



Annual Report 2014

Break Through
to Mainstream
Market Transformation



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 wishes to reinforce public-private consortiums that operate in those international chains in order to achieve a high impact and value creation (from an economic, social and ecological perspective) in developing countries and emerging markets. The foundation does not have a profit motive.

It attempts to achieve these objectives, among other things, by:

- a) Bringing together result-oriented coalitions of companies, NGO's, trade unions and governments;
- b) Coordinating visions and program agendas in the sustainable commodities sector;
- c) Financing sustainable chain implementation programs;
- d) Stimulating performances and results in the programs referred to in (c); and
- e) Learning about important examples, 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. Currently the Executive Board is formed by Mr. Joost Oorthuizen and Mr. Ted van der Put.

The supervision of the Executive Board's policy and of the general course of business in the foundation has been assigned to the Supervisory Board. The Supervisory Board consists of at least seven persons. In composing the Supervisory Board an international composition is aimed for assuming affinity with sustainable trade and general administrative qualities, independence, support for the object and statutes of the foundation and a wide range of expertise, skills and backgrounds.

Furthermore the teams Public Affairs and Communication, Learning and Innovation, Grow Africa, Innovative Finance, Operations and a team of program managers form the IDH organization. During the course of 2014 IDH employed 45,8 average fte (in 2013 average 39,2 fte)

Report of the IDH Executive Board

Developments in 2014

The year 2014 has been successful and rewarding, but also particularly challenging. We see it as a key task of the Executive Board to maintain our focus on specific, demand-driven agenda in value chains, and to balance innovation against realizing planned results. The year brought some unique challenges relating to the impact assessment from IOB and the discussions with our donors on future funding. In addition, with the end of the subsidy tranches in 2015 and 2016 in sight, we needed to speed up completion of our program implementation and related contracting and spending.

As outlined in our Annual Plan 2014, we intended for 2014 to be a year of harvesting and focus. And indeed it has been: we did not implement any new programs, and we concluded the scoping of apparel, palm oil, and pulp and paper. Our rather strict co-funding principles, coupled with challenges in generating a robust proposal pipeline, continue to create some delays in contracting.

Program spending

On a program spending level, we did not realize the targeted results in some sectors: notably, aquaculture, palm oil, pulp and paper. Meanwhile, corrective action was taken to strengthen program management. In electronics, overall spending will end up below what was planned: in agreement with the participating brands, the original target for the number of participating factories was reduced. In addition, we had lower spending in cashew, as less co-funding was required than anticipated. In soy, the program overhaul that was announced resulted into some downward reporting corrections on spending. The coffee program continued its steep growth in activities, but here too we faced contracting delays resulting in underspending. The other programs have by and large achieved their targeted results, including the related spending.

Bringing about change

We continue to do very well on the axis of driving change and innovation, thanks to the passionate commitment of our employees and the support and trust of our partners. A good example is the new Initiative Sustainable Landscapes (ISLA): a separate €20 million, five-year funded intervention strategy to prototype economically viable and effective governance models for natural resource and community engagement at a sourcing landscape level. The program mobilized an impressive multi-stakeholder board, and selected six high-potential

landscapes for further engagement out of a longlist of 60 proposals. Already in 2014 (the year of its inception), this initiative is being recognized as an example to follow in convening growing public and private appetites in landscape-level interventions.

In Tea, In India 56 estates and factories achieve the Trustea verification status and almost 900 farmer field schools were established. During the course of the year the private sector agenda gradually moved to next stage sustainability topics like living wage; an energy that we are keen to build upon in the coming years.

In Cotton the program KPIs were exceeded, currently supporting 48 projects to produce nearly 1,8 million MT of Better Cotton lint in 6 countries, driven by eleven global brands and civil society organizations. We have surpassed nearly every KPI in this program, and is a clear example how committed coalitions can bring about impact at scale. In Maharashtra, India a new prototype was successfully build in order to scale and embed the Better Cotton standard within the agriculture extension services over the following years.

Other core achievements in 2014 include:

- a) Over 2 million metric tons of certified RTRS soy
- b) 4.5 hectares of forest under FSC certified sustainable management (cumulative)
- c) 120,000 metric tons of responsible produced shrimp
- d) 30 worker/management dialogue forums installed or identified in Electronics factories
- e) Almost 20% global sales of green coffee is sustainably sourced
- f) Almost 3,000 smallholders are trained on sustainable production practices in spices

Turning feedback into strategy

The Policy and Operations Evaluation Department of the Dutch Ministry of Foreign Affairs (IOB) impact assessment of IDH's interventions over the past years has been a challenging but very useful exercise for us. We have recognized the importance of strengthening our results-management framework to deliver public good, as well as translating this into processes and structures. We have always been passionate about "moving the needle" regarding practices in origins, sourcing behavior of companies, and actionable public-private platforms beyond just scaling up certification; 2014 has only amplified that focus even more. We started a thorough review of targeted impacts and lessons learned which is translated into our 2016-2020 strategy.

Focusing on where we add most value, strengthening our partnerships, balancing impact with scale - these are all vital ingredients of the strategy revision that was endorsed by our Supervisory Board in May 2014.

In addition, during the reporting year we made a significant step forward in strengthening our local convening capacity as part of the strategy regarding Grow Africa (a partnership platform that seeks to accelerate investments and transformative change in African agriculture based on national agricultural priorities and in support of the Comprehensive African Agricultural Development Programme, a Programme of the New Partnership for Africa's Development, established by the African Union in 2003) and ISLA. By setting these activities clearly in support of our global value chain work, we avoided diverging agendas between regional and global IDH staff. It was helpful for all of us to realize that the leading focus is, on the one hand, creating impact via public-private partnerships in value chains, and on the other hand, securing effective local public-private platforms for systemic sector/landscape development. At the end of 2014, we had local convening staff contracted in Indonesia, Vietnam, India, Kenya, Tanzania, Malawi and Nigeria and obviously we continue to refrain from on-the-ground implementing ourselves.

Creating an Exit Policy Framework

To document best practices and lessons learned from exiting programs, we developed an "Exit Policy Framework" that ensures maximum return on the public investments, preferably done via an institutionalized platform. We also included the need to accept that, in the case of some programs, we will not continue driving sustainable practices if we see that the conditions for further PPP scaling are not in place (like in tourism and natural stone in the past). In these cases, careful and timely exit planning is important. The tool we developed in 2014 will be used to support this.

Professionalizing HR-related processes

Mostly due to the growth in ISLA, Grow Africa and our work on Innovative Finance, our staff increased to almost 50 FTEs in 2014; we have reached a size that means many informal HR-related processes need to be professionalized. Training was further embedded at all levels and for all jobs in IDH, and an Employee Council (EC) was elected. The package of staff-related policies (travelling, remuneration, leave, etc.) was harmonized and updated (awaiting approval of the EC in 2015). Coaching has become widespread since 2013, but in such a dynamic organization it continues to be important to stay ahead of the growing demands. We are proud that the employee survey nevertheless shows that almost all staff members consider IDH to be a great place to work.

Research and development

The core mandate of IDH includes learning and innovation in order to prototype new interventions to create mainstream sustainability in the sector in which we work. In the learning and innovation chapter of the annual report all the achievements are further described. Also in our internal control we are continuously fine-tuning our processes. In September 2014 our new ERP system 'Orion' has gone live. As a result the investments are amortized capitalized from that moment onwards.

Internal Control and Financial Monitoring

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

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

IDH receives funding and contracts in several currencies and as a consequence has a currency exposure. In 2014 the result of the currency exposure was 'positive' due to the fact that IDH receives funding from SECO in Swiss Francs. The Swiss Franc increased against the Euro resulting in higher available funds in Euro's. On the contrary, certain commitments are made in USD (primarily on the Coffee program). The USD decreased against the Euro, which leads to higher commitments in Euro's. 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 IDH to safeguard IDH's liabilities regarding personnel costs and short term liabilities when ending the grant.

Risk management

In 2014 the risk management framework has been fully implemented covering financial, legal, reputational and operational risks on both IDH and program level. This entails monthly MT meetings and quarterly assessments of the key risk in the program review cycle. Specific risks per program are further elaborated upon in a risk management table in IDH's annual report 2014. 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.	Further professionalization of our pipeline. In 2014, we experienced a significant contracting peak, without jeopardizing our focus on impact and integrity.
Staffing not up the required level for the significant IDH ambitions.	Pro-active ongoing strategic talent scouting. Low level of unintended staff turnover. Staff training in technical skills and change management.
Reputation of IDH seriously harmed by program or partner calamities.	Formal and informal continuous risk management processes. No serious issues to report in 2014.
Decrease in political support from lead donors affects short-term funding.	Solid level of support from lead donors. New subsidy approved by the Dutch Ministry of Foreign affairs. Strategic reflection and alignment of donors in a newly established joint donor meeting.
Employees/consultants working in high-risk areas.	Travel policy, specialist advice when appropriate, additional insurances.

Fortunately in 2014 no important risks have become reality. However it is prudent to be aware of potential risks. IDH remains an organization which depends on funds from institutional donors, therefore the largest impact on IDH would be changing political focus with as a consequence decreasing funding available. This would influence anticipated on-the-ground impact. To secure a continues flow of incoming funds, in 2014 the 2016-2020 strategy was developed and approved by the Supervisory Board, subsequently the Dutch Ministry of Foreign Affairs pledged a 100 million contribution.

Financial developments 2014

IDH does not form equity and consequently solvency is not a relevant financial KPI for IDH. Liquidity is monitored by periodical cash flow forecasts. As at year end 2014 the current ratio (currents assets: short-term liabilities excluding appropriated funds) is 1.7 (2013: 2.9).

IDH's result in 2014 is nil (2013: nil), due to the fact that income is matched with expenditures in the year. We further refer to the accounting principles as included in the financial statements.

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

<i>amounts in millions of Euros</i>	actual	budget	revised forecast	actual	actual	budget
	2014	2014	2014*	2013	2011 - 2014	2015
Program Contributions:						
Private partners – via IDH	2.8	-	-	1.9	7.3	-
Private partners – directly to project**	34.2	42	35	16.5	76.7	41
Private partners – additional investments	9.5	-	-	2.3	13.4	-
<i>Total private partners</i>	<i>46.5</i>	<i>42</i>	<i>35</i>	<i>20.7</i>	<i>97.4</i>	<i>41</i>
Other donors – via IDH	0.4	-	-	0.1	0.6	-
Other donors – directly to project**	4.1	9.4	6	3.2	17.1	6
<i>Total other donors</i>	<i>4.5</i>	<i>9.4</i>	<i>6</i>	<i>3.3</i>	<i>17.7</i>	<i>6</i>
IDH	20.2	27.5	21	11.4	54.9	29.6
Total Program Contributions	71.2	78.9	62	35.4	170	76.6
IDH Program Contributions	20.2	27.5	21	11.4	54.9	29.6
Private Contributions - via IDH	2.8	-	-	1.9	7.3	-
Other Donor Contributions - via IDH	0.4	-	-	0.1	0.6	-
Total IDH Program Contributions	23.4	27.5	21	13.4	62.8	29.6
Learning, Innovation and Impact	1.1	1.6	1.5	1.1	3.5	2.1
Support and outreach	1.1	1.3	1.3	0.9	3.4	1.5
Total Program Related Costs	2.2	2.9	2.8	2.0	6.9	3.6
Congress and communication costs	0.3	0.5	0.5	0.4	1.6	0.4
Personnel costs	2.9	3.5	3.3	2.6	9.8	3.7
Organizational costs	1.0	0.9	1.1	0.9	3.3	1.3
Total IDH organizational expenditures	4.2	4.9	4.9	3.9	14.7	5.4
Total IDH Costs (incl contributions via IDH)	29.8	35.3	28.7	19.3	84.4	38.6
Total IDH Actuals/Budget	26.6	35.3	28.7	17.3	76.5	38.6
Total incl. Partner Contributions	77.6	86.7	69.7	41.3	191.6	85.6
Ratio program contributions IDH: private	1 : 2.3	1 : 1.5	1:1.7	1 : 1.8	1 : 1.8	1 : 1.4
Percentage IDH Office: Total IDH costs	16%	14%	17%	23%	19%	14%
Percentage IDH Office: Total incl. Partner Contributions	5%	6%	7%	9%	8%	6%

Note 1 Total private partners 2014 (€46.5 million) includes €3 million due to delayed implementing partner reporting in the year 2013. This is included in 2014 reporting

Note 2 All program contributions (via IDH and directly into projects) are audited locally or at IDH level. For an explanation on the definition and assurance on the additional investments we refer to page 39 of the Financial Statements

* Updated forecast as shared with IDH's Supervisory Board and the Ministry of Foreign Affairs on 18 July 2014

** This amount includes €1.3 million received from private partners and €1 million from other donors for the Better Cotton Fast Track Program which is not yet transferred to IPs

IDH program spending in 2014 is with €20.2 mln lower than budgeted. The original Annual Plan stated €27.5 mln, the formal forecast as communicated to the Supervisory Board mid 2014 €21 mln. The private sector program spending exceeded our expectations; the Annual Plan stated €42 mln, the Annual Report €46.5 mln. This resulted in ratio of 1:2.3 versus the planned 1:1.5

IDH office spending in 2014 is with €4.2 mln € significantly lower than budgeted. The original Annual Plan stated €4.9 mln. The ratio between office costs and total budget is with 5% lower than budgeted (6%).

Outlook

2015 is going to be another important and beautiful year for IDH. The final year of our first program period, in which we focus on 'getting things done' and expect a lot of 'harvesting' to take place. Also we expect to formalize our representative office in Indonesia and Vietnam and further build upon the partnership with FMO. In 2015, we will further strengthen the strategic foundation for the period 2016-2020. Using the overarching 2020 strategy as approved by the Supervisory Board as a basis, we will further refine the program strategies. In the beginning of 2015 we received the approved new subsidy ruling from the Dutch Ministry of Foreign Affairs for the period 2016-2020. During the course of the year funding agreements with at least 3 other donors are expected to follow.

Joost Oorthuizen



Chairman Executive Board

The budget which is approved for 2015 is €38.6 mln. This excludes private and other donor program funding. In 2015, the Result Measurement Framework is approved by EB and IDH's donors. This framework will be implemented together with the IATI transparency rules in the year 2016.

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As per January 2015 IDH has one pension scheme: all employees are entitled to a defined contribution scheme.

Especially because 2014 has been a relatively stress-full year in the young life of IDH, we first and foremost would like to thank our staff for their great performance. Second, we would like to thank our program partners for their ongoing contribution and trust to working with us in our programs. Delivering real, on the ground impact at scale can only be done if we combine forces. Thirdly, we'd like to thank Her Majesty, Queen Maxima of the Netherlands for her visit in 2014, demonstrating interest and support for our innovations in smallholder finance. We would like to conclude by thanking the IDH Supervisory Board members and our donor partners for being a strategic and honest sparring partner.

Thank you,

Ted van der Put



Member Executive Board

15 June 2015

Report of the Supervisory Board

The year 2014 presented us with the (unique) opportunity to thoroughly review and validate the 2015-2020 (high-level multi-year plan) IDH strategy, an outlook on the next five years of sustainable market transformation. Shortly after that intense process, IDH was evaluated by the IOB. As a Supervisory Board we observed that the rationale behind the 2015-2020 strategy was reaffirmed by the outcomes and conclusions of the IOB evaluation. That synchronicity provided us with trust in both the critical reflection of the IDH organization, as well as by the critical impact assessment by the IOB.

The IOB report echoed many of the conclusions from the third party impact assessments that IDH had itself conducted in 2013. It also produced invaluable non-program insights into how the outside world values IDH. One of the things that stood out, and which we as Supervisory Board also acknowledge, is the need for IDH to keep a perfect balance between driving changes and taking leadership on the one hand, and being the humble 'behind the scene' convener of public private coalition. In this new large scale public private partnership approach to sustainable market transformation, there are huge learning opportunities – from both the less successful program elements, as well as from successful interventions.

As a Supervisory Board, we believe that IDH is in the right position to make sustainable market transformation happen and to create large scale impact on the livelihoods of farmers and the environment in developing and emerging economies. This can be done through sticking to the successful convening, co-funding and learning approach, while also piloting new intervention models and partnerships, such as sustainable landscapes (ISLA), innovative finance (in close cooperation with FMO) and local convening (with Grow Africa), boosting the impact of the IDH public private partnership approach.

In 2014 the SB again actively contributed to the professionalization and strategic reflection of IDH. In 2014, 3 Supervisory Board meetings were held, the Audit Committee met 3 times, both the Remuneration Committee and Impact Committee meetings were held twice (to be checked). During the course of the year we guided the development of the 2020 strategy, the new result measurement framework and impact plan, the treasury policy and the governance code. Further we reflected in depth on several program strategies, in particular the Tea and Soy program, reviewed the Annual Report, selected a new auditor and conducted, discussed and acted upon a self assessment.

In 2015, Mrs Farah Karimi has resigned on February 25, 2015 from the supervisory board. She is being replaced on March 30, 2015 by Mrs Agnes Kalibata.

Integrating these (new) innovations cause growing pains for IDH as an organization. New staff members were jumping on a fast riding train and several new initiatives had to be aligned with the strategy of existing commodity program. The year was successful, but also at times stressful. We greatly appreciate the good work done and thank the IDH Executive Board and the whole IDH team for their contribution.

Fuelled by the strong learning and innovation agenda of IDH and the ever growing network of over 400 powerful and knowledgeable public and private partners, including reputable civil society organizations, IDH has created in 2014 a strong basis for delivering public goods. Creating sustainable market transformation going through the 2015 Sustainable Development Goals in the years to come.

Andre Veneman

Chair of the Supervisory Board

15 June 2015

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Programs in Implementation **Pillar**

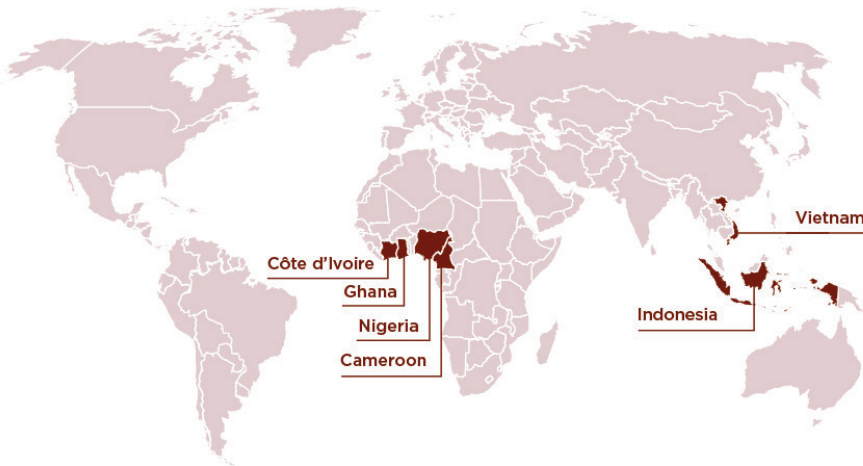
In 2014, IDH planned the majority of its resources to be used for the nine pillar programs: cocoa, tea, cotton, soy, aquaculture, tropical timber, coffee, electronics and cashew. These commodities have high impact on the global environment. Together with our public and private partners, we work to find leverage points that create scalable, sustainable, market transformations. In the following pages, you'll find reports on our pillar programs' results in 2014, as well as detailed descriptions of key achievements, deviations, lessons learned, and an assessment of risks.



Cocoa

To enable 300,000 farmers to improve their livelihoods by 2015

Poverty and related social issues, as well as environmental problems like soil degradation, afflict the cocoa industry. Support is needed for a new generation of cocoa farmers, who can produce 1,000 kilograms of cocoa per hectare or more on their existing land. This transformation is only possible when there is an intensification of farmer productivity, a diversification of farmers' income sources, and efficient service delivery models in place to facilitate farmers' access to inputs and finance. These factors combined have the potential to improve the livelihoods of cocoa farmers and their surrounding communities.



Private Partners

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

Governments

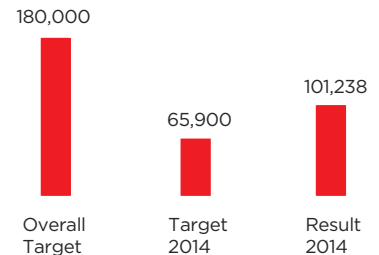
Cote d'Ivoire, Ghana, Nigeria, Cameroon, Vietnam, Indonesia, Switzerland and the Netherlands.

Other partners

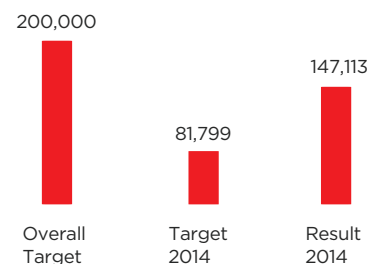
CIRAD, Cocoa Sustainability Partnership, Conseil Café Cacao, CocTA, ICCO, MARD Vietnam, NEN/CEN, Rainforest Alliance, UTZ Certified, Solidaridad, Swisscontact, TechnoServe, WCF.

KPI Progress 2014

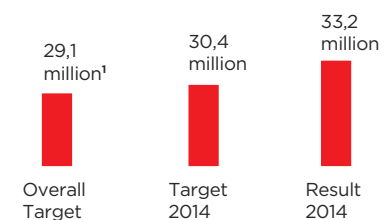
Number of producers trained in certification modules



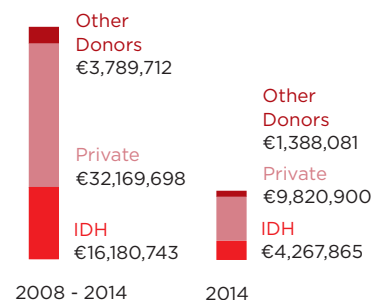
Sustainable cocoa produced (metric tons)



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



Financial Progress 2014



1. Previously partners also included pre-financing into this KPI while it should concern how much has been made available to producer groups/organizations for the development of the groups/organizations. To this end correction has been made.

Where we can make an impact

Poverty: In West Africa, we are institutionalizing the Productivity Package – consisting of Good Agricultural Practices, improved planting material, fertilizer and financing – and attracting significant investments from the industry as providers of the package. Ultimately, using the package can increase the productivity of farmers up to 1,000 kg/ha, the amount needed for a farmer to achieve a living wage from cocoa production and move out of poverty.

Soil fertility: Through the establishment of the Cocoa Fertilizer Initiative, IDH pushes the industry to invest in addressing the depleted soils in West African cocoa fields. The initiative supports farmers both by improving access to fertilizer and by providing loans to make the investment. Specific coaching is given to farmers to help them safeguard returns on their investments.

Strengthening public-private platforms: We are enhancing national public-private platforms in Côte d'Ivoire, Ghana and Indonesia in order to identify key sustainability issues and develop locally embedded solutions.

Theory of change

In our engagement with the cocoa sector, we have learned that certification has been very effective in increasing farmers' knowledge of good agricultural practices and in making cocoa traceable. However, many farmers' requirements to increase productivity remain unmet. The next step is therefore a transformation of the sector in order to help cocoa producers become true entrepreneurs.

IDH's cocoa program aims to transform cocoa farming into a viable business that improves the livelihoods of cocoa farmers by upgrading their entrepreneurial skills. Through improving the productivity and quality of their cocoa crop, farmers derive more revenue from their farms. Increasing revenue makes cocoa farming more attractive for young people and a more viable business model. As cocoa farming becomes more commercially viable, private sector small- and medium-sized enterprises will further develop around cocoa farms, providing services to cocoa farmers – ranging from input supply and post-harvest handling to financial services. Our cocoa program accelerates this transformation by investing in the delivery of the full Productivity Package to the farmer. This includes training farmers on Good Agricultural Practices (GAPs) and business skills; and realizing access to improved planting material, fertilizer, and financial products that enable real investments in farms. The program also promotes environmental conservation through training and monitoring of replanting practices.

Certification has proven to be successful at training of farmers on GAPs in the cocoa industry. Access to fertilizer and financing for rehabilitation and renovation of

tree crops are now commonly considered the main bottleneck to increasing cocoa yields. For this reason, IDH pushes the sector to provide the investments needed for fertilization of depleted soils and rehabilitation of aged farms. To do this, the Cocoa Fertilizer Initiative has been successfully established, convening cocoa traders, fertilizer companies and financing institutions around an agenda, which restores nutrients to depleted cocoa soils. Investments into input supply and the complete productivity package are made through Service Delivery Models (SDMs). The model takes various forms: some partners deliver the Productivity Package themselves; others invest in the capacity of cooperatives or independent entrepreneurs to deliver it. To support the development of efficient service delivery, IDH is researching the efficiency of different SDMs (for more information, see *Learning & Innovation* chapter).

In addition to the investments mentioned above, IDH convenes cocoa sector stakeholders in national public-private platforms, which disseminate best practices and create room for organizations working on the sustainability of the cocoa sector in other areas, such as better nutrition of cocoa farmers, gender equality, and child labor.

Key achievements 2014

- Field projects have exceeded the 2014 target on training of producers by 154%; consequently, the target on the volume of sustainable cocoa produced was also exceeded by 180%.
- A large majority of cocoa traders and processors have integrated the Productivity Package into their thinking on sustainability and business practices. This is most prominently observable with the cocoa traders who are making the delivery of the Productivity Package a core component of their services. Country workshops were organized to facilitate the exchange of lessons learned on effective delivery of the Productivity Package.
- IDH played a leading role in the CocoaAction fertilizer work stream, gaining the approval of the WCF Board of Directors, and strong ownership and financial support by the Conseil Café-Cacao in Côte d'Ivoire.
- A large farmer input and training program was developed and contracted with Hershey's, Blommer and OLAM in Côte d'Ivoire. This program aims to improve the yields of 6,100 farmers by providing them with loans and credit to a total value of US\$600,000 by 2017.
- The sustainable cocoa platform in Vietnam evolved from being primarily an agenda-setting stakeholder dialogue to an impact-oriented co-funding facility managed by Helvetas.
- A research report was produced on data collection and management, which gives advice on how to use company data for outcome and impact assessment.

- Two cocoa partners participated in our Service Delivery Study, allowing us to build an initial framework to analyze the efficiency and effectiveness of delivery models of the Productivity Package. Through this research, IDH aims to improve the productivity of cocoa farmers.

Deviations

- While ensuring engagement and ownership of all partners, delays occurred in the publication of a harmonized Productivity Package training manual in Côte d'Ivoire. Workshops are scheduled to verify the content of the manual and close the process. Publication of the manual will take place in the first half of 2015.
- IDH intended to integrate a nutrition component into projects in Indonesia and West Africa. This has been successful in Indonesia, through our partner Swisscontact, but has not been achieved in West Africa. There is insufficient data on nutritional value of cocoa farms in West Africa; IDH and GAIN have agreed to collaborate on this knowledge gap.
- Consistently with previous years, the yield increases of producers in the cocoa program are not significant on an aggregated average basis. The result of 551 kg/ha is slightly high compared to 2013. However, at the same time the number of farmers included in the program has increased drastically over the last year. We therefore assume that yield increase of farmers that have been in the program for two or three years has been cancelled out by the farmers that have been included since the last year. From our data, we cannot extract the number of farmers who have significantly increased their yields.
- The area of trees rehabilitated is also significantly lower than originally targeted. A major reason for this is the ban on grafting in Côte d'Ivoire. Another explanation is that farmers remain hesitant to graft large segments of their cocoa farms because of the reduced productivity in the initial years. Most farmers do not have the financial buffer to be able to afford such a temporary reduction of income.

Lessons learned

- Additional research capacity and learning around the cocoa program was needed, so an additional capacity of (0.5 FTE) has been allocated. This has enhanced our ability to push the learning agenda of the sector

and facilitate training of cocoa partners, including the scientific committee of the Fertilizer Initiative.

- Reforming the relationship between cocoa processors/traders and farmers is necessary in order to ensure commercial independence for cocoa farmers. However, this is also a complicated and time-intensive process. Risk aversion drives company actions, which means that providing clarity is a pre-requisite to accelerating change. IDH will therefore assume a stronger learning and monitoring role, and will reduce investment risks by removing uncertainties for various parties that invest in farmer productivity and commercial independence. IDH needs to become a more involved partner in its projects in order to drive performance. The cocoa program will therefore aim for a smaller portfolio of ambitious projects in the future.

Local government engagement

We have continued our engagement with the governments of Côte d'Ivoire, Vietnam, Indonesia and Nigeria. In the first three, IDH is actively participating and contributing to the local cocoa platforms. Representatives from national governments join IDH partner meetings, and the program receives active support from the local authorities.

- The Indonesian government actively participates in the Cocoa Sustainability Partnership platform, of which both IDH and Swisscontact are members.
- In Vietnam, the Ministry of Agriculture and Rural Development (MARD) co-chairs the Public-Private Platform (PPP) on Cocoa, with the provincial departments of agriculture and rural development being heavily involved in PPP activities.
- In Côte d'Ivoire, IDH works closely with Le Conseil Café Cacao on the national cocoa program 2QC and the platform for the development of harmonized training material. Le Conseil Café Cacao also chairs the Cocoa Fertilizer Initiative, of which IDH runs the secretariat.
- In Ghana, local authorities are well represented in the Cocoa Rehabilitation and Intensification Program (CORIP) governance structures.
- In Nigeria, the Cocoa Transformation Agenda (CocTA) is closely engaged in IDH's activities on the cocoa program. For example, the Cocoa Fertilizer Initiative's Nigerian Country Committee is chaired by CocTA.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Sub-optimal collaboration with international organizations.	IDH has sought close collaborate with WCF on CocoaAction, particularly in the fertilizer initiative, and has contributed to ICCO World Cocoa Conference.	Medium	Medium
Pushback from private sector partners on innovations and optimization of the program.	IDH is actively engaging with on-the-ground staff, and has introduced personal review meetings with senior management of implementing partners.	Low	High

KPI Table Cocoa

COCOA Key Performance Indicators	Overall target 2012-2015	Target 2014	Result 2014
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of producers trained in certification modules	180,000	65,900	101,238
Number of producers certified	234,198	47,265	50,783
Area of cocoa trees rehabilitated (hectares)	381,794	75,495 ¹	19,121
Average volume of inorganic fertilizer used ² (kilograms per tree)	448	357	355
Volume of certified cocoa produced (metric tons)	200,000	81,799	147,113
Average yield (kilograms per hectare of land per year)	1,000	615	511
Result area 2: Tangible improvements in sustainable markets:			
Value of financial products provided to producer groups/organizations ³ (US\$)	29,110,000	30,416,667	33,215,674
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of institutions/entities trained ⁴	95	34	17
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Number of best practices shared in sector (through websites, events, etc.)	7	5	5

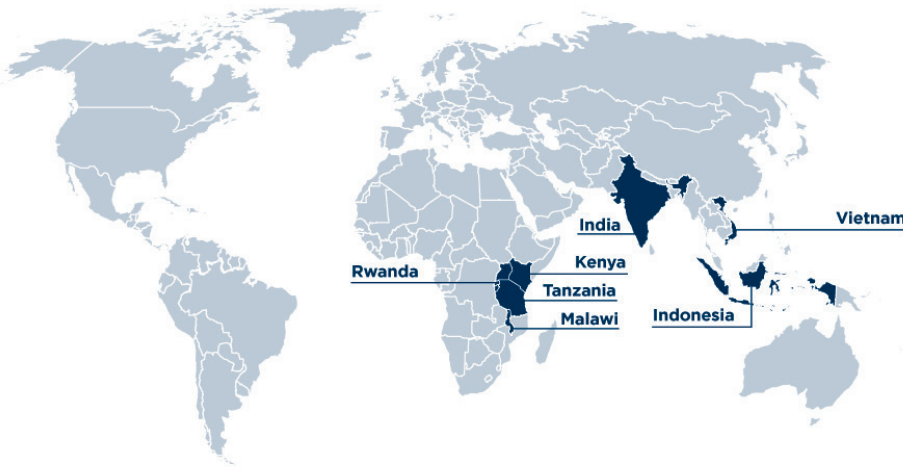
1. Of which 67,374 hectares regenerated where cocoa GAP has been successfully applied to improve productivity (i.e. not replanted).
2. KPI is has been revised and all implementing partners now report on total volume of inorganic fertilizer used and number of trees fertilized with inorganic fertilizer. These two data points allow us to derive the average volume of inorganic volume used per cocoa tree.
3. Previously partners also included pre-financing into this KPI while it should concern how much has been made available to producer groups/organizations for the development of the groups/organizations. To this end correction has been made.
4. Private institutions only. Figures for public institutions have not been included due to issues with double counting; public institutions that are taking part in the training program include CNRA, ANADER, CRIN, COCOBOD, district extension services in Indonesia (Mamuju and Majene, Parigi Moutong, Luwu, North Luwu and East Luwu).



