

#### **Achievement 1**

Program management fully coordinated and managed by TFT.

IDH has exited the program.

► See KPIs 1, 2

#### **Achievement 2**

Five suppliers in India and China have reached level one of the responsible stone code of conduct.

Recommitment of Benelux organization to TFT RSP, as well as continuation after IDH exit.

#### **Role of IDH**

IDH ensured that the program would be self-governing and self-financing after exit. This needed final adjustment of the program design and convening of participating stakeholders.



### Lessons learned

- The exit of the program and handover to TFT has been finalized, but needed more time and convening input from IDH than foreseen. Both the supply chain actors and TFT had to find a good working relationship without the input of IDH.

### Risk Assessment

Risk	Mitigating action undertaken
Declining private-sector commitment due to increase in costs and recession in building sector.	IDH contacted MVO Nederland to ask whether MVO vouchers would be available for the Dutch companies. MVO Nederland confirmed that the Dutch participants do qualify for financial support by applying for an MVO voucher. Further support for the implementation of improvements is available.
Suppliers dropping out of the program.	Results of first suppliers to reach level one of the responsible stone code of conduct have been delivered; these are key to show the proof of concept to both the members and the market.
Limited impact at quarry level.	TFT focused on capacity building of the suppliers, and increased their support to quarries at the end of 2014. Initial results have been demonstrated by the first quarries also reaching level one of the responsible stone code of conduct.

# KPI Table Natural Stone

#	Key Performance Indicators	Overall target 2012 – 2015	Target 2015	Result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Number of workers with improved working conditions in factories and quarries of suppliers participating in the program	10,000	5,000	2,564
2	Number of suppliers committed to improving working conditions in their factories and quarries	500	35	24
<b>Result area 2: Tangible improvements in sustainable markets</b>				
3	Number of private partners committed to the program			
	• Importers	70	20	14
	• EU sector organizations	5	3	3
4	Percentage of natural stone imports from high-risk countries of program partners that is sourced responsibly	10%	0%	0%
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
5	Number of non-private partners committed to the program (including local/regional government and sector boards)	15	4	4
6	Number of European countries engaged in international initiative for natural stone	12	5	5
7	Verification system formally recognized by key sector players	Formal acceptance and recognition by end users (public buyers)	0	0
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
8	Number of on-the-ground projects in executing and preparation phase	2	1	1

## Deviation justification per KPI:

• **KPI 1 & 2:** From 2013-2015, the IDH activities was focused on the exit phase of the program. During this time, the cost of participation for importers was gradually raised to the point of self-financing, making IDH's exit possible. Unfortunately, this meant that a number of companies dropped out. The makeup of the program switched from a large group of small companies to a smaller group of larger and international importers. This shift in participation had the short-term consequence that the suppliers (processors and quarries) involved changed, which resulted in a lower number of workers and suppliers effectively participating. On the upside, it also formed the basis on which

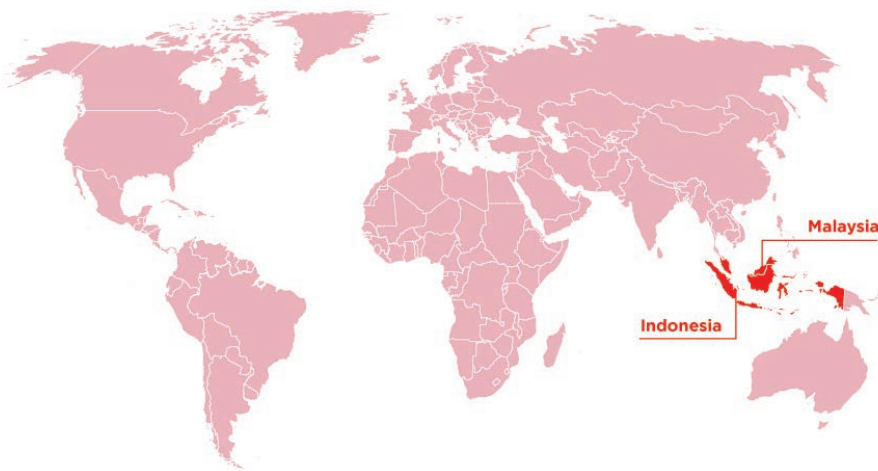
the program can evolve without IDH funding. This shift can also be seen in the KPIs, in particular those relating to the number of workers and suppliers. Unfortunately the program did not result in large volumes of responsible stone entering the market. Only one (instead of two) regional impact project was initiated. This project was successfully implemented by Landelijke Werkgroep India (LIW) with the aim of establishing a child labor-free zone in one of the production areas in India (Budhpura, Rajasthan). LIW, together with the MV-Foundation and StopKinderArbeid, have further rolled out the project.



# Palm Oil

## Avoid potential deforestation due to expansion of palm oil

IDH's Palm Oil Program supports the production of traceable and sustainable palm oil at scale through partnerships with local and international companies in Indonesia and Malaysia. IDH focuses on scalable interventions in "supply sheds": geographic areas where mills and refineries draw their supply. The interventions should create sufficient volume to allow mills and refineries in supply sheds to process 100% traceable, sustainable palm oil, improving cost efficiency and the potential for mainstreaming. The program builds coalitions to solve key challenges such as traceability, smallholder productivity, access to finance, and sustainability monitoring. This is expected to improve the livelihoods of hundreds of thousands of smallholders, and reduce pressure to expand palm oil plantations into tropical forests.



### Main sustainability issues targeted

- Deforestation
- Traceability
- Smallholder livelihoods

### Private Partners

Consumer Goods Forum companies and other palm oil buyers (Unilever, Mars, Hershey's, J&J, P&G, Clariant, L'Oreal), producers (PTPN III, Wilmar, Indofood Agri, KLK, Sime Darby, Musim Mas, Asian Agri, Makin Group, GAR, Cargill) and traders (IOI Loders Croklaan)

### Governments

Indonesia (Ministry of Agriculture, Coordinating Ministry of Economic

Affairs, Indonesia Estate Crops Fund/CPO-Fund), the Netherlands, Norway and Switzerland,

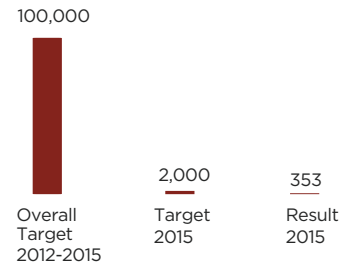
Provincial/district government of South Sumatra, West Kalimantan and Aceh

### Other partners

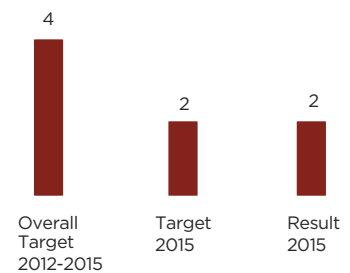
Roundtable on Sustainable Palm Oil (RSPO), Indonesia Sustainable Palm Oil (ISPO), Palm Oil Smallholders Union (SPKS), Wild Asia, Tropical Forest Alliance (TFA) 2020, World Resources Institute (WRI), Indonesia Palm Oil Pledge, (IPOP) and Indonesia Palm Oil Association (GAPKI) South Sumatra

## KPI Progress 2015

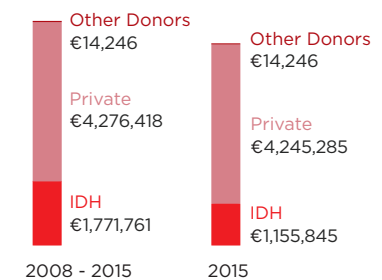
### Number of smallholders trained in palm oil GAP



### Number of supply sheds facilitated by IDH



## Financial Progress 2015



The IDH Palm Oil program officially launched late 2013, and the program gained traction in 2015. Our strategic goals are avoiding deforestation and greenhouse gas emissions due to expansion of palm oil, while also improving the productivity and sustainability practices of smallholders. We started to develop the proof of concept for sustainable palm oil supply sheds in 2015, and we evaluated and reformulated our 2020 strategy during this reporting year, due to slow progress previously.

**Important achievements of IDH until now include:**

- Made agreements with important producers, such as Indofood in South Sumatra, to support interventions on more than 6,000 hectares. These include:
  - Development of pipeline project with Asian Agri in Jambi (on the border of South Sumatra) to develop traceability of sources of Fresh Fruit Bunches (FFBs) from 10,000 farmers, and improve their agricultural and sustainability practices involving agents/traders as extension services providers, together with the company;
  - Discussion with Makin Group in South Sumatra to map independent farmers and protect the adjacent forests.
- Convened the traceability working group (TWG) and drove industry alignment on the traceability definition regarding palm oil and the roadmap to get there. Aligned with the Consumer Goods Forum (CGF), with particular reference to the Palm Oil Working Group. The TWG meets regularly in Singapore or elsewhere in the region, with participation from the largest companies including Unilever, Cargill, P&G, J&J, IOI Crokiaan, Musim Mas, Wilmar, GAR, Hershey, KLK, Mars, Sime Darby, First Resources, Nestlé, Marks & Spencer, AAK, Apical, FELDA and Fuji Oil.
- Aligned eight European oil and fat industry associations around sustainable palm oil commitments, driving better alignment between supply and demand.
- Jointly worked with several key institutions, including the Indonesian Palm Oil Pledge (IPOP) and CGF to develop or implement activities to support sustainable palm oil, for example by scoping a program in Aceh with IPOP and informing CGF responsible palm sourcing guidelines.
- Engaged with the South Sumatra provincial government and industry players (individually and through the Indonesian Palm Oil Growers' Association, GAPKI) to realize the supply shed concept.

**Sector context, theory of change and impact claims**

To accommodate the growing demand for palm oil, production needs to increase but crucially without harming the environment. Several of the world's largest palm oil users and producers have committed to using only

deforestation-free, traceable, sustainable palm oil. IDH builds coalitions within the industry to transform these ambitions into workable solutions, supported by a sound business case. IDH's Palm Oil Program supports improvements in palm oil sustainability through two work streams implemented at scale:

1. Convening the industry in the Traceability Working Group (TWG) to find a common definition for traceability and to develop a roadmap for the steps needed to increase understanding on the flow of palm oil products on existing land and transparently link to supply sheds. This will allow companies to ensure that they are sourcing responsibly (for example, that their supply chain is deforestation-free), and to identify areas where improvement and support is needed, such as improving the productivity and sustainability practices of farmers.
2. Contributing to developments and supporting investments in smallholder inclusion in targeted supply sheds to become more organized, increase their productivity, use better production practices, access working capital and investment finance, and improve their livelihoods. This should expand market access, reduce pressure to expand into forests, and allow smallholders to become compliant with the responsible sourcing policies of buyers (through robust monitoring).

**Key planned activities in 2015 versus achievements**

**#1 Certify the first smallholders in the program against RSPO standards in North and South Sumatra. Trial monitoring the World Resources Institute's (WRI) Global Forest Watch system, supported by the mills.**

► See KPIs 1, 7, 10

**Achievement**

The program's call for proposals was successful, and we have reached agreements with relevant partners such as Cargill/Winrock and Asian Agri. It is expected that contracts to support training in good agricultural practices of at least another 13,000 farmers in key supply sheds will be signed by Q3 2016. More than 350 smallholders have received sustainability training and group organization support in 2015.

We work with WRI, Daemeter and Rainforest Alliance to support the development of a risk assessment tool for palm oil production by the Traceability Working Group (TWG) members. Together we

align environmental risk assessment methodologies at industry level and develop desktop social risk assessment tools. This will be presented to the TWG in early 2016 and will support mills to effectively monitor their risks.

#### Role of IDH

IDH has issued the call for proposals and supported the convening of actors, project development and coordination for projects that were successfully selected for implementation.

We have convened WRI and other partners around the concept of such tools, and supported the development of a proposal for funding desktop social risk assessment tools that will be put to the TWG in 2016.

#### Deviation

The target was for 10,000 smallholders to be organized, 2,000 smallholders to be trained in GAP and 150 certified. Only about 350 have been trained and none have been certified. Certification of the first smallholders in the program was not achieved in 2015 due to bureaucratic delays, baseline data, and operational issues and challenges with government bureaucracy (e.g. slow progress on land registration). Poor performance on training and organization was due to slow progress with London Sumatra (late delivery of consultant baseline report and long contracting period for supporting implementer), as well as the collapse of a planned project with Prosympac as a result of the company's internal problems.

We organized meetings in Jakarta and South Sumatra with partners to discuss expediting the process to meet the 2015 target. One of the plans agreed was to pilot the acceleration of legalization for farmers (namely STDB and SPPL) together with the provincial and district government. We expect to catch up in 2016.

### #2 Prototype innovative financing for smallholders in partnership with one of the biggest palm oil companies supporting the smallholders in replanting.

► See KPI's 9

#### Achievement

An initial project was shelved when it became clear that interest rates available from IDH financial

partners (FMO) were not lower than could be offered by local banks. We are now exploring new projects and have made significant progress with a different grower on a new innovative finance project in South Sumatra. The project will likely involve de-risking for commercial smallholder loans in partnership with Wilmar, Nestlé, local banks and ABN AMRO, with which we are about to sign an Memorandum of Understanding (MoU). The MoU sets out our expectations in scoping and feasibility. This project is also innovative in the context of providing an alternative livelihood to farmers during the "valley of death" period (four-year immature period).

#### Role of IDH

IDH convened the project, and was instrumental in bringing in ABN AMRO. IDH also plays a critical role in developing the potential mechanism for delivering the finance to the smallholders.

#### Deviation

Progress has been slower than expected due to the abandonment of the original project. However, we are now moving forward with the new project and hope to begin implementation in 2017. 2016 will be spent on project design, due diligence, farmer capacity building and preparation, ahead of replanting and disbursement of funds in 2017 (if the project is approved once due diligence and design are complete).

### #3 Collaborate with Nestlé and TFT on at least one project site.

► See KPI's 8, 9

#### Achievement

We are working with several major TFT members (Wilmar, Musim Mas, Cargill) and are cooperating with TFT through the IPOP group in developing a program for Aceh.

We are in discussions with Nestlé regarding the innovative finance project mentioned above, and will shortly sign an MoU to formalize this, expected in Q2 2016.

#### Role of IDH

We have commissioned a consultant to support investigative work in Aceh, which will support our KPI on supply shed development.

We were instrumental in convening the group and expect to sign an MoU shortly.

#### Deviation

We have made slower progress than anticipated since our working areas were not previously aligned, but we expect these relationships to develop into productive partnerships now that we are working in similar areas such as Aceh and South Sumatra.

#### #4 Develop further strategic partnerships (e.g. with Wilmar, Cargill, GAR and local companies such as Sampoerna Agri) on projects on the ground.

► See KPIs 1, 2, 3, 4, 5, 6, 7, 8

#### Achievement

We have continued to develop strong relationships, as evidenced by our role as a convener in the Aceh supply shed (mandated by IPOP Secretariat with GAR, Wilmar and Musim Mas) as well as new projects/proposals elsewhere with Cargill, Wilmar, Asian Agri, Makin, and others covering more than 20,000 farmers and 40,000 hectares. In 2015, we agreed and signed projects to work with Cargill in Riau and Wilmar in Sabah, with further deals including ANJ, Bumitama, PT. Pasifik Agro Sentosa in West Kalimantan, Asian Agri in Jambi (on border with South Sumatra) and Makin in South Sumatra, expected to be signed in 2016. We also signed a MoU with IPOP to lead work in Aceh, and with Zoological Society London (ZSL) to collaborate on a major landscape program in South Sumatra. An MoU with the governor of South Sumatra on green growth plan development was signed in late 2015. Commitment to develop sustainable palm oil supply sheds in South Sumatra was jointly declared in November 2015, and an MoU with CPO Fund was also prepared.

#### Role of IDH

Through our call for proposals, we have added more partnerships to our program and increased other proactive engagements with producers, associations, and national, provincial and district governments. For example, in November 2015, IDH organized a workshop with local government and private-sector companies to support the development of a sustainable palm oil supply shed in South Sumatra. We have also commissioned a joint

study on Aceh together with IPOP and its members Wilmar, GAR and Musim Mas.

#### #5 Support the TWG to agree on the road map for the implementation of traceability.

► See KPIs 6, 8

#### Achievement

The TWG has continued to be relevant in supporting the industry to become more traceable and transparent. Several of our projects are now working to implement traceability on the ground. The group is generating significant innovations, including working with the World Resources Institute (WRI) to develop supplier risk-assessment tools and supplier-verification tools, which are currently being developed by ProForest.

#### Role of IDH

IDH is the convener for the group (meeting individual members, preparing work plans, trying to find common ground).

#### Deviation

The group decided not to set formal KPIs as the members preferred to meet as an informal forum. But we have generated some important outputs, including a draft risk methodology for evaluating sustainability risk in supply chains, an agreed common verification methodology for assessing supplier sustainability, and an agreement from the RSPO to track non-certified palm oil.

#### #6 Play a convening role in relation to supply sheds.

► See KPI 8

#### Achievement

IDH was asked by major growers to convene Indonesian Palm Oil Pledge (IPOP) members and other stakeholders around the development of a supply shed in the province of Aceh and the threatened Leuser ecosystem. In September 2015, we signed an agreement with IPOP to co-fund investigative work together in Aceh. Based on this, we have developed a concept which will be proposed to the IPOP group in 2016.

IDH has also been asked by the governor of South Sumatra to convene private stakeholders around a multi-commodity supply shed, building on our existing projects in the province. IDH co-chaired a workshop initiated by the governor on this concept in mid-2015, and a further focus group discussion (FGD) was held in November 2015. The November FGD was followed by a declaration of support from major and mid-sized palm oil companies in the province to support the development of a sustainable palm oil supply shed, starting with strong action on fire prevention. We also supported the governor in articulating a vision and roadmap for development of the supply shed, which will cover critical areas such as land legality, peatland management, productivity and improved conservation. Since then, IDH has also been working closely with the Estate Crops Investment Fund (CPO Fund) to develop pipeline projects for improved sustainability and productivity in the province.

In Europe, IDH has convened European Sustainable Palm Oil (ESPO) initiatives at national level in order to bring together a Europe-wide commitment to sustainable palm oil by 2020, which was signed in December 2015.

#### Role of IDH

IDH has been crucial as a convener in South Sumatra in both government and private sectors. IDH has supported the government of South Sumatra in delivering workshops, and facilitated the visit of the governor of South Sumatra to Europe in late 2015 to visit donors and attend the Paris Climate Conference.

## Lessons learned

- Progress on GAP training has been significantly delayed due to the bureaucratic nature of farmer land registration. We have learned that this is a major issue across Indonesia. Starting with South Sumatra, we are working with the provincial government to develop mechanisms within the civil service to improve the speed and efficiency of this process, so that land titles can be formalized at scale.
- It has become increasingly clear that a single commodity-focused approach will not be sufficient in some areas (e.g. Aceh, South Sumatra). Close coordination with other IDH programs is therefore needed to support economic and environmental improvements. As part of this, we are adjusting our approach towards a landscape-focused intervention, although we will retain all cooperation with downstream supply chain actors, for example through the European Sustainable Palm Oil (ESPO) commitment, TWG, etc. There is also an increasing need to facilitate a connection between the commitment on the ground (supply shed of traceable/verified/sustainable commodities) and the promises made by downstream supply chain actors. We need to explore the potential for incentives and shared investment to realize the changes (avoid deforestation, conserve forests/peat/HCV areas, improve productivity, etc.).
- Our ambition to drive KnownSources as an industry-level traceability platform has struggled to be realized. A major lesson learned from this is the need to build consensus in advance, and (as much as possible) to link to the currently available system that the industry uses (such as the RSPO e-Trace system) to be sure that our investments are backed by industry before we commit.

