



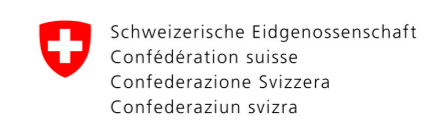
ANNUAL REPORT 2019

Delivering
sustainable
solutions for
business impact





Ministry of Foreign Affairs



Swiss Confederation

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

Introduction from Joost Oorthuizen

CEO of IDH Executive Board

Delivering sustainable solutions for business impact

Impact is the ongoing mantra for IDH, and 2019 was no exception. After 12 years, we have acquired significant knowledge about the problems in international value chains - but also the solutions. We leverage the power of the private sector to make progress on the Sustainable Development Goals and provide sustainable solutions that businesses and governments can scale up. There is still work to do, but looking back on 2019, there are a few things I am particularly excited about.

Shorts in the carbon market, regenerative agriculture, and health-conscious consumers

In 2019, we saw that, for the first time, climate- and nature-based solutions were central to the global agenda. This is an important positive shift. Tropical deforestation is 12% of the global greenhouse gas problem; tropical forests are 30% of the solution, providing carbon sinks. But stopping illegal deforestation has only been allocated about 1-2% of climate finance. Forests and sustainable land use are hugely important - also for biodiversity - but did not receive the attention they deserve. Last year though, with the urgency of the forest fires burning around the globe and Greta Thunberg continuing to raise her voice, the issue has moved to center stage.

Companies and governments now have a drive for regenerative and carbon-positive agriculture. People see the urgency. More and more consumers are aware of the impact of their consumption; there is more focus on food quality and footprint. People want healthy food; they want to know where their food comes from; they want circular farming. For the first time ever, the carbon markets are short. There is more demand for carbon credit projects and sustainable land management solutions than there is supply.



“COVID-19 has demonstrated that no one can prosper alone. We are all part of the solution for systemic change.”

Verified sustainable sourcing areas

This provides good momentum for scaling up and strengthening IDH's landscape approach. We partner with local governments and companies to develop verified sustainable sourcing areas, and we do this together with players like the Rainforest Alliance and the World Bank. The approach builds on the understanding that local authorities are in charge of taking care of sustainable land use in their jurisdictions. We help these regional governments manage their land sustainably and position them within international markets. If they do well, they stand out to companies and investors, offering responsible supply. Their region can become an area of choice: a sustainable sourcing area that companies prefer because they know it's well-governed, there is no deforestation, and water and land are used sustainably.

Verified sourcing areas also enable companies to manage their responsible sourcing costs efficiently. Farm certification can be quite resource-intensive, and we learned that it's only part of the solution, because deforestation happens outside of farmers' land. By verifying a whole jurisdiction, it becomes much easier for companies to align their sourcing strategies with preferential sourcing. We are pilot-testing this now with Carrefour in Brazil, where an entire jurisdiction is being verified for sustainable land use, and we see awareness of the benefits of sustainable land use increasing. The same approach is also happening in Aceh, Indonesia, with Musim Mas, Unilever and PepsiCo. In this case, what's interesting is that the companies' sourcing needs are very different, but they are aligning their sourcing requirements within specific municipalities. In the next phase, IDH will launch a global marketing platform - facilitating further links between supply and demand. [See the chapter on IDH's impact on deforestation to learn more.](#)

Ambitious targets on living income and living wage

On the social side, there is also a clear and encouraging drive towards living income and living wage. The public as well as companies are realizing that there is a need to create added value at the upstream end of supply chains. This requires more disruptive business models and more ambitious targets on living income and living wage. Three years ago, these concepts were not accepted, but 2019 was a breakthrough year. For example, the Belgian covenant for sustainable chocolate - convened by IDH - puts living income strongly in their targets for 275,000 tons of chocolate. [Read more about our progress towards achieving a living wage.](#)

Delivering viable smallholder business models

Delivering high-impact farmer models is exactly what IDH Farmfit is set up to do. Farmfit enables companies to assess and design new business models with smallholders in a much more professional way, with higher impact. This is a robust step forward, and it requires companies and banks to step out of their comfort zone. We have a deep understanding now of what's needed to bring smallholders out of poverty, and the Farmfit methodology allows us to measure change over time. This has never been possible in this way before. And with the launch of the €100 million Farmfit Fund, we will be able to scale up successful business models in a way that just wasn't available before. [Read more about it in the smallholder impact chapter.](#)