Tea

For 20% of global tea production to be sustainable, and to create better livelihoods for 700,000 smallholders and 500,000 workers, by end 2016

The Tea Program is a consortium of the largest tea packers in Europe and Asia, and the most important certifiers and NGOs in the sector. The program promotes sustainable tea production in Africa and Asia, and sustainable procurement in Western Europe and Asia. It brings first-hand experience together with upscaling of both certification training and a farmer field school (FFS) extension model. The program innovates in approaches to improve living wages for workers.



Private Partners

Tata Global Beverages, Taylors of Harrogate, Unilever, Tesco, DE Master Blenders 1753, Typhoo, Ostfriesische Tee Gesellschaft (OTG), Kenya Tea Development Agency (KTDA), Ethical Tea Partnership (ETP), KNVKT, Tea Association of Malawi (TAML).

Governments

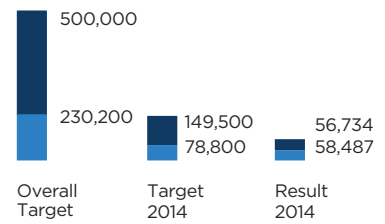
India, Kenya, Malawi, Rwanda, Tanzania and Vietnam.

Other partners

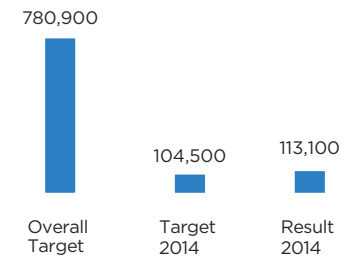
Tea Board of India, The Wood Foundation, Gatsby Charitable Foundation, Oxfam Novib, Oxfam GB, Solidaridad, Rainforest Alliance, International Rescue Committee (IRC), UNICEF, GAIN.

KPI Progress 2014

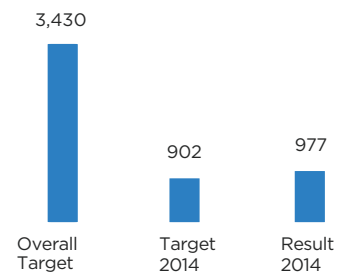
Number of producers and workers trained in sustainable production practices. **Smallholders, Workers**



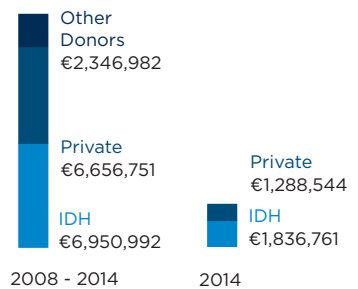
Volume of certified/verified tea available (metric tons)



Number of Farmer Field Schools established



Financial Progress 2014



Where we can make an impact

Good agricultural practices and farmer income: IDH has significantly improved farm management practices of smallholders in Africa, mainly Kenya, resulting in yield increases of 30% on average for participants in Farmer Field Schools (FFS), and improved quality, health and safety, and smallholder incomes. More than 2,000 FFS were set up in East Africa by the IDH Tea Program¹.

Living wage: IDH has made progress on the living wage debate in tea, creating understanding of wages in the tea industry through the supply chain. We are now developing a living wage program in Malawi to improve wages for 50,000 workers in the tea industry by 2020.

Living and working conditions: IDH has made a breakthrough in India by convening Tata Global Beverages, Hindustan Unilever and the Tea Board of India, to set up an ambitious domestic market program aiming to improve the livelihoods of 500,000 workers and 40,000 smallholders by 2016.

Theory of change

The successes of frontrunners in sustainable tea have created momentum for a broad coalition of tea packers, NGOs and governments to address sustainability in the tea sector. Impact reports initiated by the coalition and/or IDH (e.g. on wages and smallholders), coupled with media attention, deepened the industry's understanding of the burning issues in tea. IDH capitalizes on this momentum by formulating joint investment plans for upscaling sustainability in tea, targeting both export and domestic markets and embedding sustainability in producing countries' strategies.

The Tea Program focuses on four elements:

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

Combining the mainstreaming of certification and FFS has a positive impact on smallholders' livelihoods by improving market access and farm management. Compliance with the standard strengthens biodiversity and water management, and improves health and safety in smallholder tea production. The approach in Kenya has now been copied to Malawi, Rwanda, Uganda and Tanzania.

1. To date, 2,444 Farmer Field Schools have been set up in Kenya, Malawi, Uganda, Rwanda, Tanzania and Vietnam. In 2014 only, these totaled 977 FFS.

IDH has initiated the development and implementation of stepping stone standards in the emerging Asian domestic markets, mainly in India. These stepping stone standards allow producers to improve their production practices according to local circumstances. The program in India, *trustea*, is endorsed by the Indian government and the two largest tea packers in India.

From earlier research to understand wages in the tea supply chain, wages for tea pluckers in India and Malawi appeared to be lower than internationally accepted poverty benchmarks. Through creating a common vision by the supply chain on how to achieve living wages, an approach is now being developed for Malawi.

Key achievements 2014

- IDH and the Ethical Tea Partnership (ETP) organized Team Up for the second time. Over 150 industry and civil society representatives participated and four CEOs from tea packers and producers formed a panel. Complex social issues such as sexual harassment, living wages and child trafficking were publicly tabled in the discussions.
- A year after the launch of the *trustea* India Sustainable Tea Program, 56 estates and factories achieved the *trustea* verification status. The Tea Board of India has launched a Plant Protection Code to ban the use of the heaviest agrochemicals in the industry. This was facilitated by *trustea*.
- Under the upscaling and embedding program with the Kenyan Tea Development Agency (KTDA) and Unilever, all KTDA factories and smallholders achieved Rainforest Alliance certification in 2014. Until now, 884 Farmer Field Schools (FFS) have graduated and another 887 were established in 2014.
- IDH and partners are further rolling out the FFS methodology in Rwanda, Malawi, Tanzania, Uganda and Vietnam. In Rwanda, an ambitious project with The Wood Foundation was started to professionalize 12,000 smallholders through the FFS.
- Under the Grow Africa collaboration, a strategic partnership with Unilever Tea Tanzania has been established to develop innovative models for large-scale smallholder inclusion.
- In addition to active involvement in ongoing projects on social issues in Kenya and Burundi, IDH has participated in two scoping visits to Malawi together with ETP and key industry players such as Tesco, Unilever and Tata Global Beverages to develop a Malawi tea sector-wide living wages program, endorsed by the international supply chain and supported by Malawi tea producers and Malawi government.
- A new large-scale project in India titled "Improving the prospects of young people in tea communities in Assam and reducing their vulnerability to trafficking" was started. This project is supported by several large

international tea buyers and IDH, coordinated by ETP and UNICEF. More than 25,000 adolescent girls will be equipped with skills for a better future, and will be better protected from violence, abuse, and exploitation. 100 tea plantations and their communities will be targeted in the project.

Deviations

- In India, working with smallholders has proven to be very challenging. There is an issue around data access at smallholder level, which also leads to problems when it comes to transparency and traceability. Under *trustea*, a specific working group has been established to further develop the smallholder strategy, and this will be a focal point in the implementation moving forward. In addition, since 2014 was the first year of full implementation of the *trustea* program, some delays have been encountered. Originally, 165 estates and factories were targeted to achieve *trustea* verification in 2014. In total, 121 estates and factories have been gap-assessed, of which 54 have achieved *trustea* verification in 2014; the remainder is to become verified in 2015.
- Progress in Vietnam is moving slower than planned. Tea companies in Vietnam rely heavily on smallholders for supply of green leaf, but connections between smallholders and companies are often weak. Some of the companies initially identified to be part of the project were rejected and had to be replaced.
- In Rwanda, IDH is still in a scoping phase of setting up a smallholder integration program in combination with greenfield development. Investors in tea in Rwanda faced delays in finalizing their agreements with the Rwandan government.

These deviations are also reflected in the KPI table below, in which the number of producers and workers trained, certified/verified and the number of hectares under sustainable production are slightly lower than targeted.

Lessons learned

- Tea prices dropped sharply in East Africa last year, impacting smallholders in the tea projects supported by the IDH tea program. Farmer Field Schools have proven to be instrumental in stimulating farmers to grow other crops to overcome difficult market conditions.
- To make progress on the living wage debate in Malawi, it is important to formulate investment plans to get producers on board who would otherwise be worried that their costs would skyrocket, making them uncompetitive on the world market for tea.

Local government engagement

The IDH Tea Program engages with local governments mainly in India, Malawi and Vietnam. In India, this is through the *trustea* program, which is being chaired by the Tea Board of India. In Malawi, IDH interacts with the government to develop the tea revitalization program, enabling living wages to be paid in Malawi's tea sector. In Vietnam, collaboration with the government is through a public-private taskforce on sustainable agriculture development, initiated by the Ministry of Agriculture (MARD) and the World Economic Forum. A specific tea taskforce is established to enhance tea export and sustainable production in Vietnam.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Limited capacity of implementing partners (IPs) to manage a large-scale program.	IDH has organized quarterly meetings and regular check-ins with IPs throughout the year.	Medium	Medium
Criticism of the program not working on real issues, nor generating meaningful improvements on social-economic issues in India.	The <i>trustea</i> code revision process has started with code version 2.0 to be effective from January 2015 onwards. The UNICEF-ETP-IDH project was started to prevent child trafficking in Assam.	Low	Medium
No real progress on the wage debate in the tea industry.	IDH and ETP moved debate on living wage to action orientation in Malawi. Supply Chain is now committed to take action in the country.	Low	Low

KPI Table Tea

TEA Key Performance Indicators	Overall target 2012-2016	Target 2014	Result 2014
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of producers and workers trained in sustainable production practices: ¹			
• Smallholders	230,200	78,800	58,487
• Workers	500,000	149,500	56,734
Number of producers certified/verified:			
• Smallholders	700,000	19,000	9,401
• Workers	500,000	149,500	56,734
Number of hectares under certified/verified sustainable production techniques	496,900	188,000	151,111
Average yield improvement on small-scale farms in Kenya (kilograms per bush)	1.5	1.25	1.25
Result area 2: Tangible improvements in sustainable markets:			
Percentage of global tea production sustainably produced (overall tea program target)	20%	14%	NA to be reported by end 2015
Volume of sustainable produce (certified/verified) available (metric tons)	780,900	104,500	113,100
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of Farmer Field Schools established	3,430	902	977
Number of trainers trained: ²			
• Farmers	3,500	1,187	1214
• Local trainers	1,300	430	301
Number of Indian stakeholders committed to <i>trustea</i> program	15	5	0 ³
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Number of learning trajectories started on key bottlenecks (gap analyses, baseline studies, pilots, learning tools)	15	4	3 ⁴

1. The number smallholders and workers trained reflect the direct beneficiaries of the interventions.
2. Concerns farmers trained as lead farmers for certification, graduate farmers trained for Farmer Field Schools, and other local trainers trained.
3. In 2014, no additional stakeholders joined the current consortium of *trustea* in India. However, relations with all relevant stakeholders are maintained through the *trustea* Advisory Committee, which is chaired by the Tea Board of India.
4. The baseline study for the *trustea* program has experienced some delay, and has been finalized in Q1 2015.



Soy

To reach 10% of European soy import being responsibly produced in 2015

The IDH Soy Program aims to delink soy production from deforestation and environmental degradation, and to reduce the negative social and environmental impact of soy production. To accomplish this goal, the program works to upscale the production and sourcing of responsibly farmed soy, and to link this to a clear market demand.



Private Partners

Agrifirm, Aapresid, Abiove, ADM, Agrex, AgriUniekvallei, Ahold, AIBA, AIC, Amaggi, APDC, Aprosoja, Bel Company, Bemefa, C1000, CAAF, CAT Sorriso, CBL, Cefetra, Centrico, Consumer Goods Forum, COV, Gebana, Dakofo, DAP, De Heus, DVT, Fapcen, FEFAC, FHL, ForFarmers, Friesland Campina, Jumbo, Kiñewen, Kumagro, Lántmannen, Lidl, Los Grobo, LTO, MVO, Nevedi, Nidera, Noble PY, Nutreco, NZO, Payco, Rabobank, Sindicato Coromandel, Sindicato LEM, SNIA, St. Ketentransitie

Verantwoorde Soja, SuperUnie, Syngenta, Technocampo, Unicoop, Unilever, Viluco, VionFiagril.

Governments

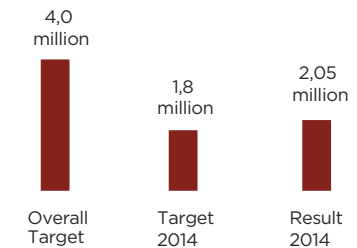
Dutch embassies in Argentina and Brazil, local municipalities in Brazil.

Other partners

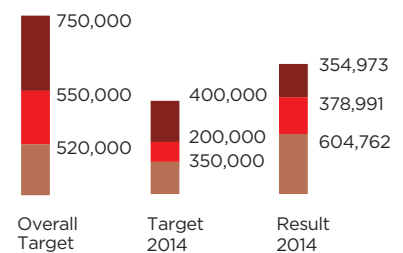
RTRS, Solidaridad, Agroicone, KPMG, IFC, FMO, WWF, Natuur & Milieu, Aliança da Terra, IUCN, Tropical Forest Alliance TFA, TNC, ProTerra Foundation, IPAM, ISA, FMB.

KPI Progress 2014

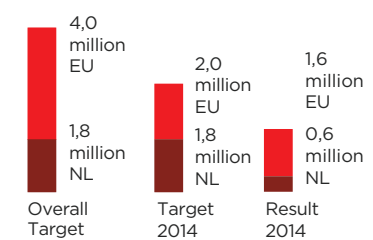
Volume of certified RTRS soy (or on the way to RTRS certification), produced per year (metric tons)



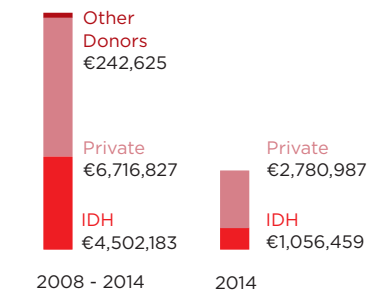
Number of hectares under responsible soy production¹. Certified, Certifiable (unaudited), meaningfully improved, In high deforestation areas



Volume (MT) of RTRS certified soy (or equivalent and benchmarked certification schemes) purchased by private partners in the IDH program per year



Financial Progress 2014



1. Targets and results are cumulative

Where we can make an impact

Forest and biodiversity: Stop illegal deforestation and contribute to legal and above-legal high conservation value biodiversity in Amazon, Cerrados and Chaco regions, through compliance with the Brazilian forest code and/or RTRS certification.

Agrochemical use: Promote good agricultural practices in soy farming, and responsible agrochemical use in particular.

Community relations and labor: Improve and promote responsible community-farmer relations and good farm labor conditions.

Theory of change

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

To create a steady supply of responsible soy, the Soy Fast Track Fund (SFTF) supports and co-finances front-running farmers in 25 projects in Latin America to transition to responsible soy – through gap analyses, advice and training, for example. Promoting responsible soy farming and legal compliance with national forestry, agrochemical and labor laws contribute to decreasing the pace of deforestation in Brazil, Argentina and Paraguay, as well as reducing negative impacts on water, soil, workers and local communities.

Key achievements 2014

Supply side

- Further increased production of RTRS certified soy in Latin America: 89,872 new hectares as a result of SFTF projects in 2014. The total areas reaching RTRS certification totaled nearly 355,000 hectares; the total certifiable area reached 378,991 hectares. The growth in certified RTRS soy mainly comes from Argentina, and nearly stagnated in Brazil. The growth in certifiable soy comes from Brazil, showing a willingness on the part of Brazilian farmers to invest in responsible soy, but a reticence to go all the way to certification as

demand continued to be low and only increased by the end of the year.

- Development of a new supply shed territorial intervention program within the Soy Fast Track Fund. Eight projects were identified and selected, starting in 2015.

Demand side

Three Memoranda of Understanding were signed with IDH, leading to joint programs and cooperation agreements with:

- European Feed Association FEFAC and nine national feed industry associations, including those in the UK, Germany, Denmark, Sweden, Norway, Belgium and France, to build a verified entry level for responsible soy in Northwest Europe, aligned with traders and producer groups in Brazil.
- Dutch Feed Industry Nevedi on outreach and continued investment in sourcing of responsible soy in the Netherlands in 2014 and 2015.
- Dutch Dairy Association NZO, leading to an agreement at European level with the dairy industry in 2015.

This has led to commitment to RTRS or equivalent from the dairy sector and a group of key European retailers.

- A new European strategy for responsible soy is being developed, based on minimum standards and an assurance scheme by the feed industry, the FEFAC Sourcing Guidelines. The development of the sourcing guidelines has already impacted the willingness of the international supplier base to address responsible soy production. Soy traders have already upgraded their company programs on responsible production as a result of communication concerning the guidelines; some have benchmarked the company programs against it. Nevedi members have agreed to embed the guidelines in their sourcing conditions as soon as they are introduced.
- The 2014 European market uptake of soy made significant progress, reaching 1,609,000 metric tons in total, of which 962,000 were RTRS certified and 647,000 other benchmarked standards (Cefetra Responsible Soy, Proterra). Credits sold partially derive from earlier years.

Stakeholder quote **A Brazilian farmer during an RTRS audit stated:**

“If I had known certification was so good for my business, I would have done it before.”

- Dutch uptake of responsible soy in 2014 reached 581,000 metric tons, of which 331,000 were made up of RTRS certified soy and 250,000 certified by benchmarked standards, moving towards RTRS level. These volumes are part of the commitments of the Dutch feed industry and the dairy industries as part of the *Stichting Ketentransitie Verantwoorde Soja*.
- Responsible soy procurement requirements in the Netherlands started to concretize quickly over 2014 for Dutch consumption. Dutch retail organization (CBL) re-confirmed that by the end of 2015, all products sold in the Netherlands (and soy being used in their production) will have to be RTRS certified or equivalent. The Dutch dairy industry (NZO) has also embedded RTRS soy as a procurement condition for the collection of milk at farmer level.
- To service retail and industry, several traceability schemes were developed during 2014, to be operational in 2015. These include GMP+, SMK, *Kip and Varken van Morgen*, and GlobalG.A.P., with modules available to trace responsible soy uptake.

Deviations

- The 2014 targets of the Dutch covenant signed between IDH, NGOs and the Dutch supply chain actors represented in the *Stichting Ketentransitie Verantwoorde Soja* have been only partially achieved. The planned volume of responsible soy for 2014 was 1.5 million metric tons, of which around 600,000-700,000 has been achieved. The dairy and feed sectors have fulfilled their investment commitments; but following

the dissolution of the Dutch Product Boards, individual companies did not take over the Board commitments. RTRS market demand outside the Netherlands was also much lower than expected, as the European soy industry was not (yet) prepared to share in the costs of responsible soy.

- Producers in SFTF projects are behind schedule in certifying, largely due to lack of market interest. However, towards the end of the year, market participants bought certificates at considerably higher volumes than the previous year. This is expected to continue as new additional commitments are made in 2015.

Lessons learned

- Convening the full supply chain in the Netherlands would have been more effective at individual company level rather than only at product board level.
- Building a milestone mid-level basic approach appears to be an important step towards involving traders and producer groups, reaching legal compliance, and moving towards market transformation. This approach needs to be benchmarked and assured by a demand at end-buyer level.
- Certification is an important instrument to create a culture of legal and responsible production, but still remains a weak instrument to stop deforestation directly.

Local government engagement

The new supply shed territorial approach that was started through ISLA in 2014 involves local municipalities.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Brazilian local proposition does not align with what international stakeholders require.	Continuous dialogue has been maintained. This dialogue is developing in the FEFAC Sourcing Guidelines and agreements with local traders and producers. Supply shed approach developed.	Medium	High
Uptake of (certified) responsible soy remains low, discouraging producers.	IDH is supporting European market outreach and European feed base-level assurance. Uptake of responsible soy has improved in 2014.	High	Medium
Chinese market is dominant; the US are not involved.	Limited focus on these markets as IDH has been focusing on spread in Europe at this stage. US standards are now being involved in the FEFAC guidelines. Small initial dialogue on legal sourcing with Chinese actors started.	High	High

KPI Table Soy

SOY Key Performance Indicators	Overall target (2011-2015)	Cumulative target 2014	Cumulative results 2014
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of hectares under responsible soy production:			
- Certified	750,000	400,000	354,973
- Certifiable (unaudited), meaningfully improve	550,000	200,000	378,991
- In high deforestation risk areas	520,000	350,000	604,762
Number of hectares of protected native vegetation on private farms	250,000	140,000	344,636
Average volume reduction of active ingredients of pesticides and herbicides on program farms	10%	5%	na ¹
Number of persons employed at certified farms from local community	Tbd	Tbd	389
Result area 2: Tangible improvements in sustainable markets:			
Number of committed EU countries and sector organizations with sector commitment in purchasing responsible soy representing more than 50% of the total market	6	4	8 ²
Volume of certified responsible soy imported per year by program partners (metric tons)			
- EU (volume RTRS or equivalent and benchmarked certification schemes)	4 million	2 million	1,608,666
- NL (Volume RTRS or equivalent and benchmarked certification schemes)	1.8 million	1.2 million	581,805
Market share (%) of responsible soy in Europe	NA	6%	5%
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of retail and industry standards in the Netherlands where responsible soy has been included	7	3	4
Number of local or international standards benchmarked against RTRS	4	3	3
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Studies into strategic issues for mainstreaming sustainability in supply chain	4	3	3

1. Not available. Amounts of pesticides measured, but measurement against reference group unavailable this year; will be pursued in 2015.
2. Refers to 8 Northwest European countries now engaged with RTRS or/and Feed Industry commitments (NL, BE, UK, FR, DE, DK, SW, NO), representing 13 million metric tons. Public commitments to RTRS or equivalent made by NL, BE, SW, European Retail and CGF.



Tropical Timber

To manage 9 million hectares of tropical forest sustainably by 2015

Deforestation in the tropics – and the related environmental and social degradation – is happening at an alarming rate. Sustainable Forest Management (SFM) has proven effective in curbing deforestation. The program aims to improve the business case for SFM by supporting concession holders in moving towards achieving SFM certification and by making the demand for legal and sustainable tropical timber mainstream within Europe.



Private Partners

Approximately 70 concession holders in the three regions, including companies such as Danzer, Wijma, Rougier, Greenheart and others. Approximately 25 companies in Europe, including Kingfisher, IKEA and Tetrapak. For a full list of partners, visit www.idhsustainabletrade.com/timber.

Governments

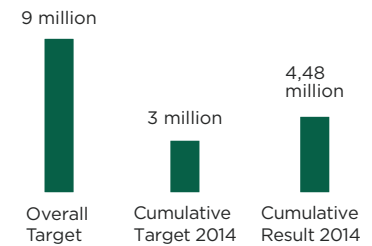
Dutch government, numerous local authorities in Europe.

Other partners

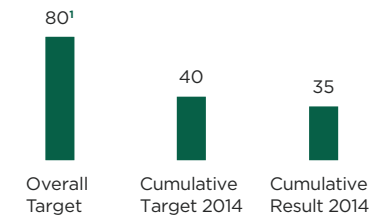
GIZ, WWF, FSC, PEFC, Copade, ICCO, ETTF (and national federations), KfW, Tropenbos International, Atibt

KPI Progress 2014

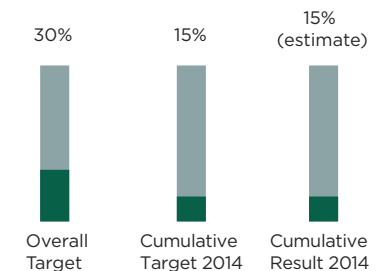
Number of hectares of forest under FSC certified sustainable management



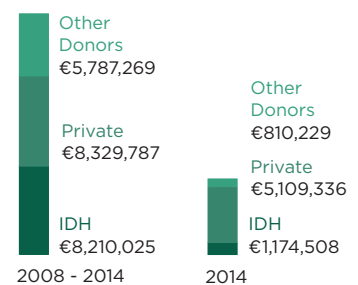
Number of partners formally committed to buying/using legal and sustainable tropical timber in the EU (including private and non-private partners)



Total market share of FSC certified timber in the European market



Financial Progress 2014



1. Target has been doubled as of 2015 in order to reach critical mass. New target is included in the Annual Plan 2015.

Where we can make an impact

Deforestation: By convening partners to commit to buying and using legal and sustainable tropical timber, IDH will create a business case for maintaining forest through sustainable forest management.

Forest degradation: By incentivizing timber producers to get certified, we contribute to a shift from illegal and/or unsustainable forest management to sustainable management.

Livelihoods: By incentivizing timber producers to get certified, we also contribute to a change from illegal and/or unsustainable management to sustainable forest management, including better livelihoods for people depending on the forest for their livelihoods.

Theory of change

The objective of SFM is to give the maximum economic value to production forest concessions, in order to counter deforestation and forest degradation. We aim to improve the business case for SFM as much as possible, instead of expanding land use for agro-commodity production. Key to this strategy is lowering the amount of investment needed, as certification costs are high. We do this through co-funding SFM certification and through creating sufficient demand to reward the investment.

IDH has supported SFM certification of 4.48 million hectares of tropical forest so far, which represents approximately 80% of all certification in the tropics worldwide. SFM practices, independently verified through certification, prevent forest degradation by ensuring the long-term (biodiversity) benefits of the forests and maintaining or enhancing high conservation value areas within the forest. In addition, SFM practices ensure that the forest company identifies and upholds indigenous peoples' rights of ownership and use of the forest and its resources, and that workers' and local communities' social and economic well-being is preserved or enhanced.

In Europe, IDH has set up a European coalition of market players (private sector partners and local authorities) that sends the strong message to timber producers that the market demands tropical timber from sustainably managed forests. In addition, we strengthen the export of SFM timber by linking timber producers to companies in Europe, and we support the forestry sector in influencing local policies in timber-producing countries by organizing the sector into platforms. The objective is to unite smaller parties so that they can be heard at the national level.

Key achievements 2014

- In 2014, the total tropical forests certified with the support of IDH reached 4.48 million hectares. Certification in Suriname and Guyana in particular has picked up speed, already reaching 312,000 hectares in one year.

- A partnership with Danzer resulted in the re-certification of 1.2 million hectares of forest in the Republic of Congo. This has created a benchmark and role model for producers in the Congo Basin, as this is the biggest FSC certified concession in the world.
- IDH has reached an agreement with GIZ on the merger of the IDH Peru Tropical Timber Program and the GIZ ProAmbiente program, which combines the strengths of both organizations: IDH's experience in working with the private sector (including the Peru private sector platform) and GIZ's experience in working with the public sector.
- The Peruvian private sector platform for the representation of the forestry sector towards national government has hired a platform manager and started implementing an action plan with concrete targets for 2015. The objective for the platform is to be formally recognized and independently operating by the end of 2015.
- The European Sustainable Tropical Timber Coalition (STTC) has formalized commitments of 35 private and public partners to promote sustainable tropical timber and increase their own consumption of it. The working groups of the STTC, focused on arranging business encounters and resolving technical issues to mainstream sustainable tropical timber, are well established and the first results of approved projects are reported.
- IDH has supported an analysis of direct and indirect costs of certification conducted by the Greendeal, a joint initiative for the promotion of sustainable forest management.

Deviations

- Real or perceived lack of market opportunities weakens incentives for certification, leading to dwindling interest in certification in several producer countries, especially in Peru and the Congo Basin. This is making the hectare targets even harder to achieve. Program strategies and targets have therefore been adjusted to support producers who cannot currently aim for full FSC certification, but can make considerable and measurable steps towards more sustainable forest management. For example, several companies are now being supported to reach FSC Controlled Wood certification. Through this certification, companies will be able to prove the legality of their operations as well as sustainability improvements, thereby gaining access to more demanding markets. Although the results for 2014 do not deviate from the targets (and even outperformed them), the expectation is that progress will slow down in 2015.
- The ambitious frontrunners united in the European Sustainable Tropical Timber Coalition (STTC) have seen the trend of declining demand in recent years reverse. However, compared to the situation in upcoming economies, the demand in Europe is still very weak.

This could be caused by a slowly recovering construction market, for example. Demand for sustainable tropical timber in Europe is rising again, albeit very slowly. However, persistent misconceptions about the sustainability of tropical timber continue to hamper trade. The STTC, together with its members and other major players in the sector (including NGOs), started to develop strategies to restore the image of tropical timber among businesses and end-buyers.

- The number of public partners (local authorities and national governments) in the European STTC is lagging behind. This is caused by the exit of one of our largest public sector partners, ICLEI, due to financial constraints related to the IDH co-financing requirements. ICLEI had committed to include up to 15 local authorities in the European STTC.

Lessons learned

- The Peru Tropical Timber Program proved to be an effective setup for private sector mobilization. It will be merged with the well-resourced GIZ ProAmbiente program, in order to bundle strengths of both IDH (private sector focus) and GIZ (public sector focus). Sustainable forest management by itself has a relatively poor business case. By linking it to wider (policy) discussions, the business case can be further improved.

- Although individual companies and local authorities have developed ambitious individual action plans in 2014, IDH will focus more on facilitating cooperation and collective approaches on topics such as technical and commercial market barriers within the European STTC. In this way, the coalition can tackle obstacles that cannot be addressed by individual companies and local authorities. This fits IDH's convening role well.

Local government engagement

- In Peru, through collaboration with GIZ, a stronger link is sought with local governments. Where possible, this is in turn linked to the activities of the private sector platform, set up to better represent the forestry sector towards national governments.
- Numerous local European authorities are members of the European STTC, as they are relatively large users of tropical timber. The European STTC aims to be a platform for further harmonization of sustainable timber procurement by local authorities and national governments in Europe, and aims to link to the legality approach of FLEGT.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Discussion with, and possible campaigning by, NGOs that believe IDH should not work on certification with controversial partners or partners in the DRC.	IDH has maintained open dialogue and transparency about choices made, especially in the CBP. Our collaboration with Danzer and their resulting re-certification has sent a strong message against negative publicity.	Medium	High
Not meeting the spending targets, due to under-spending in producer support programs.	Programs have been better targeted towards the needs of producers which has accelerated spending. Individual programs are still under-spending, mainly due to dwindling interest in certification.	High	High
Discussion about definition or different standards of sustainable timber.	IDH has kept a neutral position in the debate about different standards and definitions – encouraging collaboration across organizations and standards. This has led to fruitful collaborations on various projects, including the first collaboration between FSC and PEFC – under the European STTC. Nevertheless, the differences between some organizations are hard to overcome and continue to jeopardize mutual progress.	High	Medium

KPI Table Tropical Timber

TROPICAL TIMBER Key Performance Indicators	Overall target (2008- 2015)	Cumulative target (2014)	Cumulative result (2014)
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of hectares of forest under certified sustainable management:			
- Certified	9,000,000	3,000,000	4,480,000
- In the pipeline to be certified	120,000	6,600,000	3,000,000
Result area 2: Tangible improvements in sustainable markets:			
Total market share of licensed or certified sustainable timber on selected European markets	30%	15%	15%
Annual cubic meters of licensed or certified sustainable timber imported into Europe	300,000	150,000	350,000
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of partners committed to buying/using FSC in Europe (excluding national government partners): ¹			
- Public	40	20	7
- Private	40	20	28
Number of national governments in Europe with effective formal engagement in the European STTC	5	5	2
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Number of strategic reviews	1	1	1

1. Total target was doubled during 2014 in order to reach critical mass



Aquaculture

To ensure that at least 15% of EU import of pangasius, shrimp and tilapia is responsibly produced by 2015

In order to increase the supply of responsibly farmed fish and to reduce negative social and environmental impact while respecting food safety requirements, the IDH Aquaculture Program supports fish farmers in moving towards more responsible practices. In parallel, IDH creates demand for responsibly farmed fish together with its private partners.