## Risk Assessment

Risk	Mitigating action undertaken
Limited capacity of the mill, preventing us from developing and implementing projects as swiftly as we want.	Secured partnerships with several organizations that are able to add or support capacity at the mills - for example, SETARA Jambi to support London Sumatra and Asian Agri. Developed approaches to involve and improve the capacity of agents/traders to deliver extension services. Integrated capacity building at mill level into our projects.
Failure to develop a cost-effective monitoring system to ensure zero deforestation, which is also supported by the mill.	Worked with World Resources Institute (WRI) and the Traceability Working Group (TWG) to develop a proposal for cost-effective monitoring and risk assessment systems based on remote sensing. Signed a deal to support the Smallholders Acceleration and REDD+ Program (SHARP) that is now field-testing risk assessment and monitoring tools on the ground. Through the TWG, supported the industry to develop mill-verification assessment methodologies in partnership with Proforest.
IDH is perceived as working solely on behalf of off-takers' interests, especially those of Unilever.	Established strong partnerships with major producers and associations, and improved communication around our program including Asian Agri, Wilmar, London Sumatra, Musim Mas and GAPKI.
Complexity of traceability (especially regarding smallholders and traded palm oil) prevents us finding an effective solution.	Supported the development of the KnowSources traceability software system. Participated in the RSPO Legality and Traceability Taskforce that aims to find solutions. Supported development of proposals to trial traceability solutions in several projects such as those we are developing with Asian Agri (involving 10,000 farmers). Continued to convene the TWG to support solutions.
Lack of capacity on the ground to execute the program, and not enough people experienced in implementation available.	Built good relationships with implementers, and supported capacity development in local organizations such as the Palm Oil Smallholders Union (SPKS), SETARA Jambi and HaKi in South Sumatra.
Inability to provide an effective business case or suitable incentives to draw partners into the program, especially at the supply shed level.	Continued to collect data from our projects that will allow us to model strong business cases based around key leverage points (financial return, reputational risk management, compliance to regulation/ISPO, etc.) and prove these through projects on the ground.



# KPI Table Palm Oil

#	Key Performance Indicators	Overall target 2012-2020 <sup>17</sup>	Target 2015	Result 2015
<b>Result area 1: Tangible improvements in condition of production in countries of origin</b>				
1	Number of smallholders trained in palm oil GAP	100,000	2,000	353
2	Volume (in metric tons) of certified/verified oil (RSPO, ISCC or other credible standard) from participating smallholders	1.4 million annually	0	0
3	Number of hectares certified/verified (RSPO, ISCC or other credible standard) within supply sheds	500,000	0	0
4	Change in productivity of participating smallholders	+20% compared to baseline	20%	0
<b>Result area 2: Tangible improvements in sustainable markets</b>				
5	Proportion of certified sustainable palm oil (RSPO or equivalent) which is sold as certified, from producers in projects	100%	0	0
6	Proportion of certified sustainable palm oil that passes through the traceability platform	60%	0%	4%
<b>Result area 3: Effective collaboration and institutionalization at sector level</b>				
7	Number of farmers participating in effective farmer organizations	100,000	10,000	353
8	Number of supply sheds facilitated by IDH	4	2	2
<b>Result area 4: Knowledge of sustainability and supply chain approaches developed and shared</b>				
9	Number of farmers participating in innovative financing projects	TBC	TBC	0
10	Proportion of mills in project that are linked to a monitoring or verification system on sustainability of smallholders	100%	100%	100%

## Deviation justification per KPI:

- **KPIs 1 & 7:** The target was for 10,000 smallholders to be organized, 2,000 smallholders to be trained in good agricultural practices, and 150 smallholders to be certified. Only about 350 have been organized and trained, and none have been certified. Certification of the first smallholders in the program was not achieved in 2015 due to bureaucratic delays, baseline data, and operational issues and challenges with government bureaucracy (e.g. slow progress on land registration). Poor performance on organization and training was due to slow progress with London Sumatra (relating to late delivery of consultant baseline report and long contracting period for supporting implementer), as well as the collapse of a planned project with Prosym-

pac as a result of the company's internal problems. To address this, we organized meetings in Jakarta and South Sumatra with partners to discuss expediting the process to meet the 2015 target. One of the plans agreed was to pilot the acceleration of legalization for farmers (namely STDB and SPPL) together with the provincial and district government. We expect to catch up in 2016.

- **KPI 4:** Because training and organization was delayed (most started only in October), it has not been possible to increase productivity due to the short period of time (palm needs a longer period to respond to improved practices).

<sup>17</sup> When defining the KPIs for the Palm Oil program targets have been set towards 2020 to already align with the MYP.

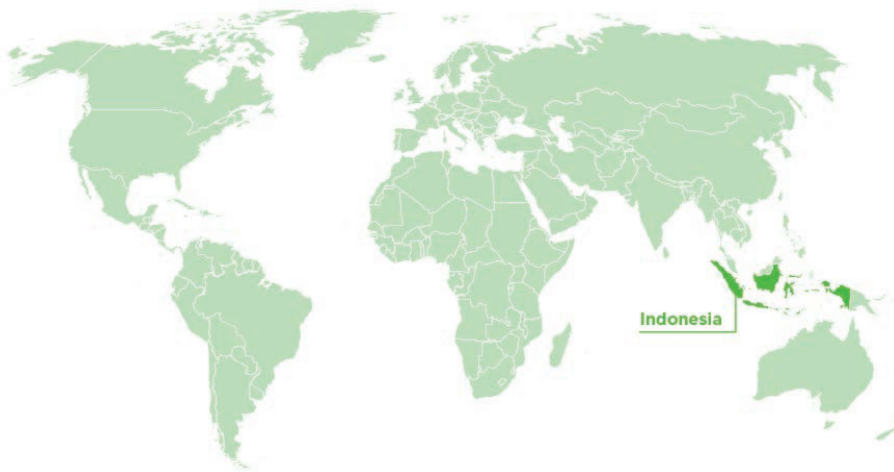
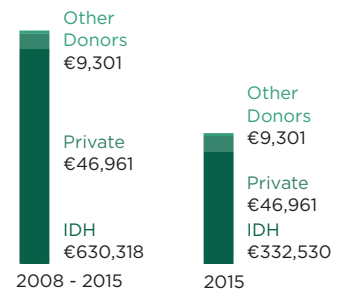


# Pulp and Paper

## Develop innovative solutions to address sustainability bottlenecks in the pulp and paper supply chain

The Sustainable Trade Initiative for Pulp and Paper (STIPP) aims to mainstream sustainability in the pulp and paper industry in Indonesia and China. With its initial focus on Indonesia, IDH supports the industry with a learning and innovations platform working to find solutions that reduce deforestation and increase clean manufacturing. STIPP partners with producers to encourage sector-wide adoption of sustainable forest management, high carbon stock standard/guidance, best peatland management, social management practices, resource-efficient and waste-management practices, and integrated landscape-level sustainability management.

### Financial Progress 2015



#### Main sustainability issues targeted

- Deforestation
- Social conflict
- Pollution due to manufacturing

#### Private Partners

Asia Pulp and Paper, APRIL, PT. Bina Silva Nusa, PT. Mayangkara Tanaman Industri, PT. Wana Subur Lestari, PT. Mayawana Persada, PT. Daya Tani Kalbar, PT. Asia Tani Persada, PT. Kandelia Alam, PT. Ekosistem Khatulistiwa Lestari, PT. Pindo Deli II and AkzoNobel

#### Government

Ministry of Environment and Forestry, Government of South Sumatra Province, Government of West Kalimantan Province and District Government of Kubu Raya

#### Other partners

Association of Pulp and Paper Producers of Indonesia (APKI), Indonesia association of Forest Concessionaries (APHI), National REDD+ Agency (the agency no longer exists), Kemitraan Partnership, WWF Indonesia, FSC Indonesia, Sampan Kalimantan and Landscape Consortium of South Sumatra

To ensure multi-stakeholder acceptance, STIPP project members include producers, associations, government agencies, academic institutions, buyers, input suppliers, and various civil societies. With assistance from industry associations, learnings from STIPP will be disseminated to small- and medium-sized producers, ensuring sustainability is mainstreamed throughout the sector.

The Pulp and Paper program was a new initiative launched in June 2014. During the initial scoping phase, IDH realized that driving the program forward would be more difficult than originally envisaged. The target of achieving two landscape-based projects together with two clean manufacturing programs proved to be difficult to complete within the calendar year. While the landscape projects and one clean manufacturing program were substantially complete, they could not be finalized as per the target. The scoping phase made it clear that IDH must first build its reputation within Indonesia as a facilitator and director of sustainability programs. IDH also needed to develop a stronger business case within the forestry/pulp and paper sector in order to convene the relevant stakeholders. There was considerable reluctance by SMEs to join a collaborative approach as proposed by IDH due to mistrust of large companies, budgetary constraints, and a need for proof of IDH's capacity to convene.

In addition, changes were made to the program strategy during 2015 for a step-by-step move towards a landscape approach on a multi-commodity basis (through IDH's ISLA program). These have gradually altered the course of the overall Pulp and Paper program.

Although the 2015 target was not realized, IDH achieved significant progress. IDH started the first landscape project that covers 41,480 hectares of forest on peatland and coastal areas in West Kalimantan. The second and larger landscape program is almost ready for signing. The first clean manufacturing program is close to being signed. The Pulp and Paper team also supported IDH Indonesia to obtain a signed MoU with the provincial government of South Sumatra for the development of a green growth plan. Good progress has been made on a similar MoU with the government of West Kalimantan province. These MoUs promote green growth and sustainable production across multiple commodities and disciplines at the provincial level, and greatly increase both the effectiveness of our programs and IDH's reputation as a key facilitator of sustainability programs within Indonesia. The targets for 2016 will be substantially different as a result.

### Sector context, theory of change and impact claims

The pulp and paper sector is currently in a phase of significant change, with the two largest companies (APP and APRIL) that represent 85% of Indonesian production with over 2 million hectares of land, publicly announcing

new and significant sustainable forest management policies. However, the NGO strategy of "name and shame" is unlikely to be as effective with smaller, less visible players. In order to move into the critical mass phase, all producers will need support to upscale and share innovations. At present, weak institutional capacity for sustainability, a lack of sector coordination, little industry-level best practice, and a lack of clarity on policy and sustainability standards – such as HCS – continue to inhibit progress towards sustainability by these smaller companies.

STIPP seeks to support improvements and collective learning to scale best practices in pulp and paper sustainability through two work streams, to be implemented at scale:

1. Convening the industry to define a common framework and innovations for sustainable integrated landscape management and clean manufacturing. This will provide models for replication and upscaling across the sector.
2. Investing in the development of guidelines, toolkits and standards in best peatland management, responsible social practices, and high carbon stock. This will incentivize and accelerate their adoption by producers with the assistance of industry associations.

### Key planned activities in 2015 versus achievements

#### #1 Increase areas under sustainable forest management and reduce social conflict by supporting a sustainable landscape project initiated by the private sector. This will include group certification and alternative livelihood development on 400,000 hectares in West Kalimantan.

##### Achievement

Convened multi-stakeholder parties in the coastal area of the Kubu Raya landscape to develop a project for protecting and conserving 41,480 hectares of peatland and mangrove forest.

Completed baseline study for integrated sustainable forest management as a starting point to convene five forestry companies covering 328,420 hectares in Kubu Raya, Kayong Utara and Ketapang districts in West Kalimantan. The project implementation will start in 2016.

Became the main partner of Asia Pulp and Paper

(APP) in supporting its landscape approach for their concessions in West Kalimantan and South Sumatra (and parts of Jambi) covering an area of almost 1 million hectares of pulp plantation. A number of projects are in development with APP, with further progress expected in 2016.

MoU signed with the governor of South Sumatra for Green Growth Plan that includes sustainable forest management practices and covering around 900,000 hectares of industrial forest plantation.

Entered early phase of partnership with the Governor of West Kalimantan and Governors' Climate and Forest Taskforce that aims to realize the implementation of sustainable forest management practices within forestry concessions.

Supported the ZSL landscape consortium in South Sumatra that is funded by the Norwegian and UK governments. This covers more than 1 million hectares of land consisting of mixed commodities and protected areas, mainly in Musi Banyuasin and Banyuasin districts.

Supported West Kalimantan government in preparing the proposal to the national government for Forest Management Unit (Kesatuan Pengelolaan Hutan or KPH) development in Kubu Raya district, by providing the baseline study and management plans<sup>18</sup>.

Engaged with APRIL in developing the generic model of its Fire-Free Village concept and the development of a national fire-free alliance.

Engaged with and advised the government of South Sumatra on the development of a provincial-level fire prevention and control plan.

### Role of IDH

IDH played the role of convener, facilitator, enabler and a co-funder. IDH supported stakeholders in South Sumatra, including the provincial government, APP as the main forestry company in the province, and ZSL, to prepare a proposal for landscape partnership with Norwegian and British governments.

IDH convened three forestry companies located in the Kubu Raya district of West Kalimantan to collaborate towards integrated landscape management under IDH project control. IDH also played a crucial role in engaging with the West Kalimantan government in order to support sustainable landscape management and to provide the framework for IDH's work in the province.

<sup>18</sup> Forest Management Unit (FMU) is a grassroots level of forest landscape management managed by the central and provincial government. In our pulp and paper working area (Kubu Raya)

### Deviation

IDH realized that achieving sustainable forest management covering 400,000 hectares or providing training for 20,000 forest community members, as targeted in West Kalimantan, would take longer than expected. However, there is opportunity to work in other provinces such as South Sumatra and Jambi provinces where reaching the 400,000-hectare target is more realistic.

SMEs that the program targeted in the private sector are reluctant to participate in a collaborative/landscape initiative. This is because they find it financially challenging to contribute with cash, and because they feel the imbalance in resources compared to the major industry players. They also worry that the poor past reputation of the major players will reflect badly upon them.

## #2 Support the government of Indonesia and industry in the development of high carbon stock (HCS) standard/guidance in order to help define "go/no go" areas for development.

### Achievement

Made significant progress in engaging with government where IDH facilitated the process of government understanding for the HCS standard. This was mostly within the Ministry of Environment and Forestry. IDH also successfully encouraged APRIL to incorporate the HCS standard in their sustainability commitment. IDH is pushing for convergence between HCSA (mainly driven by mixed pulp and palm oil companies) and HCS+ study (driven by palm oil companies). This is significant for industry players.

### Role of IDH

IDH facilitated discussion between companies initiating the HCS approach, the Ministry of Environment and Forestry and other companies interested in taking the HCS approach. IDH also played a role as an observer in the process of the HCS Steering Committee that aims to sharpen the HCS standard/guidance and encourage more companies to participate.

### Deviation

IDH realized that the government sees the HCS approach as an international and private-sector driven approach whose initial development did not

there is no FMU developed yet. It is therefore important to have an FMU to manage the landscape governance including the companies and local people activities as FMU development.

involve the government. The current HCS standard/ guidance also does not fit with the current government regulations in some key areas. As a result, the government does not yet endorse the implementation of the HCS approach and does not acknowledge it as a valid standard. Therefore, IDH's main focus is to continue supporting the private sector, while looking for opportunities to re-engage with the government.

### #3 Upscale clean manufacturing by supporting producers to improve resource-efficiency and clean production by benchmarking and implementing good manufacturing practices.

#### Achievement

Made agreement with one APP mill in implementing pilot of clean manufacturing project in 2016.

#### Role of IDH

Since approaching mills was a new move for IDH, we convened the mills association to encourage them to implement clean manufacturing. IDH also approached the mills that were interested in undertaking such an initiative.

#### Deviation

IDH discovered that the clean manufacturing concept is still new for the sector, especially in Indonesia, and that most mills are not willing to spend more if it is not mandated by the government. There is little current incentive from the market for clean, manufacturing application (e.g. energy efficiency, waste and water-use management). IDH learned that convening pulp and paper mills requires a different approach, such as involving buyers to achieve market pressure.

**Note:** No KPIs were defined for the Pulp and Paper program as it was in the phase of development when the Annual Plan 2015 was published.

## Lessons learned

- Convening pulp and paper industry stakeholders in Indonesia has been challenging for IDH due to a lack of reputation and track record within the pulp and paper sector. Furthermore, the industry, especially at the plantation level, is complex and politicized, where the government is still struggling to prevent deforestation; premium market (incentive) for the products is limited; and the big companies in the industry have long had a secretive and “go it alone” approach to business, while the remaining small- to medium-sized forest plantation companies have not made any commitments to sustainable forest management. We need to position this program as neutral, and back it up with a strong baseline and business case to avoid politics.
- IDH has learned that government engagement, especially with the Ministry of Environment and Forestry, is problematic. The government (and their actions and policies in particular) is key to our exit strategy – but involving them is not easy, especially since IDH’s approach is private-sector driven. If there is no supportive policy, all efforts towards sustainable pulp and paper will be unworkable. Provincial and district governments and associations could play a key role in encouraging the central government to accelerate the adoption of sustainability practices in the pulp and paper sector.

## Risk Assessment

Risk	Mitigating action undertaken
NGOs focus more on palm oil (this is already happening), meaning that there is less incentive for paper companies to become sustainable.	NGOs now also focus on the pulp and paper sector, especially at the plantation level. As a neutral part, IDH helped to connect the companies with other parties such as scientists, government and the NGOs in order to find solutions.
Small, medium and start-up plantation companies wish to continue development that involves deforestation.	Proposed a co-funding mechanism where the investment from the private sector could be in-kind as an incentive to take part in sustainability programs. Engaged key sector associations in Indonesia, such as APKI and APHI, to encourage the small, medium and start-up companies to apply sustainable management.
Animosity between APRIL and APP derails the program.	Played a neutral role and engaged NGOs, such as Greenpeace, WWF and sector associations in Indonesia like APKI, IBCSD and APHI, in bringing together the companies to support sustainable pulp and paper. However, encouraging them to work together remains very challenging.
Government cannot provide supportive policies or regulations.	Started the discussion with high-level government staff, including Ministry of Environment and Forestry, Ambassadors, DG of Climate Change, PHPL and Social Forestry in order to align the program and to seek gaps and opportunities in government regulations.

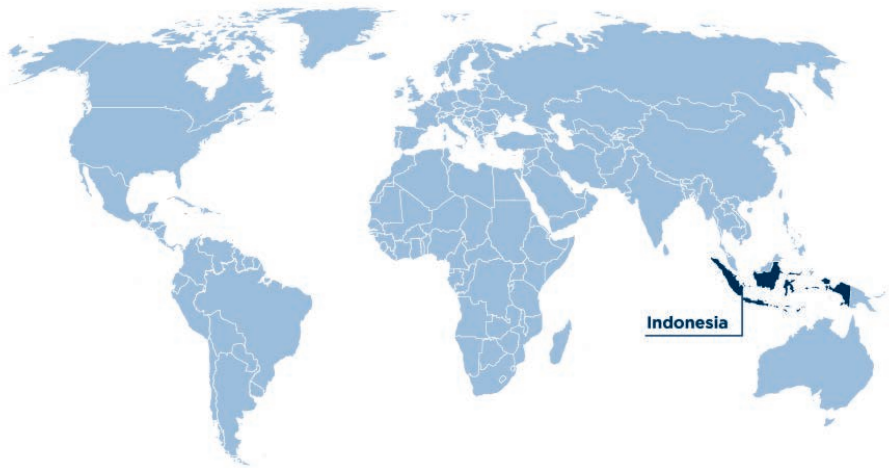
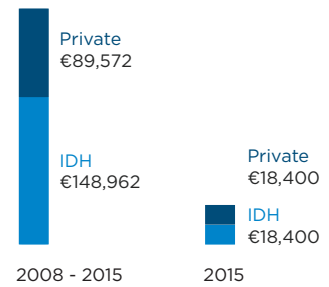


# Tin

## Explore interventions for post-mined land reclamation and low impact offshore mining; create ownership for the improvement agenda with local stakeholders

The purpose of the Tin Working Group (TWG) is to positively contribute to addressing the sustainability challenges of tin mining and smelting in Bangka and Belitung, while being conscious of the economic benefits of the sector in Indonesia in terms of poverty reduction. To address these issues, IDH has convened the TWG to bring together the international tin industry association (ITRI), Friends of the Earth and the Electronic Industry Citizenship Coalition (EICC) – including Apple, BlackBerry, LG Electronics, Philips, HP, Samsung, Microsoft, Sony, Dell and Asus – as well as key players from the tin plate industry, such as Tata Steel and Arcelor Mittal.