Gender approaches mainstreamed

We were also able to integrate gender methodologies across all our commodity and landscape programs in 2019. This is great work, as we no longer have a few small approaches; gender is part of our broader analysis of business performance and investment strategies. [See the chapter on our gender impact to learn more.](#)

Implications of COVID-19

What I've described so far are all very positive trends, but with the uncertainty caused by COVID-19 it's unclear how everything will pan out in 2020. At IDH, we are committed to maximize our support to our public and private partners, so that the consequences to those most vulnerable - the farmer and worker households upstream in the supply chains - will be minimized. The earlier Ebola crisis in West Africa gives great insights into how to protect workers on plantations, and we are doing our best to help share this information across the globe. Now is the time for companies to show their responsibility towards those most at risk. Cheap credit and other support measures are being made available in the West, to keep industries functioning and jobs protected. It is paramount that similar measures are passed on all the way to the primary producers. Companies have great leverage to make a positive difference and we will work closely with them to make this happen. COVID-19 has demonstrated that no one can prosper alone. We are all part of the solution for systemic change.

Special thanks

I'd like to offer a special thank you to Andre Veneman, as we say goodbye to him after nine years chairing IDH's Supervisory Board. He has given IDH a lot of trust and commitment, as he always had a very strong belief in our organization and the importance of our mission. He worked hard, with the management team but also with the Supervisory Board, to ensure high-quality controls. From the Impact Committee to the Audit Committee, he gave IDH stability, trust and a high level of professionalism. IDH would never have become what it is without his tremendous contributions.



Joost Oorthuizen
Executive Director, IDH

Introduction from Andre Veneman

Chair of IDH Supervisory Board

Looking back, as I pass the torch to the next Chair of the Supervisory Board, I want to convey what a pleasure it has been to serve IDH. It has never felt like extra work, but rather a privilege to be part of this organization. I attribute that to the dedicated team I have been a part of: the management team, Executive Board and Supervisory Board members, but also the talented young people at IDH taking the work forward every day. For that I am truly grateful.

It's close to 10 years since I joined IDH. At that time, IDH was a small organization. We started with a grant of €10 million and 15 FTEs. It wasn't about the Sustainable Development Goals (SDGs) then; there were other ways of describing our impact, but as the language evolved, so too did the clear need for IDH's work. A leader in public-private convening, IDH has mastered the art of bringing players together from governments, the private sector, and NGOs. IDH's coalitions have overcome hurdles and created focus, achieving real impact on the SDGs.

Impact as North Star

Impact has been our North Star, guiding all our work. With the creation of every organizational structure, every source of financing, and every decision made about staff, it always comes back to impact – generating impact. We've kept top of mind the smallholders who are plucking tea or growing cocoa – that's where we want to see higher incomes and less poverty, but also environmental benefits like lower rates of deforestation and reduced agrochemical use. The Impact Committee has done a great job of keeping us on course.

Learning from failures

As a board, we have always had very honest conversations. When you work, as IDH does, in a highly innovative type of development aid, there is also a high risk of failure. Many of these controversial issues have never been addressed before. I am proud of the level of transparency in this organization, including in this report. Self-reflection and transparency are key, so that others can learn – not only from our successes, but also from how things should be done differently.

Managing the tension between growth and control

IDH's Executive Board has never been short on new ideas, and that's the way it should be. It's our role, as the Supervisory Board, to ensure these ideas are fully calculated and well managed, to make sure that the growth supports the core value IDH brings to the world.

For example, the Farmfit Fund: a critical new element of IDH's proposition. It fits perfectly with what the world needs, improving access to finance for the agricultural poor. However, IDH needs to be aware of its limitations and strengths. In 2019, we worked closely with the Executive Board to design and set up the Farmfit Fund in a way that controls the risk of this new venture, while structuring it as a lean mechanism for impact.

Let's continue to be humble, but I do think that managing this tension is something the organization can be proud of. We have allowed for new programs and growth, while at the same time keeping on track to make sure the right back office systems are in place.

Redefining value in value chains

Over the last 12 years, there has been a huge increase in private-sector contribution to IDH, but that number still needs to go up. The private sector must play an increasing role in income distribution across the value chain. Sustainable value chains must become standard. It is not normal to be able to buy groceries and services while the people who provide them are not able to make a living wage. We have an obligation to change this.



“I am proud of the level of transparency in this organization, including in this report. Self-reflection and transparency are key, so that others can learn – not only from our successes, but also from how things should be done differently.”