Private Partners

Anova Seafood, FEMEG, Mayonna, Nordic Seafood, Seafood Connection, Queens, DKSH, Chicken of the Sea, Royal Greenland, Blueyou Consulting, Belize Shrimp Growers Association, Aceh Aquaculture Cooperative, five shrimp farmer associations in El Oro province (Ecuador), Geaconnection, Hainan Tilapia Sustainability Alliance, Intersnack Procurement, Latin American Society of Aquaculture (SLA), Lyons Seafood, Omarsa, Marks & Spencer, Morrisons, five

Vietnamese shrimp-producing companies, 41 Vietnamese pangasius-producing companies, CBL (Dutch retail association).

Governments

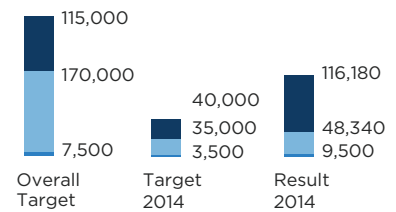
Vietnam (MARD), Indonesia (MOMAF), Ecuador (Pro Ecuador).

Other partners

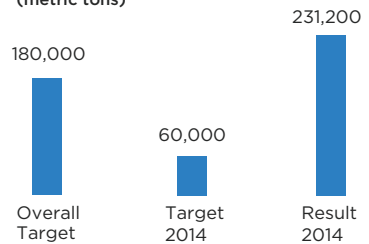
SFP, SNV, GIZ, ASC, GAA, GlobalG.A.P., WWF in various countries, VASEP, ICAFIS/VINAFIS, WorldFish, New England Aquarium, David & Lucile Packard Foundation.

KPI Progress 2014

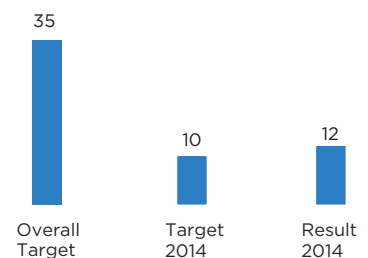
Volume of responsibly produced fish (whole fish) (metric tons)
(Shrimps / Pangasius / Tilapia)



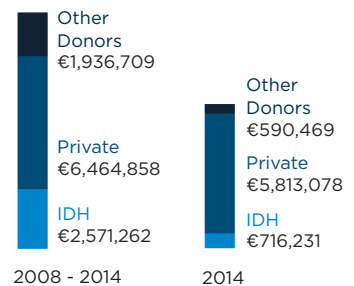
Volume of feed compliant with responsible requirements (metric tons)



Number of private partners committed to the program



Financial Progress 2014



Where we can make an impact

Disease management: Disease outbreaks continue to pose significant challenges to the aquaculture industry, hence the implementation of responsible disease management practices through certification standards using the Farmers in Transition (FIT) Fund to prevent and manage outbreaks better, resulting in lower mortality.

Feed sustainability: The efficient use of feed, coupled with the inclusion of more sustainable ingredients in the feed, are critical components in driving farm efficiency (through lowering the feed conversion ratio and better water quality) and in decreasing both nutrient-loading of the environment and the feed raw material footprint.

Working conditions: Responsible farming also involves protecting the rights of aquaculture farm workers and local communities in order to prevent exposure to child labor incidents, excessive working hours, occupational health and safety, and potential conflict with neighboring communities around farms.

Theory of change

Aquaculture is the fastest growing source of animal nutrients to feed the world. As the sector grows, so do the environmental impacts (disease and feed management) and social impacts (working conditions). The aquaculture sector urgently needs to adopt sustainable practices to mitigate these. The IDH Aquaculture Program aims to accelerate this adoption by boosting and leveraging retail and trade demand for responsible seafood and by supporting fish farmers to move towards more responsible forms of farming.

To make these changes happen, IDH has deployed the following activities:

- Support the FIT Fund that co-finances and supports farmers to adopt responsible practices.
- Invest in further building the Aquaculture Stewardship Council (ASC) certification organization through monetary support and involvement in their Supervisory Board.

- Align 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 transitions costs.
- Support the Global Seafood Sustainability Initiative (GSSI) in testing certification schemes against compliance with the FAO Guidelines for Eco-labelling in a joint effort to create transparency and relative performance to key buyers.
- Co-invest in the ASC Responsible Feed project, which aims to harmonize the certification requirements between the various ASC standards, as well as with GAA and GlobalG.A.P.
- Boost and leverage retail company buyer demand for responsibly produced key aquaculture species (shrimp, pangasius and tilapia) by building aligned buying requirements and reduced transition costs through FIT Fund support.

These interventions typically translate into increased access to international markets, more efficient use inputs such as antibiotics and feed, and improved working conditions. These impacts make aquaculture a more profitable business, which helps catalyze environmental and social changes.

Key achievements 2014

- The Aquaculture Stewardship Council (ASC) is up and running and has established a strong position in the marketplace, with 1,885 products available in 42 countries.
- Through the membership of the ASC Supervisory Board, strategic alliances with other standards (building on the May 2013 public declaration of cooperation between ASC, Global Gap and GAA) and initiatives (like GSI and GSSI) were fostered.
- IDH strengthened partnerships with retailers through the organization of pre-competitive events in the Netherlands and Belgium, and through the engagement of a UK retailer coalition aimed at addressing social issues along their shrimp supply chain (especially marine ingredients in feed) in Thailand.

Stakeholder quote **Alvin Henderson from Royal Mayan Shrimp Farms Ltd. and member of the Belize Shrimp Farmers Association:**

“Our farmers are very grateful for the invaluable contribution that IDH has made in assisting Belize’s shrimp industry in achieving ASC certification. While a few of our farms would have moved towards certification anyway, IDH’s involvement accelerated the process of change in Belize, making it possible for 90% of our shrimp industry’s production to be ASC certified.”

- The FIT Fund is now operational in Belize, China, Ecuador, Indonesia and Vietnam; projects are under contract in India and Thailand; and scoping is ongoing in several African countries.
- The FIT Fund has triggered 12 field-level projects and unlocked €6.3 million private sector investments targeting improved working conditions and reduced environmental pollution through implementation of good farming practices. The total impact of the program amounted to 4,555 farmers and 6,798 workers, and the responsible production of 94,180 metric tons of shrimp and 4,500 metric tons of tilapia. In addition to this, another 22,000 tons of shrimp, 48,340 tons of pangasius and 5,000 tons of tilapia were upgraded to ASC certification without support from the FIT Fund.

Deviations

- Despite dedicating program management resources to generate more demand, we did not succeed in driving a pan-EU retail and trade demand coalition. Although the FIT Fund is well structured, managed, funded and known, we did not succeed in attracting a sufficient number of (large) private sector funded proposals. This meant we did not reach the targeted amount of partners, even though we did reach the volumes.
- At the start of the program, we anticipated that most farms requiring an upgrade towards responsible production would have applied to the FIT Fund. However, pangasius and tilapia farms in particular often upgraded their farms independently, which increased impact but reduced their buy-in to the program.
- The late release of the shrimp standard, limited retail/trade demand, and program development challenges in the sector, resulted in strong delays in proposal development. To increase efficiency, we included caps on the maximum funds per ton of production. These maximum contributions are perceived as being too low and limit the appetite for projects on small-scale farms, for example. While responsible shrimp farming is still in an infant phase, delays also resulted from the fact that large-scale operations are driven by market access,

while small-scale farming operations are more difficult to organize into sizeable projects.

- The development of systemic improvements in responsible feed have barely started in the industry, exemplified by the fact that the feed dialogue in the ASC started almost a year late. This slowed down the availability of sustainable feed in the aquaculture sector.

Lessons learned

- In spite of efforts to engage retailers and traders in pre-competitive discussions, we found only limited interest, other than to address the social issues in fishing for feed fish, which poses concerns for involved retailers. We decided to continue working with retailers on a one-on-one basis and raise our staff capability in this field.
- Although the FIT Fund is open to projects with small-holders, and we specifically advocate their proposal submissions, we received only a limited number of applications aiming to improve their farming practices. We therefore decided to devote more efforts to this crucial area and to relax the reporting requirements for projects on small-scale farms.

Local government engagement

- In Vietnam, IDH helped to restructure the public-private partnership approach for fisheries under the broader national taskforce of the Ministry of Agriculture and Rural Development (MARD).
- In a key pangasius-producing province in Vietnam (Dong Thap), IDH signed a Letter of Intent with the local government for establishing a provincial public-private partnership on responsible aquaculture.
- In Ecuador, IDH continued to engage with Pro Ecuador to align responsible aquaculture programs. This resulted in a joint project, which is being executed by Geaconnection, targeting 1,500 shrimp farmers and 4,500 farm workers to shift towards more responsible practices in the areas of environmental pollution and working conditions.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
<p>Low retail engagement in the aquaculture program and associated FIT Fund, in spite of the fact that most seafood is sold under retailers' brands. This results in lower demand and/or availability of responsibly produced seafood.</p>	<p>IDH has engaged with multi-stakeholder initiatives that address aquaculture sustainability and include retail companies such as the Global Seafood Sustainability Initiative.</p>	High	High
<p>Disease problems shift the focus from sustainability to mere survival, while scarcity of raw material and high prices are disincentives for successful players to invest in sustainability programs.</p>	<p>IDH has contributed to the dissemination of learning and better practices in aquatic disease management.</p> <p>Disease management has been included, where appropriate, as an element in FIT Fund projects, to strengthen the business case for responsible production.</p> <p>Partnership sought with aquatic epidemiology center of excellence to explore the business case for adopting responsible disease management practices to address the disease issue more broadly.</p>	Medium	High
<p>Fragmented traction in value chain due to size and scale of private sector companies, reducing the scale of projects for the FIT Fund.</p>	<p>IDH has increased convening activities to establish partnerships with key organizations, and to present the FIT Fund as a tool and umbrella, rather than as a separate initiative.</p>	High	Medium
<p>FIT Fund is perceived as a program competing with initiatives by other organizations that have a longer history in the sector.</p>	<p>IDH's neutral position has been clearly communicated in this debate to the public and main stakeholders, and stimulate synergies and/or cooperation of competing organizations in our programs.</p>	Medium	Medium
<p>The FIT Fund is considered as a tool to support ASC rather than improvement programs per se, and it does not interest players not targeting ASC.</p>	<p>The impact-oriented and step-by-step approach adopted in the FIT Fund has been communicated to key stakeholders.</p> <p>Partner with the standard neutral Global Sustainable Seafood Initiative (GSSI) and offer GSSI members the FIT Fund as an overarching tool.</p> <p>While continuing to work with ASC on a step-by-step approach, participate more actively in activities by other standard-setting organizations (such as GAA and GlobalG.A.P.).</p>	Medium	Medium

KPI Table Aquaculture

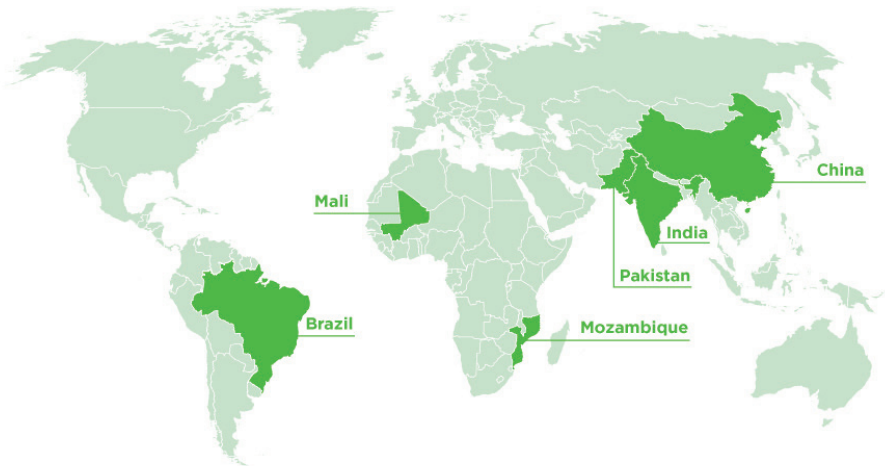
AQUACULTURE Key Performance Indicators	Overall target 2010-2015	Target 2014	Result 2014
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of metric tons of responsibly produced fish (whole fish):			
• Shrimp	115,000	40,000	116,180
• Pangasius	170,000	35,000	48,340
• Tilapia	7,500	3,500	9,500
Number of farmers benefitting from lower shrimp mortality (-5%) and lower feed conversion ratio (-5%)	10,000	3,000	4,555
Number of workers benefitting from improved farm practices	10,000	1,000	6,798
Number of metric tons of feed compliant with responsible requirements	180,000	60,000	231,200
Result area 2: Tangible improvements in sustainable markets:			
Number of seafood buyers – retail, food service and importers – committed to programs and/or supplier improvement projects	35	5	12
Number of metric tons of whole fish sold to/purchased by program partners (seafood buyers):			
• Shrimp	80,000	28,000	500
• Pangasius	120,000	25,000	40,000
• Tilapia	5,200	2,400	4,300
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of national public-private dialogues in countries of production addressing sustainability issues beyond the farm level	5	2	1
Number of donors contributing to the program	5	2	0
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Number of executed studies and learning pilots on key bottlenecks in the sector:			
• Studies	7	1	2
• Pilots	4	1	1
Number of solutions for identified bottlenecks developed and implemented	5	2	0



Cotton

For 1.5 million metric tons of Better Cotton lint to be produced by 2015

The growing of cotton poses numerous sustainability challenges, owing to an indiscriminate use of pesticides as well as immense water wastage involving high economic and health costs to farmers. Issues of severe working conditions, child labor and fair pay have also been in the spotlight in recent years. Challenges in the sector also spread beyond environmental and social aspects: between the farm and the clothing store, there are multiple actors involved in trading, cleaning, spinning, and weaving the fiber. In 2005, the Better Cotton Initiative (BCI) was launched to address these issues at scale. The Better Cotton standard was designed to reduce the environmental impact of cotton production, and to improve livelihoods and economic development in cotton producing areas.



Private Partners

adidas, BESTSELLER, IKEA, H&M, Levi Strauss & Co, Marks & Spencer, Nike, VF Corporation, Tesco, Tommy Hilfiger Europe, Walmart, Arvind, CottonConnect, Trident, Pratibha Syntex, Mahima, Zhongliang, Aksu Jintian Farm Co., Huafu, Taichang Industrial Co., Huitong Textile Co., CMDT, OLAM, SANAM, Guoxin, Luthai Fengshou Cotton Industry Co., Addchance Textile.

Governments

National level in Mozambique, provincial level in Maharashtra, India.

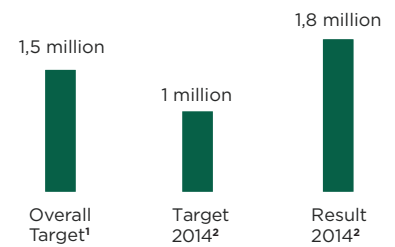
Other partners

ICCO*, Rabobank Foundation*, FSP (Solidaridad)*, AFPRO, WWF India, WWF Pakistan, ABRAPA, ACF, APROCA, PRDIS, CABI, Lok Sanj.

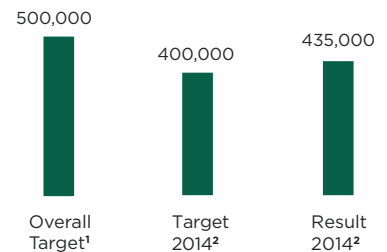
*Funders

KPI Progress 2014³

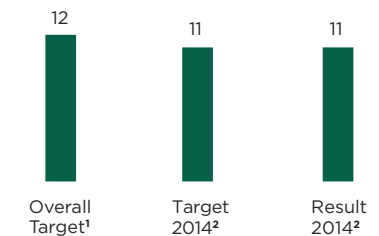
Volume of Better Cotton Lint licensed (MT)



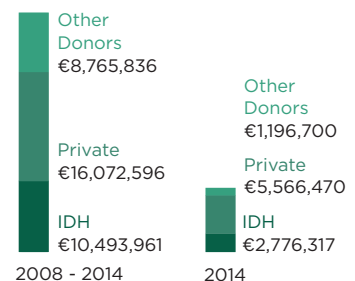
Number of Better Cotton farmers trained



Number of new investors (brands) in the program



Financial Progress 2014



1. The Better Cotton Program targets are progressive targets from 2010-2015. Therefore, we do not report on cumulative targets and results but only on the annual target and result.
2. Target 2014 refers to the 2014-2015 calendar as cotton is a seasonal crop. The final figures will be available in BCI's annual Harvest Report in September 2015
3. Please note that since the cotton crop seasons runs from July-June, we are able to report the annual results only in the Progress Report 2015. Our Annual Report 2014 reports our mid-term results for the 2014-2015 cotton season, in line with the Annual Plan 2014.

Where we can make an impact:

Good agricultural practices and farmer income: Through IDH's support, the BCI trainings reached over 500,000 farmers, resulting in adoption of cotton-growing practices that maintain soil health and optimize application of water, pesticides and fertilizer, which in turn result in an increase the farmer's gross margins.

Working conditions: Through IDH's support, over 500,000 cotton farmers have demonstrated an awareness and application of decent working conditions that translate into the abolishment of child labor and bonded labor, equal pay for equal work (women, migrant labor), health and safety training for all farm workers on pesticide application, and potable drinking water.

Procurement practices: Large-scale adoption of the Better Cotton standard led to the creation of over 1.5 million metric tons of sustainably produced cotton in the market through brand participation and investment in farmer extension services. It also led to changing procurement practices in the cotton industry, with the BCFT brands defining their commitment to the use of sustainably grown cotton in their supply chain.

Theory of change

In 2010, IDH convened the Better Cotton Fast Track Program (BCFTP) to accelerate the implementation of Better Cotton projects. As a demand-driven program, the BCFTP promotes and builds on the commitment of a coalition of ten frontrunner apparel brands who are committed to procuring 100% sustainable fiber in the future. Additionally, it aims to invest in farmer capacity to supply cotton in the geographies of their fiber procurement that is produced based on Better Cotton agronomic, environmental and social criteria.

IDH convenes (new) partners to join the coalition (apparel retailers and brands mainly) and ensures the creation of a sizeable fund and its investment in the correct geographies to scale up supply. IDH also incentivizes mid-stream players and provides procurement support to retailers. Through innovation models and learning studies, IDH support BCI in its mission, as well as strategic thinking regarding the exit strategy of the BCFTP. Operationally and at the secretariat level, IDH provides the professional framework needed to support the program, including: giving investment advice to the Investment Committee and fund management; monitoring and auditing the progress of field projects; and providing a framework for achieving self-reliance and efficiency (through setting KPIs and targets, for example).

At field level, IDH and BCI organize trainings to the BCI standard in order to drive change in farming and social practices, which address productivity, livelihood and decent work criteria. The BCI result indicators suggest that Better Cotton farmers get better yields than their neighboring conventional farmers, as well as a higher gross margin owing to their rationalized application of pesticide, water and fertilizer input.

Key achievements 2014

- In 2014-2015, BCFTP is supporting 44 projects that are projected to produce nearly 1.8 million metric tons of Better Cotton lint in six countries, overshooting in our 2015 program target of 1.5 million metric tons. These projects cover 1.5 million hectares (higher than the target of 1 million). 375,000 farmers have been licensed and 435,000 farmers trained, in excess of the 400,000 targeted for 2014. At present, BCFTP accounts for 93% of all Better Cotton production, which is projected to translate into reduction of erosion, water and pesticide use, as well as improved livelihoods and working conditions.
- A new retail brand partner - Bestseller - joined the BCFTP, increasing the financial and procurement commitment in the program.
- In 2014, the private sector investment was close to €4.9 million, exceeding our target of €3.7 million. In addition to BCFT brands' contributions, IDH has also been working with the BCFT implementing partners to increase their share of projects costs, thereby driving accountability and self-reliance from 6% in 2011 to 24% in 2014.
- IDH has successfully initiated a pilot project with a sustainability initiative under the State Government in Maharashtra, India, resulting in 43,000 smallholders getting licensed to produce Better Cotton - the largest project yet in India. IDH has resourced a technical consultant to work on analyzing the gaps that lie between existing farming practices and the production principles of Better Cotton - with the objective of ultimately embedding sustainable practices in cotton farming via the agricultural extension services.
- BCFTP worked with the BCI supply team to build their internal capacity. They also worked with the brands and their midstream partners to upscale their outreach efforts in training and creating awareness on the newly introduced Mass Balance Administration System.
- There has been a continuous improvement in cost efficiency of farmer training support as the cost of production per metric ton of Better Cotton is €10.50 (against our target of €10 per metric ton - down from €44 per metric ton in 2010). If we include Brazil in our portfolio (which received catalytic funding from BCFTP in 2012 and went on to become entirely self-funded since 2013), the cost efficiency is even lower at €4 per metric ton.

Deviations

- Our retailer uptake target has not been met. In 2014, the BCFT brands procured 167,000 metric tons of Better Cotton lint, falling short of the target for 200,000 metric tons. This demonstrates a need to further institutionalize the procurement of Better Cotton in internal teams and supply chains through education on the Mass Balance System, and supply chain mapping. We need to create skill and focus at the BCI to work on this actively, as it is a key underlying factor to the success of the Volume Base Contribution Fee (VBF).
- The issue of price premium is still acting as a bar-

rier, which is being addressed at two levels: firstly, by increasing the available capacity at the farm level to address some of the demand and supply imbalances. And secondly, through supply chain engagement, where we are conducting sessions on better understanding the BC supply chain and its value chain.

Lessons learned

- Demand from the brands needs to keep pace with the planned procurement requirements in order to secure financial and ongoing sustainability of the Better Cotton standard. IDH has therefore allocated resources and much time and effort in working with the brands to facilitate Better Cotton uptake. A strong platform has been established via the BCFTP, the results of which will be greater in the coming years.
- While evaluating country portfolios, we noticed large variations in project costs in the same area with the same farmer type. This allowed us to realize that looking at both cost per metric ton and cost per farmer gives a more comprehensive overview of projects, allowing us to share best practices (such as in span of control, management structure, support costs etc.)

- IDH is taking the lead in identifying and piloting potential areas of engagement, going beyond both the cotton season and the cotton farm, to understand and explore the opportunities that exist to further address issues of livelihood (specifically regarding water as a resource) and gender empowerment.

Local government engagement

In 2013, we started with an institutionalization approach through collaboration with governments and trade associations, allowing for a systematic transformation of the cotton market.

- In India, IDH has piloted a large-scale Better Cotton project with a provincial government subsidiary in the state of Maharashtra (the second largest cotton-producing state in the country)
- In Mozambique, the BCFTP has achieved some progress in expanding the number of concessions through BCI's agreement with Mozambique Cotton Institute (IAM), the apex cotton body in the country, whereby IAM has officially endorsed the BC package of practices to the concession holders.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Low retail uptake of Better Cotton, which could impact IDH exit strategy in 2020.	<p>IDH has operationalized a work plan to increase the BCFTP brand uptake, and thereby continue to increase uptake targets.</p> <p>The supply portfolio has been diversified to include different regions where the BCFTP brands source from.</p> <p>We have worked with the BCI to add relevant skillsets to their supply chain teams, and provide ongoing training via the supply chain consultant engaged by IDH for the BCFTP brands.</p>	High	High
Other niche or certification standards enter the market.	<p>IDH has actively and continuously improve the standard with BCI – on an institutional level as well as on a supply chain outreach level.</p> <p>IDH has also intensively engaged with the BCFTP brands on understanding the MBA system and transmitting the demand signals further down their supply chain.</p>	Low	Medium
Midstream actors in the supply chain do not see a business case in dealing with Better Cotton.	<p>Communication has been increased through events for educating and engaging supply chain partners through conferences hosted by BCI as well as through individual retailer supply chain trainings/workshops.IDH has also engaged with BCI to rationalize and simplify the process, and provide feedback on the MBA system as well as the monitoring process.</p>	Medium	High

KPI Table Cotton

COTTON Key Performance Indicators	Overall target 2010-2015	Target 2014	Result 2014 ^{1,2}
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of farmers and workers trained ¹	500,000	400,000	435,000
Number of licensed hectares where Better Cotton is grown ¹	1,500,000	1,000,000	1,500,000
Volume of Better Cotton lint licensed and verified (metric tons) ¹	1,500,000	1,000,000	1,828,800
Percentage of farmers trained in Better Cotton compliance	90%	85%	85%
Result area 2: Tangible improvements in sustainable markets:			
Number of investors (brands) in the program	12	11	11 ³
Market uptake of verified Better Cotton by private partners (metric tons of lint) ⁴	300,000 ⁵	200,000	167,356
Private sector investment in the BCFT fund (€)	15,000,000 ⁶	3,750,000	4,886,531
Number of Supply Chain Meetings organized by BCFTP	5	2	4
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of national/international public-private partnerships, including local government	3	1	1 govt IP in India, pilot in 2014 – expanding scope in 2015
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Number of studies into BCFT impact executed by an external evaluator	4	1	1 in progress
Best Practices Learning Platform for program partners established	2	continue platforms for supply chain partners and IPs	Supply chain partners: 4 training events held with BCI in Bangladesh, India, Pakistan and China IPs: BCFT Consultations held with all applications in November 2014 – with regular feedback on performance and reporting

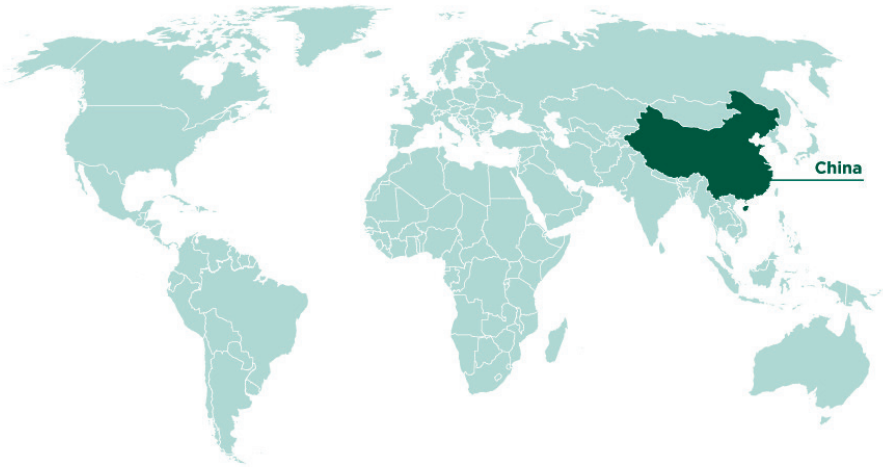
1. The Better Cotton Program targets are progressive targets from 2010 - 2015. Therefore, we do not report on cumulative targets and results but only on the annual target and result.
2. Result from the season July 2014-March 2015. Licensed figures for the 2014 harvest season; the final training numbers, produced volume and volume procured will be available in September 2015 in BCI's annual Harvest Report and in the 2015 IDH Progress Report.
3. Bestseller joined the BCFTP in 2014.
4. Collected from brands and retailers for the year 2014 (Jan-Dec). Brand internal reporting and procurement cycles vary.
5. The Retailer Uptake rate has been updated by consensus in the coalition and in line with the BCI retailer uptake target. Based on the plans of the BCFTP brands for the end of 2015, we are looking at a procurement plan of 225,000 metric tons. With the likelihood of adding only one more brand in 2015, the 300,000 number is seen as a stretch target
6. Private sector investment in the BCFTP is €15 million cumulatively by 2015.



Electronics

To instigate more sustainable manufacturing practices in 75 factories by 2015

IDH, together with Dell, HP, Philips, Apple, Microsoft, ELEVATE, ERI and civil society organizations, has developed a program to improve the working conditions of over 200,000 workers, and to reduce the environmental impact of 75 electronics factories in China. The heart of the Electronics program is the development of effective worker-management dialogue, which drives continuous improvement on the factory floor and addresses often overlooked root causes of social and environmental performance issues. In addition, trainings are provided to build management capacity and workers' awareness. Over the past four years, IDH has built up a curriculum leading to better performance on various sustainability issues and higher retention for the factory.

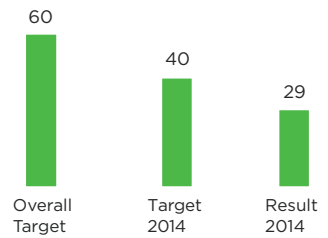


Private Partners
Dell, HP, Philips, Apple, Microsoft (Nokia).

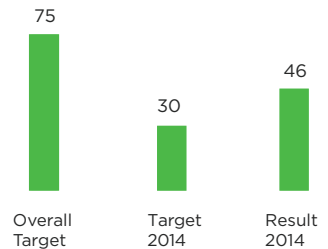
Other partners
Dutch Federation of Trade Unions, ELEVATE, Good Electronics, Somo, Economic Rights Institute (ERI), Globalization Monitor, EICC, IndustriALL, International Hong Kong Liaison Office.

KPI Progress 2014

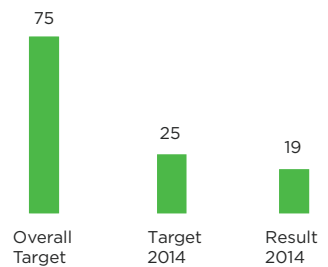
Number of worker/management dialogue forums installed or identified



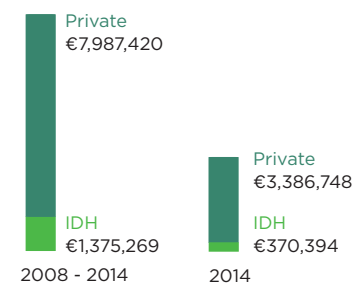
Number of supplier work plans approved



Number of Entry Point Assessments completed



Financial Progress 2014



Where we can make an impact

Labor standards: Worker management dialogue forums in over 50 electronic factories in China address key improvements that lead to better working conditions and increased employee satisfaction, better wages, and decent working hours for over 200,000 workers. This will lead to less employee turnover, a lower re-work rate, and higher profitability of electronic factories.

Freedom of association/collective bargaining: This is projected to produce a virtuous circle of continuous improvements that benefit both workers and factories. It empowers workers (and managers) to be represented and voice their views and rights in a constructive way. The program will bundle the curriculum and Worker Management Dialogue best practices in a legacy pack to be distributed to all EICC members, which generally operate at a global scale.

Theory of change

Numerous audit non-compliances, documented labor incidents, and increasing strikes (in a context of absence of worker representation at supplier level) suggest a fundamental problem in the way employees are engaged and supplier operations are managed. By convening responsible front-running brands and CSOs, an improvement approach has been developed, co-funded and advocated to a selected supply base. The participating suppliers and their workers receive (and the suppliers co-invest in) capacity building for worker management dialogue and co-funding for the joint improvement activities that result from this. As a result, worker satisfaction will go up, and costly inefficiencies from things like re-work and staff turnover will go down. The documented improvements and tools will be embedded in the EICC industry partnership with the aim to be scaled up.

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

Solutions for compliance issues (such as reduction of working hours) are thus tackled and linked to business performance (such as production efficiency and lower staff turnover). Improvements are implemented with the support of a local pool of subject matter experts, and are owned and monitored by a supplier team of management and workers’ representatives.

The supplier team and its employees are coached to provide a sustainable mechanism for problem-solving and solution-finding in the factory. The international brands contribute through their public commitment to, and co-funding of, lasting change to their supply base, in order to reduce vulnerability to reputational damage and to improve manufacturing performance.

Key achievements 2014

- The mid-term assessment delivered emerging evidence of the business case for the Electronics program. Workers’ intention to leave the factory (turnover) is directly linked to management trust and (perception of) fair wage, which have both increased in those factories that have participated with commitment to the program.
- Four public quarterly reports, 20 individual brand reports, and three “supplier in need analyses” were developed for 54 suppliers, with key insights in KPI trends, benchmarking of supplier and brand performance, as well as key challenges at supplier level. Actionable steps for the brands to follow up on with their suppliers were provided by the program and shared in quarterly debrief calls.
- Preparations for embedding the curriculum and other program tools into the existing alliance with the EICC, as well as with the individual companies, have started in preparation for the program exit in 2015.