### Financial Progress 2015



Main sustainability issues targeted  
Environmental and social impacts of off-shore tin mining and on-shore tin mining practices

Private Partners  
Private Electronic Industry Citizenship Coalition (EICC) (including Apple, BlackBerry, LG Electronics, Philips, HP, Samsung, Microsoft, Sony, Dell and Asus), Arcelor Mittal, Tata Steel, Alpha, the International Tin Industry

association (ITRI) and local partners from the Indonesian tin industry (including PT Timah and Indonesian Association of Tin Exporters (AETI))

Governments  
National and regional Indonesian governments

Other partners  
Friends of the Earth

Since 2013, IDH has successfully convened major and leading players in the tin mining industry (both internationally and in Indonesia), who have the potential to address the sustainability challenges of the sector in Bangka and Belitung. This comes as a result of a multi-phased approach with inclusive decision-making points: from scoping and local outreach to the design of a four-year sustainability roadmap. At the end of 2015, IDH made a conscious decision not to exit the program as planned because structures to support the local implementation of the roadmap were not yet in place. As a result, IDH agreed to continue its engagement with the TWG in 2016, to help build the enabling local structures (e.g. governance) for increasing the long-term viability of the roadmap implementation.

### Sector context, theory of change and impact claims

The IDH Indonesian Tin Working Group (TWG) brings together relevant local and international stakeholders to act on the positive impact the downstream supply chain can have on the practices of tin production in Indonesia, taking into account the views and actions of local stakeholders. Indonesia benefits economically and socially from the production of one-third of the world's mined tin each year, the vast majority of which comes from the two focus areas of the program, namely the islands Bangka and Belitung.

Environmental and social costs associated with these tin-producing areas have been mentioned in several NGO reports. After the research phase and the dissemination of the results of the situational analysis, the TWG committed to and followed a one-year multi-phased action plan, from July 2014 until July 2015. The action plan enabled the TWG to successfully engage with international and local stakeholders, such as the national and regional governments, and key mining companies. Getting their buy-in was instrumental for entering the next phase of our intervention: designing a single four-year Roadmap of Sustainable Tin Mining Operations in Indonesia in order to:

- Collaborate with the government of Indonesia on harmonizing the legal and policy framework of (informal) small-scale mining and off-shore mining as the foundation of good governance;
- Develop and implement guidelines or standards of responsible mining industry practices, including economically viable use of post-mining rehabilitated land;
- Scale responsible mining practices, driven by international demand.

As the convener of the TWG members and local Indonesian stakeholders, IDH coordinated each phase of the program, while making sure that stakeholders were an inclusive part of the decision-making and implementation processes wherever possible.

## Key planned activities in 2015 versus achievements

### #1 Identify a scalable supply chain incentive for the stimulation of onshore land reclamation and offshore environmental impact mitigation in Indonesia.

#### Achievement

Environmental Impact Assessments (EIAs) of five Indonesian tin mining companies were brought into the public domain for further scrutiny, based on which an extensive assessment and advice report was published by the Netherlands Commission for Environmental Assessment (NCEA). The recommendations of the NCEA have been included in the roadmap to stimulate best practices.

#### Role of IDH

IDH introduced the NCEA to the TWG to benefit from their expertise. IDH facilitated the dialogue with the smelters, to convince them of the gains of such a study and to enable the handing in of their EIA reports to NCEA (which were not publicly available).

### #2 Obtain local buy-in from the Indonesian government and local miners and smelters, reflected in a group of three to eight smelters (including state-owned PT Timah) that commit to addressing the most pressing sustainability issues in Bangka and Belitung. This will entail discussions between the local convener, the relevant authorities, and local smelters.

#### Achievement

We secured (formal, in writing) support from the four related Indonesian ministries, as well as from all the local provinces of Bangka and Belitung, to work together with the local companies to address the sustainability issues of the sector. In addition, the leading tin smelters in Bangka became engaged formally (the Indonesian Association of Tin Exporters via a Memorandum of Understanding) and informally (PT Timah in a joint meeting with the TWG representatives).

#### Role of IDH

IDH designed the outreach campaign and supervised/directed the efforts of local conveners to ensure alignment of interests of the international TWG members with local stakeholders.



IDH organized two TWG delegations to Indonesia with more than 10 TWG members, and visited local stakeholders on other occasions to strengthen the relationships. IDH's visit in July 2015 was instrumental in getting the Indonesian Association of Tin Exporters (AETI) on board. This was further consolidated in the December 2015 visit.

### #3 Translate the commitments of the local smelter group into a concrete implementation plan.

#### Achievement

A four-year Roadmap of Sustainable Tin Mining Operations in Indonesia was developed through a multi-stakeholder strategy, including different roles for the industry, government and civil society. It includes programmatic interventions to achieve the program sustainability goals.

#### Role of IDH

IDH identified and hired a local partner organization (Kemitraan) to support the design of the roadmap.

IDH orchestrated the engagement with local stakeholders for receiving their input on the roadmap - feeding them back to Kemitraan.

IDH signed an MoU with the Indonesian Association of Tin Exporters (AETI), committing to the implementation of the roadmap.

### #4 Broaden the representation of the entire downstream user industry for tin<sup>19</sup>.

#### Achievement

We strengthened the TWG by engaging two tin plate companies (Tata Steel and Arcelor Mittal) and the biggest solder company (Alpha), which expanded the engagement of the various downstream user industries towards the upstream supply.

19 This activity was not formally part of the Annual Plan 2015, but it is nevertheless part of the TWG agenda and contributes to the initiative's credibility.

20 This activity was not formally part of the Annual Plan 2015; however, in order to ensure IDH's exit strategy, we needed to work

#### Role of IDH

IDH was the key contact point for providing information and promoting the program to the rest of the sector to join the initiative.

### #5 Create the necessary incentives that midstream and downstream tin users (TWG private members) can implement to incentivize front-running smelters to implement the roadmap and support lasting tin industry transformation<sup>20</sup>.

#### Achievement

In collaboration with other TWG members, IDH developed a TWG Incentive Guide that describes the ways that downstream industry can support and incentivize upstream industry in Indonesia to implement more sustainable tin mining practices. The members of the TWG have endorsed the guide's principles, which will be publicly shared on the IDH website.

#### Role of IDH

IDH initiated and was the lead actor in the design of the guide and in getting the endorsement of all TWG members.

**Note:** No KPIs were defined for the Tin program as it was in the phase of development when the Annual Plan 2015 was published.

towards developing links between upstream and downstream players to incentivize the supply creation of responsible tin, and the implementation of the roadmap.

## Lessons learned

- Giving international market demand a combined “voice” through our pre-competitive working group is a credible and very effective tool for placing sustainability on the agenda of the Indonesia tin mining industry. IDH used the unique position of the TWG to demonstrate credibility and gain buy-in from critical stakeholders in Indonesia.
- Ensuring that the local industry follows up on its commitments to the roadmap calls for a need to assign and resource “local convener” roles to set solid governance structures and operating routines. To do this, IDH decided to continue another year before exiting the tin program, in order to agree ownership of content and implementation of the 2016-2020 roadmap with local stakeholders.
- Understanding the local political realities and historical divergences between industry competitors is key if the intention is to get local buy-in and drive local ownership. In 2016, IDH will continue to build trust and confidence between Indonesian mining companies about pre-competitiveness, and about the importance and shared benefits of the 2016-2020 roadmap.

## Risk Assessment

Risk	Mitigating action undertaken
Losing the support of the existing downstream users and their engagement to a market-based intervention against a CSR development-based approach.	Respected sensitivities at an the early stage by designing an action plan based on a multi-phased approach, which was built on go/no-go decisions and gradual commitment.  As the convener, IDH also continued to engage bilaterally with brands on market-oriented methods to maintain their involvement.
Not finding an appropriate Indonesian convener with a strong network in the tin sector and willingness to do the work.	Hired a convener with a good network and the level of seniority required within the Indonesian government and the tin sector. We also allocated an additional resource for the more operational work.
Functioning of the ICDX makes selecting and rewarding tin smelters and miners impossible.	Looked for other ways to reward or incentivize smelters to adopt more sustainable mining and rehabilitation practices. It is vital that the local mining industry now takes ownership of the agenda.
No buy-in of either the Indonesian government or the “responsible” miners/smelters.	Obtained formal letters of endorsement from all relevant ministries and the governor of Bangka. IDH leveraged the buying power of electronics and tinplate brands to convince stakeholders of the importance of sustainable mining for the credibility of the Indonesian tin industry.

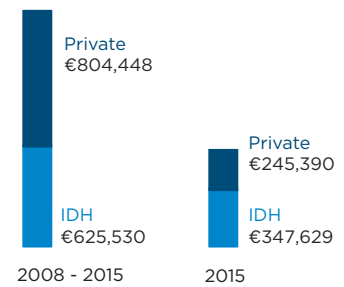


# Apparel

## Improve working conditions and environmental performance of textile manufacturers

IDH is supporting and shaping apparel and footwear programs that convene industry commitment around more sustainable production, and build a compelling business case for responsible production and sourcing practices. IDH facilitates the Race to the Top in Vietnam, supports the Pakistan Buyers' Forum and Clean by Design in China, and has partnered with the Sustainable Apparel Coalition - in particular on enabling and supporting the small- and medium-sized enterprise pilot.

### Financial Progress 2015



#### Main sustainability issues targeted

- Working conditions
- Health and safety of workers
- Environmental performance
- Energy use

#### Private Partners

Nike, Gap Inc., Levi Strauss & Co., Marks & Spencer, PUMA, SAITEX, New Balance, Target, Walmart, Disney, INDITEX, Ann Inc., Li & Fung, JC Penney, 24 buyers including H&M, Li & Fung and IKEA

#### Government

Denmark, the Netherlands and Vietnam

#### Other partners

Sustainable Apparel Coalition (SAC), Global Green Growth Forum (3GF), IFC, Better Work/ILO and Natural Resource Defense Council (NRDC)

The Race to the Top in Vietnam is a collaborative effort between brands, suppliers, civil society organizations, international organizations, industry organizations, and governments. It aims to create a public-private platform within Vietnam from which to launch and scale programs geared towards more sustainable production and to facilitate a dialogue on more sustainable policies.

The Pakistan Buyers' Forum is a platform for the industry sourcing from Pakistan, which has set up three working groups (on Advocacy, Enterprise Improvement, and Communications) that seek to facilitate collaboration on adopting better policies and business practices, as well as on improving the level of sustainability of the Pakistan supply base, in line with the GSP+ requirements of the EU.

Clean by Design is a program in Suzhou, China, where NGOs, industry organizations, brands, mills (upstream suppliers from apparel brands) and financial institutions collaborate on further developing and scaling improvement programs in the supply base.

The Sustainable Apparel Coalition (SAC) is an industry-wide group of 80 leading apparel and footwear companies and public stakeholders. Launched in 2011, the SAC aims to develop a shared vision on sustainability built on an industry-wide index for companies to measure and evaluate apparel and footwear sustainability and performance. IDH supports the SAC in expanding its outreach in Europe and Asia, and in channeling its collective industry leverage towards higher sustainability impact in supplying countries.

During 2015, IDH created a platform for collaboration on sustainability improvements in Vietnam, and facilitated and co-created such platforms in Pakistan and the Suzhou region in China. These platforms – the Race to the Top in Vietnam and the Pakistan Buyers' Forum – are working to launch improvement efforts. To shape the Race to the Top program, IDH has held monthly meetings and additional bilateral meetings with prospective program partners, as well as organizing conferences in Vietnam to engage local stakeholders. In Pakistan and China, IDH supported and undertook outreach to private-sector partners to build up the platforms and launch the first activities. In China, the Clean by Design program began improving the environmental performance of 27 suppliers.

### Sector context, theory of change and impact claims

The apparel industry is responsible for high environmental impacts and demand on resources. The sector is often characterized by a “race to the bottom”, where products are sourced in a downward spiral of cheap labor, poor and exploitative working conditions, unsafe and polluting factories. With the objective to turn this into a “race to the top” (an industry competition that drives

the sector towards higher labor standards and environmental performance, instead of building on low cost/low wage workforce and environmental management) it is crucial to create a situation of increased productivity and improved social and environmental performance. This can only be achieved by addressing the challenges in the sector on a country level in a systemic way, and by building cooperation between the thousands of companies and other stakeholders involved in the textile industry.

IDH's activities can be divided into two separate work streams:

#### 1. Initiating partnerships, building coalitions, and implementing pre-competitive improvement programs leading to measurable improvements:

IDH works towards systemic change in Vietnam and Pakistan. By leveraging the core competencies of all key stakeholders, we build interventions on business rationale, working with the private sector, governments, and multilateral organizations. These interventions can:

- Prove and improve the (economic, societal, reputational) benefits of a sustainable apparel industry for the government, the industry, workers and communities;
- Create a supportive policy and regulatory environment for sustainable apparel production (a level playing field);
- Improve the business rationale for manufacturers and mills to invest in sustainable apparel production;
- Create cost-efficiencies through coordinated and innovative interventions at country-level.

We seek to achieve scale with these interventions at country level. This model of public-private platform leads to improvements in the supply base, which can be exported to other countries. IDH creates shared value by connecting societal and economic progress. Local ownership is embedded by including the Vietnamese government upfront, as well as other local organizations. IDH facilitates the Race to the Top in Vietnam and supports the Pakistan Buyers' Forum, especially the work on Enterprise Improvement.

#### 2. Increasing industry harmonization as an enabler for impact at scale:

IDH works closely with initiatives such as the Sustainable Apparel Coalition (SAC) and Better Work, with the aim to reduce the variety of standards and resulting audit fatigue, which is detrimental to the implementation of a monitoring system and coordinated improvement programs. IDH strives to foster collaboration and joint impact in the supply chain. As such, IDH links the SAC and Higg Index<sup>21</sup> to its improvement programs, which creates insight into the best working improvement activities and transparency on the best-in-class suppliers.

21 The Higg Index, the core driver of the SAC, is a suite of self-assessment tools to measure environmental and social and labor impacts of brands, retailers and facilities of all sizes. It pro-

vides an holistic overview of the sustainability performance of a product or company.

## Key planned activities in 2015 versus achievements

### #1 Support SAC institutional and stakeholder engagement, including supporting SAC in consolidating its EU office in 2015, and building EU stakeholder relations.

#### Achievement

SAC office grown and well embedded in institutional discussions. EU membership expanded. Started the Higg SME pilot in the Netherlands, Denmark, Germany, England, and Sweden, to facilitate harmonized improvement programs and collective action.

#### Role of IDH

Support of SAC staff with outreach and strategizing. Engaging in conversations on how to create more European alignment and open up to the wider industry (including SMEs).

### #2 Start one-two country-level intervention(s) in which brands' or retailers' supply base approach (order commitments and/or investments, easier access to capital) triggers and accelerates sustainable investments by a group of suppliers in a specific country.

Currently in scope:

- 1. Vietnam:** leverage SAC platform efforts with factories committed to increasing the Higg Sustainability Index score in Vietnam. Improve the enabling industry environment (e.g. availability of soft loans for infrastructure investments) to support suppliers that (aim to) perform well on the Higg Index.
- 2. Pakistan:** make production efficiency investments, leading to improvements in working conditions.
- 3. Bangladesh:** convene an industrial park approach where buyers and investors encourage suppliers to transition to infrastructures or industrial parks that ensure proper building, working and environmental conditions.

#### Achievement

Started and supported the creation of platforms in Pakistan and Vietnam.

Created and formalized a dedicated global steering group to drive the "Race to the Top" in Vietnam with the participation of brands, suppliers, IOs, governments, and other CSOs, with IDH as program manager.

Conducted intensive scoping and program development with broad participation of key stakeholders, including at a well-attended agenda-setting Race to the Top workshop in Ho Chi Minh, Vietnam.

Organized a workshop (also in Ho Chi Minh, Viet-

nam) that delivered a set of program concepts to drive sustainable growth in the industry, which is perceived by the private and public sectors as key to system change.

Conducted a mapping study on non-compliance, which was presented at the Buyers' Forum in Pakistan.

Formulated a preliminary strategy for the Buyers' Forum in Pakistan.

#### Role of IDH

IDH driving the work in Vietnam and co-creating the platform in Pakistan together with the Dutch government, IFC, and ILO.

#### Deviation

No activities in Bangladesh as there was limited appetite for additional programs, through cross-country learning undertaken.

### #3 Decide which country-level intervention(s) have the highest potential for impact and require IDH's further support and convening.

#### Achievement

Finalized this process by creating and supporting efforts in Vietnam and Pakistan, after many conversations with sector stakeholders, which indicated big industry interest and challenges in Vietnam and Pakistan's supply bases.

#### Role of IDH

Selected Vietnam and Pakistan together with other sector stakeholders, exploring where most value was to be added.

### #4 Model impact at scale in textile mills: a learning project aimed at developing models to upscale sustainable impact interventions at textile mills (focusing on water and energy waste at second- and third-tier suppliers).

#### Achievement

Launched the Clean by Design program in Suzhou, China.

#### Role of IDH

Co-financing the activities and supporting the program creation. IDH supported and undertook outreach to private sector partners to build up the platforms and launch the first activities.

**Note:** No KPIs were defined for the Tin program as it was in the phase of development when the Annual Plan 2015 was published.

### Lessons learned

- In Vietnam, it is crucial to find the right social sustainability angle to address the new realities with the TPP treaty and EU-VN FTA drawing closer. We have found that industrial relations developments in Vietnam are very sensitive and require an initial response from the Vietnamese government and the ILO, prior to industry involvement.
- The Pakistan Buyers' Forum can benefit from additional engagement with buyer headquarters to unlock private-sector contributions. The local setup and engagement has been very successful in providing insights and local ownership, yet buyers indicate challenges in stepping up their commitments without a better connection with their headquarters.