Towards 2030

As we move into 2020 and reflect on our impact, the opportunity for the next 10 years is tremendous. For example, the landscape restoration work with the Norwegian government, which only started five years ago, couples agricultural production with reforestation and – building on that – creates verified sourcing areas. Similarly, access to finance for the rural agricultural poor is crucial. In some African countries, the agricultural sector generates 35% of GDP, yet only receives 4% of the finance. With numbers like these, it's clear we need interventions to redress the balance.

This demands us to be self-critical – not only within IDH but in society as a whole. As consumers, we need to be aware of the value being passed on to producers: the woman who makes our €20 t-shirt and receives 10 cents; the farmer who produced our €3 coffee and earns 3 cents on the cup. The value along our value chains is still unevenly distributed. The hard work of growing, harvesting and transporting crops generates little value compared to the manufacturing and production processes happening here. This needs to change.

Thanks

Thanks to Joost, for his courage and dedication to moving things forward over the years. Thanks to the other Supervisory Board members who, despite their busy lives and schedules, have always been willing to dedicate their time to pushing towards the SDGs and making IDH the best vehicle to serve these goals.

I hope that the Supervisory Board, under the new leadership of Magdi Batato, will keep a critical eye on IDH's work. That they will dare to speak out about the need for the private sector to shift to long-termism. That they will keep up the pressure on businesses to move from shareholder-centric to stakeholder-centric. I'm confident that we have the right people and the right organization in place. I look forward to seeing your progress. Although there is chaos in this first half of 2020, let us move forward from the world's COVID-19 crisis stronger together.



On behalf of the Supervisory Board,
Andre Veneman

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How we are doing

600+ PUBLIC AND PRIVATE PARTNERS

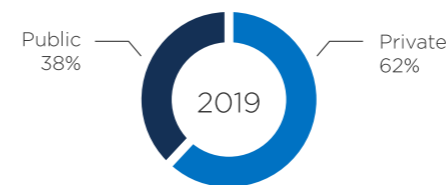


CHANGE IN BUSINESS PRACTICES

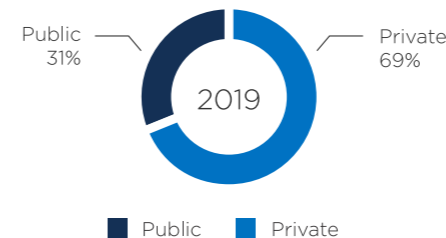
Investments private sector/IDH
Total private sector investment:

46 million

IDH OVERALL PUBLIC TO PRIVATE CONTRIBUTION RATIO



IDH COMMODITY PROGRAMS PUBLIC TO PRIVATE RATIO



CHANGE IN SECTOR GOVERNANCE



15

Green growth and other landscape management and investment plans developed



25

Changes at policy and regulatory level contributing to increased sustainability of commodity production and improved management of natural resources

IMPROVED FIELD-LEVEL SUSTAINABILITY



7.9 million metric tons

Volume of sustainably produced commodity.



3.58 million

Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social sustainability.