Deviations

- The window for supplier uptake was closed by the end of June, resulting in a final total uptake of 54 suppliers in the program. Since the target of the program was to include 75 suppliers, this is 21 less than aimed for. The main reason for this deviation is the absence of a compelling business case and the lack of (business) drivers for suppliers (who need to contribute in cash to the program themselves) to participate in the program.

Lessons learned

- Correlations between intervention and measured improvement were still weak at mid-term assessment point. However, preliminary evidence shows that a higher maturity level of dialogue between workers and management leads to higher employee satisfaction on wage levels, which reduces staff turnover. Suppliers do not intuitively see the (economic) benefit of the approach and are reluctant to commit to the programs activities; advocacy of results is therefore crucial for adoption after the program exit.
- Suppliers who participate actively in the program show more improvement than those who did not participate actively.

- In order to understand the real impact of the program, and the potential for further improvements, it is important to look at each individual supplier separately (in the form of case studies). This is because a lot of variables that differ for each supplier (such as product type, geography, tier level, baseline at start, management culture, and commitment to program) determine the final impact level.

Local government engagement

There has been no direct engagement with local government in 2014.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Lack of supplier commitment.	Additional outreach sessions have been held, and a lower barrier “fast track” program was developed. Planning for a mid-term assessment to show first positive impacts and to show/improve the business case to trigger wider industry adoption.	High	Medium
Lack of brand/CPO commitment.	Actionable steps were added through quarterly reports and debrief calls, and a “supplier in need” overview has been developed. Local brand reps have been actively involved.	Medium	High
Service providers' availability and quality (in relation to depreciation in value of the euro).	Quality reviews, capacity building and good resource planning in place.	High	Medium

KPI Table Electronics

ELECTRONICS Key Performance Indicators	Overall target (2011-2015)	Target 2014	Result 2014
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of Entry Point Assessments completed	75	25	19
Number of workers reached by improvement activities in the program	200,000	100,000	185,580
Number of worker/management dialogue forums installed or identified	60	40	29
Number of suppliers that have reached a higher maturity of worker-management dialogue	60	10	35 ¹
Result area 2: Tangible improvements in sustainable markets:			
Number of private partners committed to the program	5	0	0
Number of EICC member (outside program) using network of trainers/methodology	50	0	0 ²
Number of suppliers monitoring sustainability KPIs	75	40	21
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of partnerships with industry platforms	2	1	0
Number of networks of training organizations established and trained	50	20	27
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Number of supplier sessions held	4	2	2
Number of learning trajectories on key bottlenecks started	4	2	2

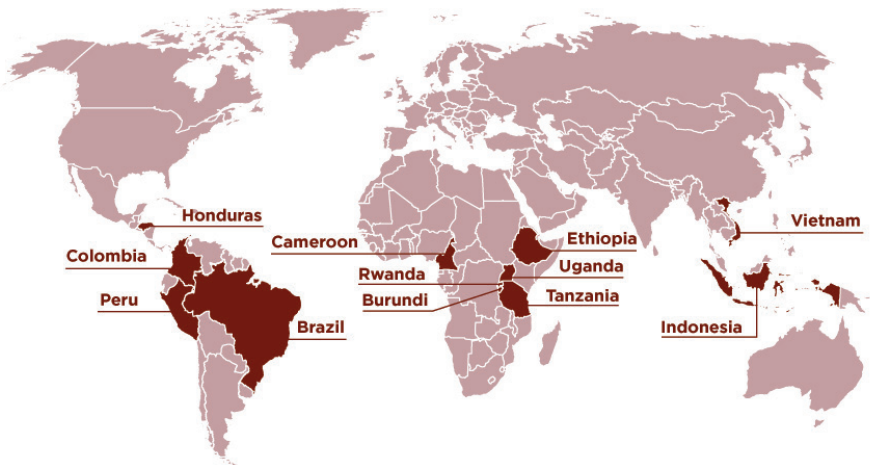
1. These findings are the result of the mid-term assessment of the program. They are therefore only indicative of the maturity level improvements. The actual results of the program will become more tangible after the exit point assessment is held at the suppliers in summer 2015.
2. There have been a few instances where part of the IDH methodology has been used with other brands and suppliers; however, scaling the usage of the methodology through the EICC will take place after the program has been completed.



Coffee

For 25% of worldwide coffee sales to be sustainable in 2015

Historically, coffee was the first cash crop to trigger the development of certification, as a response to volatile market price. In 2008, around 8% of global coffee sales was certified/verified; this continued to increase significantly over the last five years to 15% in 2014, making coffee one of the front-running cash crops in which voluntary standards have scaled up. Since their inception in 1988, certification/verification schemes have proved to have benefits as well as limitations related to overcoming some of the fundamental challenges of sustainable production. This is in part due to limitations in engaging the less professional and productive farmers, who are often disorganized and harder to reach.



Private partners

Armajaro, Caféxport, DE Master Blenders 1753, ECOM, Honducafe, Mondelez International, Mother Parker's Tea & Co Inc., Nam Nguyet Trading, Nestlé, Olam, Pronatur, RIAS, Rwanda Trading Company, J.M. Smucker Company, Simexco, Simon Lévelt, Sucafina, Tchibo, Volcafe.

Governments

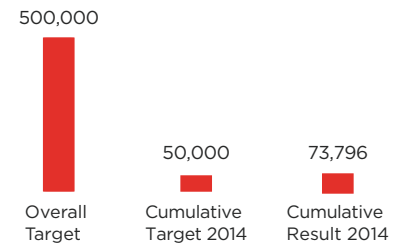
Brazil, Colombia, Ethiopia, Indonesia, Uganda, Vietnam, Tanzania.

Other partners

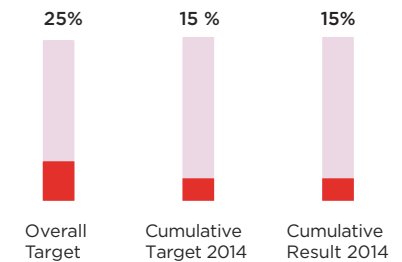
4C Association, ACOB, ACDI-VOCA, CaféAfrica, Coffee & Climate, ECF, ECX, FNC, Hivos, HRNS, ICO, IPSARD, Kahawatu, P&A International Marketing, PAN-UK, Rainforest Alliance, SAI Platform, Solidaridad, SNV, Sustainable Food Lab, TechnoServe.

KPI Progress 2014

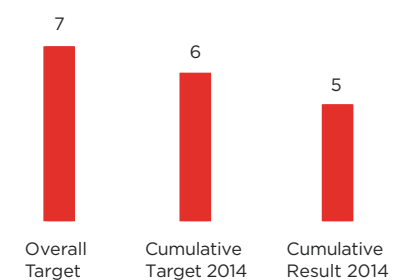
Number of farmers trained (directly and indirectly)¹



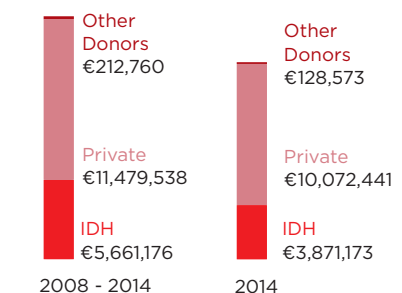
% of global sales of green coffee that is sustainably sourced



Number of functioning national stakeholder structures in place



Financial Progress 2014



1. Up to end 2014, we have only measured how many farmers were trained directly. After the finalization of the National Sustainability Curricula in Vietnam, Uganda, Brazil and Colombia by the SCP, local extension services will train farmers in the National Sustainability Curricula. These farmers will be counted as indirectly trained farmers.

Where we can make an impact

Farmer knowledge and skills/net income: Better livelihoods for 500,000 farming families in Africa through increased incomes by improving yields, quality and good farm management practices.

Water/soil management: Reduction in use of water for irrigation to good practice levels (400-500 liters per tree per irrigation round) and improved soil management in Vietnam.

More efficient use of resources: Via increased collaboration and knowledge-sharing in the sector.

Theory of change

The sector recognizes the need to move beyond earlier competitive and certification-driven efforts, towards a more cooperative, systemic and institutionalized approach to making the coffee sector more sustainable, by creating economically viable and resilient farming systems. It is also clear that to achieve this, investment is needed beyond the largest producers, in order to make an impact on issues such as climate change or overuse and degradation of land. The Sustainable Coffee Program (SCP) aims to reach over 200,000 smallholder coffee producers with investments in Africa, Indonesia, Central America and Colombia. Through scaling up sustainable coffee production and sourcing practices to meet increasing demand, while at the same time improving farmer livelihoods and sustaining natural resources, a sustainable coffee sector can be achieved.

The vision of the Sustainable Coffee Program is to scale up sustainable coffee production and sourcing practices in order to meet increasing demand, while improving farmer livelihoods and sustaining natural resources. To do this, the SCP aims to:

- 1) Establish well-functioning public-private dialogue platforms in at least seven countries that bring coffee sector stakeholders together, and drive a common national sustainability agenda (including the development and rollout of a nationally endorsed sustainability curriculum as the minimum standard for sustainable coffee production practices). These platforms will facilitate better coordination in the sector, improvements in government policy with feedback from the (private) sector, and international credibility for local sustainability initiatives.
- 2) At farm group level, support field-level projects that ensure large-scale prototyping of effective and innovative farmer improvement approaches, which encourage private sector partners to increase and upscale their investments in sustainable production.
- 3) Bring together industry stakeholders, standards, NGOs and knowledge institutes to define and implement common approaches towards climate adaptation, multiple certifications, gender and youth inclusion, and access to finance.

Key achievements 2014

- In Indonesia and Colombia, the steering committee members validated the research and insights collected during the countries' scoping trips. This resulted in the establishment of local public-private platforms, with full support and leadership from the local authorities.
- For field-level projects, 26 concept notes were received, 18 of which were invited to submit full proposals. Of these, 13 were accepted and contracted, with a total value of \$22.8 million. The IDH share of the total amount contracted is \$6.1 million.
- The National Sustainability Curriculum has been endorsed by key public and private stakeholders in Vietnam. The process has also kicked off in Brazil, Uganda, Indonesia, Colombia and Tanzania.
- We supported the start of a traceability project in Ethiopia together with the Ethiopian Commodities Exchange (ECX) and ACDI-VOCA (co-funded with USAID).
- New partners are making financial contributions to pre-competitive national agendas and funding field-level projects: J. M. Smucker Company (Indonesia), Simon Lévelt (Brazil), Mother Parker's Tea & Coffee Inc. (Ethiopia, Vietnam) and ECOM (Colombia, Indonesia).
- The *Sustainable Coffee Farming as a Family Business Toolkit* was launched to support capacity building and training around women and youth inclusion in coffee farming.

Deviations

- Given Peru's focus on specialty coffee, we decided not to pursue a national-level agenda here at this stage due to lack of mainstream roaster interest. However, current field-level projects will continue, and further project ideas can be submitted in subsequent calls for proposals.
- Due to challenges encountered in setting up efficient contract handling structures with national coordinators (in Brazil, Uganda, Indonesia), the program is moving to more direct contracting of field-level projects through IDH.
- Impact/outcome study kickoff was delayed due to partner data availability and internal staffing challenges.

Lessons learned

- The SCP is sometimes perceived as a program for the big coffee roasters, which excludes smaller actors in the sector. To overcome this perception, we aim to communicate more clearly that we are open for all parties, and promote our link with 4CA and ECF who both represent many smaller-sized coffee sector actors.
- The SCP is actively stretching the partner appetite for pre-competitive cooperation and co-funding. This makes the SCP vulnerable, especially if the power balance in the sector shifts through mergers of the larger roasters and traders. To mitigate this risk, we aim to include more and other private sector parties in the SCP.

- We learned that after initial roaster hesitation about communicating the SCP, we did not step up our communication of activities enough. Communication is a key element of support needed to facilitate public-private platforms and activities, and the perceived legitimacy of the program.
 - Learning insights from the program have also not been shared widely. An improved communication focus on learning materials will help to create transparency and improve the legitimacy of the SCP.
- Local government engagement**
- The SCP is engaged with local governments in Brazil, Colombia, Indonesia, Uganda, Vietnam, and Tanzania in the following ways:
 - When developing the SCP's national strategy for a new focus country, the Steering Committee organizes a scoping trip to the producing country, meeting with the local government. In 2014, these country visits took place in Indonesia and Colombia.
 - Following the initial engagement at the scoping stage, local authorities have an important role in the public-private platforms established in each focus country. These platforms have been set up in Brazil, Colombia, Indonesia, Uganda and Vietnam, and give local authorities the opportunity to take ownership, develop and implement policy with input from the private sector. This leads to better coordination of the coffee sector at a national level.
 - The public extension services of the local governments are also closely engaged in the development of National Sustainability Curricula for smallholders in each focus country. In 2014, the National Sustainable Curricula in Vietnam, Uganda, Tanzania and Brazil were developed together with local stakeholders and institutions. In 2015, these curricula will be formally endorsed by the government. We will also start developing curricula as part of the platforms in Indonesia and Colombia.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Political challenges in Ethiopia.	Clear go/no-go milestone planning in Ethiopia program has been established. Partnerships formed with credible organizations on the ground in Ethiopia (ACDI-VOCA, TechnoServe).	Medium	High
Not getting required other donor funding due to disproportional shift of donor funds to food crops.	SCP profiled as a flagship systemic smallholder-oriented program within IDH and in the IDH general donor outreach.	Medium	Medium
Brazilian buy-in/national support for sustainability.	IDH works proactively with relevant national stakeholders, and carefully demonstrate the Brazilian business case for sustainable production.	Low	High
SCP reputational risk regarding impact due to frequent focus on the 4C standard in field-level projects and (unintended) in communication.	IDH has create clear, independent and standard neutral SCP communication strategy and branding, focusing on “beyond certification” approach. Endorse and implement National Sustainability Curriculum and Common GAP Curriculum to increase impact by raising requirements for field-level projects.	Medium	High
Loss of support of current roaster partners.	Ensure we can communicate results and demonstrate value for investment for our key stakeholders.	Medium	High
Loss of wider sector stakeholder support due to too-strong partnering with the large roasters.	To overcome the risk of losing support we try to communicate more clearly that we are open for all parties, and promote our link with 4CA and ECF who both represent many smaller-sized coffee sector actors.	Medium	High

KPI Table Coffee

COFFEE Key Performance Indicators	Overall target 2008-2015	Cumulative target 2014	Cumulative result 2014
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of farmers trained (directly and indirectly) ¹	500,000	50,000	73,796
Number of farmers organized or in improved farmer organizations through program activities	500,000	50,000	64,463
Volume (metric tons) of Green Coffee Equivalent (GCE) that is produced sustainably by farmers trained in the program ²	NA	60,000	148,842
Result area 2: Tangible improvements in sustainable markets:			
Percentage of global sales of green coffee that is sustainably sourced	25%	15%	15%
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of national strategies developed	7	7	6
Number of public-private partnership platforms, including local government	7	6	5
Total amount of non-IDH funding of program activities (committed in millions of US\$)	60	46.5	39.8
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Number of learning studies carried out and reports published that inform national and global sustainability strategies	25	18	16

1. Up to end 2014, we have only measured how many farmers were trained directly. After the finalization of the National Sustainability Curricula in Vietnam, Uganda, Brazil and Colombia by the SCP, local extension services will train farmers in the National Sustainability Curricula. These farmers will be counted as indirectly trained farmers.
2. Previously, the KPI Volume of GCE that is produced sustainably by farmers trained in the program (metric tons) was used to show the results of the coffee program. The coffee program is reaching farmers directly and indirectly. The number of farmers reached indirectly will increase significantly the coming year. It will be very costly/time consuming to measure the Volume of GCE that is produced sustainably by farmers trained in the program that are reached indirectly by the coffee program. Using this this KPI while only taking the sustainable production of directly reached farmers into account would give a distorted impression of the results of the coffee program. The volume reported now is only the volume that was sustainably produced by farmers directly reached by the program.



Cashew

To provide increased and stable income and access to services for 25,000 farmers by 2016

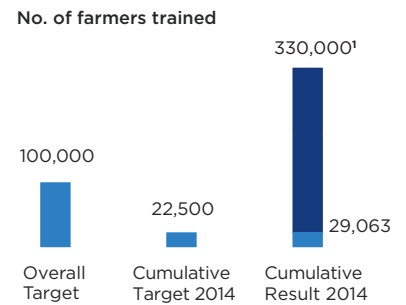
The IDH Cashew Program is part of the African Cashew Initiative (ACi), a sector-wide program that unites GIZ, IDH, the Bill and Melinda Gates Foundation, and numerous industry players in their joint ambition to make the production, processing and trade of cashew nuts from Africa more sustainable. Aiming to alleviate poverty among the more than two million cashew smallholders in Africa, IDH and the ACi co-finance projects to organize and train farmers in the sourcing areas of newly set up processing facilities.



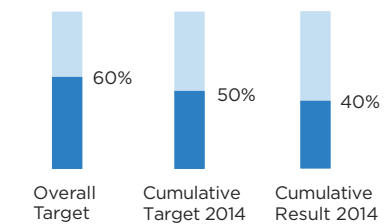
Private Partners
Ahold, Intersnack, Olam, Trade & Development Group, Equatorial Nut Processors.

Other partners
African Cashew Initiative (ACi), African Cashew Alliance (ACA), Chainpoint, FairMatch Support, Gesellschaft für Internationale Zusammenarbeit (GIZ), Bill and Melinda Gates Foundation.

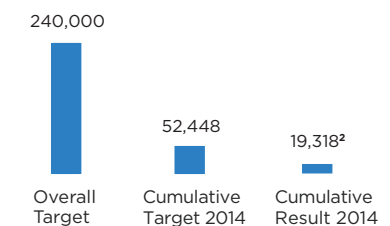
KPI Progress 2014



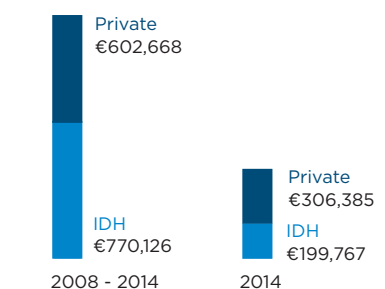
% sourced directly from farmers of farmer groups per annum (= capture rate)



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



Financial Progress 2014



1. IDH projects have trained 29,063 farmers, while the total contribution of ACi (including IDH) is 330,000.
2. Includes 9,703 metric tons reported by the pilot projects in 2013, and 9,615 metric tons from projects in 2014.

Where we can make an impact

Good agricultural practices and farmer income: The IDH Sustainable Cashew Initiative and the ACi jointly contributed to improving productivity and increasing the annual income of 330,000 farmers by an average of \$120 each (of which 23,000 farmers in IDH's own projects).

Smallholder integration and improved business linkages: IDH improves traceability to improve data-driven producer performance. By aligning the sector behind a shared sustainability agenda and providing it with a traceability system to target and monitor its business and interventions, IDH drives the sustainable integration of 330,000 smallholders into the value chain. IDH also leverages an investment fund 55 times the size of its own contribution.⁴

Theory of change

The interest in direct sourcing from Africa continues to grow, and organizing the sourcing areas in an efficient and sustainable manner becomes more crucial. Focusing on increasing production and processing capacity through training, the African Cashew Initiative (ACi) leads and coordinates a holistic, large-scale competitiveness program for the African cashew sector. This is leading to improved sources of livelihood for farmers and better working conditions at processing level, as well as a more secure supply for cashew roasters.

IDH's contribution to this large-scale development effort is the creation of strong and traceable market links between farmers, cashew processing factories in Africa and western end-buyers. On the one hand, these links ensure that the socio-economic development of the African cashew sector is closely aligned with international market demands and can be sustained beyond the scope of large donors. On the other hand, the program convenes and unites traders, roasters and retailers, with the ambition to source sustainable cashew directly from Africa. By adding these two components and a strong traceability tool to the overall ACi approach, the sector is able to get a better insight into how production in its sourcing areas is developing and how farmer groups can best be supported. This provides traders with a more stable supply, and generates more direct investment for farmers to improve quality and volume, and potentially to secure a better income.

Key achievements 2014

- The Cashew Sustainability Initiative has launched a management information system (3S). After initial investments by IDH, the system is now self-financing and managed by the private sector. The system traces cashew, its quality, and the conditions under which it is produced and processed, creating transparency in the supply chain from farmer aggregation to roaster level. The information gathered enables benchmarking between farmers and farmer aggregations, allowing for more targeted training and future interventions.
- The Cashew Sustainability Initiative will be handed over and formalized as a legal entity called the "Sustainable Nuts Initiative", a private sector foundation aimed at increasing sustainability in nut supply chains, by the end of 2015. This foundation will also be financed and governed by the sector without any additional subsidies needed.
- New projects in Kenya and Mozambique were launched in 2014, raising the number of farmers trained in the program to 29,000.

Deviations

- The targeted volume of traceable cashew could not be reached, since the development of the management information system (3S) was delayed and African processing capacity did not grow at the predicted pace. However, the private sector has committed to supply 70,000 metric tons (8% of African production) annually, and to cover any funding gaps, until the system becomes self-financing in 2017.
- Instead of the envisioned 100,000 farmers, IDH's own projects will involve only around 30,000 farmers across Africa. This is due to a re-adjusted focus within the wider development effort of the ACi, where ACi is focusing on training farmers (330,000 farmers by end 2015). IDH ensures traceability and integration of producer support in companies' sourcing strategies. The focus on traceability and business links enables IDH to align and leverage public and private development efforts, resulting in increased investment and impact.

4. 4 Based on investments in 2013 - Figures provided by the African Cashew Initiative

Lessons learned

- In addition to projects on the ground, long-term commitment on volumes is key to involving downstream supply chain players (traders, roasters, retailers).
- By leaving it to the private sector to set up, run, and finance the cashew initiative, IDH ensures the continued commitment of the sector, and facilitates an efficient and focused approach to sustainability that is at the core of the participating businesses.
- By sharpening the division of tasks and recognizing the complementary nature of the partners within ACi, IDH could focus on its strength in convening the sector behind a shared development agenda based on data-driven producer performance. The implementation and coordination of field projects should be left to ACi to increase efficiency and avoid duplication.
- European buyers are not only interested in increasing the sustainability of their cashew supply, but also of their entire nut purchases. Both the governance structure and the traceability system of the program are designed to allow future expansion into other nut categories.

Local government engagement

There has been no direct engagement with local government in 2014.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Lack of tangible IDH contribution, given the crowded donor field working on cashew.	IDH collaborates closely with ACi, the leading implementation program in the cashew sector. IDH supports and strengthens ACi by increasing traceability and creating sustainable business links throughout the supply chain. ACi has a seat on the IDH Cashew Initiative, and IDH sits on the ACi Board.	Medium	High
Management information system not being picked up by the market.	System handed over to the private sector, and jointly communicate with private sector parties. The private partners have taken the initiative of setting up an independent foundation to govern the system. Their continued commitment has also been reconfirmed by increased investments in cash.	Low	High
Implementation delays in field-level projects in Mozambique and Kenya - the former caused by personnel changes at implementation level, the latter due to political unrest in the project region.	Targets are closely monitored and potentially readjusted in March/April 2015.	High	Low

KPI Table Cashew

CASHEW Key Performance Indicators Program	Overall target 2013-2015	Cumulative target 2014	Cumulative result 2014
Result area 1: Tangible improvements in condition of production in countries of origin:			
Percentage of raw cashew nuts sourced directly from farmers of farmer groups per annum (=capture rate) ¹	60%	Year 1: 35% Year 2: 50% Year 3: 60%	40%
Percentage of cashew above minimal quality levels per annum (based on pre-defined minimum levels KOR, humidity, nut count) ²	80%	60%	47%
Average additional farmer net income per annum (yield based) ³	US\$ 91	NA	US \$120
Number of farmers trained	100,000	22,500	29,063
Result area 2: Tangible improvements in sustainable markets:			
Volume of raw cashew nuts traceable from farmer aggregation to end-buyer and vice versa (entire volume in the 3S traceability system)	240,000 MT	52,488 MT	19,318 MT
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of business partners committed to the initiative	15-20	7	7
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Number of learning trajectories started on key bottlenecks within the sector (incl. business case analyses)	4	1	1 (sustainability reference levels)
Number of innovative tools facilitating traceability and sustainability within the cashew supply chain	5	1	1 (traceability system)

1. The capture rate is the agreed target at beginning of the season that farmers would deliver, versus the actual deliverance. The year target for 2014 depends on whether it is the first project year or not, and is therefore split up per year involved.
2. The minimum quality level is based on specific quality indicators such as the kernel output ratio (KOR), humidity level, and nut count. For each of these indicators, a certain threshold is agreed between the project partners. This KPI reports on the total percentage of cashew which meets that threshold for each of the specific indicators.
3. This income increase is an average across all ACi projects, not specifically for IDH. The calculation is based on yields and fixed prices. The figures are available and provided by ACi/GIZ; only the overall target (US\$ 91) is specified, no year target is available.

Programs in Implementation **Light**

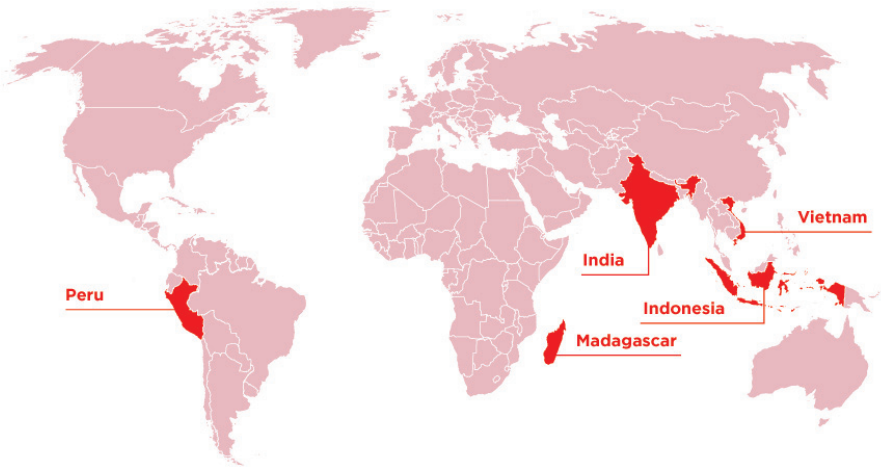
In 2014, IDH orchestrated five light programs – natural stone, spices, fruit and vegetables, flowers and palm oil. Light programs are important for IDH, but the resources we invest are limited compared to our pillar programs. In the following pages, you'll find extensive overviews and reports on the results of our light programs, as well as detailed descriptions of key achievements, deviations, lessons learned and an assessment of risk. Please note that the palm oil program only started its implementation in 2014; we therefore do not report on a full KPI set this year.



Spice

For 15-20% of the main spice supply sourced by members of the Sustainable Spices Initiative (SSI) to be sustainably produced by 2015

Millions of smallholders are involved in the production of spices. They often face poverty and food insecurity, and spices are an important cash crop for them. Depending on the spice and country, the production of spices itself faces labor issues (migrant and/or child labor) and environmental issues, particularly excessive agrochemical use. To overcome these challenges, the SSI creates broad engagement of key stakeholders on these issues, helps develop and benchmark sustainability standards recognized by the market, implements pilot projects which lead to the first certified volumes in the market, and organizes best practice sharing.



Private

Amalgamated/APPL, Cassia-Coop, Euroma, Griffith Laboratories, Intersnack, Intertaste, ITC India, Jayanti, McCormick, Nedspice, Olam, Sabater, Symrise, Unilever, Unispices and Verstegen.

Governments

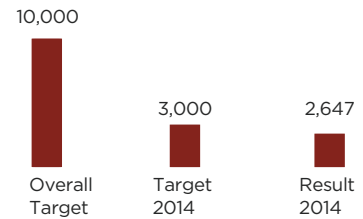
Dutch embassies in India, Indonesia and Vietnam; Ministry of Agriculture in Vietnam.

Other partners

World Spices Organization (India), ICCO, KIT, SNV Asia, Cordaid, Both Ends, HIVOS, Veco (BE), Rainforest Alliance.

KPI Progress 2014

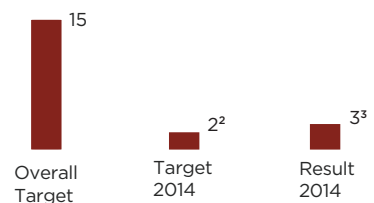
Number of smallholders trained on sustainable production practices in SPIF



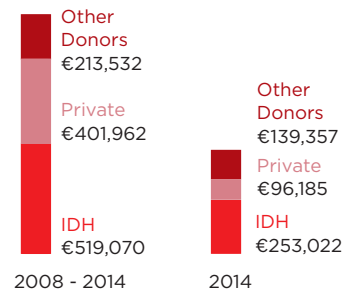
Volume (tons) of sustainable pepper sourced and/or processed by program partners per year



Number of private partners sourcing and/or processing sustainable spices (member of SSI)



Financial Progress 2014



1. Equivalent to approximately 20% of sustainable sourcing by the program partners.
2. Due to higher achievements in 2013, the target for 2014 was lowered from 4 to 2 to fit the end target of 2015. SSI membership is expected to further grow and exceed the final target.
3. The World Spices Organisation, although representing private exporters, formally joined the SSI as a non-profit organization - this is but not integrated into the number of private sector partners.

Where we can make an impact

Farmer training and certification: Promoting better use of agrochemicals and soil management techniques in the production of sustainable spices.

Traceable sustainable volumes to market: Creating concrete supply opportunities for end-buyers.

Creation of local platforms: Addressing key environmental and social issues, including: better agrochemical use to result in low residue levels in spices in India and Vietnam; improvement of livelihoods through sustainable vanilla farming in Madagascar (initial scoping started in 2014).

Theory of change

The spices program consists of three workflows, and will ultimately contribute to improved livelihoods of small-holder farmers. To reduce the use of agrochemicals, improve labor issues and improve the traceability of spices, the SSI works together with existing certification standards to enable them to be implemented in the spices sector. To make certification schemes more accessible for farmers and processors, Local Interpretation Guidelines for Rainforest Alliance have been developed and certification schemes have been benchmarked.

The SSI convenes and encourages spice-processing companies, “first movers” in the SSI, to source sustainable spices and to invest in sustainable production of spices through training in good agricultural practices at farmer level. The trainings lead to lower use of pesticides that in turn lead to lower production costs, higher incomes through premiums, better market opportunities and labor standards, and therefore improved farmer livelihoods. This is done through innovative pilot projects through the Spices Producers Support Investment Fund (SPIF) that can later be scaled up by the private sector.

The SSI also facilitates the development of local stakeholder platforms focused on addressing key sustainability issues by convening dialogue between strategic government and private sector actors. These platforms will improve coordination in the sector, government policy with feedback from the (private) sector, and international credibility for local sustainability initiatives. These help tackle coffee farmer challenges to sustainability through better agrochemical use (resulting in low residue levels in spices in India and Vietnam), and improvement of livelihoods through sustainable vanilla farming in Madagascar (initial scoping started in 2014).

Key achievements 2014

- In 2014, 4,424 metric tons of sustainable spices were produced in pilot projects on sustainably managed areas totaling 5,012 hectares.
- Six new projects started in 2014, including new spices

(cumin, paprika) and new standards (SAC Unilever standard, private standards). The world’s first Rainforest Alliance certification of cloves came about as result of one of the SSI projects.

- A benchmarking tool for sustainability standards in spices was created in cooperation with the International Trade Centre: www.standardsmap.org/ssi. It was well received and broadened the options for SSI members for sustainability certification and verification.
- Four new members joined the SSI: Amalgamated/APPL (Tata Group, India) as the first spices producer group; Intersnack, an important European food industry representative; Griffith Laboratories, an important international spices processing and blending business and the second US-based company to join SSI; and the World Spice Organisation, the Indian exporters organization commissioned to develop food safety and sustainability policies for the sector. This means the SSI exceeded its target to engage strategic sector stakeholders.
- SSI successfully started local working groups/platforms in India and Vietnam in 2014. Both will focus on responsible agrochemical use and minimizing residue levels.
- SSI presented at the World Spice Conference and built cooperation with the Indian World Spice Organisation, which eventually became an SSI member. WSO is an important player in developing a public-private dialogue platform in India to reduce the use of agrochemicals.
- At the request of the industry, IDH started scoping the potential to revitalize the so-called Sustainable Vanilla Initiative, focusing on a Madagascar intervention, in collaboration with the Sustainable Food Lab.
- SSI has initiated the development of active sustainability marketing towards retail and brands.
- Through development of the Rainforest Alliance Local Interpretation Guidelines, IDH contributed to the increase in production of certified sustainable spices, which now represents an area of 15,667 hectares and includes 11,791 farmers globally.