### Risk Assessment

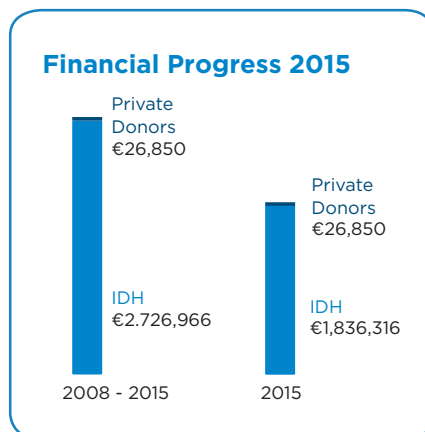
Risk	Mitigating action undertaken
Private sector CSR resources fully absorbed by fixing day-to-day issues and compliance approaches.	Worked with larger (better-resourced) frontrunners first, and created investment logic for the brands (procurement) for beyond-auditing interventions. By taking the best-in-class interventions from other countries as examples, we helped brands understand the benefits.
Initiatives will not scale if trust between buyers, suppliers and other system actors cannot be created to deliver cost-benefit sharing.	Created trust/safe spaces to explore innovative approaches to cost-benefit sharing, and have continuous engagement with partners to deepen relationships in the group.
Large suppliers that are less sensitive to brand reputation and working on sustainability issues gaining power in the apparel value chain.	Worked on including large suppliers upfront as equal partners, and addressing the issue of cost-benefit sharing in a credible way. By showing the benefits for them, such as trade finance related to sustainability, they engage in the program.
Lack of ownership from the public sector in Race to the Top countries.	Currently an MoU with MONRE is in place, and an MoU with MOIT is in progress. MOLISA is engaged through other partners that have deep relationships and experience with them - for example, the ILO/Better Work Vietnam and possibly USAID.

# Cross-sector Initiatives

# Initiative for Sustainable Landscapes



IDH began to implement the landscape approach with its partners in 2015, building on engaging the private sector and other stakeholders (especially local governments). During the reporting year, we learned that building trust, a shared agenda and vision, and gaining commitment at the highest level are all crucial to the success of landscape-level impact. Landscape-wide interventions touch multiple stakeholders by definition, and there are tradeoffs that need to be managed. This requires good stakeholder analysis of the power balance, distribution of benefits, and risk mitigation options.



#### Main sustainability issues targeted

- Deforestation
- Water management
- Smallholder livelihoods
- Toxic loading

#### Private Partners

Private and public sector, Civil Society Organizations (CSOs) and knowledge institutes



Future viability of interventions needs to be underpinned by a strong private- and public-sector business case, as the benefits are split between public good and commercial interest. Projects that start in 2016 will therefore be based on this business case analysis, or will work to develop the business rationale. The links with IDH commodity programs are a crucial starting point, as these programs are the source of private-sector buy-in and knowledge.

The overall program targets for ISLA in 2015 were:

1. Shared trend and problem analysis as a basis for joint vision of multi-stakeholder coalitions per landscape:
  - The trend and problem analysis is ready for all six landscapes.
  - The joint vision is ready for five out of six landscapes (Kenya, Vietnam, CDI, Ethiopia and Brazil).
2. Intervention planning for the 2016-2018 period per landscape on the basis of the joint vision:
  - The intervention plan is ready for three landscapes (CDI, Ethiopia and Vietnam).
  - The intervention plan is nearly completed for two landscapes (Brazil and Kenya).
  - A list of interventions is being finalized for Indonesia.
3. Well-functioning multi-stakeholder coalitions with a clear governance structure in each of the six landscapes:
  - Coalitions are in place for four landscapes (Vietnam, CDI, Kenya and Brazil).
  - A coalition is in place for Ethiopia, but is somewhat unbalanced.
  - A coalition is nearly in place in Brazil.
  - Indonesia uses a different approach by working in mini-landscapes that bring together all stakeholders in those areas supported by the provincial and district governments.
4. ISLA learnings are mainstreamed inside and outside IDH:
  - The ISLA approach is now one of the key tools in the IDH toolbox.
  - The ISLA program has gained acknowledgement in the landscapes and internationally.

## Vietnam

(Central Highlands, provinces of Lam Dong and Dak Lak)

### Private partners

Nestlé, JDE, Acom, Simexco and Olam

### Other partners

EDE, ICRAF, World Bank, and ANU

### Governments

Central Highlands Steering Committee, Provincial government of Lam Dong, DARD, DONRE, IPSARD, WASI

### Main sustainability issues targeted

- Deforestation
- Water management
- Smallholder livelihoods
- Toxic loading

IDH established a provincial-level steering committee made up of public and private stakeholders in Lam Dong. We also set up technical working groups of experts for water and agroforestry issues to support the steering committee. Together, they created an integrated landscape approach among stakeholders, devised an action plan, and designed the interventions in the province.

## Key planned activities in 2015 versus achievements

### #1 Capacity building

Contract a landscape manager and implementing partners.

#### Achievement

ISLA manager contracted from April 1, 2015.

#### Deviation

After a trial with a single implementing partner for all activities, we opted for organizing a call for proposals for public and private initiatives. This is expected to be finalized in early 2016.

### #2 Data collection

- Make inventory of available (baseline) data about landscape.
- Conduct complimentary baseline studies (e.g. remote sensing).

#### Achievement

High-level report on key issues in the landscape finalized.

Remote sensing of Lam Dong and Dak Lak Provinces started in December 2015.

#### Deviation

Remote sensing started only late in 2015. It is expected to be completed in early 2016.

### #3 Project planning and stakeholder management

Carry out stakeholder mapping, engagement strategy, and meetings with key stakeholders.

#### Achievement

Key stakeholders were identified and brought together in Lam Dong in a provincial steering committee and associated working groups.

Other stakeholders, especially at national level, are engaged bilaterally on a continuous basis.

#### Deviation

NGOs are participating in all working groups and public events.

### #4 Analyses to support intervention selection

Give policy support and conduct feasibility studies to support intervention selection, planning.

#### Achievement

Remote sensing and mapping to identify focus areas with regard to soil erosion, deforestation and (surface) water shortage were executed.

#### Deviation

Because intervention selection was delayed, policy advice and feasibility studies were not conducted. These will now start in 2016.

### #5 Joint interventions

Define and plan interventions.

#### Achievement

After identifying the key issues in the landscape, we launched a call for proposals for projects addressing these issues, open to both public and private partners.

#### Deviation

Call for proposals was launched late in 2015 (December). Interventions will start in Q2 2016.

### #6 Co-funding

Identify and secure sources of funding.

#### Achievement

Discussions were held with potential donors, such as World Bank and ADB, and we aligned with the governmental budget at national and provincial levels. At the end of 2015, both public and private sectors expressed intentions to co-fund interventions starting in 2016.

#### Deviation

Co-funding will be secured for the joint interventions that will start in 2016 (recurring for all landscapes).

### #7 Communication

Develop and disseminate communication materials.

#### Achievement

Quarterly newsletter sent out to stakeholders in English and Vietnamese. Launch event covered by local media. Materials developed and disseminated.

### #8 Investment case development

Collect and test data.

#### Deviation

The investment case based on the KPMG model was not completed for Vietnam due to a lack of data.

#### Lessons learned

- The government of Vietnam has a strong top-down sector-driven approach towards agricultural development, and natural resource management units are relatively isolated from agricultural development units in the governmental system. Promoting partnerships and interventions that follow a landscape approach – i.e. that integrate diversified agricultural production as well as natural resource management with a local focus – is a challenge and takes more time than expected.
- The private-sector partners are not used to a landscape approach; it takes a lot of time to show the benefits, and even more time to form coalitions between various stakeholders.

## Indonesia

### (West Kalimantan)

#### Private partners

APP, Sumitomo, Golden Agri Resources/Sinar Mas, First Resources, PTPAS, ANJ Agri, Alas Kusuma and Bumitam

#### Other partners

Aidenvironment, RSPO, TFA, WWF, Sampan Kalimantan, Kemitraan Partnership and FFI

#### Governments

Ministry of Forestry and Environment, provincial government West Kalimantan, district governments of Kayong Utara, Ketapang and Kubu Raya

#### Main sustainability issues targeted

- Deforestation
- Water management
- Smallholder livelihoods

Extensive baseline mapping defined current land-use areas, peatland and forest areas that should be conserved, and the districts in the province to focus on. This, together with input from relevant public, private, knowledge and civil society partners, helped to determine an action plan. These also helped develop production-protection projects with concession holders to be implemented as of 2016.

#### Key planned activities in 2015 versus achievements

##### #1 Capacity building

- Contract a landscape manager.
- Make agreements with implementing partners.

#### Achievement

Aidenvironment and FFI were contracted as implementing partners for the program inception phase lasting from May through December. A senior landscape manager was hired, and was shortly promoted to IDH country director. An interim manager was recruited to fill part of the gap.

#### Deviation

We were unsuccessful in contracting a full-time landscape manager in West Kalimantan. After a trial period with a part-time consultant, the program is now again managed by the IDH office in Jakarta.

##### #2 Data collection

- Make inventory of available (baseline) data about landscape.
- Conduct complimentary baseline studies (e.g. remote sensing).

#### Achievement

Extensive baseline mapping of the area and description of the key supply chains were completed. Maps and documents include all concession areas and owners, remaining HCV areas, peatland, and forest cover.

#### Deviation

The original business rationale for the landscape (land swaps as part of RSPO) proved to be insufficient, and a new business cases needs to be developed in 2016 and beyond.

##### #3 Project planning and stakeholder management

Refine vision/approach; define landscape boundaries, stakeholder mapping and engagement strategy; hold regular meetings; set up governance structure.

#### Achievement

Stakeholder mapping and definition of the boundaries have been completed. The vision and approach to the landscape have been further defined – also using focused group discussions with relevant stakeholders – but will need to be continuously improved.

IDH, together with Aidenvironment and FFI, engaged private-sector partners and started developing projects in sub-areas within the bigger landscape.

#### Deviation

Relatively little progress was made on multi-stakeholder convening. This was partly due to the lack of capacity (a full-time manager) of IDH in the landscape.

#### #4 Joint actions

- Define/agree on first interventions.
- Start implementing.

##### Achievement

Focus areas for the first interventions have been identified, and discussions with private-sector companies around intervention ideas have started. Joint actions have not yet started. We expect the first interventions to start in Q2 2016.

##### Deviation

Joint actions have not yet started. We expect the first interventions to start in Q2 2016.

#### #5 Co-funding

Identify and secure co-funding.

##### Achievement

In December 2015, we secured additional investments in the West Kalimantan landscape from NICFI.

The private sector is willing and able to co-fund projects of a substantial size.

The government's CPO fund is another source of co-funding, and an MoU is in progress.

#### #6 Communication

Develop and disseminate communication materials.

##### Achievement

Presentations and leaflets were developed and used throughout the year. The landscape was promoted at a number of events such as the RSPO Round Table in November 2015 by IDH and Aidenvironment.

#### Lessons learned

- It took time to gain buy-in from the government; only when the governor put sustainable development on his priority list were we able to make progress on joint actions.
- The initial business case (land swaps) was unsuccessful (due to no demand), and we learned that protection is only feasible in combination with production. This is the new focus of the program: production-protection agreements.

## Kenya

### (Southwest Mau)

#### Private partners

Unilever, Finlays, KTDA, Kengen and KTMA

#### Other partners

WWF, RhinoARC, ICRAF, CIFOR, CFAs and MAMASE

#### Governments

Governments of Bomet, Nakuru and Kericho counties, Kenya Water Towers Agency, Kenya Forests Service, Kenya Wildlife Service, Ministry of Forests, Ministry of Agriculture, WRUA and WRMA

#### Main sustainability issues targeted

- Deforestation
- Water management
- Sustainable energy
- Smallholder livelihoods

ISLA Kenya established a strong multi-stakeholder coalition of key private, public, knowledge and civil society sector partners. A number of no-regret field-level projects were identified and implemented in 2015, including re-planting and aerial surveillance flights above the Southwest Mau forest block – the area under public-private governance. The main building blocks for the action plan have been identified. A number of studies have been commissioned; the results will guide the development of a detailed action plan in early 2016.

#### Key planned activities in 2015 versus achievements

#### #1 Capacity building

Contract landscape manager and implementing partner.

##### Achievement

The recruitment of a senior program manager, senior stakeholder manager, and program officer made the team complete in 2015. First “no regret” joint actions were formulated together with key stakeholders. In 2015, Rhino Ark was contracted as implementing partner on aerial surveillance; Unilever Tea Kenya, Finlays and KTDA started ceremonial re-planting of forest blocks in Southwest Mau.

##### Deviation

Fewer implementing partners contracted than expected.

## #2 Data collection

Make inventory of available data; conduct additional studies.

### Achievement

A baseline study was commissioned in the first half of 2015, with the aim to identify main gaps in the landscape. Remote sensing maps of the landscape were developed in collaboration with RMCRD. The collection of scientific baseline data (mainly on environmental issues) started in Q4, 2015 and is conducted by CIFOR.

## #3 Project planning and stakeholder management

Refine vision/approach; define landscape boundaries, stakeholder mapping and engagement strategy; hold regular meetings; set up governance structure.

### Achievement

The multi-stakeholder coalition was successfully established and broadened with participation from KenGen (hydropower), KWTA, WRMA, WRUA, and county governments. In 2015, a total of nine interim board meetings were hosted; the board is looking at possibilities to register a trust to secure long-term governance. ISLA was officially launched in July.

## #4 Analyses to support intervention selection

Give policy advice and conduct feasibility studies to support selection and planning of interventions.

### Achievement

A number of studies were commissioned to analyze business cases and support the selection of joint actions. The focus and involvement of communities in the program is considered a crucial element (e.g. dairy value chain, biomass). First results are expected in 2016.

### Deviation

Results available in 2016.

## #5 Joint actions

Define and plan joint actions.

### Achievement

In 2015, we started replanting (a “no-regret” joint action). The first aerial surveillance flight took place in the landscape to monitor activities in the forest and identify hotspots for follow-up actions by KFS/KWS.

## #5 Co-funding

Identify/secure sources of co-funding.

### Achievement

The potential for co-funding was explored, and sources of public- and private-sector co-funding identified. The first (conditional) private-sector contributions were confirmed (€600,000). In 2015, a total amount of €36,000 in private sector co-funding was contracted for the quarterly aerial surveillance flights.

### Deviation

Further co-funding will be secured in the joint actions that will start in 2016.

## #6 Communication

Develop/disseminate communications materials.

### Achievement

ISLA Kenya was officially launched in Kericho together with business, government and civil society partners. The event received wide media coverage nationally.

The ISLA Kenya branding was also developed together with materials and a quarterly newsletter. ISLA Kenya received local, national and international media coverage in 2015 in newspapers such as NOS.nl in the Netherlands, radio and television in Kenya, and a number of Kenyan newspapers.

## #7 Investment case development

Collect and test data.

### Achievement

KPMG developed a landscape investment model that quantifies costs and benefits for different stakeholders. The model was tested for a possible intervention in Kenya.

Studies on the main intervention areas were commissioned to support business case development for specific joint actions.

The overall business case of the Southwest Mau landscape was presented at the Global Landscapes Forum in Paris.

### Lessons learned

- The involvement of communities is a crucial element for success in the Southwest Mau landscape, as they are the ones using the forest (unsustainably) and need alternatives.
- Lack of institutional capacity of public partners (KFS) hampers direct collaborations.

## Côte d'Ivoire

(wider Taï forest landscape)

### Private partners

Cargill, OLAM, MARS, BarryCallebaut, Cemoi, Ecom, Althelia, Moringa, LivelihoodFund and Mondelez

### Other partners

ICRAF, Ecotierra, CNRA, UFEM-CI, Solidaridad, AFD, World Bank, GiZ, UTZ Certified and Rainforest Alliance

### Governments

Ministry of Planning, Ministry of Environment, Ministry of Water and Forests, Ministry of Agriculture, SODEFOR, OIPR, REDD+ agency and CCC

### Main sustainability issues targeted

- Deforestation
- Smallholder livelihoods

An effective multi-stakeholder governance structure was developed that involves high-level representatives at the national level (steering committee) and a technical committee. A baseline study was finalized, resulting in an

action plan for 2015-2018. This plan aligns the interests of public, private and civil society stakeholders. Field-level sustainability projects were selected following a call for proposals.

### Key planned activities in 2015 versus achievements

#### #1 Capacity building

Contract manager/implementing partner(s).

##### Achievement

In 2015, the program manager, senior stakeholder manager, and a program officer were contracted in the landscape. In October, the ISLA team hosted a call for proposals to invite project ideas from stakeholders and IPs.

##### Deviation

Agreements with IPs not yet made.

#### #2 Data collection

Make inventory of baseline data, and conduct additional studies.

##### Achievement

A baseline study on the agro-ecological and socio-economic aspects of the landscape was commissioned to ICRAF and Ecotierra as a joint endeavor. Remote sensing maps were developed, surveys conducted, and legal frameworks analyzed.

##### Deviation

Study results delayed to early 2016.

#### #3 Project planning and stakeholder management

Refine vision/approach; define landscape boundaries, stakeholder mapping and engagement strategy; hold regular meetings; set up governance structure.

##### Achievement

The boundaries of the landscape were defined. In collaboration with the steering committee, the ISLA team developed a detailed program plan for the period 2016-2018 that sets out the key issues and priority areas, targets, and governance structure for the landscape – approved by the stakeholder coalition. Two high-level steering committee meetings and two technical committee meetings were also held. ISLA CDI was officially launched in June. Bilateral meetings with key partners take place frequently.

#### Deviation

Non-cocoa private-sector players to be included.

#### #4 Analyses to support intervention selection

Give policy advice and conduct feasibility studies to support selection and planning of interventions.

#### Achievement

Besides the baseline assessment, no additional studies have been commissioned in Côte d'Ivoire.

#### Deviation

No studies commissioned.

#### #5 Joint actions

Define and plan joint actions.

#### Achievement

In October, the ISLA team hosted a call for proposals to invite project ideas from stakeholders and IPs. In total, ISLA received 14 proposals from public and private parties. A number of proposals were shortlisted in Q4 2015, and further discussed and refined with applicants. To further explore and stimulate public-private sector collaboration on the proposed projects, a technical committee meeting was held in early 2016 before signing the contracts.

#### Deviation

No joint actions contracted or implemented.

#### #6 Co-funding

Identify/secure sources of co-funding.

#### Achievement

The ISLA team identified opportunities for co-funding of both public- and private-sector partners; the potential is there, but no agreements have yet been made. ISLA co-financed the baseline study for Althelia's investment in the landscape, planned for the 2016-2026 period, and an MoU on collaboration was signed.

#### #7 Communication

Develop/disseminate communications materials.

#### Achievement

In 2015, ISLA Côte d'Ivoire developed a number of articles for the ISLA newsletter, and developed the 2016-2018 program plan that serves as a basis for further program development with the stakeholders.

Communication materials were developed and disseminated.

#### Lessons learned

- The "Foret Classée" that ISLA focuses on in CDI are very political and highly contested. This requires a low-profile approach, as all stakeholders want to first find out what is possible and feasible.
- Many initiatives in CDI and the landscape already exist, and the clear demarcation of ISLA's added value helped gain trust and buy-in from key stakeholders.

## Ethiopia

(Central Rift Valley, Lake Ziway watershed)

#### Private partners

Sher, Castel, Meki Batu Farmers' Union, Verde Beef and AI Foz

#### Other partners

EHPEA, HoA-REC, PAN, World Bank and 3R group

#### Governments

RVLBA, Adami Tulu Pesticide Processing Share Company

#### Main sustainability issues targeted

- Water management
- Smallholder livelihoods

In 2015, ISLA Ethiopia established its multi-stakeholder coalition based on a baseline report and shared understanding of the key interventions that are needed for a sustainable landscape. Field-level sustainability projects were designed and fine-tuned by means of a number of feasibility studies.

## Key planned activities in 2015 versus achievements

### #1 Capacity building

- Contract a landscape manager.
- Make agreements with implementing partners.

#### Achievement

The ISLA manager in Ethiopia was recruited in Q2, 2015 and started in June based in Ziway. The manager acts as a spider in the web in the landscape.