9.5 million hectares

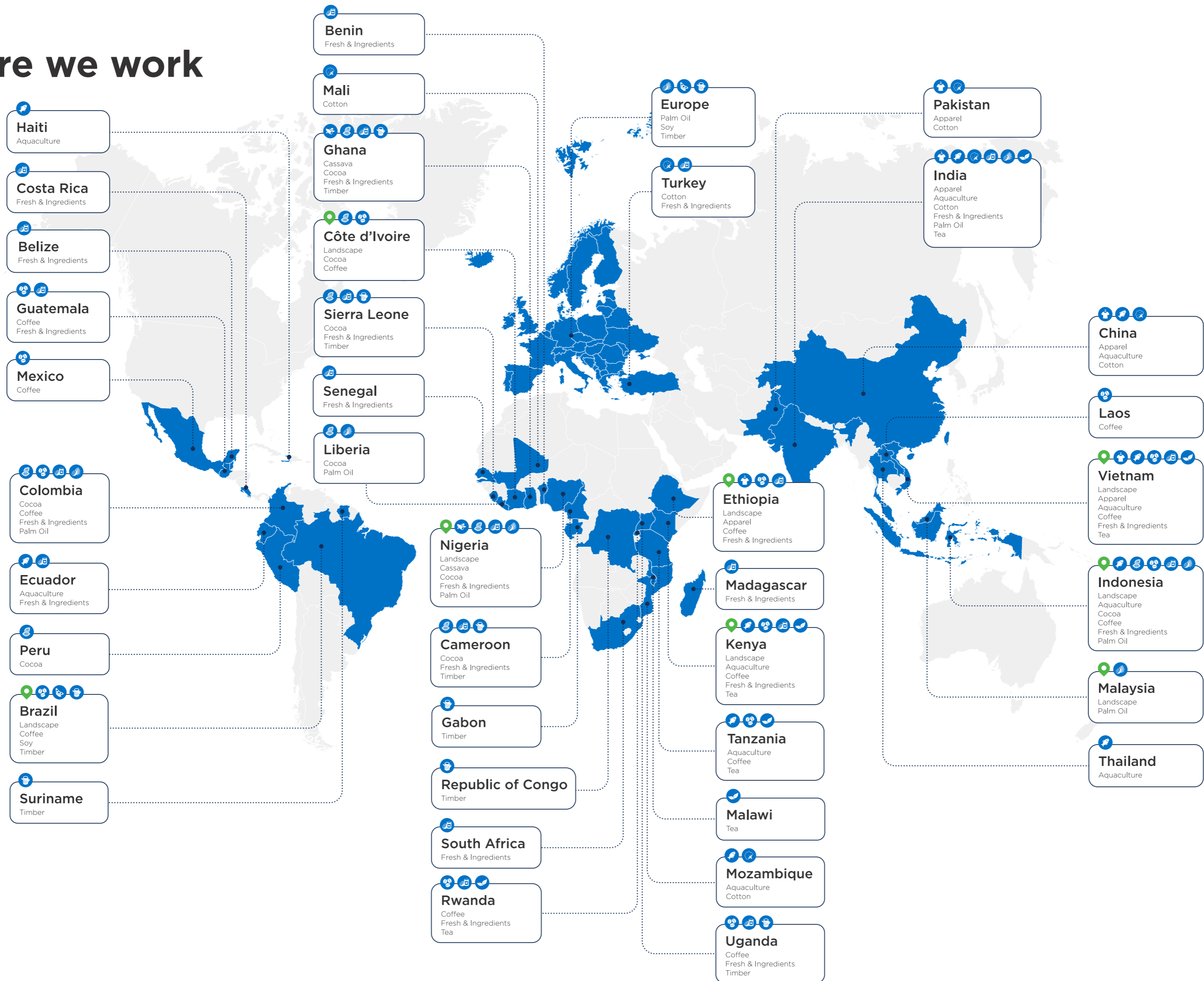
Number of hectares where sustainable production practices are applied. (cumulative 2016-2019)



548,486 hectares

Number of hectares where interventions are implemented that support protection, restoration and sustainable rehabilitation. (cumulative 2016-2019)

Where we work



Introduction

Finding solutions to address climate change, produce food sustainably, and reach living wages and incomes (for both men and women) are key challenges in our time. IDH has shown that when the right incentives are created, and innovative and effective tools are provided, businesses will be the drivers of sustainable market transformation. The benefits of which are felt by businesses, farmers, workers and our natural resources, like water and forests.

IDH is uniquely positioned to drive this change and to scale up effective and efficient solutions to these global problems. We do this through leveraging consortiums of businesses, governments, financiers and NGOs, and prototyping new models of responsible business. We are confident that we are on the right path. Positive changes are emerging, despite the volatile international commodity markets and complex environments in which our work takes place.

Moving towards the end of our five-year monitoring cycle, the results of our impact are emerging. We have worked hard to meet our deliverables. As we grow in our data-driven approach to impact, we continue to convene, organize, drive, and deliver impactful interventions. Not everything has succeeded, and we are mindful to share what we can learn from as well, but we have some exciting results that all our partners can be proud of.

In our living wages work in tea and in fruit and vegetables, we have reached significant milestones – for example, in November 2019, the Netherlands' biggest food retailers developed and supported the world's first nationwide commitment to close the living wage gap in the banana supply chain. In Vietnam and Pakistan, 13 apparel mills saved 1.5 million cubic meters of water and reduced 17,500 tons of CO₂ emissions, resulting in US\$1.5 million in cost savings per year. In our landscape approach, we now have 548,486 hectares of forest under protection, and the number of landscapes engaged in IDH's programs is still growing. We are integrating a gender lens into our project design and approval mechanisms, making gender an integrated part of all the work we do. And digital innovations that we prototype with farmers are providing access to services, including finance, that were never possible before.