Deviations

SSI’s volume targets for RA certified pepper volumes in production and in the EU market will not be reached in 2015 by a long way; volumes remained at pilot level, also in new projects. The reasons include:

- End-buyers are not taking up RA certified pepper volumes. Spices processors feel disappointed in their uptake and premium expectations by end-buyers and are not willing to upscale their (successful) field projects.
- Unrealistically high targets were set at the start of the program, and focused mainly on pepper only. The targets were also set for the European market without connection to individual volume commitments of SSI members.

Lessons learned

- Standard benchmarking has proved to be an important tool, ensuring transparency on the different standards and their coverage of key issues for the spices sector. It has also become clear that high residue levels in particular create a supply problem for the sector – an issue that is directly related to the unsustainable use of agrochemicals at smallholder farm level.
- As an initiative, the SSI is still at the phase of first frontrunners and piloting but with growing interest from larger industry players.
- The market uptake is – for a second year in a row – not as high as expected. The industry is responsible for solving food safety issues (including residue levels) but other sustainability related issues (such as social issues) still strongly depend on the end-buyers’ interest. Initial attempts to address this through stronger marketing positioning of sustainability towards end-buyers were not yet successful, and require more effort. Convening retail and brands on a broader agenda and getting their overall commitment through a next step Covenant like in Flowers may prove more effective – a strategy currently in development by IDH.
- Setting general market percentage targets led to insufficient commitment by SSI members; SSI is not expected to reach its target for 2015. New and company-based commitments by industry and a broader group of end-buyers are necessary when starting the 2016-2020 phase in our strategy. SSI can present itself

as part of the solution for retailers’ and manufacturers’ sustainability and risk-management agenda. The growing number of participants no longer allows sufficient active participation under the present structure and meetings. SSI requires a new governance model that is able to keep up the positive engagement and momentum.

Local government engagement

- SSI cooperated with the Ministry of Agriculture in Vietnam under the World Economic Forum agenda, with a specific platform for spices (mainly pepper).

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Weak business case for certified sustainable production at farm level.	One SSI member participates in IDH’s high level Service Delivery Model learning program. First project with a “beyond certification” agenda (ITC India) approved.	High	Medium
Low demand for sustainably produced spices from end-buyers, slowing down expected results of the program, and discouraging the supply chain from working on sustainability.	Marketing on SSI’s agenda to promote uptake for sustainable product by retail and food manufacturers. Development of an integral retail approach in development for 2016-2020 program in 2015.	High	High
Agrochemicals are the main issue in annual spices crops, affecting the supply of spices from India and Vietnam.	SSI Working Group developed in India on responsible agrochemical use. WSO member of SSI.	High	Medium

KPI Table Spice

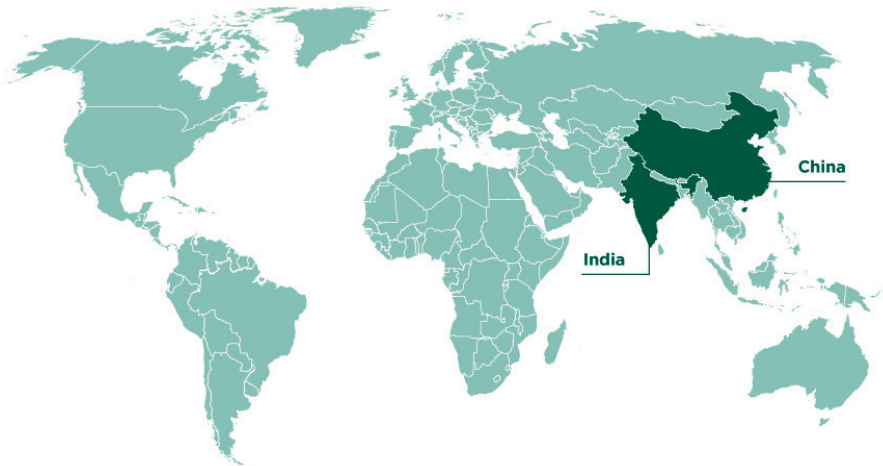
SPICE Key Performance Indicators	Overall target	Target 2014	Result 2014	Cumulative result 2014
Result area 1: Tangible improvements in condition of production in countries of origin:				
Number of hectares of land managed using sustainable techniques	10,000	1000	5012	6606
Number of smallholders trained on sustainable production practices in SPIF	10,000	3000	2647	3941
Result area 2: Tangible improvements in sustainable markets:				
Number of private partners sourcing and/or processing sustainable spices (member of SSI)	15	4	3	16
Volume of sustainable pepper (RA certified) sourced and/or processed by program partners per year	15,000	1500	201	NA
Result area 3: Effective collaboration and institutionalization at sector level:				
Number of sector platforms and associations collaborating with SSI	3	2	2	2
Number of industry-wide accepted mainstream sustainability standards for spices	4	3	4	5
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:				
Number of producer support pilots implemented with program partners	10	5	6	12
Number of studies carried out that influence sector strategies on sustainability	3	1	2	3



Natural Stone

To reduce the negative social and environmental impact of natural stone mining and processing

The natural stone sector is facing several sustainability challenges, such as workers' health and safety, bonded labor, wages, child labor in the cobblestone industry, and water and air pollution. The Responsible Stone Program (RSP) unites Northwest European retailers, traders, importers and suppliers that are committed to offering an ethically produced product. 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 biggest producers of natural stone.



Private partners

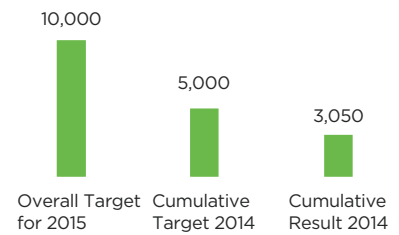
Vereniging van Nederlandse Natuursteen Importeurs (VNNI), Algemene Bond van Nederlandse Natuursteenbedrijven (ABN), FEBENAT, Aggregate Industries, Arte di Granito, B&Q, Beltrami, Ceramic Prints, Dekker Natuursteen, Hoogenberg, Michael Oprey & Beisterveld, Stoneasy, Natuursteenbedrijf van Leeuwen, Gebroeders Voets water en wegen bouw.

Other partners

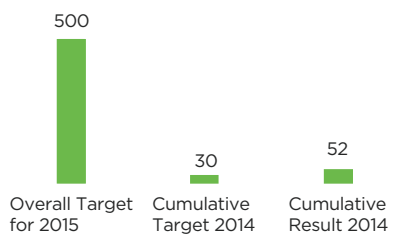
LIW, FNV Bouw, Building and Wood Workers International, The Forest Trust (TFT).

KPI Progress 2014

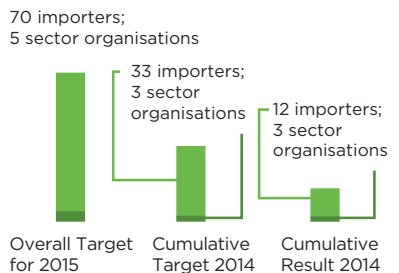
Number of Workers under improved working conditions in factories and quarries of the suppliers participating in the program



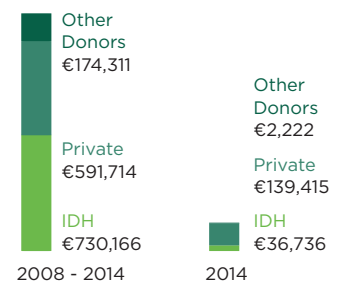
Number of suppliers committed to improving working conditions in their factories and quarries



Number of private partners committed to the program



Financial Progress 2014



Where we can make an impact

Working conditions: In 2014, IDH supported 52 suppliers to improve working conditions in their factories and quarries, and to work towards reaching level 1 of the TFT RSP code of conduct. The program currently includes 3,050 workers.

Procurement practices: IDH convenes and recommits Northwestern importers and civil society to sustainable sourcing, which will give producers an incentive to adopt sustainable production practices.

Theory of change

Made up mainly of small- and medium-sized companies, the natural stone sector in Europe lacks leverage to effectively change production practices in supplying countries such as India and China. By uniting Northwest European retailers, traders and importers, the Responsible Stone Program (RSP) creates critical mass. Suppliers are supported to reach level 1 or 2 of the RSP code of conduct. The code consists in total of three levels, of which level 3 is voluntary. This way, importers and suppliers work towards improving production practices and offering an ethically produced product to the end market. Through this step-by-step approach, suppliers are supported to keep working on the ongoing improvements of their production processes. In addition to working on an increased supply of responsible stone, we target the demand side through active market outreach to contractors and public buyers of natural stone.

In 2014, IDH focused mainly on realizing and finalizing our exit from the program, which has been taken over by The Forest Trust (TFT) Responsible Stone Program. To ensure the continuation of the program, a financial model was established to sustain the program from the membership fees of participating companies. Currently, IDH support has been reduced to communication, market outreach, and coordination of Dutch participating companies. The overall management of the program is in the hands of TFT and its member companies.

Key achievements 2014

- We evaluated and adjusted the program design to focus more strongly on support and capacity building of participating suppliers. TFT started a nine-month capacity-building program with shared suppliers.
- Key players reconfirmed their participation in the program; their membership is confirmed until end 2015.
- The Child Labor Free Zone project in Bhudpura, India, was successfully executed and will be finished in mid-2015.
- The Responsible Stone Program has successfully transitioned to a self-financing program in 2014 and is managed by The Forest Trust (TFT).

Deviations

- The TFT Responsible Stone Program is in a transition phase, with IDH support ending by the end of 2015. In order to ensure the continuation of the program without IDH support, the financial model of the program was adjusted. The members of the program have agreed to a higher membership fee to cover the costs of implementing the program. This caused a shift from having a large group of small buyers to a small group of larger buyers (reflected in the number of partners committed to the program). With the increase in program costs, the buyers will focus on common suppliers and intensify the capacity-building activities at these sites.
- The national chapters in Europe will take a stronger lead in the coordination of regional communication and in outreach activities to end-users.
- As the program runs at a loss for TFT, the revenue model of the program had to be revised. This resulted in a reduction of members and suppliers. However, the program should be able to continue on its own and be self-supporting by the end of 2015.
- A number of producers are close to reaching level 1 of the code of conduct (see explanation above in *Theory of change*). Practical assistance to current participating factories and quarries was increased in order to help producers tackle the last requirements. Figures for sustainable sourcing can only be reported once the producers have reached level 1.

Lessons learned

- Establishing a sustainable revenue model proved to be difficult. In 2013 a loss was taken by TFT, and the fees and costs of implementation had to be increased to reach a break-even scenario in 2014. Momentum was lost, which resulted in a reduction in participating companies and their suppliers, hence fewer workers were involved in the program than planned.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Declining private sector commitment due to increase in costs and recession in building sector.	Active management of current members' accounts and reach out to EU buyers.	High	High
Suppliers dropping out of the program.	Support and follow-up of participating suppliers have been increased (by TFT).	Medium	High
Limited impact at quarry level.	Focus on implementation of shared suppliers and capacity-building program for participating suppliers (by TFT).	Medium	Medium

KPI Table Natural stone

NATURAL STONE Key Performance Indicators	Overall targets (2012 – 2015)	Cumulative target 2014	Cumulative result 2014
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of employees working under improved conditions in factories and quarries of the suppliers participating in the program	10,000	5,000	3,050
Number of suppliers committed to improving working conditions in their factories and quarries	500	30	52
Result area 2: Tangible improvements in sustainable markets:			
Number of private partners committed to the program:			
• EU importers	70	33	12
• EU sector organizations	5	3	3
Percentage of sustainably sourced natural stone imports from high-risk countries of program partners	10%	0%	0% ¹
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of non-private partners committed to the program (including local/regional government and sector boards)	15	3	4
Number of European countries engaged in international initiative for natural stone	12	7	5
Verification system formally recognized by key sector players	Formal acceptance and recognition by EU end-users (public and corporate buyers)	5	0
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Number of on-the-ground projects in executing and preparation	2	2	1

1. Figures for sustainable sourcing can only be reported once the first producers have reached level 1 of the code of conduct.



Fruit and Vegetables

To make sourcing and import of fruit and vegetables from Africa, Asia and South America 100% sustainable in 2020 via the Sustainability Initiative Fruit and Vegetables (SIFAV)

The fruit and vegetables sector is facing a number of sustainability issues. These issues are mostly at farmer level and include low yield 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 this covenant.



Private Partners

Agrofair, Albert Heijn, Bakker Barendrecht, C1000, Chiquita, Coop Switzerland, Dole, Eosta, Fairfruit, Fairfields, Fyffes, Georges Helfer SA, Giovannelli Fruchimport AG, Hillfresh, ICA, Jaguar the fresh company, Jumbo, Levhart, Lidl Nederland, Mara Fresh, Marks & Spencer, Nature's Pride, Olympic Fruit, PPO Services AG, Safarifresh, Special Fruit, Staay Food Group, Superunie, The Greenery, Total

Produce, Univeg, Van Oers United, Verbruggen Juice Trading Sustainable Products.

Governments

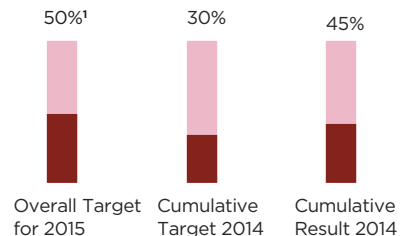
Costa Rica, South Africa (Siza).

Other partners

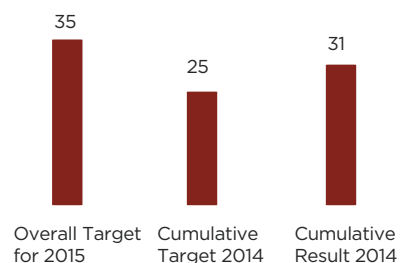
ICCO, Frugi Venta, Solidaridad, BSCI, ETI/SMETA, Fairtrade, IMO fair for life, SIZA of South Africa, SA8000, Rainforest Alliance, GlobalG.A.P., EU Organic, US Organic.

KPI Progress 2014

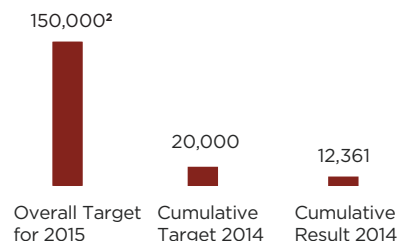
Percentage of certified/audited volumes of fruit & vegetables out of the total sourced (covenant members and SIFAV partners (100% in 2020))



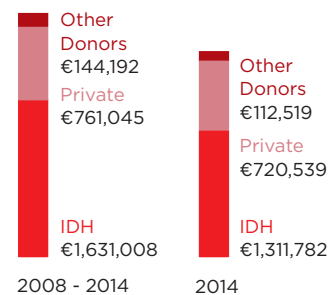
Number of partners and signatories in the covenant



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



Financial Progress 2014



- The overall target for 2015 was communicated incorrectly in earlier reports (Progress Report 2014 and Annual Plan 2015) as being 60%. In the covenant, targets are clearly defined as 30% in 2014, 50% in 2015 and 100% in 2020. For 2014, companies have jointly achieved 45% and thereby exceed the 2014 target of 30%.
- This KPI was ambitiously set at 1,000,000 farmers trained. In the IDH Progress Report 2014, it was indicated that this target will not be reached and will be adjusted to 150,000 smallholder farmers/workers by the end of 2015. Based on this adjustment, the cumulative target for 2014 has also been adjusted. Please see deviations section for more information.

Where we can make an impact

100% sustainability by 2020: By the end of 2015, IDH will have brought together 35 companies committing to 100% sustainable sourcing by 2020. These companies have agreed to work with their suppliers through the SIFAV Producer Support Program, setting up projects in producer countries.

Improving farmers' livelihoods: Through the Producer Support Program, IDH aims to include smallholder farmers in the supply chain, thereby linking them to lucrative export markets. IDH also aims to train farmers and workers on GAP, Good Engineering Practice (GEP) and Good Social Practices (GSP). Through this, we increase farmer knowledge and skills in order to improve yield and quality of produce. Both these activities will lead to increased income for smallholder farmers and workers, creating better livelihoods.

Benchmarking standards: By benchmarking social certification standards, SIFAV harmonizes existing sustainability standards. This should lead to wider, mainstream acceptance of standards within the sector. It is also expected to reduce audit fatigue and audit costs for producers and farmers who conduct various audits annually. Harmonization will lead to more effective training of farmers in good agricultural practices too.

Theory of change

The Sustainability Initiative Fruit and Vegetables (SIFAV) pre-competitively brings together international traders and retailers to work towards more sustainable supply chains. Through signing the SIFAV covenant, sector players agree to source 100% sustainably in 2020. This leads to higher volumes of sustainably sourced produce sold on the high-end market. IDH supports the companies to realize this goal by developing sustainability sourcing strategies, introducing new business models into their supply chain, and co-financing projects that will provide farmers with the skills and knowledge to produce sustainably, thus ensuring a sustainable supply.

IDH and the participating companies contribute to training farmers and workers in good agricultural, environmental and social practices. This increases yields, product quality, food safety and food security, and improves working conditions and sustainable water use. Farmer productivity is further supported by the provision of pre-financing for inputs. The sustainable production of quality fruit and vegetables provides farmers and producers access to lucrative and established markets, which reduces the risk associated with volatility of demand for producers. This is ultimately expected to result in increased income, better working conditions and a higher quality of life for producers, farmers and their workers. A baseline study and reports on these projects are documented for learning purposes. Where possible, IDH and companies work together with local stakeholders and

aim to implement projects by making use of local trainers and implementing partners.

In addition to supporting farmers directly, the program works towards a systemic change through harmonization of standards. Throughout the sector, a wide range of different sustainability standards is used, and farmers face multiple audit requirements from different customers in the EU and US. This is costly and time-consuming to implement. Producers and farmers can therefore benefit from harmonization of standards, e.g. with market recognition and endorsement of different standards. If all standards are harmonized through a GSCP benchmark, farmers can choose any standard and be audited against it. Furthermore, producer countries can develop their own national standards and seek international recognition through benchmarking to meet minimum levels. This way, countries can be audited against their own national standards and still meet the requirements of international markets.

Key achievements 2014

- SIFAV has convened the fruit and vegetables sector in a strong coalition that agreed on a target of 100% sustainable production, sourcing and trade in 2020. From a Dutch initiative of 13 partners in 2012, SIFAV has transformed into an international coalition, including 31 international brands, traders and retailers, as well as three civil society organizations.
- SIFAV has reached out to a number of European companies in Sweden, Belgium and Switzerland, which have signed the covenant. SIFAV is working with five international retailers and four multinational fruit and vegetables traders and brands, among which ICA Sweden and Coop Switzerland, Chiquita, Dole, and Fyffes.
- Of the "Big Five" fruit and vegetables brands and producers that were targeted in 2014, four have joined the program, covering over 60% of global banana producers and trading companies. Three of them are implementing producer support projects in Central and South America.
- All standards selected in the SIFAV basket of selected standards for social compliance are now undergoing the GSCP benchmarking process. BSCI, ETI/SMETA, SA8000 and SIZA completed the process in 2014.
- We have reached our contracting targets, both for private sector contributions and for IDH's contribution that was allocated to the program. Examples are the SIZA capacity-building program in South Africa, and a crop-rotation project in Ethiopia aiming to include smallholder farmers in lucrative export markets. In 2014, 11 new producer support projects have been contracted and started implementation only recently. These projects are to be implemented in Africa and South America.
- The 2014 data validation was conducted by PWC and

shows that 86% of the companies reached the covenant target, the combined result being 45% sustainably sourced by SIFAV covenant members as per January 1, 2014. This means a combined sourced volume of 438 million metric tons.

- The strategy for developing a plan for a Processed Fruit & Vegetables Covenant has been approved. The scoping phase of this add-on to SIFAV started in September 2014.
- There has been strong collaboration with trading platform Frugi Venta in reaching out to Dutch fruit and vegetables traders.

Deviations

- Signing the national plan for responsible production and trade of pineapples has been delayed, due to delay in stakeholder consultation and the change of national government in Costa Rica.
- One of the smallholder inclusion projects in Ethiopia has been cancelled. After investigating underground natural resources of water, it became clear that it is unlikely there will be enough water for vegetable farming in addition to the flower production in the area. Project partners decided not to proceed as they do not want to put any natural resources at risk. We therefore had to cancel the project, despite the fact that some substantial investments had already been made on the ground in Ethiopia.
- The ambitious target set for the number of smallholder farmers/workers trained in improved agricultural, environmental and social practices (GAP, GEP, and GSP) within the program has not been reached. This is due to two of the biggest pre-competitive projects experiencing difficulties in implementation. The SIZA capacity-building program started one year and 10 months later than expected, which reduced our involvement in the program from three years to one year and two months, leading to approximately 67% (300,000) fewer farmers/workers being targeted during our project time. SIZA will reach the anticipated numbers only after our project time; therefore, the project has been funded by both IDH and private sector partners. The second pre-competitive project – the pineapple platform and the implementation of the national action plan in Costa Rica – did not launch in 2014, and is still on hold as the different stakeholders involved faced difficulties coming to an agreement. Furthermore, contrary to the expectations at the beginning, companies joining the covenant are mostly large or medium-sized. Due to volatility in supply and food safety issues and requirements, these companies source their fruit and vegetables mainly from preferred producers and growers, and not from smallholder farmers. They choose to concentrate on making their supply base more sustainable before reaching out to the smallholder base. Based on the above facts, the overall target has been

revised to reaching 150,000 smallholder farmers/workers by the end of 2015. The cumulative target for 2014 is adjusted to 20,000 smallholder farmers/workers.

- Initiating pre-competitive projects has been unsuccessful, although three projects were started. The majority of companies prioritize projects focused on improving their own supply chain. We are now working on a strategy and implementation plan on how to stimulate partners to work together on a more pre-competitive level.
- Collaboration with MVO Nederland has not been successful due to the fact that we could not find a relevant issue to collaborate on.

Lessons learned

- Retailers are the driving force behind change in the sector. It is therefore important to get more retailers into the program driving demand.
- In order to encourage more retailers and brands to invest more money, we need to innovate. We also need to understand our partners' business challenges and opportunities better in order to find sustainable solutions.
- Outreach to civil society and NGO involvement in the SIFAV program has been limited so far. To increase impact at field level, we aim to increase the involvement of local NGOs, sustainability initiatives and civil society organizations.

Local government engagement

- SIFAV is funding the Costa Rican Pineapple Platform, which is establishing a National Plan for responsible production and trade of pineapples. With the support of the Dutch Embassy in San José, SIFAV has been convening CANAPEP and the Costa Rican government to realize this plan. SIFAV provided UNDP with funding to develop the national action plan, uniting the entire sector in Costa Rica.
- SIFAV is also funding the Sustainability Initiative of South Africa (SIZA) capacity-building program, which is initiated by the fruit producer association of South Africa and supported by the South African government. The SIZA capacity-building program is aimed at all fruit farmers and growers in South Africa, focusing on sustainable production and compliance with social and environmental standards.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
The conflict of interest between retailers and traders prevents cooperation in addressing sustainability issues in the sector.	<p>SIFAV has worked on developing pre-competitive projects which both retailers and traders have expressed an interest in working on.</p> <p>In the Steering Committee, both retailers and traders are represented to provide a platform for pre-competitive projects in order to balance interest.</p>	Medium	Medium
A lack of high-quality producer support project proposals can prevent the SIFAV program from having a significant direct impact at field level.	<p>SIFAV has conducted a country product issue assessment to support partners in initiating projects. This resulted in nine new producer support projects being contracted.</p> <p>The annual progress evaluation delivered first results on the progress with the 2020 ambition, and shows private partners that more investment in sustainability is still needed in their supply chain.</p>	Medium	Medium
Leverage of Dutch trade and retail players is too limited to get serious buy-in from producing countries.	The program has engaged with EU and international retail and brands to get them on board to increase the leverage of participating countries.	Low	Low

KPI Table Fruit and Vegetables

FRUIT & VEGETABLES Key Performance Indicators	Overall target (2013-2015)	Cumulative target 2014	Cumulative result 2014
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of smallholder farmers/workers trained in improved agricultural, environmental and social practices (GAP, GEP, GSP)	150,000 ¹	20,000	12,631
Increased average yield per hectare per harvest cycle (bananas)	5%	0 ²	0% ³
Result area 2: Tangible improvements in sustainable markets:			
Amount of money (€) provided to farmers/suppliers for pre-financing input supplies, pesticides, etc.	5,000	2,000	319.000
Number of farmers who received pre-financing for input supplies, pesticides, etc.	3,800	1,500	30 ⁴
Certified tons of fruit and vegetables that remain in the Netherlands (and are not re-exported)	200,000,000	180,000,000	210,262,124 ⁵
Percentage of certified/audited volumes of fruit and vegetables out of the total volume sourced by covenant members and SIFAV partners (100% in 2020)	50% ⁶	30%	45%
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of local trainers/suppliers trained to provide training to workers and smallholder farmers	10,000	2,000	622
Number of standards undergoing/underwent the GSCP/GlobalG.A.P. Equivalence process	7	7	7
Number of members of the covenant	35	25	31
Number of local institutions/national organizations that advocate sustainability in producer countries	4	2	36
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Number of learning products/reports/studies documented	4	2	2

1. See deviations section for narrative on the targets and results for this KPI.
2. No yield increase expected during the first year of implementation. Target has been set to 5% in 2015
3. Those companies that have reported on yield improvement use different measures (increase in percentage, increase in fruits per vine, increase in weight) and result in biased figures. To avoid this, we report on the yield increase of one product only: bananas. So far, no yield increase has been achieved in the current projects because implementation started recently.
4. The results for this KPI have not been met, due to the same reasons as the first KPI on farmers/workers trained. See deviations section for narrative explanation.
5. This KPI is measured on a yearly basis (together with the percentage sustainably sourced) and reported in the Progress Report. Here, the result is different from the Progress Report 2014 because one of the retailers was not included in the calculation. With the figures of this retailer now included, the result is higher than mentioned in the Progress Report (even though no new measurements have taken place).
6. The overall target for 2015 was communicated incorrectly in earlier reports (Progress Report 2014 and Annual Plan 2015) as being 60%. In the covenant, targets are clearly defined as 30% in 2014, 50% in 2015 and 100% in 2020. For 2014, companies have jointly achieved 45% and thereby exceed the 2014 target of 30%.



Flowers

For Floriculture Sustainability Initiative members to source 90% of their flowers from responsible sources by 2020

The Floriculture Sustainability Initiative (FSI) unites more than 30 international frontrunners in the horticulture supply chain, with the ambition of having 90% of all internationally traded flowers and pot plants sustainably sourced by 2020. FSI acts as a global industry umbrella that unites its members by working towards the same goal: a shared definition of sustainability. Currently, the initiative mobilizes the supply chain to work on reduction of water use, responsible plant protection, and ensuring decent working conditions. Through providing members with tools and support, the FSI aims to overcome sustainability barriers in the sector.



Private Partners

Albert Heijn, Fair Flowers Fair Plants (FFP), LTO Noord, Pfitzer BV, Dutch Flower Group, ANCEF, Union Fleurs, FloraHolland, VGB, Milieu Programma Sierteelt (MPS), Pflanzen-Koelle Gartencenter, Stichting Max Havelaar, Fleura Metz, WWF Kenya, Waterdrinker

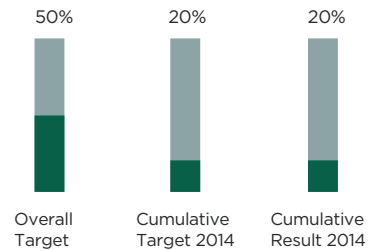
Aalsmeer, Chrysal International, E.florist, Kenya Flower Council, Asocolflores, AIPH, IKEA, EHPEA, Royal Lemkes, Palki, SHER/ Afriflora, Florensis, Dudutech, Floralive, Koppert.

Other partners

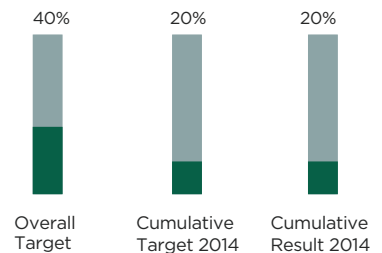
GSCP, GlobalG.A.P., International Trade Centre, HIVOS, HERProject.

KPI Progress 2014

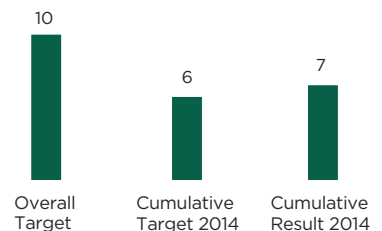
% of non-EU production involved in FSI



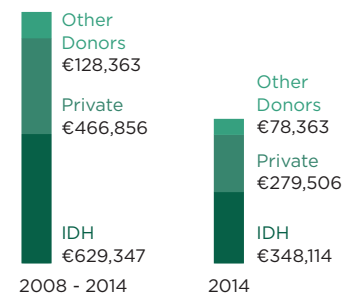
% of EU trade / retail involved in FSI



Number of standards engaged in Equivalency Process



Financial Progress 2014



Where we can make an impact

Environmental and social issues: IDH brings together the key players in the sector and co-funds (potentially scalable) producer support projects addressing working conditions, such as wages, gender issues, chemical use and water reduction in selected countries.

Transparency and market access: By benchmarking 10 certification standards, the program creates transparency and comparability of existing sustainability standards, which will give producers better access to markets and reduce costs of duplication of certification.

Theory of change

By uniting the supply chain players at a global level, and creating a common agenda and commitment to producing and trading 90% of responsible flowers, key issues in the flower sector can be addressed in a more efficient way. By creating transparency and comparability among production standards, a common definition of sustainability is created, which will lead to less duplication of certification, and lower costs for the grower. It also allows the downstream supply chain to work with multiple standards. This will give all players in the supply chain more flexibility in buying, potentially leading to a higher volume of responsible products.

Furthermore, creating transparency will enable FSI members from both the private sector and civil society to work together on joint projects, with the aim of tackling environmental and social issues – and in doing so, increase levels of sustainability in the floriculture industry. Upon proof of concept, these projects can be scaled up in the future.

Key achievements 2014

- FSI successfully contracted 12 impact projects, which started in Q4 2014. The focus of the projects is reduction in water use, responsible plant protection, and ensuring decent working conditions.
- We expanded FSI's member base by five additional organizations (two growers, two traders, and one civil society organization).
- We developed a so-called Equivalency Tool to align the sector by enhancing transparency and comparability of different existing standards.

Deviations

- The benchmarking process has taken more time than expected. The main production standards have finished the first phase and have started the GSCP/GlobalG.A.P. benchmark, which will be finished by the end of 2015.
- Due to the large interest in the project call for proposals, a higher project budget was approved.