#### Deviation

Agreements with IPs not yet made, as more time is needed to engage the stakeholders and agree on joint actions

### #2 Data collection

- Make inventory of available (baseline) data about landscape.
- Conduct complimentary baseline studies (e.g. remote sensing).

#### Achievement

MetaMeta and Acacia Water undertook a baseline study in the landscape in Q3 2015, mainly focusing on environmental issues – especially water quality and quantity.

### #3 Project planning and stakeholder management

Refine vision/approach; define landscape boundaries, stakeholder mapping and engagement strategy; hold regular meetings; set up governance structure.

#### Achievement

The key issues and priority areas for ISLA Ethiopia were identified and the landscape boundaries determined (Central Rift Valley with a focus on the area around Lake Ziway to start with). The multi-stakeholder coalition was established in September 2015, made up of private, public and CSO players. In total, two stakeholder meetings were organized and a large number of bilateral meetings took place with stakeholders in and outside the landscape (Worldbank, Waternet, Pan-UK, flower growers in Ziway, etc.).

#### Deviation

Governance structure under development, irregular stakeholder meetings held.

### #4 Analyses to support intervention selection

Give policy advice and conduct feasibility studies to support selection and planning of interventions.

#### Achievement

In addition to the baseline results, the consultants also identified key hotspots and recommended joint actions in line with the ISLA selection criteria that take into account potential impacts at landscape level. Additional studies on GLOBALG.A.P. and water-saving irrigation techniques were conducted to support business case development and give required input for proposal development.

#### Deviation

From Q4 2015.

### #5 Joint actions

- Define/agree on first interventions.
- Start implementing.

#### Achievement

In the stakeholder meeting that was hosted in September 2015, the key issues and priorities in the landscape were discussed and agreed with the stakeholder coalition, according to the baseline results. Initial interest from stakeholders in a number of topics formed the basis for definition of key joint interventions on replanting, good agricultural practices, and landscape restoration in the upper catchment. First proposals were under development in Q4 2015.

#### Deviation

No joint actions contracted or implemented.

The collaboration with RVLBA is delayed, and the feasibility of a water allocation and payments plan has been postponed. The organization is quite new and has a limited capacity; collaboration on a larger scale is expected towards 2017.



## #6 Co-funding

Identify and secure co-funding.

### Achievement

The ISLA team identified opportunities for co-funding of both public- and private-sector partners. The potential within the landscape so far is limited and no agreements have yet been made. The World Bank launched a new program in Ethiopia in 2015, and has engaged IDH as key private-sector leverage partner for the 2016-2026 period.

## #7 Communication

Develop and disseminate communication materials.

### Achievement

In 2015, ISLA Ethiopia developed a number of articles for the ISLA newsletter.

### Lessons learned

- Public-private partnerships are new in the Ethiopian context; this requires a different approach than in other landscapes.
- Lack of institutional capacity and availability of co-investment budget of public partners (RV-LBA, Woreda's) hampers direct collaboration.

## Brazil

(State of Mato Grosso)

### Private partners

Aprosoja, Amaggi, ABIOVE, JBS, Marfrig, Cargill, ADM, CGF, FEFAC, Famato, Grupo Roncador, IMEA and SENAR

### Other partners

Agrolcone, BNDES, McKinsey, EII, Solidaridad, ICV, TNC, IPAM, ISA, PMS and TFA

### Governments

Office of the Governor of Mato Grosso; Mato Grosso Secretaries of Rural Development, Environment, and Economic Development; Federal Ministry of Environment and Federal Ministry of Agriculture

### Main sustainability issues targeted

- Deforestation

- Smallholder livelihoods

In 2015, a public-private coalition was formed, including the state government, producer associations, companies such as Amaggi and Marfrig, and NGOs such as Earth Innovation Institute and IPAM. The basis for this coalition was an analysis of the key green growth interventions needed, in which IDH helped set targets on production, protection and inclusion. IDH developed a supporting baseline and business cases for soy and beef, and was instrumental in bringing the private sector into the coalition.

### Key planned activities in 2015 versus achievements

#### #1 Capacity building

- Contract a landscape manager.
- Make agreements with implementing partners

### Achievement

The team was centered around an expert seconded from Agrolcone to manage the program, and two consultants convening at landscape and national level. The team transitioned to one with its own program head.

#### #2 Data collection

- Make inventory of available (baseline) data about landscape.
- Conduct complimentary baseline studies (e.g. remote sensing).

### Achievement

The analyses of the forest code compliance and pasture intensification business cases by Agrolcone were completed at the beginning of 2016, providing information for pilots on the ground and the design of the de-risking fund. A study by Solidaridad and Agrolcone provided the baseline for the program.

#### #3 Project planning and stakeholder management

Refine vision/approach; define landscape boundaries, stakeholder mapping and engagement strategy; hold regular meetings; set up governance structure.

### Achievement

In December 2015, the governor of Mato Grosso presented the state's green growth plan – called

the “Produce, Conserve and Include” plan at the COP 21 in Paris. IDH is a member of the public and private coalition that governs the plan.

#### #4 Analyses to support intervention selection

Give policy advice and conduct feasibility studies to support selection and planning of interventions.

##### Achievement

See: Data collection.

#### #5 Joint actions

- Define/agree on first interventions.
- Start implementing.

##### Achievement

By December 31, 2015, the interventions had been defined as part of the green growth plan, and a start was made in developing a pipeline of projects with partners accordingly.

##### Deviation

No joint actions contracted or implemented.

#### #6 Co-funding

Identify and secure co-funding.

##### Achievement

The potential for co-funding was explored, and sources of public- and private-sector co-funding identified. NICFI has committed as public co-funder, and an MoU with Althelia was signed to work together in Mato Grosso in the 2016-2026 period.

#### #7 Communication

Develop and disseminate communication materials.

##### Achievement

Communication materials, including factsheets, tailor-made presentations, banner and landscape-specific infographics, were developed in both English and Portuguese.

Articles about the progress on the landscape were disseminated to international stakeholders (including donors, businesses and NGOs) via the ISLA newsletter.

ISLA/IDH received news coverage after joining the PCI coalition in December 2015. The well-known Valor magazine wrote an article about ISLA/IDH on December 8, 2015.

First steps were taken to create a landscape communication strategy (which includes newsletter, media plan, etc.) to be finalized in early 2016.

#### Lessons learned

- Ownership by local government is critical to convincing the private sector to invest in the landscape in Mato Grosso. This implies that the government has a central convening role in the public-private landscape coalition.
- IDH's role is twofold. Firstly, to provide background support to the government in its convening role – as well as general support to, and participation in, the public-private partnership. Secondly, to facilitate links with the international private sector and investors for market demand.
- To fulfill our role properly and provide real added value, it is important for IDH representatives to be present in the discussions and decisions on the ground. This resulted in the local ISLA Brazil team by the end of 2015.
- IDH had to build a network within the beef sector, traditionally not a commodity IDH worked on. This created new opportunities for collaboration and more political clout.

## Learning

Learning and Innovation is central to IDH proposition (see more on this in the dedicated chapter on Learning & Innovation), enabling our program coalitions to deliver impact at scale. Focus is on developing knowledge, learning by doing, and building and verifying business cases that enable scaling up. Given that the ISLA approach is innovative, IDH's Learning and Innovation

focuses of three work streams each with a set of planned activities:

1. Mobilize knowledge and resources of frontrunners;
2. ISLA capacity building and learning;
3. Sharing learnings with businesses, practitioners and influencers.

Work stream	Planned activity	Achievements	Deviations
Mobilize knowledge and resources of frontrunners	Business practitioners event	Co-convened the landscape session in Sustainable Food Lab, bringing business from the ISLA landscapes.  Launched landscape learning hub in partnership with WBCSD, TFD and SFL.	
	ISLA "Landscape convener practical guide 1.0"	Developed an internal guide for (IDH) landscape conveners and managers. It will be published for global audience in 2016.	In addition to the practical guide, IDH co-developed and launched the flagship publication Little Book on Sustainable Landscapes, in partnership with GCP, EcoAg, TNC and WWF, at the Global Landscapes Forum.
ISLA capacity building and learning	Face-to-face meetings ISLA managers/ conveners, peer-to-peer exchange	Two 2.5-day ISLA learning days (an IDH internal learning community) organized, inviting partners to share and exchange knowledge.  One landscape convener exchange (Ethiopia-Kenya) conducted.  Peer-to-peer exchange held on intervention design.	
	ISLA multi-stakeholder coalition	In 2015, learning and innovation focused on developing the multi-stakeholder coalitions and their action plans using the "plan-act-reflect" methodology.	
Sharing learnings with businesses, practitioners and influencers	Network building	The main platforms for network building have been the Global Landscape Forum and the TFA2020 initiative. IDH also entered into an MoU with the World Business Council for Sustainable Development (WBCSD) and the Tropical Forest Dialogue (TFD).	Presentations and networking in landscapes and at global fora, including at the GLF in London and Paris, TFA2020 global and regional events, Forest Dialogue in Riau Indonesia, London VCS-hosted meeting in verified sourcing from landscapes, LANDAc, and the Ministry of Foreign Affairs in the Netherlands.

## Risk Assessment

Risk	Mitigating action undertaken
ISLA lacks the authority, legitimacy, and resources to convene the key stakeholders around the landscape challenges.	Looked for complementarity with government, private sector and civil society programs, making sure ISLA adds/fills a gap. By using the stakeholders' momentum, a common agenda was formulated.
Lack of interest from private sector. Private-sector engagement is key for our intervention and there is a risk of not achieving full potential.	Used the existing private-sector network of IDH's commodity programs in all landscapes, which enabled high-level commitment and entry into sectors new to IDH.
Risk of not getting the right local stakeholders and initiatives on board, or getting an unbalanced representation of stakeholders in the program.	Designed the multi-stakeholder governance structures on the basis of extensive stakeholder mapping and bilateral meetings, to reach a shared, well-balanced agenda and governance structure.
Risk of not having enough skilled employees to set up and implement the program.	It has indeed proven to be difficult to recruit all team members. With the help of partners (public, private and civil society) we have been able to overcome this hurdle.

# Grow Africa

# GROWAFRICA

Last year, IDH signed a partnership agreement with the Grow Africa initiative of the World Economic Forum (WEF), African Union and the New Partnership for Africa's Development (NEPAD), announced at the Abuja regional Grow Africa summit. IDH fulfilled a key role to help transform high-level commitments of Grow Africa members into successful programs on the ground. For this purpose, IDH deploys local conveners in different African countries (Nigeria, Tanzania, Kenya and Malawi). In 2015, these people have become fully operational, and work very closely and effectively with the Grow Africa team of WEF.

So far, we have engaged with tea programs in Tanzania, Rwanda and Malawi, and are exploring the opportunities for a cassava intervention. In addition, IDH is co-chairing the Smallholder Working Group with Grow Africa to explore models of sustainable investment and smallholder sourcing. Meetings of the Grow Africa Finance Working Group are chaired and attended by IDH's Innovative Finance team.

## Tea

Grow Africa's tea programs have been integrated into our overall tea commodity program, and are therefore reported in the Tea section of this annual report.

## Cassava

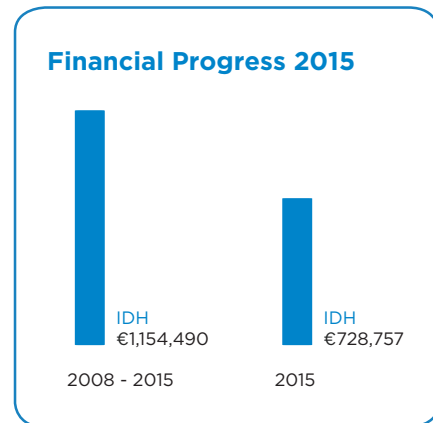
Due to IDH's experience of working with cash-crop supply chains, Grow Africa (GA) asked IDH to cooperate on scoping potential growth (with smallholder inclusion) of industrial cassava processing in sub-Saharan Africa. While a lot of work has previously been conducted on cassava as a food crop, very little has been done on cassava as a cash crop for industrial processing.

IDH/GA presented the findings of the first scoping exercise at a multi-stakeholder meeting at the Alliance for a Green Revolution in Africa (AGRA) in Nairobi in February 2015. Two key actions came out of the meeting:

1. To create Industrial Cassava Platforms for cassava processors, end-buyers and other private and public stakeholders;
2. To gain insight on potential market demand of the different cassava derivatives.

IDH agreed to help set up three national platforms and to gather information about the current, addressable<sup>22</sup> and latent market demand for cassava derivatives in

22. Addressable market demand refers to market demand which could be addressed in the next five-seven years given the availability of enough access to finance.



Ghana, Mozambique and Nigeria. The results of these studies were presented at the Grow Africa Investment Forum in June 2015 in Cape Town, and led to the following conclusions:

1. The platforms are operational, and the results of the study provide a realistic indication of market demand and the costs/benefits of developing the supply base.
2. (Mid-sized) processors have difficulties in getting access to finance. Donors and development banks see agriculture in general, and cassava in particular, as high risk. The lack of a credible pipeline of investments/projects is an additional hurdle.
3. Smallholders are not seen as a reliable sourcing opportunity in terms of high-quality and consistent supply by most processors and financiers. Most processors need support to be inclusive of smallholders, and most financiers want the reassurance of technical assistance packages and de-risking measures regarding smallholder inclusion in their supply base.

Access to finance is generally considered to be the missing link, but all parties are waiting for another to make the first move. In collaboration with the African Development Bank and Grow Africa, and contracted by

IDH, Dalberg Consultants scoped a credible pipeline of investment potentials.

#### **Smallholder Working Group**

In 2015, we made extensive progress on the smallholder inclusion agenda. In partnership with Grow Africa, IDH is coordinating the Smallholder Working Group, in which practitioners, local and international companies, NGOs, and social investors share their experiences and challenges when working with smallholder business models. The sharing of concrete experiences is seen as very valuable by the members of the group.

IDH is also the key knowledge provider for the group. The group has regular calls on specific topics, in preparation for which IDH (in collaboration with an

external expert) prepares strategic notes on each topic. Based on case study input from group members and key discussion points, briefing papers are being produced and shared with a wider audience via both Grow Africa and IDH's websites.

In June 2015, at the annual Grow Africa Investment Forum, we published a booklet on business models for smallholder inclusion (based on the strategic notes of the Smallholder Working Group and other relevant IDH work). Through studying eight new service delivery models, we have gained insights into the (economic) benefits of such models for both the farmer and the service provider. These findings are providing opportunities to continue working on this topic with our partners in 2016.

# Innovative Finance



Smallholder  
Finance  
Facility

To support and upscale the work done by IDH's sector programs, such as cocoa and cotton, IDH has continued to develop an Innovative Finance team in 2015. The team's core work is to catalyze financial institutions and IDH supply chain partners to make high risk investments in small-scale producer operations, which will improve both the sustainability of these supply chains and/or landscapes and the livelihoods of the producers. The investment required and the risk involved in moving small-scale producers (typically smallholder farmers) to an economically self-sufficient level is generally great, and requires financial instruments beyond the scope of traditional development grants. However, we see that financiers are reluctant to take direct risk in this field, considering the uncertainty of return associated with medium- and long-term upstream financing.

## Main sustainability issues targeted

- Livelihoods of smallholder farmers
- Sustainability of business practices
- Inclusiveness of economic growth
- Access to upstream sustainable finance

## Financial Institutions

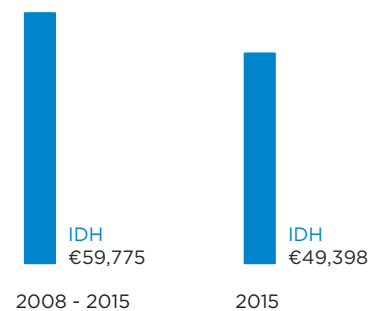
FMO, IFC, ABN AMRO, Rabobank, JP Morgan, AgDevco, Root Capital, Deutsche Bank, Advans, GAFSP, OPIC and Althelia

## Supply chain partners

Cargill, Ecom, Barry Callebaut, Unilever, Kennermer Foods, Wilmar, Mars, Cemoi, Yara, Sime Darby, Golden Veroleum, Louis Dreyfus, Machu Picchu Foods and Bernard Rothfos

Using IDH's grants to share the initial first loss, the Innovative Finance team catalyzes a market for upstream financing of on-farm or in-community investments both on a global and regional basis. IDH intends to drive a strong learning agenda on the back of this field work, to close the "uncertainty gap" for other potential financiers interested in this space, but also to develop learnings with its supply chain partners on what is required to deliver supply chain financial solutions to drive upstream sustainability gains.

## Financial Progress 2015



In 2015, IDH's intention was to deliver a strong pipeline of potential innovative finance projects and broaden its base of financial partners. Furthermore, the goal was to improve the industries' understanding of innovative finance (a learning agenda) and the solutions it can bring (more broadly than just through IDH).

## Actions undertaken

During 2015, IDH's innovative finance team succeeded in strengthening its engagement with FMO, the Dutch Development Bank, to develop ways to facilitate farmer financing. Together, IDH and FMO set up the Smallholder Finance Facility (SFF) with €50 million in debt and grants available. During 2015, SFF started working with a number of supply chain companies on potential projects, specifically in the cocoa, cotton, and coffee supply chains. The SFF worked on two concrete deals in particular, one being approved by the credit committee of FMO, the other not yet at that stage. FMO and IDH held bi-monthly meetings at Board level, to maintain momentum on the initiative and to drive the product development phase, as new processes need to be implemented in both organizations to manage such innovations.

In 2015, the Innovative Finance team also engaged and created partnerships with other financial institutions and impact investors, in particular ABN AMRO Bank and International Finance Cooperation (IFC). IDH is currently well-advanced on a few projects with these partners, all focused within IDH's sector programs.

Given the unpredictability of upstream financing, the Innovative Finance team has been able to broaden its reach in 2015 and build a more robust pipeline of projects across multiple supply chains and financial partners.

IDH presented a paper at the World Economic Forum in Davos (in January 2015) on financing deforestation-free

sustainable oil palm. It was presented together with Unilever and gained significant traction.

Furthermore, at the IDH R&R Forum, IDH presented on innovative finance and hosted a panel with some of its partners, including FMO, IFC, ABN AMRO and Rabobank.

### Lessons learned

- When developing innovative finance projects, it is critical to involve and get buy-in not only from the sustainability managers of private-sector companies, but also from the business and finance departments. Decisions on financial risk are typically taken by the finance departments together with the business unit, while the operational requirements IDH and the financial partner insist on are delivered by the business unit; sustainability plays a smaller but critical facilitating role.
- The information asymmetry between the investors (IDH and the financial institution) and the supply chain company is large in an innovative finance project. It is therefore critical for financial institutions to put measures in place to enable them to take more risk; IDH's willingness to take first-loss is a large enabler for this.
- Because of their innovative nature, Innovative Finance projects require a significantly longer development cycle than financial institutions, private-sector companies and IDH itself are used to. Keeping up motivation and focus, as well as making resources available during the project, are critical for success.

### Risk Assessment

Risk	Mitigating action undertaken
Not being able to create effective partnerships with financial institutions.	Hired resources with strong economic and business acumen skills; spent significant time with partners (financial and supply chain) building consensus on approaches to financing projects.
Not finding suitable smallholder finance projects.	Used IDH's existing supply chain networks to create market development opportunities.
Projects not well linked to existing IDH sector program work and focus.	Drafted an internal memo on how to develop sector projects that could lead to innovative finance projects; collaborated with program directors to link into existing program projects; maintained project criteria in line with impact goals of existing IDH sector programs.
Not finding a suitable exit strategy for each innovative finance project.	Developed potential theoretical exit strategies; started discussion early with local financial sector to develop partnerships for the supply chain and smallholders with these institutions. Built an exit strategy into a project at the beginning (including IDH's exit prior to other partners), and agreed this with other risk-sharing partners in the contracting phase.