KPMG report

In 2019, KPMG conducted a mid-term impact evaluation to assess IDH's contribution to public good impacts at scale between 2016 and 2020. We are proud to share the report's findings. Compared to the first assessment in 2016, IDH has made measurable progress in our results areas – improved sector governance, changes in business practices and field-level sustainability – across four impact themes. The evaluation shows important achievements, at outcome level, for all five impact themes. In line with IDH's theories of change, these results are expected to translate into changes at impact level.

 **Read the report:**
Mid-term Evaluation Report

In the coming years, we will scale up these high-impact farmer models with the launch of the €100 million Farmfit Fund. IDH's ability to develop and scale investable projects is recognized by a growing number of investment funds like the Land Degradation Neutrality Fund, and the Agri3 Fund. In 2019, IDH was selected to manage the technical assistance for scoping and co-organizing investable projects for these Funds.

In the following pages of our 2019 Annual Report, you can find more on these achievements as well as our lessons learned. The chapters are structured according to the five overarching impacts that we aim to create through our programs. They are filled with examples of public-private partnerships, in which our partners have stepped out of their comfort zones to challenge business as usual. Thanks to our partners for their continued engagement in this journey. And thanks to our core and program donors, the Dutch, Swiss, Danish, Norwegian, and British governments, and the Bill & Melinda Gates Foundation. We are thankful that you share our vision, and place so much trust in us to continue to do this important work.



Market transformation

To support market transformation, IDH is engaging businesses through data-driven and scalable approaches to create impact. We have defined five cross-cutting impact themes that guide us and our partners towards the Sustainable Development Goals (SDGs).

These impact themes are:



Smallholder inclusion



Living wage and improved working conditions



Mitigation of deforestation



Gender equality and empowerment



Responsible agrochemical management

Within each impact theme, we aim to create change on three levels (result areas):



Changes in business practices



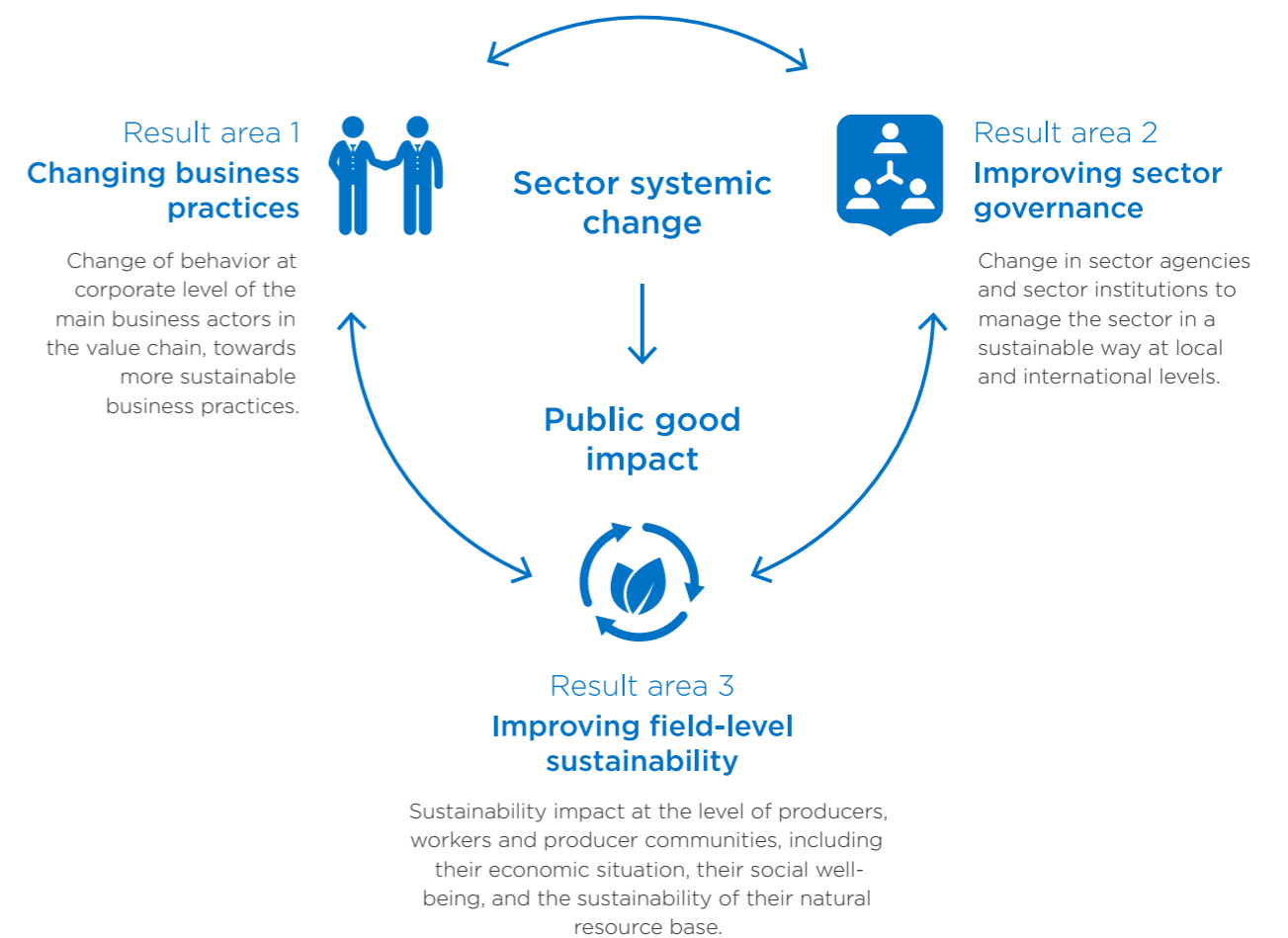
Changes in sector and landscape governance