Lessons learned

- General benchmark results have been customized per region or topic. Results are being used during startup of the project to determine current practice.
- The knowledge and blueprint of the measuring methodology of the IDH Sustainability Initiative Fruit and Vegetables (SIFAV) were used to develop the measurement tool that can track progress on the 2020 target of the FSI.
- Comparing the FSI projects with projects in other sectors, we have seen an overlap in interest on topics such as living wage, water, or use of chemicals. This could potentially offer an opportunity to share lessons learned and, if relevant, see if cooperation at regional level would be feasible.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Lack of understanding of the use and structure of the FSI Equivalency Tool.	Practical examples of how the FSI Equivalency Tool is applied to FSI projects are being communicated to members on an ongoing basis.	Medium	Medium
Limited participation of growers in non-EU producing countries.	Concrete projects are being carried out on key topics in producing countries in cooperation with grower association.	Medium	High
Limited retail participation in FSI.	Targeted outreach and communication through FSI board members and network. The value proposition has been sharpened based on start of projects and on-the-ground activities.	Medium	Medium

KPI Table Flowers

FLOWERS Key Performance Indicators	Overall target (2013-2020)	Cumulative target 2014	Cumulative result 2014
Result area 1: Tangible improvements in condition of production in countries of origin:			
Number of impact projects starting in 2014	5 ¹	5	10
Result area 2: Tangible improvements in sustainable markets:			
Percentage of internationally traded flowers and plants sustainably produced by members	90%	+10%	NA ²
Percentage of EU trade/retail involved in FSI	40%	20%	20%
Percentage of non-EU production involved in FSI	50%	20%	20%
Result area 3: Effective collaboration and institutionalization at sector level:			
Number of production and trading countries engaged in FSI	15	12	10
Number of standards engaged in FSI	10	6	10 ³
Result area 4: Knowledge of sustainability and supply chain approaches developed and shared:			
Cross-sector learning trajectory (with fruit and vegetables/tea/coffee)	development and operation of Equivalency Tool	2	1

1. The initial budget of €250,000 allowed for approximately 5 projects to be contracted. However, due to strong interest in the program, the budget was increased to €630,000 which allowed for more projects to be contracted.
2. Due to delay in benchmark, the measuring of the % of responsible products could not be started in 2015. Measuring planned to take place in the end of 2015.
3. 6 FSI members, 10 engaged in FSI portal.

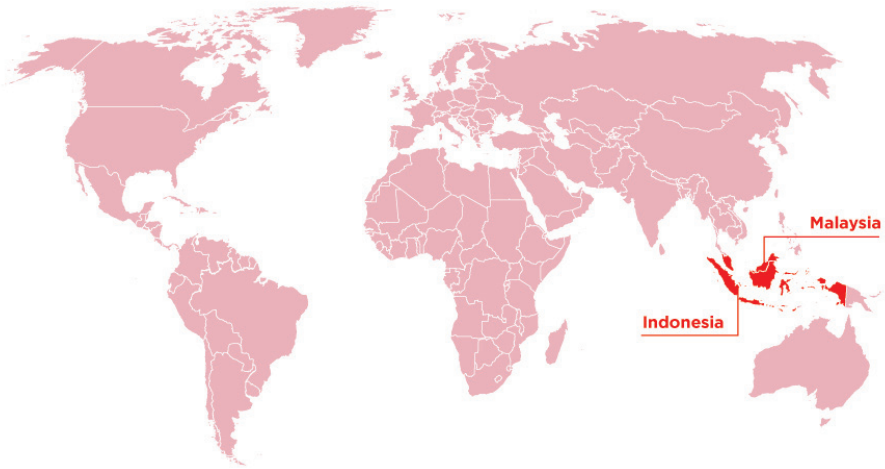
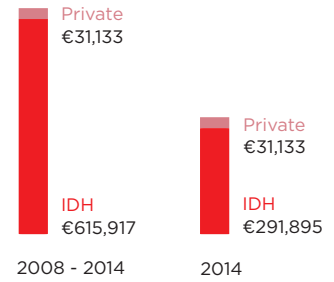


Palm Oil

Avoid potential deforestation due to expansion of palm oil

The IDH Palm Oil Program supports the production of traceable, sustainable palm oil at scale through partnerships with local and international stakeholders in Indonesia, Malaysia, and West Africa. 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 and sustainable palm oil. This would reduce deforestation, improve cost efficiency, and increase the potential for mainstreaming.

Financial Progress 2014



Private Partners

Unilever, P&G, Hershey’s, Wilmar, PTPN III, KLK, Indofood Agri, Cargill, Musim Mas, Golden Agri Resources, IOI Loders Croklaan, Sime Darby, J&J, Pro Sympac, Asian Agri, Neste Oil, Fuji Oil, AAK, Consumer Goods Forum (CGF).

Governments

Indonesia, the Netherlands, Switzerland.

Other partners

MVO, Roundtable on Sustainable Palm Oil (RSPO), Palm Oil Smallholders Union (SPKS), Wild Asia, Tropical Forest Alliance 2020, SNV, International Sustainability and Carbon Certification (ISCC), Wageningen University (WUR), Setara, Indonesian Palm Oil Pledge (IPOP), World Resources Institute.

Where we can make an impact

Traceability/transparency: We will continue our work with the traceability working group (TWG) to support industry alignment and implementation of traceability for palm oil.

Multi-stakeholder engagement at the supply shed level: IDH will deliver a model of successful multi-stakeholder management of a supply shed, which incorporates necessary incentives and disincentives (e.g. smallholder productivity gains, monitoring) contributing to moving at least one refinery towards processing 100% sustainable (certified/verified) palm oil by 2020.

Deforestation: This model will support zero deforestation within supply sheds. We will use the model to demonstrate how supply sheds could be replicated elsewhere to deliver zero deforestation at scale.

Theory of change

To deliver a model that can make a large-scale positive impact on deforestation, production practices on the ground need to become fully sustainable, and that sustainability impact needs to be verifiable. While individual, small-scale interventions have been successful in the past, to move sustainable palm oil towards becoming a mainstream product, greater scale is needed. IDH intends to achieve delivery of sustainable palm oil at scale by creating sustainable supply sheds. These are geographical areas from which mills and refineries draw their supply; a sustainable supply shed is one where all of the producers are working towards fully sustainable practices. If 100% of the sourcing base is working towards sustainable practices, refineries can shift to processing 100% sustainable palm oil, reducing costs associated with segregating conventional and certified oil, and achieving the scale necessary to maximize efficiency. To ensure that activities are coordinated and deliver impact beyond the plantation boundaries, IDH will use concepts from a landscape approach to develop multi-stakeholder governance structures for supply sheds that include local communities, governments, companies and civil society.

Driving greater sustainability and traceability is often a challenge where small- and medium-sized enterprises and smallholders are involved. These businesses form a significant part of the supply base but often have the least ability or incentive to change, and are the hardest to measure because of their fragmented nature. The logic of the palm oil program rests on the assumption that deforestation can be avoided if stakeholders are given the right incentives and support to act sustainably, alongside implementation of disincentives and enforcement of laws and regulations. If the right packages of incentives and disincentives can be developed for each stakeholder, a business case can be made for sustainable change in the long term.

The IDH Palm Oil Program addresses this challenge by co-investing with private sector partners in programs on the ground, providing businesses with relevant support to improve sustainability performance, and providing farmers with good agricultural practices, training and advice on inputs for yield intensification. Increased productivity equates to improvement of livelihoods and less land needed for production. At the same time, IDH is working with the industry to implement traceability in palm oil, allowing buyers to identify and act when unsustainable practices occur. By convening companies at industry level, IDH is attempting to drive sector-wide change that is coordinated and efficient. Once the supply shed concept is proven on the ground, IDH will also seek to replicate the model elsewhere, potentially delivering large-scale positive impact on deforestation in the future.

Key achievements 2014

- IDH signed a Memorandum of Understanding with Wilmar International, expressing the intention to collaborate on projects in Indonesia and Malaysia. This has led to development of a project concept with Wilmar and Wild Asia in Sabah, Malaysia, which will prototype RSPO certification for small growers (50-500 hectares). The legal contract for the project will be signed in Q2 2015.

Stakeholder quote **Alvin Henderson from Royal Mayan Shrimp Farms Ltd. and member of the Belize Shrimp Farmers Association:**

“We are pleased to announce this partnership with IDH, focusing specifically on smallholders’ RSPO certification. This forms an integral part of our strategy to ensure the sustainability and traceability of our CPO production, and supply chain into our Edible Oils and Fats division.”

- We convened the Traceability Working Group (TWG) and defined traceability and the steps required to achieve it. The group comprises most of the major players in the industry, including global palm oil growers, traders and buyers.
- We signed a contract with FoodReg to deliver Known-Sources, an industry-wide traceability reporting platform for palm oil, and achieved support from the Roundtable on Sustainable Palm Oil (RSPO) and Consumer Goods Forum to integrate and coordinate the system on traceability reporting. This will ultimately allow parties including smallholders to become traceable.
- We signed a contract with PT PP London Sumatra Tbk (Lonsum), a subsidiary of Indofood Agri, to make their independent smallholder suppliers in South Sumatra RSPO certified, covering 3,144 smallholders on 6,141 hectares of land by 2016 (the world's largest independent smallholder RSPO certification project). Both parties have expressed the desire to expand to a further 13,000 smallholders on 26,000 hectares during 2016–2019, through a signed Memorandum of Understanding.
- We developed a number of promising leads with local and global companies in Jambi, Riau and West Kalimantan, which will add an expected 7,000 additional smallholders to the program in 2015.
- We forged strategic partnerships with future program implementers such as the Palm Oil Smallholders Union (SPKS) and SNV. The agreements signed state the intention for SPKS and SNV to work together to meet the goal of more sustainable palm oil production through smallholder engagement and technical support on several projects. Furthermore, we developed a strategic partnership with Unilever to deliver sustainable sourcing landscapes in Indonesia and Malaysia.
- We supported the development of a High Carbon Stock (HCS) Study, which is necessary to prevent continued large-scale deforestation by providing an industry agreed standard for delineating forest areas that may be developed. IDH is providing around €200,000 in funding and is participating regularly in the steering committee.

Deviations

- Full implementation of the smallholders' prototype with PTPN III in North Sumatra was expected to start in Q2 2014. However, due to the lengthy internal PTPN III process to sign the baseline Letter of Intent, the project is expected to start in Q2 2015. The project was originally conceived in late 2013 and will support around 280 smallholders supplying PTPN III to become RSPO certified.
- The project with Lonsum on RSPO certification of smallholders began late due to internal delays in their financial management processes. The project will begin full implementation in Q1 2015.
- Launch of the first supply shed and implementation of related activities, such as good agricultural practice training for smallholders and increasing production of sustainable palm oil that were planned for 2014, were delayed. This was due to longer than expected lead times for project development.

Lessons learned

- Traceability was a key theme that emerged in 2014. In response, IDH has modified the palm oil program to incorporate traceability, which supports the overall goal.
- The need to include third-party suppliers in addition to smallholders became clear during 2014, and IDH recognized that their engagement is crucial if the program is to succeed. The program scope has therefore been widened to include such suppliers.
- IDH's experience with the Traceability Working Group (TWG) suggests that in spaces that are crowded with many initiatives, it can be more effective to use informal coalitions that remain nimble and responsive. However, this requires sufficient convening resources.

Local government engagement

Local government engagement has been light so far. This is a priority for the program in 2015, and we are seeking to engage government through our partners, including the Indonesian Chamber of Commerce (KADIN).

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Pre-competitive collaboration is a novel and challenging concept for Indonesian companies.	IDH has designed the supply sheds to allow companies to operate in separate tracks.	Medium	High
An NGO starts a campaign against our partner(s) in the program.	IDH regularly engages and keeps in touch with relevant NGOs.	Low	Medium
Donors and banks are hesitant to fund our program because it has never been tried before.	Analysis developed on the financial innovation package needed when starting a prototype with a grower and financier.	Medium	High
There is a lack of capacity on the ground to execute the program.	IDH engages with local implementing partners and international organizations, ensuring better communication, learning and knowledge transfer. IDH is also build a project plan that is going to improve the implementation capacity of the partner mills.	High	High
Local governments are not engaged in protecting forest boundaries.	IDH engages and liaises with the Presidential Delivery Unit (UKP4) and REDD+ Agency, to open the door to local government engagements. IDH is also in discussion about bringing in local governments to support project implementation with mill partners.	Medium	High

Programs in Scoping

In 2014, IDH scoped three programs – tin, pulp & paper and apparel. In the scoping phase we actively explore the added value of IDH in tackling sustainability issues in a sector, including the economic rationale, the urgency and appetite of businesses to invest in sustainable transformation. Furthermore we investigate whether a public private coalition to design investment plans and drive for change and public good impact is feasible. In the following pages, you'll find extensive overviews and reports on the results of our scoping activities in the three programs.



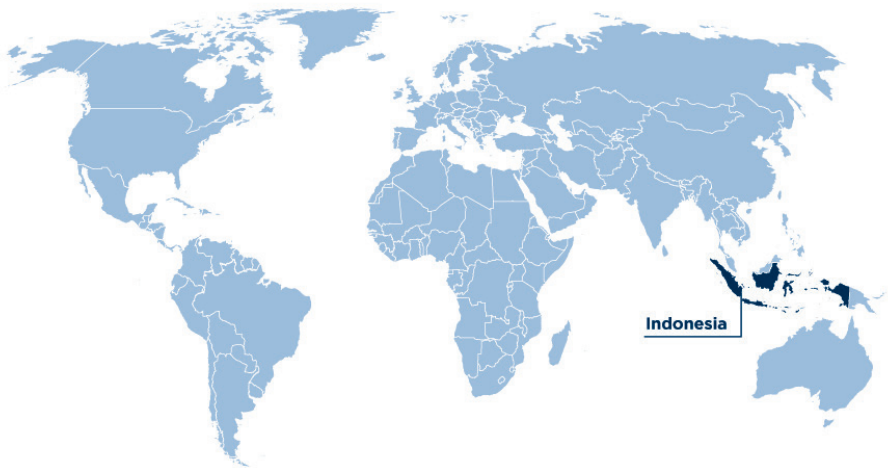
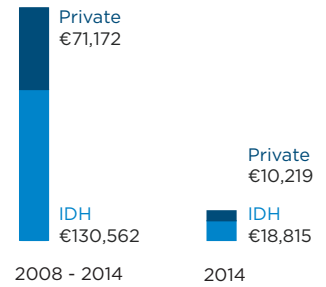
Tin

To positively influence the circumstances of tin production through downstream supply chain engagement

Indonesia benefits economically from the production of one-third of the world's mined tin each year, the vast majority of which comes from Bangka islands (and to a lesser extent from neighboring Belitung island). The environmental and social costs associated with this tin production area include degradation of coastal ecosystems, water and soil on the environmental side, and poor working conditions on the social side.

The Tin Working Group (TWG), convened by IDH, brings together the international tin industry association (ITRI), Friends of the Earth, and members of the Electronic Industry Citizenship Coalition (EICC), to positively contribute to overcoming the sustainability challenges of tin mining and smelting in Bangka and Belitung. At the same time, it recognizes the economic benefits to the region in terms of poverty reduction.

Financial Progress 2014



Private Partners
Electronic Industry Citizenship Coalition (EICC), Apple, BlackBerry, LG Electronics, Philips, HP, Samsung, Microsoft, Sony, Dell (and Asus), Tata Steel, and the international tin industry association (ITRI).

Governments
Indonesia.

Other partners
Friends of the Earth.

Where we can make an impact

Destruction of protected forests and biodiversity/health and safety/degradation of coastal ecosystems/water quality: IDH convenes the Indonesian tin mining companies, representing a majority of supply, to agree on a set of responsible reclamation and mining practices/criteria, that will lead to more post-mined land being rehabilitated, fewer accidents in the mining activity itself, more balanced coastal ecosystems, and higher water quality.

Theory of change

IDH enables and encourages front-running downstream users, from traders to private brands, to use their supply chain leverage to incentivize more responsible tin mining companies committed to the TWG objectives.

The TWG convened brands and CSOs that can influence the mining practices in Bangka/Belitung and agreed on a jointly funded local engagement plan. This plan aims to convene a group of front-running local smelters to take ownership of improving local mining practices and addressing sustainability issues identified. Our exit from the program depends on institutionalizing the coalition of responsible smelters, improving enforcement and consistency of government regulations, and transferring the industry oversight of progress to the Electronics Industry Citizenship Coalition (EICC).

Key achievements 2014

- The TWG designed and committed to a one-year multi-phased action plan, starting in summer 2014, to convene key Indonesian stakeholders around an ambitious sustainability agenda with the support and leverage of key downstream tin users represented in the TWG.
- IDH - on behalf of the TWG - appointed a local convening team for designing and implementing a work plan that translates the action plan strategy into a clear road map.
- Three new industry members joined the TWG: Tata Steel, Dell and Asus.
- The TWG received positive support from the Indonesian national government to continue its work towards achieving the TWG's objectives. Support was confirmed by the Ministry of Trade, the Ministry of Energy and Mineral Resources, the Ministry of Environment and Forestry, and the Ministry of Marine Affairs and Fisheries. These governmental bodies have agreed to collaborate with the TWG on more sustainable tin sourcing, including an inter-governmental taskforce for policymaking and coordinated enforcement of law and regulations.

Deviations

- Convening all TWG members around one action plan was challenging and took four months longer than anticipated. This was especially an issue among industry members where there was initially no alignment on the extent to which downstream buying power could be leveraged to incentivize the Indonesian tin industry. Due to the reputational issues at stake, private sector companies hesitated to commit to a plan that included a list of uncertainties and external dependencies for it to succeed. Both issues were resolved by building further trust (including with the participating NGO) and by developing a phased approach with concrete go/no-go decision moments.
- Securing the necessary resources and unique skillset in Indonesia to support the crucial and highly sensitive work of the local convener has taken longer than expected. This in turn delayed the creation of the TWG work plan by three months.

Lessons learned

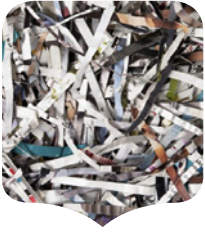
- Working with a local convener who has a strong network and track record opens doors and accelerates progress in gaining local government and industry endorsement.
- Industry players are eager to join a collective improvement-oriented initiative that has credible CSO involvement. However, the increasing amount of electronics brands joining the TWG made it difficult and time consuming to keep communication on progress up to the required level and to compromise on strategy. For this reason, a more active coordinating role was requested from EICC, which mitigated these challenges very well.

Local government engagement

The TWG liaised and received endorsement from local governments of Bangka Barat, Bangka Tengah, Belitung (Barat), Belitung Timur, and from the provincial governments of Babel and Bangka Belitung. Support from, and collaboration with, these local public institutions is crucial for the work of the TWG as they are key influencers within the local tin mining industry in the Babel (Bangka/Belitung) region.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Loss of support from current downstream users and their engagement with a market-based intervention against a CSR/development-based approach.	Respecting sensitivities of the early stage by designing an Action Plan based on a multi-phased approach, which can build on go/no-go decisions and gradual commitment.	Medium	High
Not getting Indonesian government on board.	Careful introduction of the TWG work to the national authorities with Dutch Embassy support. Finding a good convener with a good network and the level of seniority required within the Indonesian government and the tin sector.	Low	High
Lack of buy-in from the miners/smelters towards the TWG initiative.	Using the convener's soft diplomacy skills and visible supportive 'buying power' of electronics - and tinplate brands, and industry power of TWG to convince stakeholders of the importance of sustainable mining for the credibility of the Indonesian tin industry (2 nd half 2014 mitigation).	Low/Medium	High

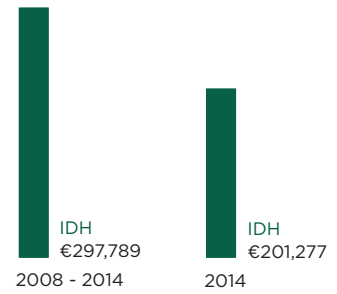


Pulp and Paper

To tackle deforestation issues in the production of pulp and paper

Pulp and paper have been associated with deforestation, loss of biodiversity, and increased carbon emissions due to the development of peat land. In some cases, expansion of pulpwood plantations led to legal disputes and conflicts with local communities. Due to this and other sustainability issues, the industry has come under scrutiny from societal and environmental organizations. The Sustainable Trade Initiative for Pulp & Paper (STIPP) aims to address these sustainability issues together with sector players.

Financial Progress 2014



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, PT. Purinusa Ekapersada, AkzoNobel, Nestle.

Government

Ministry of Environment and Forestry and Ministry of Industry of Indonesia.

Other partners

TFA 2020, IBCSD, WWF, Indonesian Association of Forest Concession Holders (APHI), Indonesian Association of Pulp and Paper Companies (APKI), Greenpeace, Universitas Gadjah Mada.

Where we can make an impact

Deforestation and land-use planning: Bad land-use planning is one of the main causes of deforestation. IDH aims to design proper landscape planning to avoid further deforestation.

Pulp and paper multi-stakeholder cooperation: As no multi-stakeholder platforms exist currently, IDH is working on creating different platforms, with the aim of having the main sector players working together to generate more impact. For example, through an HCS standard development platform, APP, APRIL, other leading sector companies and the Ministry of Environment and Forestry are working together on defining forest types as a basis for HCV forest planning.

Mainstream adoption of clean manufacturing practices: IDH encourages mills to implement clean manufacturing practices. If fiber is used efficiently, for example, then less wood is needed for manufacturing.

Theory of change

Pulp and paper manufacturers in Asia (Indonesia, China, Thailand and others) and other major producing regions are increasingly asked to acquire deforestation-free and sustainably manufactured pulp, paper and paperboard. Deforestation has a direct impact on several other key sustainability issues, such as peat land, loss of biodiversity, forest fires and social conflict.

Land-use intensification can boost plantation yields, and reducing post-harvest loss helps reduce deforestation. Better land-use planning – avoiding deforestation of High Conservation Value Areas (HCVA's) compensation and landscape activities – will help the sector to improve its environmental impact, conserve or restore forests, and decrease carbon losses from peat soils.

STIPP convenes businesses, NGOs and government to drive innovation, learning and development, and implementation of best practices for the entire sector, tackling bottlenecks such as clean manufacturing, deforestation and landscape management.

Other objectives include: accelerating the pursuit of pulpwood producers of sustainable forest certification; de-linking deforestation from the supply chain by incentivizing producers to pursue a zero net deforestation

policy; addressing sustainability bottlenecks in mills, including energy conservation, water use reduction, and management of waste through innovative learning.

Key achievements 2014

- In June 2014, IDH Indonesia officially launched its pulp and paper program in Jakarta with multi-stakeholder support, including local and foreign government representatives, civil society, industry associations and consumer goods companies.
- In collaboration with Ata Marie, an independent consultant, IDH developed a business case study to improve sustainability of the pulp and paper industry in Indonesia.
- A Memorandum of Understanding was signed with Asia Pulp and Paper (APP), Indonesia's largest pulp and paper producer, to jointly develop sustainable landscape management and conservation of one million hectares of forest.
- A Memorandum of Understanding was signed with APRIL Asia, Indonesia's second largest pulp and paper producer, to jointly develop a high-carbon stock standard and guidance, to help define a science-based approach to zero-deforestation policies. For this, IDH has engaged the Ministry of Environment and Forestry, APRIL and APP to develop the HCS standard. The process started in 2014 and will continue in 2015.
- A Memorandum of Understanding was signed with AkzoNobel, and the Association of Pulp and Paper Producers of Indonesia (APKI) to adopt better practices of clean manufacturing; this will be mainstreamed throughout Indonesia.
- IDH has developed two landscape coalitions consisting of nine pulpwood companies in West Kalimantan.

Deviations

- In the pulp and paper sector, forests and plantation areas are often managed separately while owned by different land users and/or different companies. In order to tackle environmental issues, a landscape-wide approach is more effective as it allow multiple companies to work together towards sustainable forest planning and management.

Stakeholder quote **Aida Greenbury, Managing Director Sustainability of APP:**

“Sustainability in the pulp and paper industry is something that the whole sector must work towards. We believe it can be achieved, as long as parties are prepared to work together and be fully transparent about their supply chains.”

- More contracts were planned to be signed than were in 2014. To date, two funding applications have been submitted and are in the assessment process. The target is to have new contracts in place in 2015 for landscape and clean manufacturing projects. Establishing them is taking slightly longer than anticipated, but the program is now picking up pace.
- Additional financing to strengthen the business case of halting deforestation was not achieved in 2014. Potential co-funding will start in 2015.

Lessons learned

- It is essential to engage the Indonesian government in a multi-stakeholder initiative like STIPP in order to tackle deforestation. Until now, this has largely not been done. The government must be a key supporter of the program, as the industry needs to adhere to government regulations.

- Since STIPP is a new program, it needs time to build credibility among pulp and paper players, including producers, government and civil society in Indonesia.

Local government engagement

Government engagement is key to achieving a large-scale change in the pulp and paper industry in Indonesia. In 2014, the program began with support from the Ministry of Industry and the Ministry of Environment and Forestry during the launch of STIPP. Following that, the Ministry of Environment and Forestry agreed to act as a facilitator in the process of HCS standard development for the pulp and paper industry in Indonesia.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Pulp and paper is not a priority for off-takers, because forest materials are supplementary to (not at the core of) their products, e.g. packaging.	The program has had regular engagement with off-takers. For example, the program team participated in a sustainability conference in the USA in February and promoted the program to major buyers of paper and board products. STIPP is also talking with some potential off-takers.	High	Medium
APRIL does not truly participate, preventing STIPP from mainstreaming sustainability in the pulp and paper sector in Indonesia.	Constantly maintain a critical dialogue with APRIL.	Medium	Medium
Weak government engagement preventing the program from mainstreaming.	STIPP has reached out to government departments, including the Ministry of Environment and Forestry, and the Ministry of Industry. Currently in the process of convincing Ministries' officials to be advisory group members.	High	Low
Results of innovation in forestry take time and may lead to companies and other partners dropping off.	STIPP is talking with professionals and experts to provide innovative solution and to manage the progress of best management practices, and to keep stakeholders continuously updated.	Medium	Low
Reputational risks exist when working with certain pulp and paper groups.	STIPP conducts due diligences prior to any partnership commitments.	High	Medium

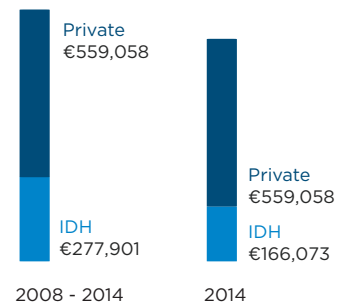


Apparel

To improve working conditions and environmental performance of textile manufacturers and mills through pre-competitive country level interventions

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, low quality and exploitative, unsafe and polluting factories. With the objective of turning 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 through systemic change and significant cooperation between the thousands of companies and other stakeholders in the textile industry.

Financial Progress 2014



Private Partners

Sustainable Apparel Coalition (SAC), GAP, Levi's, SAITEX

Government

Dutch government, Danish government,

Other partners

The Global Green Growth Forum (3GF), International Labour Organization (ILO)/Better Work program, International Finance Corporation (IFC).

Where we can make an impact

Environmental and social issues: IDH convenes the local and international private and public sector actors around a common agenda for actual systemic and scalable improvements in Vietnam and Pakistan. Examples of such improvements are: higher production and energy efficiency; reduced toxic loading on natural environment (especially water); gender equality on wages; and improved health and safety conditions.

Industry alignment and sustainable production: IDH encourages the industry to adopt the Higg Index, and accelerates impact on the issues identified through increased adoption of the index. Furthermore, IDH supports the development of sustainable (environmental) production measures managed by SAC, which enable suppliers to increase their index performance.

Theory of change

IDH partners with front-running brands and the Sustainable Apparel Coalition (SAC) to stimulate a “race to the top”. This approach drives systemic change at producing country level, to create a win-win situation of increased productivity and competitiveness, as well as improved social and environmental performance at country level.

Such change requires unifying efforts and defining a common agenda with different (often competing) stakeholders, to improve minimum wages and environmental performance standards. This approach needs two kinds of platforms: a coalition of partners to steer the “race to the top” programs; and “in-country” platforms with local public and private stakeholders. From these platforms, analysis, supporting partnerships and enabling interventions will be developed and implemented to reach the intended improvements in environmental and labor practices at supplier level. Through this approach, buyers, national governments, investors and other stakeholders have the potential to make positive change by incentivizing suppliers to produce more sustainably.

In order to accelerate impact at country level, IDH will create models of innovative and scalable interventions

in Vietnam with a multi-stakeholder coalition of public, private and CSO partners in 2015. These interventions build on the insights of all stakeholders and go beyond compliance to catalyze a “race to the top”. The aim is to have intervention packages developed by the end of 2015 and rolled out through (new) stakeholder partnerships in 2016. In addition, IDH is executing a mapping and convening exercise in Pakistan. This will produce an analysis of the sustainability opportunities in the apparel sector in Pakistan and, similar to Vietnam, identify the key interventions to trigger more sustainable production. The outcomes will provide a roadmap for 2016 and beyond for the Buyers’ Forum in Pakistan, organized by the Dutch Ministry of Foreign Affairs, ILO, and IFC.

To further drive impact through the industry, IDH supports the work of the Sustainable Apparel Coalition (SAC). The Higg Index of the SAC is a framework that allows brands to measure their performance and that of their suppliers. IDH partners with the SAC to increase the adoption of the Higg Index and to develop tools that improve the sustainability performance of brands and suppliers, and subsequently their score on the Higg Index. An example of this is expanding the Clean by Design program of the National Resource Defense Council (NRDC) and linking this to concrete tools for implementing and measuring improvements.

Key achievements 2014

- With the collaboration and input of key apparel industry stakeholders (including C&A Foundation, H&M, Nike, TAL Apparel Limited, Patagonia, REI, SAC, Inditex, NRDC, Solidaridad), the IDH Apparel Program developed a causal loop diagram illustrating the ways to create impact in the supply chain. The analysis was presented at the SAC conference in Vietnam in May 2014 to over 80 members. IDH has continued to work on training around the question of how to scale impact in the supply chain.
- The SAC European office was set up in 2014, and has a Vice President and a Program Manager contributing to the discussion in the EU Flagship Initiative and the

Stakeholder quote **H.E. Deputy Minister of Natural Resources and Environment Tran Hong Ha at the Global Green Growth Forum 2014:**

“The Vietnamese government sees sustainable apparel not as a challenge but as an opportunity to increase its textile industry’s value in the global supply chain and to increase its competitiveness. The government welcomes and promotes the investment in sustainable textile machinery and technologies, standards and assessment tools on child labor and health and safety and the provision of sustainable livelihoods for apparel workers.”

OECD. The SAC European office expanded its European membership to include several major apparel brands.

- IDH initiated a partnership with the Dutch Ministry of Foreign Affairs, the ILO and IFC to support the development and guidance of the Buyers' Forum in Pakistan.
- IDH shaped a coalition for the Race to the Top in Vietnam, building on a Global Good Growth Fund (3GF) approach initiated by the Danish Government, and actively supported by industry stakeholders and the Dutch government.
- In part thanks to the SAC-IDH partnership, the number of production facilities using the environmental Higg Index module increased from 595 to 1,694; the number of production facilities using the social Higg Index module increased from 194 to 514; and the number of production facilities located in Asia using at least one of the modules increased from 908 to 1,977.

Deviations

- Country focus has shifted from Bangladesh to Pakistan and Vietnam. The reasons are twofold. In both Pakistan and Vietnam, current trade negotiations promise an additional incentive for the public and private sector to invest in industry developments. Bangladesh has already received major attention and funding; the key challenge there now is to build the required capacity in a very political environment to absorb all of this in an impactful way. An additional IDH intervention at this moment would not add to that. However, lessons learned and best practices from Bangladesh will directly feed into the work in Vietnam and Pakistan, and vice versa.

Lessons learned

- The apparel sector has a crowded history of improvement initiatives. Harmonizing efforts in prioritizing, measuring and driving improvements is therefore critical for buyers and suppliers, so that their time and investments are more focused and effective. Our alliance with a powerful association such as SAC is key to ensuring that we do not duplicate existing improvement initiatives. However, the process of carving out the IDH approach that adds most value has been challenging and has taken more time than anticipated.
- A program focusing on actual system change and innovative/scalable interventions generates interest from many buyers, even from companies already engaged in various other programs. However, country level buyers' participation greatly depends on the sourcing value of that country. For Vietnam, the key export market is the US, limiting coalition partners of the Race to the Top to mainly US brands, although we are in talks about including European/Dutch brands.