# Retail and A-brand manufacturing engagement

IDH strongly recognizes the importance of front-running international retail and manufacturing companies in its programs. It has proved to be complicated to engage retailers on commodity-specific interventions. IDH believes that in order to fulfil its multi-year plan 2016–2020, retail and manufacturing companies have a role to play in building solutions to environmental and social sourcing risks in the supply chain, giving advice on sourcing regions, and having an ongoing dialogue on emerging risk issues.

During 2015, IDH started several key activities to increase the engagement of international retail and manufacturing companies:

- Engagement and outreach:** Outreach to leading consumer goods companies in Europe in particular has been ramped up. A new structure is in place with one IDH senior program manager being accountable for the engagement with retailers and manufacturers, acting as a key account manager. IDH also became a member of the Consumer Goods Forum (CGF), and was represented at a number of global consumer goods meetings and conferences.
- Recognition:** This engagement and outreach has led to increased recognition by key European retailers, who confirm that they see IDH as an “innovative implementer with a pragmatic approach”. Now that leading retailers have their sustainability strategies in place, they are looking for implementation support, and IDH is considered an action-oriented party that will be able to help them meet their business objectives.
- Retail Advisory Board:** A good start has been made with establishing a Retail Advisory Board, which will oversee IDH’s work and provide input on emerging supply chain risks and sourcing areas. The Board will consist of around ten leading retailers, and will meet twice a year.
- Fruit and Vegetables:** A new covenant has been signed for processed Fruit and Vegetables. Signatories include COOP Switzerland, Friesland Campina, ICA, Innocent, Jumbo, and Superunie.
- Palm Oil:** With the European Sustainable Palm Oil project, IDH is engaging with a large number of European retailers and manufacturers to achieve 100% sustainable palm oil in Europe by 2020.
- Soy:** Together with KPMG, IDH has initiated a soy footprint reporting pilot with four leading British retailers (Asda, Marks & Spencer, Sainsbury, and Tesco).
- Fresh and Ingredients:** The new Fresh and Ingredients program – started in 2016 – was designed and tested with key industry players in 2015. This program is aimed at retailers with a global presence, and will bring together categories that are typically non-branded, on-shelf, and driven by three main ambitions:
  - Secure reliable volume and quality of sustainable products, and reduce price risk in a volatile commodity prices environment;
  - Create transparent and traceable supply chains to assure food safety;
  - Mitigate social and environmental reputational risks.



# Supporting activities

# Learning & innovation

To be an effective convener, IDH needs to be recognized as a knowledgeable partner at a senior level in business, government and civil society. IDH must therefore pull together the best science and industry know-how, the latest thinking on trends and issues, and use that to inspire better practices across sectors. Innovation and learning need to be driven by partners in order to deliver scalable impact, thereby making sustainability part of the core business. Learning and innovating is a shared responsibility of all sector programs, but the Learning & Innovation team plays a driving role in this process.

## Achievements in 2015

In 2015, the Learning & Innovation team made extensive progress on the smallholder inclusion agenda. With Grow Africa, we published a booklet on business models for inclusion of smallholders. Moreover, through studying eight new service delivery models, we gained insights into the (economic) benefits of such models for both the farmer and the service provider. We will continue working on this topic with our partners in 2016.

We have also started a new learning work stream on renovation and rehabilitation (R&R) of smallholder tree crops in support of our sector programs in cocoa, coffee, tea and palm oil. We developed knowledge on this topic through several studies, which cumulated in an Innovation Forum on R&R held in November 2015 in

Amsterdam. During this forum, participants from various backgrounds discussed how to move the R&R investment agenda forward. The Learning & Innovation team will continue to work on this agenda together with the IDH programs.

Next steps have been taken on defining and improving the deforestation strategies for each landscape. More specifically, the concept of “production protection” has been developed into a business-case approach to investing in landscapes where land-use intensification is combined with the conservation of natural forests. In addition to internal strategies, the Learning & Innovation team has cooperated with various partners to develop the Little Book on Sustainable Landscapes, which was launched at the Global Landscapes Forum in Paris.

In 2015, the Learning & Innovation team also started a partnership with WWF, in which IDH is a founding partner of WWF’s Markets Institute. The Markets Institute is a new thought-leadership platform that identifies and addresses global issues and emerging trends that affect the production of food and other soft commodities, such as increasing sustainable production. The goal of the Markets Institute is to increase the speed and scale of solutions to such issues. As a founding partner, IDH can play an integral role in shaping solutions that make a more sustainable future possible.

## Sector learning

Sector	Learning outcome
<b>Cocoa Fertilizer Initiative</b>	The Learning & Innovation team helped to facilitate the Scientific Committee of the Cocoa Fertilizer Initiative and its knowledge agenda. Activities included the one-week visit to Cote d’Ivoire by the Scientific Committee to monitor research projects in the field and to discuss the future knowledge agenda, followed by a well-attended Soil & Nutrition Knowledge Forum in Abidjan.
<b>Palm Oil</b>	In the palm oil program, we started field research on step-by-step intensification of smallholder production, together with SNV and Wageningen UR.
<b>Coffee</b>	We organized an expert workshop on input finance for coffee farmers in East Africa with DEG, ICO, 4CAssociation and AFCA. As a follow-up to the workshop, we executed a pre-feasibility study on options for innovative input finance schemes with the Initiative for Smallholder Finance. The output of this pre-feasibility study is currently being used for the design of a new program in Tanzania.
<b>Cocoa</b>	The insights gained from the SDM study have been used to improve the design of the “Farm & Coop Investment Program” in Côte d’Ivoire.

## Cross-sector learning

Theme	Learning outcome
Smallholders – Renovation & Rehabilitation	<p>With our partners, we have developed learnings on renovation and rehabilitation (R&amp;R) of smallholder tree crops through three studies:</p> <ul style="list-style-type: none"> <li>• With Rabobank and IFC, we have analyzed best practices worldwide</li> <li>• With Root Capital, we have drawn up learnings from their systemic blended finance approach to coffee farm renovation and rehabilitation</li> <li>• With Dalberg, we have assessed the supply and demand for R&amp;R in the coffee, cocoa, tea, and palm oil sectors</li> </ul> <p>Based on these findings, we have organized an Innovation Forum on R&amp;R. Representatives from the coffee, cocoa, tea and palm oil sectors came together with financial industry and agronomic experts to learn, share and shape approaches to long-term investments. Around 100 participants from 19 different countries joined to discuss the attributes of success and key building blocks for R&amp;R interventions.</p> <p>Learnings from the studies and the Innovation Forum will be used in 2016 to further develop the work stream on renovation and rehabilitation.</p>
Smallholders – Service delivery models	<p>Together with NewForesight, the second phase of the work on service delivery models was executed, in which eight business models from key partners in coffee and cocoa were analyzed, and a tool was developed to assess and optimize the economic sustainability of service delivery models. One of the partners of the SDM project already used the outcomes of the SDM analysis to adjust its overall strategy.</p> <p>In cooperation with Grow Africa, we published a booklet on business models for the inclusion of smallholders.</p>
Deforestation and landscapes – Internal learning	<p>The learning team focused on supporting the landscape convener capacity and skills, and defining and improving the landscape program strategies. The ISLA convener learning days have been important in speeding up this learning curve, as have the deforestation day in the office week, and bi-monthly calls. Also, in partnership with EcoAgriculture Partners, the “practical guide for landscape conveners” was developed.</p>
Deforestation and landscapes – Business case	<p>The business case model was tested in Kenya, and used to mobilize the co-funding from private-sector partners. Lack of reliable data on ecosystem services (rainfall, impact of deforestation on the microclimate) limited the stakeholder acceptance of the business case model. The logic behind the model laid the foundation for the ISLA approach. In 2015, the team also developed the “production protection” concept, as a business- and investment-case driven approach to landscapes, where investment in land use intensification for smallholders is combined with setting aside natural forests for long-term conservation.</p>
Deforestation and landscapes – Business learning community	<p>IDH co-chaired The Forest Dialogue (TFD) meeting in Riau on deforestation-free supply chains, together with WRI, WWF and the Indonesian Business Council for Sustainable Development (IBCSD).</p> <p>In partnership with Sustainable Food Lab, we organized a business learning event on landscape collaboration, and researched learning needs of companies who want to work at landscape level. Based on the results of this research, in partnership with WBCSD, TFD and SFL, we launched a “Business in Landscapes Learning Hub” at the WBCSD member summit in Paris at the end of 2015.</p>

# Institutional Cooperation and Partnerships

## The following donor-convening goals were identified for 2015:

- Ensure excellent working relationships with core funding agencies (Dutch Ministry of Foreign Affairs, DANIDA and SECO) through strategic meetings; solidify the “Program and Policy Committee” (renamed as the “IDH Donor Committee” in 2015), which serves as a platform for dialogue between IDH management and institutional donors about a new governance structure.
- Agree on proposals that have been developed for the continued cooperation and funding from the Dutch Government and DANIDA beyond 2014/2015.
- Deepen the partnership with SECO at the institutional level as well as in the market, as the number of Swiss companies participating in IDH’s programs is steadily growing.
- Expand the donor network; diversify and expand the existing IDH funding base; discuss partnerships and cooperation or funding with the UK Department for International Development (DFID), the European Commission’s Directorate-General for International Cooperation and Development (DG DEVCO), the Swedish International Development Cooperation Agency (Sida), the Austrian Development Agency (ADA), the Norwegian Agency for Development Cooperation (Norad)/Norway’s International Climate and Forest Initiative (NICFI) and Irish Aid.
- Work to align the different approaches and strategies towards public-private partnerships in the field of sustainable commodity production and supply arrangements.
- Attract financing for our commodities programs from bilateral donors and international foundations. Seek contributions from bilateral donor budgets managed by embassies and regional donor agencies in order to scale up our commodity programs – e.g. cocoa in West Africa, cashew in Mozambique, coffee in Ethiopia, etc.

## Achievements in 2015

Our existing institutional donors (Dutch Ministry of Foreign Affairs, SECO and DANIDA) have committed to harmonizing bilateral interaction with IDH on a strategic level, by establishing the IDH Donor Committee. This Committee meets twice a year (in February and September) to discuss longer term strategic issues and high-level

annual plans. In 2015, the Donor Committee met three times; an additional meeting was held in June to discuss the plan towards 2020. Donors provided valuable inputs concerning the structure of the plan, IDH’s overarching organization strategy, and its program strategies. One of the key outcomes of the June meeting was the decision to develop a public version of the multi-year plan (MYP) to be used for communication purposes; the MYP 2020 was approved by all donors later in 2015. Other topics on the Donor Committee’s agenda are the Result Measurement Framework, the impact evaluation plan, and finances.

Other achievements at bilateral level in 2015 included:

- DANIDA approved the second phase of the cooperation agreement with institutional funding of €6 million for 2016 and 2017. As part of the approval process, DANIDA conducted an organizational assessment of IDH, which was positive. To promote the partnership, DANIDA and IDH co-organized an outreach event in Copenhagen that was attended by public and private Danish partners.
- After the approval of the MYP 2020, the Dutch Ministry of Foreign Affairs’ Sustainable Economic Development Department (DDE) finalized the new subsidy ruling for institutional funding of €100 million up to 2020. Within this budget, a specific amount is set aside for innovative financing in 2016 and 2017.
- Discussions started on the next phase of the partnership with SECO. It was agreed to budget-neutrally extend the partnership.
- For the DFID tender on rainforest protection, IDH worked on the development of a proposal within a consortium, which unfortunately was not selected. However, IDH may respond to the call for proposals that can be expected from the winning consortium during the first half of 2016.
- We had ongoing interaction with the EU’s DG DEVCO to prepare the tender that was published in the first quarter of 2016 on sustainable supply chains.
- A proposal was developed for Sida, but due to internal reorganization within Sida the proposal has not been assessed. Our engagement with Sida continues, both at the Stockholm level and at the level of Swedish embassies in program countries.

- In December 2015, IDH signed a cooperation agreement (valued at 50 million NOK – around €5.2 million) with Norway aiming to reduce deforestation in landscapes in Indonesia, Liberia and Brazil. In 2016, IDH and Norwegian counterparts will build on this with the aim of upscaling the collaboration in seven landscapes in these three countries.
- At regional and local level, IDH engaged with a number of actors, such as the International Finance Corporation (IFC), the African Development Bank, and local embassies in our countries of operation. We have established a concrete collaboration with IFC on cocoa in Cote d'Ivoire. IDH is also in dialogue with some of the main private foundations on our agriculture work, particularly on Africa-related programs.

In the first half of 2015, the partnerships team was dealing with organizational challenges as two team members left the organization. In the latter part of 2015, the team was rebuilt with a new Partnerships Director coming on board.

# Risk management

Managing internal and external risks is an essential part of our daily operations. Risk management is primarily done through:

- Monthly reporting of financial, legal, reputational and operational risks, which are discussed during the management team meetings;
- Weekly management team meetings to ensure that risks are continuously being identified and mitigated where needed;

- Regular due diligence checks and assessments of partners, using the IDH ICERS policy and implementation framework as guidance;
- Flagging programmatic risks in scheduled program reviews (three-four times per year depending on the program), during which significant issues are discussed and decisions made jointly by program staff and the management team.

Program-specific risks are detailed in the program chapters of this annual report.

Risks	Mitigating action undertaken
Tension between need for funding and speed of spending undermines the credibility of IDH with donors, and affects quality of intervention programs.	Intensification of our pipeline in 2014 resulted in much higher and more predictable spending in 2015. The guiding management principle here is that spending pressure is never an excuse for lowering contractual ambitions for impact.
Staffing not up to the required level for the significant IDH ambitions.	Recruitment of new talent and IDH's staff training program are tuned to ensure the quality required to match ambitions. This internal competence strategy is being shared with all employees. Growing number of examples of feedback from program partners underline appreciation for staff skills and maturity.
Reputation of IDH seriously harmed by program or partner calamities.	Formal and informal continuous risk management processes. No serious issues to report in 2015.
Decrease in political support from lead donors affects short-term funding.	Management and Supervisory Board attention to successfully maintain good level of support from current institutional donors, <i>collectively</i> reflected in the donor meeting set-up, and <i>bilateral</i> in challenging each others realities to maintain political support. New funding formalized from Dutch, Danish and Norwegian governments. New fundraising strategy focusses on raising additional funding beyond current donor commitments.

# Operations

The key challenges for Operations in 2015 were:

- Improving management processes around financial control, contracting pipeline and forecasting, and strengthening donor relations and related reporting;
- Managing growth in staff numbers, and professionalizing HR processes;
- Building an internal competencies set to support strategic IDH ambitions.

## Improving management processes

During 2015, project contracting and management processes were further enhanced in order to improve our internal management of allocated program spending funds. The IT system to support these processes was developed and implementation began, it is facing delays in terms of rollout, however, due to functional design issues and limited availability of internal experts to address these.

A fundamental repositioning of program finance resources and processes, nicknamed “OPS 2.0”, was implemented to improve reporting and control processes between program teams and Operations. In essence, finance employees were embedded in program teams in order to ease reporting communications with implementing partners and to relieve program teams of some administrative tasks.

In addition, management information was further structured and presented during monthly meetings with program directors and to the management team. This has contributed to improved forecasting and pipeline-management. We also maintained the risk management processes and program review cycles.

Donor meetings were further strengthened, improving alignment with and between donors on mutual concerns, including progress reporting. This contributed to a new Result Measurement Framework for IDH (see chapter on Monitoring, Evaluation and Impact Assessment), which was approved and is being implemented.

## Human Resources

As the organization grows, it continues to develop in terms of professional skills and experience on all levels and within all different areas of responsibility. IDH manages to attract amazing talent, which is committed to its mission, and has the flexibility to develop, innovate and professionalize in parallel with the organization.

Staff members at headquarters in the Netherlands	Target 2015 (FTEs)	Dec 31, 2015 (FTEs)
Executive Director	1	1
Program Directors	2	3
Director Public Affairs	1	0
(Senior) Program Managers	9.3	10.4
Program Officers	12	12.5
Learning staff	4	4.4
Office support	3.3	3.4
Operations support	10.8	13
Communications and Public Affairs	5.8	4.8
<b>Total</b>	<b>49.2</b>	<b>52.5</b>

Staff members in Indonesia office	Target 2015 (FTEs)	Dec 31, 2015 (FTEs)
Program Director	1	1
Program Manager	2	2.9
Program Officer	2	3
Office staff	1	1
<b>Total</b>	<b>6</b>	<b>7.9</b>

Total staffing costs remained within budget, despite the growth in the number of FTEs above our target. Looking at where we grew our number of FTEs, we further strengthened our human resources in strategic areas:

- We hired an additional program manager for Innovative Finance.
- We promoted our Senior Program Manager Landscapes to Director level in view of the rapid and strategic expansion of that program.
- We increased our capacity in Indonesia and other landscapes.
- Due to the implementation of OPS 2.0, additional finance employees were hired in Operations.
- Equally important is the ongoing strengthening of the competencies of our staff. In 2015, we expanded our



cross-IDH training program to include more junior staff (levels 1 and 2), while deepening the practical application of competencies trained in 2013/2014 with the senior staff (e.g. reflection on intervention logic and convening skills). Ongoing sharing and learning was facilitated in so-called “white space” sessions, allowing organization-wide participation on joint program challenges. We also continued our half-yearly IDH@Office Week; this involves all IDH employees deepening their understanding of our strategy, impact areas and operations.

### **Employee engagement**

In 2015, we carried out our third IDH annual engagement survey. The employee survey indicated the need to strengthen management attention for recognition, transparency on HR issues and workload, which we translated into actions such as expanding our support staff, communicating the HR package, and more attention overall to the wellbeing of our staff.

Together with the Employees’ Council, a quarterly “temperature check” was carried out to engage staff on a regular basis and gauge the (rather high) stress levels in the organization.

As of 2015, all employees are entitled to a “defined contribution” pension scheme. During the course of the year, a new benefits package was agreed and implemented within IDH. We also began refining our staff performance measurement system, including more innovative ways to give and receive peer feedback on performance (to be finalized in 2016).

# Monitoring, Evaluation and Impact Assessment

In mid-2014, IDH started professionalizing its monitoring and evaluation system and processes by developing a new Result Measurement Framework (RMF). Over the course of 2015, the development process was finalized, resulting in an overarching monitoring and evaluation framework that will be the basis for measuring and reporting on IDH's progress during the new strategic period (2016-2020). The framework will be applied from January 2016 to all new contracts related to the 2016-2020 strategy.

The framework is based on the standard for measuring results in private-sector development formulated by the Donor Committee for Enterprise Development (DCED). The standard is used as guidance to continuously improve the monitoring and evaluation practices at IDH. It structures the annual monitoring of key performance indicators (at output and outcome level) of the commodity programs, and it gives direction for the impact studies that will be conducted by independent third-party impact evaluators.

Compared to IDH's previous monitoring and evaluation system, the Result Measurement Framework is an improvement on four dimensions:

**1. Harmonization across IDH's commodity programs in terms of indicators, definitions and measurement methodologies:** A limited number of indicators are compulsory for all programs; others are selected on the basis of alignment to the overall program logic. Throughout 2016, the result chains of all programs will be updated and new insights will be embedded in an updated version of the RMF by the end of 2016.