Changes to field-level sustainability

When change occurs on these three levels, we consider it market transformation - systemic impact for the public good.

IDH changes **business practices** of financial institutions, retailers, brands, traders and producers in terms of sustainable sourcing, investments, monitoring, and offering services to farmers. To secure effective and structural change, public and private power needs to be aligned through strengthened **sector and landscape governance**. Part of IDH's exit strategy is to institutionalize sector governance. Only when these systemic changes are achieved, can improved **field-level sustainability** be realized, translating into scalable and lasting impact on the SDGs.





Progress per program

This “traffic light assessment” has been made through a self-evaluation process by the program staff. In 2019, we changed the methodology to reflect the fact that we are in the last phase of implementation of the multi-year plan (2016-2020). Instead of focusing on the implementation status of program activities and spending, we added the likelihood of reaching each program’s impact goals by end of 2020. The color coding per proof of concept is therefore the result taking into account both the implementation status and the probability of impact delivered by 2020. The latter assessment is based on progress made in 2019, and consequently does not take into consideration the possible negative effects of the COVID-19 pandemic on our results.

In addition, we compared the color coding provided by program staff with the results of the mid-term evaluation report (KPMG, 2019) to verify and consolidate the self-assessment results. The status of each proof of concept can be found below.

Proof of concept (POC) status	Implementation status	Meeting MYP impact goals
	90% of the projects and activities required to prove the program’s POCs have been implemented and/or are going according to plan by the time of reporting.	Likely to achieve the impact described by the POC statement by the end of the program.
	70%-90% of the projects and activities required to prove the program’s POCs are implemented and/or ongoing on track.	Challenges to deliver the impact described by the POC statement by the end of the program.
	Less than 70% of projects and activities required to prove the POCs are implemented and/or ongoing on track.	Unlikely to achieve the impact described by the POC statement by the end of the program.

Sector Programs

Program	Overall Traffic Lights	Proof of concept	Smallholder Inclusion	Mitigation of deforestation	Gender equality and empowerment	Living wage and working conditions	Responsible agrochemical use	Traffic light per poc
Apparel		POC 1: Working conditions: Working engagement			♀	💰		
		POC 2: Working conditions: Life And Building Safety (LABS)				💰		
Aquaculture		POC 1: Strengthening collaboration						
Cassava		POC 1: Out-grower program						
Cocoa		POC 1: Farm and Coop Investment Program (FCIP)						
		POC 2: Cocoa Nutrition initiative			♀			
		POC 3: Cocoa & Forests Initiative						
Coffee		POC 1: Smallholder resilience			♀			
		POC 2: Water and climate smart agriculture						
		POC 3: Responsible use of agro-inputs						
Cotton		POC 1: Better Cotton Initiative (BCI)			♀			
		POC 2: Climate Resilience Program			♀	💰		
Fresh & Ingredients		POC 1: Commodity platforms and sustainable sourcing			♀	💰		
		POC 2: Living wage and improved working conditions			♀	💰		
		POC 3: Gender equality and empowerment			♀			
		POC 4: Smallholder inclusion						
		POC 5: Responsible agrochemical management						
		POC 6: Value chain development						
Palm oil		POC 1: Market-end program						
Soy		POC 1: Market-end program						
Tea		POC 1: Malawi Tea 2020			♀	💰		
		POC 2: Gender Kenya			♀			
		POC 3: India Trustea						
		POC 4: Smallholders						
Tropical Timber		POC 1: Market-end program						