Local government engagement

- In Vietnam, the government is engaged through the Global Green Growth Forum (3GF) events, the local IDH representative, and the Dutch and Danish Embassies. The focus lies on the Ministry of Natural Resources & Environment, the Ministry of Industry & Trade, and the Ministry of Labor, Invalids & Social Affairs.
- In Pakistan, selected ministries were invited to participate in part of the first Buyers' Forum. The mapping exercise there also includes consulting governmental stakeholders.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Most pre-competitive sustainability attention from the industry is CSR driven.	IDH has Identified supply chain decision makers in convened group of front-running brands.	High	Medium
Supply chain interventions with an interesting business case are not shared for scaling in pre-competitive network.	Trust building with brand supply chain management to identify the best suitable scope for good practices to scale cost efficiently.	High	Medium
SAC membership's main focus on Higg Index development may cause a discrepancy between theory (the standard) and practice (actual impact).	IDH engages in joint interventions with frontrunners.	Medium	Low

Cross-sector Initiatives

In 2014, IDH developed three cross sector initiatives. A cross sector initiatives address sustainability issues in multiple sectors through a common approach. In Initiative for Sustainable Landscapes (ISLA) we work through a landscape approach on multiple issues in six landscapes in Africa, Asia and Latin America. In the Grow Africa initiative we work in partnership with Grow Africa on making business commitments on sustainable sourcing from Africa actionable through creating sustainable public private investments plan in multiple sectors and countries. In the Innovative Finance Initiative we work in partnerships with FMO on catalyzing investments from financial institutions into smallholder farming projects In the following pages, you'll find extensive overviews and reports on the results of our cross sector initiatives.

Initiative for Sustainable Landscapes

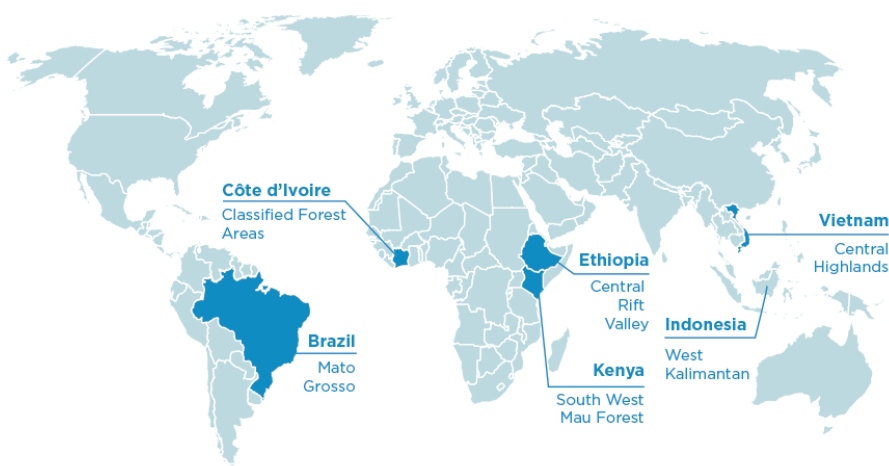
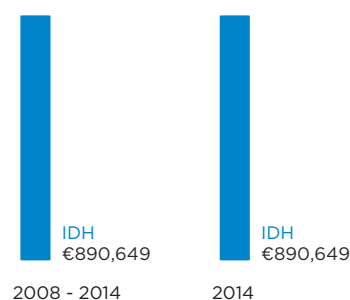


To achieve public-private governance of six vulnerable landscapes

Increasing food security within environmental boundaries is the most pressing and complex challenge of our time. In landscapes where agricultural commodities are produced, different actors have competing claims on natural resources that may cause depletion of those resources. The sustainable management of natural resources requires a group of stakeholders with diverse interests to collaborate and implement coordinated solutions.

The Initiative for Sustainable Landscapes (ISLA) will support the piloting of these multi-stakeholder governance structures. It aims to promote the sustainable use of land, water and natural resources, improve resilience to climate change, and secure (agricultural) commodities in six landscapes at risk supported by financially viable multi-stakeholder coalitions in those landscapes by 2018. It also promotes the recognition and replication of the ISLA approach and tools by national and local governments and leading (agricultural) commodity-related companies around the globe by 2018, resulting in increased investment at landscape level.

Financial Progress 2014



Partners

ISLA's interventions take place both at global and at landscape level. The program therefore has different types of partners yet to be determined.

At the landscape level

ISLA engages with direct stakeholders, including (smallholder) farmers, agro-commodity and agro-forestry companies, mining and energy companies, communities, governments, knowledge institutes, and civil society in every landscape. As much as possible, we build on and reinforce existing multi-stakeholder initiatives that focus on (aspects of) sustainable landscape management. The selection of landscapes was in part justified by credible private sector investment appetite, demonstrated by running programs for sustainable agriculture production. As such, these stakeholders will be actively engaged.

In addition, ISLA cooperates with three distinct groups of partners in every landscape:

1. Consultancy and implementing partners.
2. Local learning and innovation partners.
3. Local outreach and advocacy partners.

At the global level

ISLA works with the following partners:

1. Companies that are willing to invest in landscape approaches.
2. Learning and innovation partners that help develop the ISLA tools and methodologies, and make them suitable for upscaling beyond the individual landscapes.
3. Outreach and advocacy partners that help mainstream ISLA tools and outcomes in government and company policies.

The table below page lists the program partnerships that have been established in 2014. This list is non-exhaustive, as new and additional partnerships will be closed in 2015.

Type of partner	Level	Partners
Implementing and consultancy partners	Landscape	Vietnam: IPSARD Indonesia: Fauna and Flora International, AidEnvironment Brazil: Agrolcone, Solidaridad Ethiopia: partnerships to be developed in 2015 Kenya: partnerships to be developed in 2015 Cote d'Ivoire: partnerships to be developed in 2015
Learning partners	Global	EcoAgriculture Partners Tropical Forest Alliance 2020
Outreach partners	Global	Sustainable Food Lab Landscapes for People, Food and Nature Network

Where we can make an impact

Deforestation/nutrient cycle/climate change resilience/ community livelihoods/water availability and quality:

Improved management of natural resources ensures sustainable and inclusive growth in six resource-vulnerable landscapes where (agricultural) commodities are produced, leading to improved economic, social and environmental wellbeing. The focus will be on halting deforestation, sustainable nutrient cycles, improved livelihoods, and sustainable water management. This will contribute to climate change resilience and adaptation.

Distribution of knowledge and replicable models: Increased investment at landscape level beyond the six pilot landscapes, as a result of increased interest in (and application of) ISLA approach and tools by public, private and knowledge actors worldwide.

Theory of change

In six resource-vulnerable sourcing areas worldwide, empowered and action-oriented local stakeholder coalitions are created to build consensus on prioritized issues and corrective actions. The program approach aims at interventions beyond the farm level to support (agri) commodity production, ecosystem conservation, and rural livelihoods in an integrated way.

ISLA supports dialogue between landscape actors to discuss possible interventions in multi-stakeholder coalitions, considering costs and benefits for different stakeholders. ISLA will co-fund interventions supported by this multi-stakeholder coalition.

This is considered feasible only if all relevant stakeholders are involved. Remarkably, (agri) business is often not involved in landscape management. ISLA, however, recognizes that the interests of companies producing and sourcing (agricultural) commodities in and from such landscapes can serve as an important leverage point for action, because of their economic interest in the sustainable management of natural resources.

In addition, improved participation of the private sector in landscape initiatives outside the program can be achieved by sharing lessons learned at a global level.

Key achievements 2014

- Selection of four landscapes (in addition to the two pre-selected landscapes) out of a longlist of 59 well documented landscape proposals that could qualify for support. This included scoping research and analysis of the 20 shortlisted proposals in nine different countries. The scoping reports have been a valuable starting point in further strategizing the ISLA approach in the selected landscapes.
- Formation of a high-level Program Coordination Board (PCB) providing ISLA with guidance from expert leaders from public, private and NGO sectors. The PCB has been instrumental in selecting the four landscapes, ensuring support from public, private and knowledge partners from the start.
- We have started bringing stakeholders together in Kenya and Vietnam. This has resulted in support from the private sector actors in Kenya, and support from the provincial government and key private sector and research stakeholders in Vietnam.
- We have developed partnerships with implementing and/or consultancy partners in Vietnam, Brazil, and Indonesia. They have been instrumental in convening and data collection activities, and in jointly developing a work plan for 2015.
- We have commissioned KPMG to develop and test a landscape investment model in Kenya. The model quantifies the costs and benefits of interventions for several stakeholders in a landscape.
- We established learning and outreach partnerships (see table above), leading to the first global outreach at the Global Landscape Forum in Lima in December 2014.
- We developed the program strategy for 2015-2018, in which the strategies of the three elements of the program (landscape interventions, learning & innovation, and communication & awareness) were elaborated. The document also included landscape-specific work plans for 2015.

Deviations

- Engagement with program staff in the six supported landscapes has been slower than expected. In 2014, employees were recruited or interim solutions found in Kenya, Vietnam and Indonesia.
- The foundations for the Monitoring & Evaluation Framework have been laid, including outcome indicators at program level.
- A co-funding strategy had not yet been developed by the end of 2014. Co-funding strategies will be landscape-specific to a large extent, and will depend on the interventions specified by the stakeholders in those landscapes. This will therefore be a key activity in 2015.

- The landscape investment model could only be tested in Kenya due to lack of available and accessible data to populate the model in Vietnam.
- The stakeholder advisory group and online knowledge network planned for 2014 did not happen during the reporting year, and will be put in place in 2015 in a somewhat different form that is yet to be determined.

Lessons learned

- There is a strong interest in landscape approaches from many organizations globally. This was demonstrated by the fact that IDH received 59 proposals for landscape initiatives worldwide. Furthermore, the landscape approach appears to be very relevant in several IDH commodity programs, including tea, coffee, palm oil, pulp and paper, soy, and tin.
- There are still very few examples of successful public-private landscape governance. This underlines the fact that ISLA is really a learning and innovation program, piloting a new approach on the ground for impact at scale.
- ISLA works in areas that are relatively new for IDH, such as public governance, including legislation and land-use planning, and integrated ecosystem management. This requires IDH to develop new partnerships with organizations that are experts in these fields. This has been acknowledged from the start of the program, and in every landscape and at a global level we are actively developing these partnerships.

Local government engagement

Engaging governments is a key component of the ISLA approach, given their pivotal role in land-use planning and decision making. In all six landscapes, different governmental entities will be part of the multi-stakeholder coalition. In Vietnam and Kenya, ISLA already started to engage with central and provincial government in 2014.

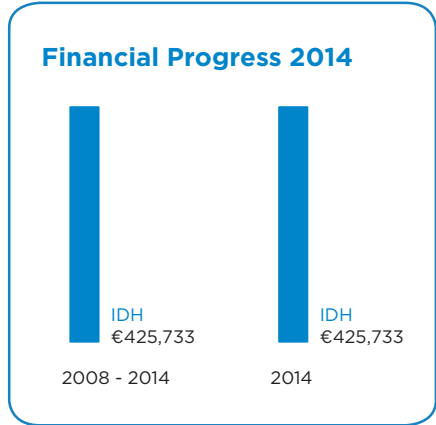
Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
ISLA lacks the authority, legitimacy and resources to convene key stakeholders around landscape challenges.	The selection of local ISLA managers/ conveners has been prioritized during the scoping phase in consultation with the stakeholders. Significant resources have been budgeted for this vital role. Furthermore, IDH aims to build as much as possible on local leadership and multi-stakeholder forums, and to empower rather than lead these.	Medium	High
Lack of interest from private sector. Private sector engagement is key for our intervention and there is a risk of not achieving full potential.	Part of the scoping exercise in 2014 has been to identify this risk before landscape selection. From an early stage IDH will work actively of promoting the ISLA to the private sector drawing on the existing network of IDH. IDH has also developed a landscape investment case model and shared benefits to strengthen engagement.	Medium	High
Risk of not getting the right local stakeholders and initiatives on board, or of getting an unbalanced representation of stakeholders in the program.	Stakeholder mapping and targeted outreach towards local and international stakeholders has started in 2014.	Medium	High
Not having enough skilled people to set up and implement the program.	In 2014 IDH developed an organizational structure, roles and responsibilities that can lean on the existing IDH structure while maintaining dedication and accountability to ISLA. For 2015 IDH has assessed and estimated the need of resources in relation to the program objectives. Finally the budgetary program management frame has been designed to act fast on resource issues in the program (e.g. by hiring temporary staff).	Low	Medium

Grow Africa **GROWAFRICA**

Ensuring that government and private sector pledges are met and that public goals are achieved, by translating private sector investments into actionable projects

Grow Africa is a partnership platform that exists to help catalyze sustainable investment and growth in African agriculture. Grow Africa was founded by the African Union Commission, the NEPAD Agency and the World Economic Forum. It is a powerful convening platform for high-level dialogue and learning between industry and government. As a partner of Grow Africa, IDH facilitates the Smallholder Working Group and participates in the Finance Working Group. The partnership puts IDH's mandate into practice: combining the trade and development agenda, and building effective coalitions to drive the public good, both from a social and an environmental point of view.



Private Partners

Bayer, CB Farm Fresh, Eastern Africa Grain Council (EAGC), Ecom, Intervalle, Malawi Mangoes, Netafim, Pioneer, Syngenta, Technoserve, Wasafiri Consulting, Yara.

Governments

Governments of Benin, Burkina Faso, Cote d'Ivoire, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Senegal and Tanzania.

Other partners

Grow Africa secretariat (World Economic Forum), Alliance for a Green Revolution in Africa (AGRA), NEPAD, AgDevCo.

Where we can make an impact

Value addition: Enable the investment of at least €50 million in private sector spending in smallholder agriculture, generating added value.

Enable the successful **implementation of at least three major value-chain programs** in selected countries over the next three years (started 2014), working with local partners.

Smallholder livelihoods: Enable improvement of income for at least 25,000 smallholder families in selected countries, creating a strong boost to the SME agri-business development sectors of these countries, with substantial generation of added value.

Theory of change

The IDH-Grow Africa partnership concentrates on using private sector investments for large-scale local production and processing in selected African countries. The projects developed under this umbrella are paradigm-shifting, innovative projects that have not been tried before and include large scale (greenfield) investments in smallholder inclusion. IDH's Grow Africa activities work across the IDH commodity programs, however; the commodity programs lead the intervention approach. IDH has prioritized the following commodity programs under the partnership: tea, fruit and vegetables, cassava, palm oil and (cashew) nuts.

Key achievements 2014

- In 2014, IDH hired four country coordinators in Nigeria, Tanzania, Kenya and Malawi respectively. These country coordinators fulfil the role of local conveners on the ground. This means that in practice they translate investment propositions into action; co-design the implementation plans; safeguard the public good by ensuring impact; drive the learning and innovation agenda; and lead the monitoring and evaluation. For instance, our country coordinator in Tanzania is fulfilling this role in the Mufundi Outgrowers Project by spending 50% of her time in the field.
- IDH formalized its cooperation with Grow Africa in a partnership agreement, signed in April 2014. Over the course of 2014, IDH developed a strong relationship with the Grow Africa secretariat at the World Economic Forum. IDH and Grow Africa have investigated 100 Letters of Intent with potential opportunities for IDH¹. This resulted in prioritizing the tea, fruit and vegetables, cassava, palm oil and (cashew) nuts programs for the IDH-Grow Africa partnership.

- In Tanzania, IDH and Unilever Tea Tanzania developed the Mufundi Outgrowers Project. The implementation is divided into two phases: the first from mid-2014 through 2015, and the second from 2016 through 2020. The project is currently in full implementation, with the first Farmer Field Schools being established and rolled out. Baseline assessment is the next step, and further capacity and resources are planned for phase two.
- In Q4 2014, IDH started scoping a regional cassava platform in Nigeria, Ghana and Mozambique, focusing on investment opportunities and challenges for industrial cassava derivatives.
- For other IDH commodities such as fruit and vegetables and cashew nuts, IDH has established a link between the commodity teams and the relevant Grow Africa Letters of Investment, which are to be further explored and developed in 2015.
- Together with Grow Africa, IDH is co-chairing the Smallholder Working Group: an appointed committee of peer organizations, working with smallholders on the ground and facing a number of challenges. In 2014, the working group was established and the first meeting took place. In 2015, three additional meetings will be organized, the learnings from which will be shared with the broader Grow Africa community in June 2015.

Deviations

- The overall ambition was to establish three concrete value chain projects under the IDH-Grow Africa partnership. It has taken more time to develop these innovative projects than expected. So far, one project is in the implementation phase; others are still in development.

Local government engagement

Governments of twelve African countries have so far committed themselves to the Grow Africa agenda (see focus countries). The Grow Africa secretariat is engaged in high-level dialogues with these African governments, in order to identify and address weaknesses in the enabling environment (e.g. existing policies or policymaking) that must be overcome in order to attract private sector investment leading to inclusive economic growth.

1. The Letters of Intent mostly come from companies to the Grow Africa secretariat, identifying obstacles to implementing committed agricultural investments in certain sectors and countries.

Innovative Finance

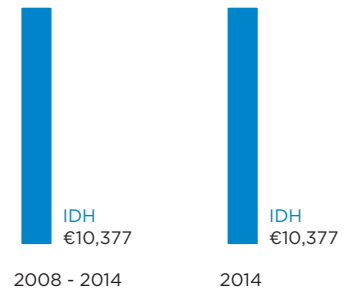


Smallholder
Finance
Facility

To catalyze investments from financial institutions into smallholder farming projects, and to positively impact over 25,000 smallholder farmers, and leverage more than ten times IDH's grant contribution through blended finance solutions

Smallholders lack the access to finance to invest in inputs, capital expenditure and/or rehabilitation and renovation of their farms. If smallholders engaged in these activities, it would typically lead to an increase in their productivity by a factor of two to four times. Therefore, supply chain companies are increasingly looking at ways to support smallholders in this process; however, they lack the risk-capital to do so at scale. IDH is therefore becoming a catalyst for supply chain investment.

Financial Progress 2014



Private Partners
FMO, IFC, Agdevco

Where we can make an impact

Access to supply chain services: Improving the productivity of smallholder farmers through access to inputs and other supply chain services.

Increase in farmer net income: Increasing the profitability of smallholder farmers through improved productivity with lower cost outlays.

Bankability of farmers: Improving the bankability of smallholder farmers by developing the financial track records for farmers, coupled with improved profitability.

Theory of change

The Innovative Finance program's key intervention is catalyzing financial institutions and the supply chain to invest in smallholder farmers in a meaningful way. Supply chain partners do this by providing inputs, capex and other services needed by smallholder farmers to become profitable and bankable private entities.

The program aims to show that the possibility for investing sustainably in smallholder farmers across varying sectors, leads to a decrease in the knowledge gap/perceived risk that is so often associated with upstream agricultural financing. This change has the ability to stimulate a significant sector shift within the financial industry, starting with the development finance space. This will encourage other development-finance investors – and eventually mainstream investors as well – to invest in similar opportunities.

Key achievements 2014

- A strong collaboration was developed with FMO, in which four employees have now been working full time since September 2014.
- IDH and FMO developed and agreed on a plan for how they will work together operationally.
- The process for structuring a blended finance project was developed through the progression of two specific projects – both of which are expected to be signed off during 2015.

- The program manager met with the key impact investors within the agricultural space, and analyzed where they are able to add value (and where not) for IDH's financial sector programs.
- The Innovative Finance program presented at an Impact Investment Conference in New York, to the German development bank (KfW) in Frankfurt, to the Queen of the Netherlands (an advocate for inclusive finance) at IDH's offices, and at IDH donor events with the Dutch and other government ministries present.

Lessons learned

- The partnership between FMO and IDH struggled to take off at first due to lack of understanding of company culture, time invested, processes and jargon used. Dedicated full-time employees were needed, as well as time spent working in each other's offices.
- Medium-sized supply chain companies are interested in providing a better service to smallholder farmers (their suppliers) in order to increase loyalty, but are unsure how best to manage the financial and operational risks of doing so – they need technical assistance themselves. This technical assistance can come from consultants or organizations that are already providing a better service to farmers (e.g. microfinance institutions).
- When supply chain companies provide financial assistance to smallholders, it is fully integrated with other services. Companies may, for example, make a profit on fertilizer they sell on credit by:
 1. Charging a profit margin on the fertilizer to the farmers compared to their own cost for sourcing the fertilizer.
 2. Charging an interest rate that is higher than needed to cover their costs related to the financial piece (e.g. cost of funding, expected default). This makes it complex to separate out just the financial piece in order to risk-share on it.

Risk Assessment

Risk	Mitigating action undertaken	Current probability	Current impact
Not being able to create effective partnerships with financial institutions.	IDH has hired resources with strong financial skills; spend time in offices of first financial partner (FMO) on a regular basis.	Low	Low
Not finding suitable smallholder farmer finance projects.	IDH's and FMO's existing networks are used to create market development opportunities.	Medium	Low
Projects not well-linked to existing IDH sector program work and focus.	Sessions and materials have been created to help existing programs (IDH and partners) understand where this program can be used.	Medium	Medium
Finding a suitable exit strategy.	Theories on potential exit strategies developed.	Low	Low

Supporting activities

Learning & innovation

The IDH Learning & Innovation Program works with the IDH sector programs to organize research, build metrics, and seek out innovative solutions that enhance the impact and convening power of the programs. In addition, the learning program aims to stimulate cross-sector learning and innovation; on critical knowledge themes for transformative change in the market.

Responding to the increasing demand for a visible learning role of IDH, investments were made in 2014 to

increase the capacity of the IDH Learning & Innovation Team through the recruitment of a senior and a junior learning manager. Though servicing the sector programs remains a key task, the team has been reorganized to ensure a stronger profile on cross-sector knowledge. The team now has a dedicated resource for landscapes and deforestation, smallholder business models and farm intensification, and impact research. We are also looking to increase our capacity on social issues (labor conditions, gender, living wage/income).

Sector learning

Sector	Learning outcome
Coffee	Business cases have been developed for the core countries of the coffee program. These business cases are the basis for further development of country strategies. Program tools and processes have been improved. The business cases are translated into the guidelines for the call for proposal for field-level projects to be developed by the coffee traders in collaboration with roasters and non-profit implementing partners.
Cocoa	A Scientific Committee was set up to provide guidance to the knowledge agenda of the Cocoa Fertilizer Initiative, which aims to reach out to 200,000 Ivorian cocoa farmers by 2020. A soil mapping and foliar analysis project has been started in collaboration with Centre National De Recherche Agricole (CNRA). The Scientific Committee is composed of Wageningen University, IITA, CIRAD, CNRA, University of Ibadan, WCF and representatives of the cocoa and fertilizer industry.
Palm Oil	Working with Accenture Development Partnerships, we assisted the palm oil industry in defining and selecting a traceability system that allows companies to demonstrate deforestation-free supply chains. The advice is being used and operationalized by the members of the Traceability Working Group.
Cotton	We assisted the Better Cotton Initiative in the design of the Growth and Innovation Fund, which aims to increase the scale of Better Cotton in the period 2016-2020 (as a successor to the fast track program).
Soy	Innovation was brought to the Responsible Soy Program by developing a supply shed approach, in which IDH collaborates with a wide range of stakeholders to measure performance and pilot interventions. This has resulted in pilot supply shed projects with IPAM, EII and TNC.
Pulp and Paper	In the Pulp and Paper Program, a business case model was developed in cooperation with the Ate Marie Group on the conservation of land banks through yield improvement and post-harvest loss reduction. The business case is used for the convening of APP, APRIL and other pulp and paper companies in Indonesia.

In 2014, the Learning & Innovation team supported the sector programs with research, metrics and innovations.

Cross-sector learning

Over the course of 2014, the Learning & Innovation Program has also invested in a range of cross-sector learning projects that proved their worth for different sector programs.

Theme	Learning outcome
Service Delivery Models	<p>We have finished the first phase of our work on Service Delivery Models (SDMs) in collaboration with Neumann Stifting, Mars, NewForeSight and KPMG. In this first phase, we tested with two cases in coffee and cocoa whether it was possible to calculate the Return on Investment of a SDM at three levels: the level of the farmer, the level of the service operator and the level of the value chain investor.</p> <p>We gained insight into key ratios of a SDM, and a simulation model was developed to understand the effect of risks and opportunities that would affect the SDM. In the second phase of our work on SDMs, we plan to upscale the number of cases, draw learning on what elements in SDMs work best, why and in what local context.</p>
Smallholder Business Models	<p>In cooperation with Grow Africa, we have started a Smallholder Working Group with both African companies and international companies that are working day-to-day with smallholders.</p> <p>They share the common objective of supporting smallholders to transition from subsistence farming into commercially viable farming. They also face similar challenges. The working group serves to exchange those challenges and practical solutions between members - based on discussing specific cases.</p>
Rehabilitation and Renovation	<p>In cooperation with Rabobank and IFC, a research project has been initiated on renovation and rehabilitation of smallholder tree crops, including coffee, cocoa and palm oil. The study looks into the experiences of front-running projects worldwide in order to gather best practices in agronomic approaches and investment models. Cases include coffee farmer cooperatives in Central America, smallholder schemes by palm oil producers in Indonesia and pilot schemes by organizations such as RootCapital and Solidaridad.</p>
Landscapes	<p>In the cross-sector Initiative for Sustainable Landscapes (ISLA), a business case model has been developed with KPMG to help stakeholders decide on the most appropriate intervention packages and how the costs and benefits of these should be shared.</p> <p>This model will help stakeholder dialogues take into account the costs and benefits of different interventions in their landscape. In addition, IDH will work with key knowledge partners, such as the Landscape for People, Food and Nature, to share lessons on sustainable land and water management.</p>
Program Phase Out	<p>Working with an external consultant, exit strategies and best practices for the phasing out of sector programs were developed. The model will assist program teams to understand the exit readiness of their program and how to best steer the exit process.</p>
Future of Standards	<p>Together with IFC, SECO and the Ministry of Foreign Affairs, we have steered a research project into the future of standards and models for the mainstreaming of market transformation. The study, executed by AidEnvironment, NewForeSight and IIED, developed scenarios for cotton, cocoa, coffee and palm oil, which help to inform the strategies in our programs.</p>

Impact assessment

The Learning & Innovation team has also improved the way in which IDH measures its impacts on market transformation and in the field.

Study	Key findings
Performance Measurement	Working with Sustainable Food Lab, Learning & Innovation has convened a group of stakeholders to share impact data and seek collaboration to improve effectiveness in impact measurement (partners include COSA, ISEAL, Solidaridad, IFC, WCF, UTZ Certified, and companies such as Nestle, Mars, Starbucks, Ecom, Cargill).
True Price Analysis	In 2014, IDH collaborated with True Price to conduct a True Price scan in four of its key commodity programs (cotton – India; tea – Kenya; coffee – Vietnam; cocoa – Cote d'Ivoire). The analysis shows the financial, social and environmental costs throughout the supply chain of a product. The monetization of these issues helps IDH to validate and set its intervention priorities in trying to bring down the social and environmental costs of production.
Impact Study Tea	We worked with LEI Wageningen on the third impact assessment of the KTDA-Unilever tea program in Kenya, confirming significant progress in yield improvements, diversification and professionalization of the farmers participating in the Farmer Field Schools.
Result Measurement Framework	Together with Aidenvironment, a Result Measurement Framework for 2016-2020 has been developed to guide the Monitoring & Evaluation of IDH programs and the accompanying impact measurement research plan. The framework has been approved by IDH's Supervisory Board and is currently being put into practice by the programs in their strategies for 2016-2020.

Institutional Cooperation and Partnerships

In 2014, IDH invested heavily in securing and broadening the donor base of the organization past the short-term future. We organized a donor roundtable and multiple bilateral donor meetings, leading to significant interest from potential new donors, including the Swedish International Development Agency, Austrian Development Agency, Irish Aid and the Norwegian Ministry for Climate and Environment. IDH worked towards the renewal of the existing partnership with the Dutch Ministry of Foreign Affairs, who committed to invest €100 million for the period 2016–2020 as a result.

The grant renewal process took place in parallel with the development of IDH's 2020 strategy. Institutional donors have become better integrated in the governance of IDH, and thereby are better equipped to give their valuable inputs on these processes. IDH will continue to convene (other) public donors to align their policies and resources in support of a global transformation agenda. Through donor harmonization on sustainable supply chain interventions, donors can contribute more effectively to policymaking, reduce fragmentation in programs, and further realize the Post-2015 Development Agenda (SDGs).

Key achievements 2014:

- IDH worked on the renewal of the partnership with the Dutch Ministry of Foreign Affairs, who committed to invest €100 million for the period 2016–2020.
- SECO, one of our existing institutional donors, has provided IDH with extensive input for the further professionalization of the result measurement framework, and input on donor harmonization. IDH developed a new and harmonized donor governance structure and a memo on securing public goods.
- Danida and IDH initiated a discussion on expanding the current cooperation agreement into a longer term partnership (2015–2020).
- IDH participated as a speaker at the high level 3GF conference in Copenhagen. One of the outcomes of the conference was that 3GF supports the “Race to the top” apparel partnership in Vietnam, which is managed by IDH and works towards a systemic approach for sustainable apparel production at scale.
- IDH is exploring a multi-annual partnership with the Swedish International Development Agency (Sida).

Our concept note was approved, and we received a request to submit a full proposal. In parallel, Sida will support IDH in our outreach to Swedish Embassies in relevant countries for program and project cooperation at regional level (e.g. coffee, fruit & vegetables, flowers and cotton in East Africa).

- Given our work on tackling deforestation through our commodity sector programs (e.g. Palm Oil, Pulp and Paper), the Government of Norway's Climate and Forest Initiative (NICFI) invited IDH to submit a concept note to tackle deforestation in select regions in Indonesia through the Norwegian Forest and Climate Initiative's open call for proposals from civil society organizations.
- With support from NICFI and the World Bank, IDH is collaborating with the Liberian Forest Development Authority (FDA) to develop a sustainable landscape management program, demonstrating that forest can be conserved at the same time as achieving commercial and community objectives.
- Irish Aid expressed an interest in cooperating with IDH; further discussions are ongoing and will be finalized early next year.
- The European Commission / Directorate General for Development Cooperation (DG DEVCO) has invited IDH to participate as a knowledge partner and key speaker at several EU private sector workshops. IDH's theory of change and interventions are highly valued by the Commission. DG DEVCO will present its strategy and criteria for funding on public-private partnerships in 2015.
- The Global Alliance for Improved Nutrition (GAIN) and IDH signed a partnership to collectively address farmer nutrition securities in commodity supply chains. The aim is to develop a comprehensive approach that integrates nutrition-related interventions at producer level.
- We presented IDH at two symposiums in Vienna, Austria, both co-hosted by the Austrian Development Agency. The first symposium was on the status of Austrian development cooperation and the role for the private sector. At the second event, hosted by the Institute for Managing Sustainability at Vienna University, IDH elaborated on tackling impact in developing countries in partnership with the private sector. Discussions with the Austrian Development Agency and select Austrian private sector companies about supporting IDH in 2015 are ongoing.

- At the request of the Australian Ministry of Foreign Affairs and Trade, IDH submitted a concept paper to the Australian Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry to enhance the role of the Australian private sector in development of the Indo-Pacific region. The paper described IDH's experience in forging public-private partnerships in leveraging private sector investments in developing countries, and the resulting contribution to the public good.
- The Canadian Ministry of Foreign Affairs, Trade and Development requested IDH to provide input on their new guiding principles and overall objectives for Canada's development cooperation with CSOs to alleviate poverty and deliver humanitarian assistance.
- IDH explored opportunities for collaboration with the African, Caribbean and Pacific Group of Member States (ACP), an organization linked to the European Commission. The aim is to align IDH's sector programs with ACP's private sector development strategy for 2015-2019.
- IDH is exploring opportunities to collaborate with the International Fund for Agricultural Development (IFAD) on country and commodity level. The aim is to mobilize resources to expand IDH program intervention through IFAD's lending portfolio to their member states.

We see a trend among donors to decentralize their development aid budgets to regional and/or country missions (Embassies, platforms etc.). IDH will include specific program fundraising opportunities in select regions and countries. After a scoping session among IDH programs, clear resource potential was identified in our programs in East and Southern Africa. One full-time employee will be leading this new effort in close cooperation with IDH program staff.

Risk management

Managing internal and external risks is an essential part of our daily operations. Risk management is primarily done through:

- Monthly reporting of organizational risk and finance, planning and controls.
- Identifying risks in weekly management team meetings, and defining mitigation activities where needed.
- Due diligence checks and assessments of partners using the IDH ICRS policy and implementation framework as guidance.
- Flagging programmatic risks in scheduled program reviews (3-4 times a year depending on the program), during which significant issues are discussed and decisions made jointly by program staff and the management team.