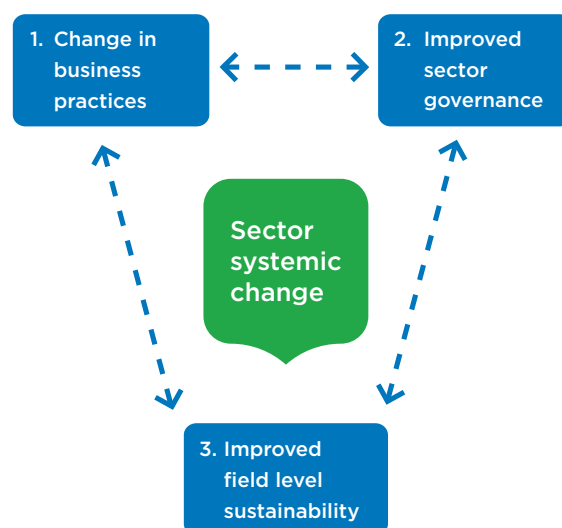
**2. Introduction of indicators for measuring social and environmental impact at field level and sector transformation effects:** IDH wants to move beyond certification, and focuses on measuring the most relevant outcome- and impact-level changes. Four impact areas have been identified under the new 2016-2020 strategy: smallholder inclusion, reducing deforestation, improving working condition (including living wages and gender) and reducing toxic loading.

**3. Re-definition of IDH's result areas, including changes in business practices and improving sector governance**

23. The Donor Committee on Enterprise Development (DCED) is a global forum of 24 donor and development agencies working together to increase the effectiveness of private-sector development (PSD) in developing countries across different PSD approaches. The DCED Standard was first developed in 2008, in collaboration with practitioners and consultants in the field.

24. In order to create robust and credible guidance protocols for key performance indicators, IDH contracted two experts from

**nance:** Systemic changes in the sector are a pre-condition for enabling field-level changes and for sustaining and upscaling the improvements after IDH's involvement.



**4. Quality of the indicator data, to create more robust and uniform definitions and methodologies that are aligned across projects and programs:** The definitions and methodologies are aligned as much as possible with existing initiatives such as the Committee on Sustainability Assessment (COSA), the Food and Agricultural Organization (FAO), and the Sustainable Agriculture Initiative Platform (SAI).

## DCED self-assessment and external review

In October 2015, IDH performed an assessment using the DCED Standard to find out where the organization stands in terms of implementation. This, together with a few other areas of improvement, resulted in an action plan for 2016 consisting of the short- and medium-term priorities for monitoring and evaluation. The four key priorities that will be addressed during the coming year are:

- An update of the program results chains in full graphical format, clearly highlighting the interconnections between outputs, outcomes and impacts;

the Committee on Sustainability Assessment (COSA) and Plant Research International (part of Wageningen UR) who worked on selected indicator descriptions. The partnership with the Sustainable Food Lab enabled the dissemination of the guidance protocols via the community of practice on sharing impact data and developing joint frameworks for performance and impact assessment (see: <http://www.sustainablefoodlab.org/smallholder-performance-measurement/>).

- Additional training of program teams (and, if appropriate, implementing partners) on results chains and monitoring and evaluation in general;
- Further refinement of our attribution measurement and “indirect” on-the-ground impact;
- A detailed impact evaluation plan with an impact committee and external consultant hired through a European tendering process (see impact assessment below).

In addition to this self-assessment, an external assessment was conducted by two consultants with practical experience in the DCED Standard in order to identify the extent to which IDH is meeting the different elements of the standard, and to identify strengths and weaknesses of the Result Measurement Framework. Overall, the review aligned with the self-assessment. Both concluded that IDH has developed a comprehensive measurement framework – complete with common indicators, definitions and measurement methods – which provides the basis for credible and consistent reporting on aggregate program-wide results. The gaps to be addressed include better articulation of the results chains and a more systematic approach to attribution.

### Baseline measurement

In November 2015, IDH started the process of collecting baseline information for all of its programs. A baseline measurement defines the situation at the starting point of the new program strategies (i.e. the beginning of 2016). The information obtained can then be compared to the situation over time to see whether the annual targets have been met. After the end of the program (i.e. 2020), the baselines can be used to establish what changes have occurred and where IDH has been making

a difference. It is therefore an essential part of the multi-year strategy.

Baseline information has now been collected for all the indicators in the program strategies for each of the three results areas of the Result Measurement Framework. The output and outcome indicator baseline values were collected by the program teams themselves, derived either from the implementing partners, through stakeholder consultation, or via self-assessment. The results of the baseline measurement were made available in March 2016. The baseline measurement for the impact indicators will be carried out by a third party and established by the end of 2016 (see impact evaluation below).

### Impact assessment

Following the strengthening of IDH’s monitoring and evaluation program and the new Result Measurement Framework during 2014-2015, a series of baseline studies were started to assess the field-level realities in 2015 (see table below). The selected baselines fit in the new strategy 2016-2020 in which IDH will engage in 11 sectors with a focus on addressing deep impact issues (“high-hanging fruits”) on the impact areas defined.

- The baselines for palm oil feed into the deforestation and landscape agenda for Indonesia.
- The baselines for tea in Tanzania, and spices (chili) and cotton in India, are part of the smallholder inclusion and livelihood improvement agenda.
- The baselines for the Karsten Women’s Trust “Newgro” (table grapes) in South Africa specifically target gender empowerment.

Overview of impact studies conducted in 2015	Timeframe
<b>Palm Oil</b>	
Baseline survey of palm oil smallholders in the Lonsum supply base, North Sumatra, Indonesia	Jun 2015
Baseline mapping for PTPN III, IDH, RSPO and Unilever Palm Oil Project, Sei Mangkei, Simalungun, North Sumatra, Indonesia	Jan 2015
Baseline mapping for impact survey. Major Indonesian palm oil company and IDH smallholder support project, South Sumatra, Indonesia	Nov 2015
<b>Tea</b>	
Baseline study into making sustainable smallholder tea farming a viable business in the Mufindi Outgrowers Project, Tanzania	Dec 2015
<b>Cotton</b>	
Livelihoods needs assessment study, Telangana, India	Sep 2015
Livelihoods needs assessment study, Punjab, India	Sep 2015
Livelihoods needs assessment study, Maharashtra, India	Sep 2015
Livelihoods needs assessment study, Gujarat, India	Sep 2015
<b>Fresh and Ingredients</b>	
Baseline impact study of Karsten Women’s Trust “Newgro”, South Africa	Jun 2015
Baseline report on chili cultivation in Guntur and Khammam, India	Dec 2015

In 2016, a new series of baselines studies is planned so that we have a broad foundation to assess IDH’s impact and contribution in the coming years.

# Communication

## In 2015, we planned to:

- Produce a new corporate story;
- Innovate in our approaches to communication;
- Brand IDH more pro-actively in the (European) donor community;
- Build communication for ISLA (formerly SLWP) and Grow Africa.

## Progress on communications plans

**Align and standardize:** In 2015, we developed a new IDH storyline to support our 2015-2020 strategy, and translated this into a wide range of complementary communication materials for different target audiences. Two pitch trainings were organized for program staff to improve their presentation skills. To maintain high standards in communication for our employees both at our headquarters and (increasingly) overseas, we implemented branding guidelines and standard templates.

**Innovate:** In our corporate and program communications, we innovated by developing an infographic house style with a portfolio of icons that enable program teams to think through and present interventions more systematically.

**Develop online communications:** To serve companies, CSOs and donors better, we developed a digital information architecture for our new website that allows visitors to cross-refer between programs, landscapes, approaches, staff members, countries and impact areas. This will also serve the needs of our overseas staff in Vietnam, Indonesia, Brazil, Ethiopia, India, Côte d'Ivoire, Tanzania and Kenya to create overviews per country. The new website is expected to go live by mid-2016. We planned to have all the Prezi intervention logics ready and live by the end of 2015, but due to delays in the programs' intervention logic development the management team decided to postpone this until spring 2016. This also accounts for the department's underspending.

**Gain media attention:** We generated international media attention for IDH and our (landscape) programs, such as cotton, palm oil, spices and ISLA, in national media in countries of origin, Dutch media, and international media like the Guardian, Economist and Financial Times. In total, we were quoted 830 times across all media.

## Landscapes

We developed a threefold communication strategy for our landscape program, resulting in an international-, national-, and landscape-level communication strategy. This is an integral part of the landscape program which was partly designed, tested and implemented during the launch of the Mau Forest landscape program in Kenya. The instant success of this approach proved that we are on the right track. However, the various landscapes differ in terms of development stage, cultural and political environment, and level of stakeholder engagement, each of which calls for a different communication approach. Vital for all landscapes, however, is a steady flow of stakeholder-neutral information that engages, motivates and builds trust. In addition to customized strategies per landscape, this is the backbone of our landscape communication strategy.

## Learning

The communication team has intensified its cooperation with the Learning & Innovation team to be more creative in their communications. This has led to innovative learning facilitation design of the R&R forum in Amsterdam in December 2015, for example, as well as multimedia PDFs, infographics and videos to engage stakeholders and accelerate strategic learning within and outside IDH. Due to this successful cooperation, IDH was able to profile itself as a thought leader on service delivery models, national platforms, innovative finance, and rehabilitation and renovation during the reporting year.

## Fundraising

The communication team has worked with the Fundraising department to co-write fundraising proposals for several different funds, donors and governments. This has resulted in the Norwegian support of our ISLA program, as well as other funding successes.

## Corporate goals

Plan 2015	Target 2015	Results 2015
Make IDH's website a transparent source of information for stakeholders and press, which is instrumental to our learning and convening agenda.	2 news item per week 1,000 visitors per week	125 news items in total 1,800 visitors per week
Ensure IDH and its programs are visible in mainstream and professional international media in support of both programs and donor outreach.	500 quotes in (international) media Social media strategy formulated and implemented	830 quotes in (international) media Twitter: 1,893 followers LinkedIn: 1,261 members
Regularly inform and engage our network.	4 newsletters per year	9 newsletters (including ISLA)
Strengthen our policy network.	2 embassy newsletters	2 embassy newsletters

In 2015, we aligned communication strategies and program interventions to create momentum, materials and events that support program developments. We started

a project to produce intervention logic Prezis per program. We supported the exit of the electronics program.

## Program communication

Sector	Plan 2015	Results 2015
<b>Generic</b>	Regularly update core stories and activities, including PowerPoints, Prezis, web pages, factsheets, Annual Reports, etc.  Develop regular news items and engage the media when PR opportunities arise.  Support and improve senior program managers' pitches for public speaking engagements and behind camera. Develop communication for all commodities in which private partners invest.	Produced updates/communication materials.  Capitalized on several media opportunities.  Organized pitch trainings.  Improved business rationale for private sustainable investments.
<b>Cocoa</b>	Brand the Cocoa Fertilizer Initiative in partnership with the World Cocoa Foundation Cocoa Action plan.  Share cocoa impact study, send bi-monthly membership updates on fertilizer forum activities, and develop fertilizer initiative membership participation through a digital forum and knowledge sharing.	Developed multiple infographics about fertilizer distribution, and developed membership participation.
<b>Cotton</b>	Build media momentum around the milestone of 1 million MT of Better Cotton (BC) lint.  Develop communication for BC credit system.	Interview in Ecotextile.  Developed communication credit system.  Developed video and prospectus for GIF with BCI.
<b>Soy</b>	Build a strategic communication framework around our Brazilian convening approach.  Create a storyline around the stepping-stone approach.  Put pressure on EU industries to increase uptake of RTRS.  Discuss IDH visibility and media relations in general at the annual RTRS meeting.	Developed joint ISLA/soy program story.  Produced video about legal compliance and intensified land use.  Decided not to create media in support of RTRS.  Generated media attention for FEAC commitment.

<b>Aquaculture</b>	<p>Co-formulate retail outreach communication strategy.</p> <p>Build a strong story around the shrimp program.</p> <p>Create communication around the FIT Fund.</p>	<p>Created infographic, updated the FIT Fund website.</p> <p>No intervention for shrimps yet.</p>
<b>Tea</b>	<p>Brand tea as the champion commodity with Forum for the Future and industry partners.</p> <p>Create momentum around market introduction of trustea.</p> <p>Create PR, design and communication around TEAM UP III and Kenya phase-out.</p> <p>Communicate first results of rollout of Malawi KTDA tea factory business model.</p>	<p>Managed joint communication with Malawi program partners, supported TEAM UP.</p>
<b>Electronics</b>	<p>Release anecdotal evidence of effectiveness of beyond-audit approach.</p> <p>Generate worker-management dialogues in international electronics magazines and websites.</p>	<p>Supported the exit of the electronics program with standalone website in China as reference and toolkit for WMD methodology.</p>
<b>Coffee</b>	<p>Continue to raise Sustainable Coffee Program (SCP) brand recognition in the field.</p> <p>Provide retailers and traders with evidence-based stories on the business case for sustainable coffee production, to serve as examples for continued investment.</p> <p>Develop proactive roaster communication of their involvement with the SCP platform without taking reputational risks.</p> <p>Support dissemination of branded materials and keep oversight of key messages in the field.</p> <p>Help continuous improvement of general and country presentations.</p>	<p>Created National Platform publication.</p> <p>Developed Grow Africa SDM coffee publication.</p> <p>Created SCP infographic.</p> <p>Managed Vision2020 and GCP branding.</p>
<b>Palm Oil</b>	<p>Support the Palm Oil Program in using momentum in Europe and Asia to create positive PR for responsible palm oil sourcing and trading.</p> <p>Team up with TFA (members) to formulate palm oil media-outreach strategies.</p> <p>Develop outreach materials to engage producers.</p>	<p>Convened TFA members and used momentum of Dutch EU chair to present MoU.</p> <p>Developed palm oil/ISLA communication strategy.</p> <p>Developed outreach materials and created media momentum around South Sumatra governor, fire-free villages and “Paris”.</p> <p>Generated mainstream media attention for palm oil landscape initiative in Liberia.</p>
<b>Tropical Timber</b>	<p>Create momentum for the EU uptake of responsible tropical timber.</p> <p>Coordinate members of the European Sustainable Timber Coalition in their implementation of the defined communication interventions to increase the uptake of sustainable tropical timber in Europe.</p>	<p>Created materials and gadgets for EUSTTC outreach.</p> <p>Co-organized FSC Indonesia press conference.</p>
<b>Cashew</b>	<p>Develop outreach materials to enthuse the primary target group (processors) to use the cashew traceability system.</p>	<p>Produced traceability video.</p>
<b>Spices</b>	<p>No activities planned.</p>	<p>Developed a large communication outreach during the Knorr international suppliers’ days in Brussels.</p>
<b>Fresh and Ingredients</b>	<p>No activities planned.</p>	<p>Helped develop program core story, key intervention, retail propositions, and communication materials (PowerPoint, factsheets infographic, web pages).</p>

# Summary financial statements

The summary financial statements contain a summary of the annual accounts of Stichting IDH Sustainable Trade Initiative. Goal of the summary financial statements is to provide insight in IDH's financials on an aggregated level. The auditor's report at the end of this section ensures consistency with IDH's annual accounts. IDH's annual accounts are available on request. Both the annual accounts and this summary financial statements, do not reflect the effects of events that occurred subsequent to the date of the auditor's report on those financial statements.

The summary financial statements do not contain all the disclosures required by the Guideline for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board.

Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Stichting IDH Sustainable Trade Initiative.

The following table indicates the key financial figures over 2011 – 2015:

<i>amounts in millions of Euros</i>	actual 2015	budget 2015	actual 2014	actual 2011 - 2015
<b>Program Contributions:</b>				
Private partners – via IDH	3.5	-	2.8	10.8
Private partners – directly to project	59.7	41.4	43.7	149.8
<i>Total private partners</i>	<i>63.2</i>	<i>41.4</i>	<i>46.5</i>	<i>160.6</i>
Other donors – via IDH	0.8	-	0.4	1.4
Other donors – directly to project	3.1	6.4	4.1	20.2
<i>Total other donors</i>	<i>3.9</i>	<i>6.4</i>	<i>4.5</i>	<i>21.6</i>
IDH	29.4	33.1	20.2	84.3
<b>Total Program Contributions</b>	<b>96.5</b>	<b>80.9</b>	<b>71.2</b>	<b>266.5</b>
<b>IDH Budget:</b>				
IDH Program Contributions	29.4	33.1	20.2	84.3
IDH contribution on behalf of private partners	3.5	-	2.8	10.8
IDH contribution on behalf of other donors	0.8	-	0.4	1.4
<b>Total IDH Program Contributions</b>	<b>33.8</b>	<b>33.1</b>	<b>23.4</b>	<b>96.5</b>
Learning, Innovation and Impact	1.5	2.1	1.1	5.0
Support and outreach	1.3	1.5	1.1	4.7
<b>Total Program Related Costs</b>	<b>2.8</b>	<b>3.6</b>	<b>2.2</b>	<b>9.7</b>
Congress and communication	0.2	0.4	0.3	1.8
Personnel	2.9	3.7	2.9	12.7
Organization	1.0	1.2	1.0	4.3
<b>Total IDH organizational expenditures</b>	<b>4.1</b>	<b>5.4</b>	<b>4.2</b>	<b>18.8</b>
Financial income and expenses	0.3	-	-0.1	-0.2
<b>Total Fin income/expenses</b>	<b>0.3</b>	<b>-</b>	<b>-0.1</b>	<b>-0.2</b>
<b>Total IDH Costs (incl contributions via IDH)</b>	<b>41.0</b>	<b>42.1</b>	<b>29.7</b>	<b>124.8</b>
<b>Total IDH actuals</b>	<b>36.6</b>	<b>42.1</b>	<b>26.5</b>	<b>112.6</b>
<b>Total incl. Partner Contributions</b>	<b>103.7</b>	<b>89.9</b>	<b>77.5</b>	<b>294.8</b>
Ratio program contributions IDH: private	1 : 2.2	1 : 1.3	1 : 2.3	1 : 1.9
Percentage IDH Office: Total IDH costs	10%	12%	16%	15%
Percentage IDH Office: Total incl. partner contributions	4%	6%	5%	6%



# Balance sheet

As at 31 december 2015 (after appropriation of result)

	31 december 2015		31 december 2014	
	€	€	€	€
<b>ASSETS</b>				
<i>Intangible Fixed Assets</i>		227,473		363,961
<i>Current Assets</i>		18,936,969		17,221,939
Accounts receivable	658,419		387,592	
Deferred program contributions	4,371,808		5,372,232	
Other receivables and prepaid expenses	244,475		476,418	
Cash at bank	13,662,268		10,985,697	
<b>TOTAL ASSETS</b>		<b>19,164,442</b>		<b>17,585,900</b>
<b>LIABILITIES</b>				
<i>Short-term liabilities</i>				
Appropriated funds		7,084,748		8,061,720
Institutional funding	2,501,342		4,818,234	
Earmarked funds	4,583,406		3,243,486	
Trade and other payables		12,079,694		9,524,180
Accounts payable	1,918,742		1,831,867	
Program commitments	8,257,066		5,515,735	
Grants received in advance	591,460		948,884	
Program payables	943,839		824,867	
Other liabilities	368,585		402,827	
<i>Total Short-term Liabilities</i>		<i>19,164,442</i>		<i>17,585,900</i>
<b>TOTAL LIABILITIES</b>		<b>19,164,442</b>		<b>17,585,900</b>

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

# Statement of income and expenditure

	2015 €	budget 2015 €	2014 €
<b>INCOME</b>			
Subsidies from governments	36,604,056	42,064,517	26,523,561
Other income	4,353,291	-	3,178,431
<i>total income</i>	<i>40,957,347</i>	<i>42,064,517</i>	<i>29,701,992</i>
<b>EXPENDITURES</b>			
Program Contributions	33,787,371	33,138,408	23,425,675
Learning and Innovation	1,387,145	1,933,663	905,045
Impact assessments and evaluations	90,269	131,271	224,306
Support and outreach costs	1,255,346	1,498,000	1,059,669
<i>total program expenditures</i>	<i>36,520,131</i>	<i>36,701,342</i>	<i>25,614,695</i>
Congress and communication costs	199,137	418,175	293,557
Personnel costs	2,854,500	3,700,000	2,874,689
Organizational costs	1,047,026	1,245,000	1,007,488
<i>total organizational expenditures</i>	<i>4,100,663</i>	<i>5,363,175</i>	<i>4,175,734</i>
<i>Operating result</i>	<i>336,553</i>	<i>-</i>	<i>-88,437</i>
Financial expenses	336,553	-	-88,437
<b>Result</b>	<b>-</b>	<b>-</b>	<b>-</b>

- Other income consists of earmarked program contributions from private and other donors, which are managed directly by IDH
- The Program Contributions include contributions on behalf of private partners and other donors
- Comparative figures have been reclassified to conform to current year's presentation
- For expenditures on Programs and Projects we refer to the Accounting Principles

# Program Contributions 2015

Actuals 2015 (all in euros)	Total	IDH	Private	Other
Apparel	593,019	347,629	245,390	-
Aquaculture	6,168,880	1,679,205	4,643,859	-154,184
Cashew	531,516	432,973	98,543	-
Cocoa	15,622,093	3,499,526	10,793,046	1,329,521
Coffee	14,137,535	5,243,013	8,353,546	540,975
Cotton	10,213,169	3,205,066	5,563,272	1,444,831
Electronics	4,436,498	603,515	3,832,983	-
Flowers and Plants	1,935,483	662,855	1,256,303	16,325
Fruit and Vegetables	4,580,419	1,712,494	2,168,916	699,010
Grow Africa	728,757	728,757	-	-
Landscapes	1,863,167	1,836,316	26,850	-
Innovative Finance	49,398	49,398	-	-
Tin	36,801	18,400	18,400	-
Natural Stone	32,265	32,265	-	-
Palm Oil	5,415,375	1,155,845	4,245,285	14,246
Pulp and Paper	388,791	332,530	46,961	9,301
Soy	17,968,039	3,778,211	14,189,829	-
Spice	1,379,853	483,571	692,187	204,097
Tea	4,452,308	1,614,074	2,755,574	82,661
Tourism	362	362	-	-
Tropical Timber	1,669,940	2,018,071	742,597	-1,090,729
<b>Subtotal programs</b>	<b>92,203,667</b>	<b>29,434,078</b>	<b>59,673,542</b>	<b>3,096,054</b>
Learning	-	-	-	-
Comm. & Congress	-	-	-	-
<b>Total</b>	<b>92,203,667</b>	<b>29,434,078</b>	<b>59,673,542</b>	<b>3,096,054</b>

# Program Contributions 2008-2015

Actuals 2008-2015 (all in euros)	Total	IDH	Private	Other
Apparel	1,429,978	625,530	804,448	-
Aquaculture	17,141,709	4,250,467	11,108,717	1,782,525
Cashew	1,904,310	1,203,099	701,211	-
Cocoa	67,762,246	19,680,269	42,962,744	5,119,233
Coffee	31,491,007	10,904,188	19,833,084	753,735
Cotton	45,544,859	13,698,324	21,635,868	10,210,667
Electronics	13,799,187	1,978,784	11,820,403	-
Flowers and Plants	3,160,049	1,292,202	1,723,159	144,688
Fruit and Vegetables	7,116,664	3,343,501	2,929,961	843,202
Grow Africa	1,154,490	1,154,490	-	-
Landscapes	2,753,816	2,726,966	26,850	-
Innovative Finance	59,775	59,775	-	-
Tin	238,535	148,962	89,572	-
Natural Stone	1,528,456	762,431	591,714	174,311
Palm Oil	6,062,425	1,771,761	4,276,418	14,246
Pulp and Paper	686,580	630,318	46,961	9,301
Soy	29,429,674	8,280,393	20,906,656	242,625
Spice	2,514,417	1,002,639	1,094,149	417,628
Tea	20,407,033	8,565,065	9,412,325	2,429,643
Tourism	2,531,353	801,990	1,560,023	169,340
Tropical Timber	23,997,020	10,228,097	9,072,384	4,696,540
<b>Subtotal programs</b>	<b>280,713,582</b>	<b>93,109,251</b>	<b>160,596,648</b>	<b>27,007,684</b>
Learning	4,946,318	4,453,570	199,148	293,600
Comm. & Congress	3,184,877	2,019,382	1,072,382	93,113
<b>Total</b>	<b>288,844,777</b>	<b>99,582,203</b>	<b>161,868,178</b>	<b>27,394,397</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.

IDH has chosen a categorical classification of the statement of income and expenditure. The organizational costs include the congress and communication costs, the personnel costs and the organizational costs. In the notes to the statement of income and expenditure a further breakdown of these cost categories is included.

### 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 complies with the formal policy of the rules of the WNT ("Beleidsregel toepassing WNT") and uses 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 grant from the Ministry of Foreign Affairs, IDH has not created a provision for continuity however the Ministry of Foreign Affairs has provided a formal guarantee to IDH to safeguard IDH's liabilities regarding personnel and short term liabilities when ending the grant.

## Accounting policies

### General

The figures for 2014 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 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.

#### Short term loans granted

Short term loans granted are carried at amortized cost on the basis of the effective interest method, less impairment losses.

#### Receivables

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.

#### Derivatives

IDH does not hold any derivatives.

#### Impairment financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

An impairment loss in respect of a financial asset stated at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in the statement of income and expenditure and reflected in an allowance account against loans and receivables.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through the statement of income and expenditure (up to the amount of the original cost).

### 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. The expected useful life is 3 years. 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.

#### 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 individual 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).

### Receivables

The valuation of 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.

### Trade and other payables

The valuation of trade and other payables 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 private and other co-funding

With the co-funding grant from the Dutch, Swiss and Danish Governments (the donors), IDH runs public-private, precompetitive market transformation programs in multiple sectors. A prerequisite for any IDH contribution - based on the grant conditions of IDHs institutional donors - is a minimum of 50% co-funding by private (and other) parties. Based on the grant conditions of IDHs institutional donors this should be measured cumulative and over the entire grant period.

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) co-funding achieved by IDH's convening role. Based on this framework, the maximum leverage of IDH's contribution with the (private) co-funding is factor five. These form a minor part of the total reported private and other co-funding in the Annual report.

### Program expenditures

#### Program expenditures

IDH enters into conditional, multi-year contracts with its implementing and other public and private partners. In accordance with RJ 640, these multi-year contracts are not recognized in the year in which they have been committed, but the annual commitment to the implementing

partner is determined based on the (revised) approved annual budgets of the implementing partners taking into consideration the actual spending on the project. The annual commitment is recognized as program expenditure in the corresponding financial year. This accounting principle is derived from the fact that:

- The contracts include the provision that the parties (including IDH) reserve the right to terminate the agreement and/or the project with immediate effect and without the risk of incurring liability for damages or compensation, in the event IDHs institutional donors terminate or materially change their funding of IDH;
- Every year IDH will initiate an evaluation and assessment of the projects for the past year. IDH reserves the right to lower or quit its contribution when the implementing partner or other parties do not meet the predefined deadlines and/or goals;
- The program expenditures in the budget of IDH are recognized on this same accounting principle. The annual budget is discussed each year with and approved by IDHs institutional donors.

The remaining obligation based on the contracts held with the implementing partners is recognized under the offbalance sheet assets and liabilities. Once obligations to implementing partners or other parties cease to exist, they are released to the statement of income and expenditure in the same financial year and noticeably deducted from the program expenditures in the financial year.

#### Expenditures if IDH is liable on behalf of funders

Funding from other program partners received by IDH will be recognized as income in the statement of income and expenditure of the foundation, when IDH is contractually liable for the total financial commitment (the grant of the foundation and from program funders) pledged to the implementing partners of IDH for the financial year. The total financial commitment (the grant of IDH and the 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 IDH. On balance, the financial commitment of IDH is recognized in the statement of income and expenditure.

#### Other

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 insurance

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 insurer

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 insurer 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 insurer 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 insurer, 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.

### **Leasing**

The foundation may enter into financial and operating leases. A lease contract where the risks and rewards associated with ownership of the leased property are transferred substantially all to the lessee, is referred to

as a financial lease. All other leases are classified as operating leases. In classifying leases, the economic reality of the transaction is decisive rather than its legal form. Stichting IDH Sustainable Trade Initiative has only entered into operating leases.

### **Operating leases**

If the company acts as lessee in an operating lease, then the leased property is not capitalized. Lease payments regarding operating leases are charged to the profit and loss account on a straight-line basis over the lease period.

### **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. 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.



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

As per 1 January 2015 the ‘Wet normering bezoldiging topfunctionarissen WNT-2’ 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:

Name	H.J.M. Oorthuizen	T.H. van der Put	E.A. Bosgra
Position	Chairman of the Executive Board	Member of the Executive Board	Director of Operations
<b>Employment agreement</b>			
Type	Indefinite period	Indefinite period	Indefinite period
Hours per week	40	40 (10.3 months in 2015)	32
Part time percentage	100%	100%	80%
Period	January - December 2015	January - December 2015	January - December 2015
<b>Salary, holiday and year end allowance</b>	€ 132,394	€ 104,655	€ 66,831
<b>Other allowances</b>	€ 3,321	€ 3,239	€ 1,308
<b>Pension and other insurances</b>	€ 18,862	€ 20,980	€ 8,535
<b>Total remuneration</b>	<b>€ 154,577</b>	<b>€ 128,873</b>	<b>€ 76,673</b>

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

Name	Function	Appointed	Retired
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	29 October 2015
Ms F. Karimi	Member	13 October 2011	25 February 2015
Mr J.W.M. Engel	Member	13 October 2011	29 October 2015
Ms C.A.A. Stiemer - Hermus	Member	13 October 2011	
Mr B. Marttin	Member	16 May 2012	
Mr G. Boon	Member	8 April 2013	
Ms A. Kalibata	Member	30 March 2015	
Mr C.P. Frutiger	Member	16 June 2015	

# UNQUALIFIED INDEPENDANT AUDITOR'S REPORT

To: the Executive Board and the Supervisory Board of  
Stichting IDH Sustainable Trade Initiative

## REPORT ON THE FINANCIAL STATEMENTS

The accompanying summary financial statements, which comprise the summary balance sheet, the summary statement of income and expenditure and related notes, are derived from the audited financial statements of Stichting IDH Sustainable Trade Initiative for the year ended 31 December 2015. We expressed a qualified audit opinion on those financial statements in our report dated 19 May 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by the Guide-line for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Stichting IDH Sustainable Trade Initiative.

## EXECUTIVE BOARD'S RESPONSIBILITY

The Executive Board is responsible for the preparation of a summary of the audited financial statements in accordance with the accounting principles as described in the summary financial statements.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Dutch law, including the Dutch Standard on Auditing 810 "Engagements to report on summary financial statements".

## OPINION

In our opinion, the summary financial statements derived from the audited financial statements of Stichting IDH Sustainable Trade Initiative for the year ended 31 December 2015 are consistent, in all material respects, with those financial statements, in accordance with the accounting principles as described in the summary financial statements.

Amsterdam, 23 May 2016

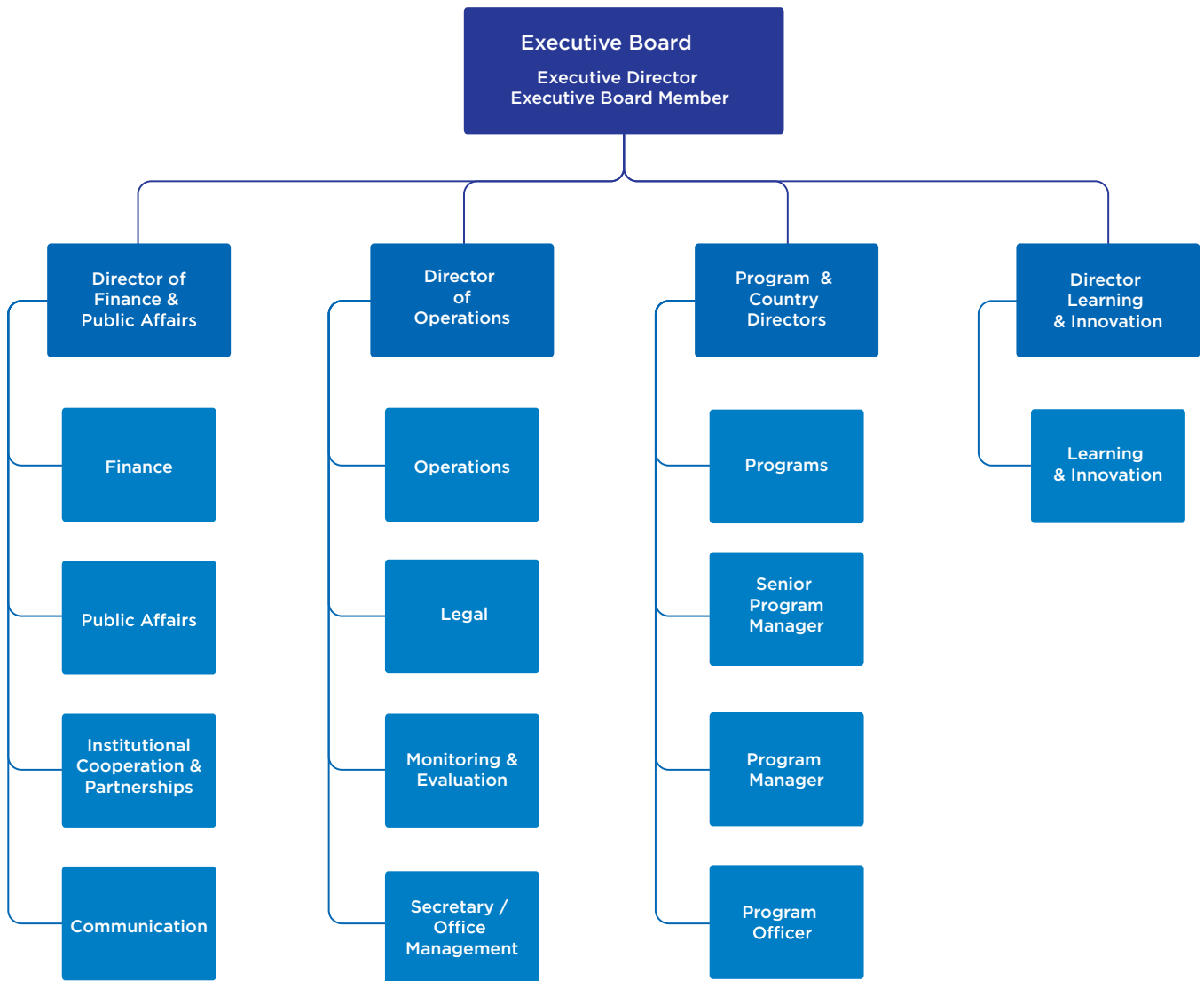
MAZARS PAARDEKOOPEL HOFFMAN  
ACCOUNTANTS N.V.

P.J. Steman RA MBA

# Annex

# Annex I

## Organizational Structure



# Annex II

## Ancillary Positions

### Executive Board

*Mr. H.J.M. Oorthuizen (appointed 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
- Member World Connectors

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

- Member of the Board of the Global Coffee Platform
- Member Advisory Board Ecochain

### Supervisory Board

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

- Corporate Director Sustainability & HSE&S at AkzoNobel
- Chairman Supervisory Board Foundation 'Milieukeur' (SMK Eco Label)
- Ambassador Amsterdam Climate Initiative
- Member of Worldconnectors
- Advisory Board member of True Price Initiative
- Member de International Advisory Board of the Utrecht University Sustainability
- Member of Nyenrode's International Advisory Board (IAB)
- Ambassador Nederland Circulaire Hotspot
- Chairmanship "Strategic Implementation Group (SIG) Sustainable Development (SD)" CEFIC Programme Council Sustainability

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

- CEO WWF Netherlands
- Member of the jury Jan Wolkers Award for best green book
- Member of Advice Aishan Foundation
- Supervisory Board member Organisatie Oude Muziek

*Mr. P.J. Gortzak (appointed as a member of the Supervisory Board on 13 October 2011, retired from this position on 29 October 2015)*

- Head of Policy / Deputy Head of Corporate Strategy and Policy APG
- Treasurer and Secretary of Foundation The Volkskrant
- Member of the board of Commissie Evaluatie Politie Wet
- Supervisory Board member CFK

*Ms. F. Karimi (appointed as a member of the Supervisory Board on 13 October 2011, retired from this position on 25 February 2015)*

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

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

*Mr. J.W.M. Engel (appointed as a member of the Supervisory Board on 13 October 2011, retired from this position on 29 October 2015)*

- CEO Unilever East Africa & African Emerging Markets, Unilever Kenya Ltd
- Supervisory Board Member at PostNL
- Executive Director at Kenya Association on Manufacturers

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

- Senior Vice President Transformation & Research/Development at Albert Heijn

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

- Member of the Executive Board Rabobank
- Member of the Board of Directors RI Investment Holding B.V.
- Member of the Board of Directors Rabobank International Holding B.V.

- Member of the Board of Directors Rabohypothekbank N.V.
- Member of the Board Rabobank Australia Ltd
- Member of the Board Rabobank New Zealand Ltd
- Member of the Board Rabobank Foundation
- Member of the Supervisory Board Stichting Nieuwe Fondsen
- Chairman of the Supervisory Board of Obvion N.V.
- 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
- First 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 Supervisory Board of the Wageningen University
- Member of the Dutch Trade Board

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

- Non-Executive Director & Advisor

*Ms. A.A. Kalibata (appointed as a member of the Supervisory Board on 30 March 2015)*

- President of Alliance for a Green Revolution in Africa (AGRA)
- Member of the board of the International Fertilizer Development Corporation (IFDC),
- Member of the board of the Institute of Agriculture and Animal Husbandry,
- Member of the board of the Strategic Advisory Council of the International Food Policy Research Institute (IFPRI)

*Mr. C.P. Frutiger (appointed as a member of the Supervisory Board on 16 June 2015)*

- Deputy Head Global Public Affairs at Nestlé S.A.
- Member of the Swiss Government Advisory Commission on International Cooperation
- Steering Committee Member at the UN Global Compact LEAD
- Board Member at Global Compact Network Switzerland

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:

Since Ms. Farah Karimi stepped down from the Supervisory Board, the Supervisory Board is not represented in the impact committee. The Supervisory Board chooses to stay informed indirectly until a Supervisory Board member with the right portfolio for the impact committee is appointed.

New members for the impact committee have been found though. The impact committee now consists of the following members:

- Prof. Dr. Peter Knorringa (Chairman of the impact committee) – Professor of Private Sector & Development, International Institute of Social Studies (ISS), Erasmus University Rotterdam
- Mr. Jan-Kees Vis – Global Director Sustainable Sourcing Development, Unilever
- 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 Intercooperation

#### The nomination and remuneration committee:

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