In the program chapters of this Annual Report, the program-specific risks are detailed. In addition, in the Annual Plan 2015, a number of overarching risks were identified, which are outlined in table below.

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.	Further professionalization of our pipeline. In 2014, we experienced a significant contracting peak, without jeopardizing our focus on impact and integrity.
Staffing not up to the required level for the significant IDH ambitions.	Pro-active ongoing strategic talent scouting. Low level of unintended staff turnover. Staff training in technical skills and change management.
Reputation of IDH seriously harmed by program or partner calamities.	Formal and informal continuous risk management processes. No serious issues to report upon in 2014.
Decrease in political support from lead donors affects short-term funding.	Solid level of support from lead donors. New subsidy ruling signed with the Dutch Ministry of Foreign affairs. Strategic reflection and alignment of donors in a newly established joint donor meeting.

Operations

During 2014, we fine-tuned the balance between supporting the IDH organization in being innovative and agile on the one hand, and monitoring and controlling what we do on the other. It was also the year in which new program components had to be integrated into our existing commodity work, during which onboarding of new staff was crucial.

Human Resources

During 2014, the IDH organization has grown gradually.

	Forecasted FTEs 2014	Actual FTEs on Dec 31, 2014
Executive Director	1	1
Program Directors	2	2
Director Public Affairs	1	1
(Senior) Program managers	10.8	10.8
Program officers	6.9	12
Learning staff	3.8	3.8
Office support	2.8	3.65
Operations	8.5	10.4
Communications and PA	5.5	7.1
Total	41	51,75

The differences between forecasted and actual figures can primarily be explained through:

- Separately funded new landscapes program ISLA (~4 FTEs)
- Innovative finance pilot (~2 FTEs)
- Grow Africa (~1.5 FTEs in the Netherlands)
- Program expansion partially due to SECO stepping in as an institutional donor (~4 FTEs)
- In Indonesia, the formation of consultants remained in line with the forecast. Formally establishing a legal entity proved to be a complicated and time-consuming process in Indonesia. We expect the legal entity to be established in the first half of 2015

	Forecasted FTEs 2014	Actual FTEs on Dec 31, 2014
Program director	1	1
Program manager	2	1
Program officer	1	2
Office staff	1	1
Total	5	5

Employee engagement

In 2014, the Employees' Council was established in line with the Dutch Wet op de Ondernemingsraden. The council combines decision making and advising on fringe benefits with being a sounding board for IDH. In 2014, the council advised on a new pension scheme.

In addition, we continued the "co-think tank" meetings: informal discussions with senior staff, primarily used as a sounding board for new ideas and to gauge the progress of the organization.

Together with MVO Netherlands, a Young Professional Network was established. Lastly, during the course of 2014, the IDH @office week –a week during which all IDH staff is in the office and focusses on a joint agenda with strategizing and learning- was held in February in September.

Internal learning and capacity building

In a growing organization, internal learning and reflection is key, as well as making sure our employees are able to do the job. Building this in an organization that wants to move fast and is full of ambitious people with a heavy workload has not always been given sufficient priority. To improve this, in 2014 we continued with the a trajectory on change management trajectory for senior staff (2 x 2 days), during which we further professionalized intervention methods in the sectors we work. Further, we are regularly organizing white space sessions in which joint issues and best practices are shared. Personal development and individual training was continued, in addition to joint skills training (in, for example, Excel, Prezi, and result measurement).

Pipeline management

In 2014, contract management was further professionalized through Orion, our contract management system. Each program has a dashboard which includes current and pipeline contracts. In late 2014, it was agreed to add more informal spending forecasts on >€200k contracts, which are being implemented in 2015.

Planning, Monitoring and Evaluation

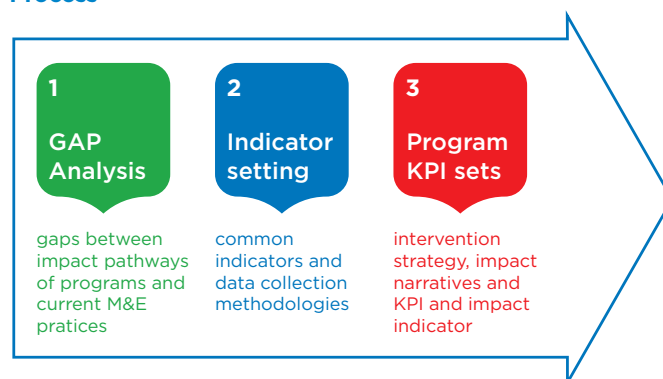
During 2014, IDH continued to review its monitoring and evaluation activities, and prepared a new Result Measurement Framework (RMF) for 2016-2020. The approach and terminology used in the new RMF is based on the Donor Committee for Enterprise Development (DCED) standard of results measurement.

IDH's Result Measurement Framework is designed to:

1. Be a management tool that integrates planning, regular monitoring and evaluation, and impact studies into IDH's general management cycle.
2. Measure results against IDH's new objectives in 2016-2020. The new framework has been designed to measure our progress against the new organizational targets relating to the Sustainable Development Goals (SDGs) and subsequent program strategies.
3. Create alignment across programs by using a common framework. Alignment is also created between different levels of measurement by better connecting activities, outputs, outcomes and impacts to each other.
4. Increase quality of indicators and thereby the data that IDH receives. This is achieved by designing indicators that best reflect our activities and intended results on all levels, but also by making sure that the definitions and methodologies behind the indicators have been well defined and agreed with our partners.

Ultimately, we believe that all these factors will improve our accountability and reporting towards donors and other stakeholders, as well as making it easier to learn from our projects and continuously improve our interventions.

Process



The new RMF was prepared in close collaboration with Aidenvironment. The process started in mid-2014 by reviewing IDH's current theory of change and result areas, and by performing gap analyses for the current impact programs (cocoa, tea, cotton and coffee). The goal of the gap analyses was to better define the anticipated results, as well as to identify possible gaps and weaknesses in the current monitoring and evaluation practices of the programs.

On the basis of this analysis, Aidenvironment proposed a draft list of indicators from which all programs can choose their indicators for the next period. When designing the indicators, IDH and Aidenvironment aligned with existing initiatives as much as possible, to define common indicators and data collection methodologies. The draft framework has been presented to IDH's Impact Committee, Supervisory Board and donors, and their comments are being incorporated into the final framework.

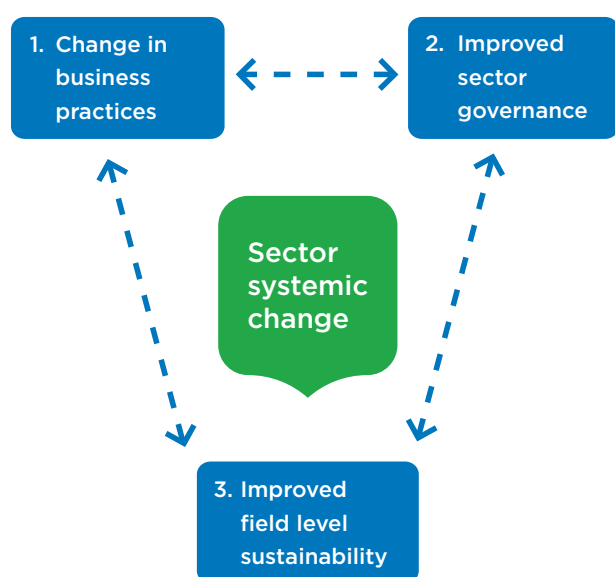
The final step is to determine program-specific key performance indicators (KPIs) and impact indicators. To do so, IDH defined a process to finalize program-specific strategies and result chains for the period of 2016-2020. The program strategies and associated indicators were validated by IDH's Management Team in April 2015, and discussed in a donor meeting in June 2015.

The new RMF will be applied to all programs during 2016-2020. The first phase will start in 2015 with new projects that continue into 2016. The new RMF will be integrated into reporting as of 2016, but we have already started moving the annual report in the direction we anticipate it taking in future. This includes, for example,

explicitly stating where we can make an impact in each sector and better explaining the theories of change and results.

Systemic sector change

In the new program period, IDH will step up its efforts to contribute to sector change. Together with insights from other institutions (e.g. IFC), a new model of key results areas for IDH has been designed. The overall aim is to contribute to systemic changes in a particular sector - i.e. improved incomes and more sustainable production practices as a result of changes in behavior and systems of key actors along the value chain. IDH's targets and Monitoring & Evaluation (M&E) system over the coming years are structured according to these results areas.



Change in business practices: Relating to the main business actors in the value chain at corporate level, this change involves more sustainable business practices. The main elements include:

- Internalization of sustainability in core business management practices
- Procurement strategy/ structures
- Certified/verified/sustainable production and trade
- Service delivery to producers

Improved sector governance: Relating to sector agencies and institutions (systems, capacities, policies, rules and regulations) this change involves managing the sector in a more sustainable way (making it profitable, resilient, environmentally and socially sound) on local and international level. The main elements include:

- Sector dialogue and coordination
- Investment and resource availability
- Access to services
- Public policy for support and regulation
- Organization of production base

Improved field-level sustainability: Relating to producers, workers and producer communities and their livelihoods, this change involves sustainability impacts such as their economic situation, social wellbeing and sustainability of the natural resource base. The main elements include:

- Economic: yield, profitability, income diversification, household poverty, food security
- Environmental: water management, deforestation, toxic loading
- Social: wages, working conditions, gender equality, child labor, worker empowerment

For each result area, IDH has defined indicators to measure changes on the level of output, outcome and impact. Some of these indicators are quantitative indicators, while others are more qualitative and measured through a balanced scorecard. For each indicator, IDH has created a measurement protocol, which provides additional information such as the definition of the indicator and the methodology for measuring it.

IDH program teams are requested to choose which indicators fit with their program interventions from the predefined list. Small selections of indicators are compulsory for all IDH programs. The measurement protocols will be used at program level once the programs have chosen their indicators, and will be shared with all implementing partners to ensure that the data is collected and reported correctly and consistently across all projects.

Communication

In 2014, we planned to:

- Capitalize more on program communication opportunities
- Use strategic interventions to accelerate program communication
- Position IDH as a multi-donor organization

Corporate communication

IDH corporate communication in 2014 was largely focused on donor relations and co-writing donor proposals, as was our outreach to European media. Key results for the reporting year include:

- We co-organized and supported a multi-donor meeting in November in Amsterdam.
- We slightly adjusted the IDH corporate story, but postponed a full-blown rebranding to 2015, to coincide with the launch of a new website, which we made further progress on during 2014.
- Our international media outreach grew again for the fourth time in a row, while our national media outreach stayed more or less the same with articles in Trouw, de Volkskrant, P+ and a special on international supply chains in Vice Versa (about tea, flowers, fruit and vegetables, IDH in general, and the IOB evaluation).
- We prepared new corporate communication materials for the visit of the Queen Maxima of the Netherlands.
- We supported the Strategy Group Sustainable Production and Trade, chaired by the Dutch Minister for Foreign Trade and Development Cooperation.
- We organized all communication in support of the International Supply Chain Management Congress (ISMC).

Program communication

In 2014, we boosted our program communication efforts as planned in tea, coffee, cocoa, fruit and vegetables, tropical timber, cashew, palm oil and soy. Key results for the reporting year include:

- We continued support for tea via the “Team Up” program.
- We started looking for innovative ways of presenting the intervention logic of programs through Prezi (coffee, flowers, cocoa, cotton, timber) and through animations (cashew).
- We kick-started all the communications supporting the Sustainable Initiative for Pulp and Paper in June in

Jakarta, and the Initiative for Sustainable Landscapes (ISLA).

- We created an online presence for the apparel program, and piloted a joint sector communication approach for the spices program.

Some of the planned program communication activities did not materialize because the program developments that they intended to support did not happen (see program communication table) or the program strategy slightly changed (cotton).

Intervention communication

IDH is piloting a group of new interventions, such as service delivery models, innovative finance and sustainable supply sheds. Key results for the reporting year include:

- We helped frame the intervention logic.
- We created communication materials (factsheets, PowerPoint presentations and Prezis).
- In the case of Innovative Finance, we created a brand identity, new house style and translated that into a website and various other communications materials.
- We co-wrote comprehensive deforestation program intervention logic, and created numerous presentations on events such as The Economist Summit on Deforestation.

Corporate communication

Activity	Targets 2014	Results 2014
IDH website and sub-sites are transparent sources of information for stakeholders and press.	2 news items per week 1,000 visitors per week	89 news items (=1.8 per week) 600 visitors per week
IDH and its program are visible in mainstream and professional international media.	100 times quoted in (international) media	124 times quoted in international media
Logo and corporate IDH text carried by our program partners.	50% of partners carry logo 50% use IDH text when communicating about IDH	No data
Regularly inform and engage our network.	4 newsletters	4 newsletters
Strengthen our policy network.	4 embassy newsletters	1 embassy newsletter 1 newsletter Vietnam
Communicate more B2B, innovation and impact.	New bi-monthly newsletter per program; Investigate potential of social media engagement	Program newsletters for timber, cocoa, coffee, fruit and vegetables
Partnership communication	SECO-IDH congress; develop information for investors	Multi-donor meeting in Amsterdam; SECO-IDH congress postponed to 2015
Social media	Develop and implement a social media strategy	LinkedIn started and Twitter continued; number of followers grew to 1,350

Financials

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

<i>amounts in millions of Euros</i>	actual	budget	revised forecast	actual	actual	budget
	2014	2014	2014*	2013	2011 - 2014	2015
Program Contributions:						
Private partners – via IDH	2.8	-	-	1.9	7.3	-
Private partners – directly to project**	34.2	42	35	16.5	76.7	41
Private partners – additional investments	9.5	-	-	2.3	13.4	-
<i>Total private partners</i>	46.5	42	35	20.7	97.4	41
Other donors – via IDH	0.4	-	-	0.1	0.6	-
Other donors – directly to project**	4.1	9.4	6	3.2	17.1	6
<i>Total other donors</i>	4.5	9.4	6	3.3	17.7	6
IDH	20.2	27.5	21	11.4	54.9	29.6
Total Program Contributions	71.2	78.9	62	35.4	170	76.6
IDH Program Contributions	20.2	27.5	21	11.4	54.9	29.6
Private Contributions - via IDH	2.8	-	-	1.9	7.3	-
Other Donor Contributions - via IDH	0.4	-	-	0.1	0.6	-
Total IDH Program Contributions	23.4	27.5	21	13.4	62.8	29.6
Learning, Innovation and Impact	1.1	1.6	1.5	1.1	3.5	2.1
Support and outreach	1.1	1.3	1.3	0.9	3.4	1.5
Total Program Related Costs	2.2	2.9	2.8	2.0	6.9	3.6
Congress and communication costs	0.3	0.5	0.5	0.4	1.6	0.4
Personnel costs	2.9	3.5	3.3	2.6	9.8	3.7
Organizational costs	1.0	0.9	1.1	0.9	3.3	1.3
Total IDH organizational expenditures	4.2	4.9	4.9	3.9	14.7	5.4
Total IDH Costs (incl contributions via IDH)	29.8	35.3	28.7	19.3	84.4	38.6
Total IDH Actuals/Budget	26.6	35.3	28.7	17.3	76.5	38.6
Total incl. Partner Contributions	77.6	86.7	69.7	41.3	191.6	85.6
Ratio program contributions IDH: private	1 : 2.3	1 : 1.5	1:1.7	1 : 1.8	1 : 1.8	1 : 1.4
Percentage IDH Office: Total IDH costs	16%	14%	17%	23%	19%	14%
Percentage IDH Office: Total incl. Partner Contributions	5%	6%	7%	9%	8%	6%

Note 1 Total private partners 2014 (€46.5 million) includes €3 million due to delayed implementing partner reporting in the year 2013. This is included in 2014 reporting

Note 2 All program contributions (via IDH and directly into projects) are audited locally or at IDH level. For an explanation on the definition and assurance on the additional investments we refer to page 39 of the Financial Statements

* Updated forecast as shared with IDH's Supervisory Board and the Ministry of Foreign Affairs on 18 July 2014

** This amount includes €1.3 million received from private partners and €1 million from other donors for the Better Cotton Fast Track Program which is not yet transferred to IPs

Balance sheet

As at 31 december 2014 (after appropriation of result)

	31 december 2014		31 december 2013	
	€	€	€	€
ASSETS				
Intangible Fixed Assets		363,967		284,968
Current Assets				
Receivables	6,236,242		5,197,169	
Cash at bank	10,985,697		15,129,170	
<i>Total Current Assets</i>		17,221,939		20,326,339
TOTAL ASSETS		17,585,900		20,611,307
LIABILITIES				
<i>Short-term liabilities</i>				
Appropriated funds*	7,330,914		13,703,899	
Trade and other payables	10,254,986		6,907,408	
<i>Total Short-term Liabilities</i>		17,585,900		20,611,307
TOTAL LIABILITIES		17,585,900		20,611,307

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

Statement of income and expenditure

	2014	budget 2014	2013
	€	€	€
INCOME			
Subsidies from governments	26,523,561	35,408,100	17,303,496
Other income	3,178,431	-	2,012,663
Financial income	100,224	-	74,979
<i>total income</i>	<i>29,802,216</i>	<i>35,408,100</i>	<i>19,391,138</i>
EXPENDITURES			
Programs and Projects	23,425,675	27,566,100	13,413,807
Learning and Innovation	905,045	1,325,000	915,933
Impact assessments and evaluations	224,306	275,000	150,166
Support and outreach costs	1,059,669	1,300,000	968,044
<i>total program expenditures</i>	<i>25,614,695</i>	<i>30,466,100</i>	<i>15,447,950</i>
Congress and communication costs	293,557	500,000	410,368
Personnel costs	2,921,957	3,512,000	2,615,061
Organizational costs	960,220	930,00	911,370
<i>total organizational expenditures</i>	<i>4,175,734</i>	<i>4,942,000</i>	<i>3,936,799</i>
<i>Operating result</i>	<i>11,787</i>	<i>-</i>	<i>6,389</i>
Financial expenses	11,787	-	6,389
Result	-	-	-

- Comparative figures have been reclassified to conform to current year's presentation
- For a further breakdown of the approved budget 2014 we refer to page 38
- For expenditures on Programs and Projects we refer to the Accounting Principles

Program Contributions and Investments 2008 - 2014

Actuals 2014 (all in euros)	Total	IDH	Private	Other
Apparel	725,131	166,073	559,058	-
Aquaculture	3,642,936	716,231	2,336,236	590,469
Cashew	364,480	199,767	164,713	-
Cocoa	15,476,846	4,267,865	9,820,900	1,388,081
Coffee	11,055,220	3,871,173	7,055,475	128,573
Cotton	9,538,784	2,775,614	5,566,470	1,196,700
Electronics	829,626	370,394	459,232	-
Flowers	705,983	348,114	279,506	78,363
Fruit and Vegetables	2,144,840	1,311,782	720,539	112,519
Grow Africa	425,733	425,733	-	-
ISLA	890,649	890,649	-	-
Innovative Finance	10,377	10,377	-	-
Natural Stone	178,373	36,736	139,415	2,222
Palm Oil	323,028	291,895	31,133	-
Pulp & Paper	201,277	201,277	-	-
Soy	3,837,446	1,056,459	2,780,987	-
Spices	488,564	253,022	96,185	139,357
Tea	3,125,305	1,836,761	1,288,544	-
Tin	29,034	18,815	10,219	-
Tourism	244,253	24,004	182,867	37,382
Tropical Timber	7,094,072	1,174,508	5,109,336	810,229
Total Program	61,331,957	20,247,248	36,600,815	4,483,894
Learning	1,094,009	894,861	199,148	-
Communication & Congresses	194,950	32,300	161,500	1,150
Additional Private Sector Investments				
Aquaculture	3,476,842		3,476,842	
Cashew	141,672		141,672	
Coffee	3,016,966		3,016,966	
Electronics	2,927,516		2,927,516	
Total Programs	70,894,953	20,247,248	46,163,811	4,483,894
Total	72,183,912	21,174,409	46,524,459	4,485,044

Note 1: Total private partners 2014 (€46.5 million) includes €3 million due to delayed implementing partner reporting in the year 2013. This is included in 2014 reporting.

Note 2: Since 2012, IDH is measuring for some programs the investments made by private program partners that are directly related to the objectives of the program, but which are not included in the financial project reports. The type of these investments are in accordance with the IDH Guidelines and comply with the developed framework for measuring additional investments and form a direct link with the objectives and the result logframe of the IDH Programs. These additional investments are either derived from audited financial statements or calculated and compiled based upon objective supporting documentation.

Actuals 2008 - 2014 (all in euros)	Total	IDH	Private	Other
Apparel	836,959	277,901	559,058	-
Aquaculture	7,495,987	2,571,262	2,988,016	1,936,709
Cashew	1,231,122	770,126	460,996	-
Cocoa	52,140,153	16,180,743	32,169,698	3,789,712
Coffee	14,336,506	5,661,175	8,462,572	212,760
Cotton	35,331,690	10,493,258	16,072,596	8,765,836
Electronics	2,463,190	1,375,269	1,087,921	-
Flowers	1,224,566	629,347	466,856	128,363
Fruit and Vegetables	2,536,245	1,631,008	761,045	144,192
Grow Africa	425,733	425,733	-	-
ISLA	890,649	890,649	-	-
Innovative Finance	10,377	10,377	-	-
Natural Stone	1,496,191	730,166	591,714	174,311
Palm Oil	647,050	615,917	31,133	-
Pulp & Paper	297,789	297,789	-	-
Soy	11,461,635	4,502,183	6,716,827	242,625
Spices	1,134,564	519,070	401,962	213,532
Tea	15,954,725	6,950,992	6,656,751	2,346,982
Tin	201,734	130,562	71,172	-
Tourism	2,530,991	801,628	1,560,023	169,340
Tropical Timber	22,327,080	8,210,025	8,329,787	5,787,269
Total Program	174,974,936	63,675,179	87,388,127	23,911,630
Learning	3,559,173	3,066,425	199,148	293,600
Communication & Congresses	2,985,740	1,820,245	1,072,382	93,113
Additional Private Sector Investments				
Aquaculture	3,476,842		3,476,842	
Cashew	141,672		141,672	
Coffee	3,016,966		3,016,966	
Electronics	6,899,499		6,899,499	
Total Programs	188,509,915	63,675,179	100,923,106	23,911,630
Total	195,054,828	68,561,849	102,194,636	24,298,343

- Aquaculture: additional investments of 44 private sector companies within the SNV ASC Accelerator project in Vietnam, calculated based on a selection of 13 companies with the total average cost extrapolated per MT for the total production volume reported by SNV VN to IDH (raw material). The eligible costs included upgrading dikes, building house, building houses for labor and storage, fingerlings, feed, upgrading canals, fences/preventing fish escaping and keeping predators off, upgrading sedimentation pond, feed storage (new building), transformation power supply).
- Cashew: additional investments of Chainfood in the development of the Traceability System (MIS) for Sustainable Cashew Initiative Central Level program as well as the in kind contributions of the private sector members of the Sustainable Cashew Initiative involved in the Steering Committee meetings, Sustainable Cashew Initiative, Working Group Sustainability and Working Group MIS in 2013 and 2014.
- Coffee: direct project investments by the participating roasters of the Sustainable Coffee Program (SCP) in a SCP project in Uganda and their premiums paid for certified/verified coffee and only for that part that reaches the farmers.
- Electronics: costs for audit fees of the suppliers by the participating brands of the IDH Electronics program, which are directly linked to the objectives of the program through establishing the necessary supplier base.

IDH total budget actuals

	Annual Plan 2014	Revised Forecast 2014*	Actuals 2014
Program contributions	27,566,100	21,000,000	20,247,249
Learning and Innovation - staff cost	1,600,000	1,500,000	1,129,351
Program Outreach cost	1,300,000	1,300,000	1,059,669
subtotal Program expenditures	30,466,100	23,800,000	22,436,268
Communication & Congresses	500,000	500,000	293,557
Personnel cost	3,512,000	3,300,000	2,921,957
Organizational cost	930,000	1,100,000	960,228
subtotal IDH personnel and organizational cost	4,442,000	4,400,000	3,882,185
subtotal IDH Office cost	4,942,000	4,900,000	4,175,742
Total IDH budget	35,408,100	28,700,000	26,601,827
Private contributions	42,000,000	35,000,000	46,524,459
Other donor contributions	9,400,000	6,000,000	4,485,044
Total co-funding	51,400,000	41,000,000	51,009,503
Total Budget Programs and IDH Office Cost	86,808,100	69,700,000	77,621,514

* Updated forecast as shared with IDH's Supervisory Board and the Ministry of Foreign Affairs on 18 July 2014

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 subsidy ruling 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 to

the functional currency at the exchange rate applying on that date.

Financial instruments

Financial instruments include trade and other receivables, loans, cash items and trade and other payables. Financial instruments are initially recognized at fair value. After initial recognition, financial instruments are valued in the manner described on the next page.

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.

Prepayments on intangible fixed assets

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

Impairment

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

The remaining obligation based on the contracts held with the implementing partners is recognized under the off-balance sheet assets and liabilities. Once obligations to implementing partners or other parties cease to exist,

they should be released to the statement of income and expenditure in the same financial year and noticeably be deducted from the program expenditures in the financial year.

Expenditures when 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 company 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.

Executive Board

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

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

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
Employment agreement Type	indefinite period	indefinite period	indefinite period
Hours per week	40	40	32
Part time percentage	100%	100%	80%
Period	January - December 2014	January - December 2014	January - December 2014
Salary, holiday and year end allowance	126,216	126,375	61,441
Other allowances	1,823	1,643	1,388
Pension and other insurances	30,675	24,041	7,235
Total remuneration	158,714	152,059	70,064

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

Name	Function	Appointed	Resigned
Mr. A. H. J. Veneman	Chair	7 September 2011	
Mr. J. A. van de Gronden	Member	7 September 2011	
Mr. P.J. Gortzak	Member	13 October 2011	
Ms. F. Karimi	Member	13 October 2011	
Mr. J. W. M. Engel	Member	13 October 2011	
Ms. C. A. A. Stiemer - Hermus	Member	13 October 2011	
Mr. B. J. Marttin	Member	16 May 2012	
Mr. G. Boon	Member	8 April 2013	
Mr J. Smit	Member	13 October 2011	1 January 2014

In the year of 2014 the supervisory board remained intact and no changes are to be reported. The Supervisory Board did not receive any remuneration and expense reimbursements.

Annex

Annex I

External Report: IOB Review

Over the course of 2014, the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs conducted a review to assess progress, acknowledge results achieved, and gauge IDH's potential. The review looked at where IDH stands after six years of support (2008-2013) from the Dutch Ministry of Foreign Affairs.¹ The report was well received, and the Minister built her response to Parliament on three of the main findings of the IOB team.

Riding the wave of sustainable commodity sourcing: review of the IDH Sustainable Trade Initiative 2008-2013

The IOB review confirmed that IDH has become a key player in advancing coalitions of companies and other stakeholders for sustainable commodity sourcing. IDH's combination of funding and convening activities has given a strong boost to certification of primary producers on mainstream sustainability standards, achieving concrete outputs. However, some NGOs expressed concerns that IDH was recently working more exclusively through companies, making less use of experience and knowledge available in the not-for-profit sector. There is still room for developing a strategic agenda for generating and disseminating knowledge on sustainable value chains and sharing this widely among stakeholders.

With regards to one of the key interventions – supporting primary producers on complying with standards and certification – it was observed that the outcomes and impacts are likely to be positive, albeit rather modest. The IOB recognized that certification has played a crucial role in the first steps of market transformation, but that additional steps are needed in continuous improvement and working beyond standards on complex social and environmental issues. IOB concludes that in its external communications, IDH sometimes presents an overly rosy picture of the impact of its efforts.

IOB recognizes that IDH has already moved into broader areas of work “beyond certification” in recent years, but suggests that it should avoid the risk of losing focus. At the time of review, IDH was already developing a sustainable, cross-sector landscape approach (ISLA), which combines the knowledge and resources of experts, NGOs, the private sector, and local governments.

Management response to recommendations

IOB formulated two overarching recommendations to which the IDH formulated detailed reactions and concrete measures, in terms of adjusting its strategy planning and implementation.

Recommendation 1:

Focus on deepening the work on certification / beyond certification, and not broadening activities too widely.

Standard systems have always been important, and will continue to be so for years to come, because they link farmers and workers to the supply chain and end-customers. This not only mobilizes upstream investments, but also improves management systems and information flow across the supply chain. However, as IOB rightfully notes, voluntary standards and certification are not sufficient for producers and workers to escape poverty and be properly empowered, nor do they successfully de-link deforestation and loss of biodiversity from commodity production and expansion.

IDH has actively started to extend the reach of its existing programs beyond low-hanging fruit. In its strategic plan, a set of new activities are being developed, including landscape programs, smallholder investment programs, living wage programs, and national sustainability programs in coffee. By developing sector covenants and specific efforts like the European platform for sustainable timber imports, IDH is working on higher uptake of certified products in the markets.

At the same time, it is important to understand that the key mechanism in IDH's intervention model is not certification at field level. Essentially, the model aims to drive global companies to integrate sustainability into their core business; we want them to internalize socio-economic and environmental issues. Our key intervention is to convene global coalitions of companies and civil society/public organizations around specific sector transformation agendas. That is where the true power of our approach lies: the commitment to change by groups of large-scale globally operating front-runners active in certain commodity sectors, closely working with civil society organizations, governments and other public entities. IDH stimulates local/national standards in developing countries selectively. In general, we believe more in standard alignment and equivalence at sector levels (through ITC and GSCP), than in creating more standards.

The newly established innovative finance collaboration with FMO is the basis for initiating supply chain work beyond certification, such as access to credit, working on better links with organizations that provide longer term investment finance. With regards to increasing the transparency of the distribution of value along the value chain, IDH does not see a key role for itself, as this would create tension that runs against the neutral position and trusted relationship we aim for.

1. The full report and letter to Parliament are available via: <http://www.rijksoverheid.nl/documenten-en-publicaties/kamerstukken/2014/10/31/kamerbrief-over-iob-review-initiatief-duurzame-handel.html>

Recommendation 2: Upgrade the public role vis-a-vis IDH

In order to benefit from the public-private partnership character of IDH, active steps were taken to establish the collaboration with FMO, build on the existing cooperation with CBI, and increase collaboration with DGGF. Within the IDH programs, there will always be specific guidelines upfront about what can/cannot be financed through public funds. Decisions on this are program-specific and led by which investments are needed to achieve the highest sustainability impact in the sector. In addition, together with our donors, we will discuss what further transparency in reporting is required and feasible. Lastly, IDH is planning to apply all relevant steps of the DCED standard for Results Measurement Framework to our performance and impact measurement to provide more clarity on additionality of public funds.

Annex III

Ancillary Positions

Executive Board

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

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

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

Supervisory Board

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

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

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

- CEO WWF Netherlands
- Juryman 'Jan Wolkers Prize' for best green book
- Member of the Advisory Board of the Aishan Foundation
- Member of the Supervisory Board of the Early Music Foundation
- Member Network Executive Team WWF International

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

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

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

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

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

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

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

Ms. C.A.A. Stiemer-Hermus (appointed as a member of the Supervisory Board on 13 October 2011)

- Senior Vice President Retail Transformation at Ahold

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

- Member of the Executive Board Rabobank Nederland
- Member of the Board Rabobank Australia Ltd
- Member of the Board Rabobank New Zealand Ltd
- Member of the Board Rabobank Foundation
- Chairman of the Supervisory Board of Obvion N.V.
- Chairman of the Supervisory Board of De Lage Landen International B.V.
- Chairman of the Shareholders Council of Rabo Development
- Member of the Board of the Unico Banking Group
- Vice-chairman of the Board of Directors of the American Chamber of Commerce
- Chairman of the Advisory Board of the Amsterdam University College
- Member of the Supervisory Board of the Wageningen University
- Member of the Dutch Trade Board
- Member of the Global Agency Council on Food and Nutrition Security (WEF)

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

- Chief Financial Officer Nutreco

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

The audit committee:

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

The impact committee:

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

In the impact committee additional two external members are represented:

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

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

The nomination and remuneration committee:

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