Landscape Programs

Program	Overall Traffic Lights	Proof of concept	Smallholder Inclusion	Mitigation of deforestation	Gender equality and empowerment	Living wage and working conditions	Responsible agrochemical use	Traffic light per poc
Brazil	● ● ●	POC 1: Mato Grosso		🌳⊗				● ● ●
Côte d'Ivoire	● ● ●	POC 1: Cavally	👤+	🌳⊗				● ● ●
Ethiopia	● ● ●	POC 1: Central Rift Valley	👤+	🌳⊗				● ● ●
Indonesia	● ● ●	POC 1: West Kalimantan	👤+	🌳⊗				● ● ●
		POC 2: Aceh	👤+	🌳⊗				● ● ●
		POC 3: South Sumatra	👤+	🌳⊗				● ● ●
		POC 4: Jambi	👤+	🌳⊗				● ● ●
Kenya	● ● ●	POC 1: South West Mau Forest	👤+	🌳⊗				● ● ●
Liberia	● ● ●	POC 1: Southeast and West Landscapes	👤+	🌳⊗				● ● ●
		POC 2: Lofa Landscape	👤+	🌳⊗				● ● ●
Vietnam	● ● ●	POC 1: Central Highlands	👤+	🌳⊗				● ● ●



Program delivery

IDH Delivery Dashboard	Indicator	2016	2017	2018	2019	2016-2019	Progress towards 2020 (% achieved)	2020 Annual Target	Program Overall Target (2016-2020) ¹
Impact	% of IDH Proof of Concepts on track	55%	60%	50%	65%	NA	93%	>66%	>66%
Improved Field level sustainability	# people trained and service delivered (including farmers, workers and community members) ^{2,5}	1,827,000 (25% above annual target)	2,468,000 (30% above annual target)	2,778,458 (20% above annual target)	3,576,161 (2% below annual target)	4,744,223 ³	124%	3,757,818	3,493,879
	Hectares sustainable production ^{1,5}	3,464,000 (38% above annual target)	5,585,137 (24% below annual target)	6,499,418 (40% above annual target)	7,228,449 (33% above annual target)	9,548,714	114%	6,500,722	8,361,315
	Hectares protection, restoration and/or sustainable rehabilitation	416,000	194,000	150,018	272,217 (62% below annual target)	548,486	50%	594,280	1,108,000 ⁴
	Volume sustainable production ¹	3,268,000 (19% above annual target)	4,824,000 (56% above annual target)	5,554,730 (77% above annual target)	7,853,667 (19% above annual target)	8,383,667	124%	7,830,000	6,744,000
Changing sector governance	# Policy changes ⁵	8 (60% above annual target)	31 (55% above annual target)	25 (8% below annual target)	25 (19% below annual target)	64	97%	29	66
	# Green growth and other landscape management and invest plans ⁵	4 (40% below annual target)	12 (50% above annual target)	8 (56% below annual target)	15 (114% over annual target)	32	82%	12	39
Changing Business Practices	# Business cases ⁵	10 (40% above annual target)	22 (10% above annual target)	40 (74% above annual target)	31 (16% below annual target)	83	111%	30	75
	Overall IDH contribution: private ratio	1:2	1:2	1:2	1:1.6	NA	NA	NA	1:2
	Value Chain program: private ratio	1:2.4	1:3.0	1:2.8	1:2.2	NA	NA	NA	1:1
	IDH landscape program: private ratio	1:0.5	1:0.6	1:0.4	1:0.5	NA	NA	NA	1:0.5
Financials	IDH contribution (euro)	26 million	21 million	20 million	28.6 million	NA	NA	NA	NA
	Private sector contribution (euro)	52 million	44 million	37 million	46 million	NA	NA	NA	NA
	Organizational cost/total expenditures	14%	15%	16%	16%	NA	NA	NA	NA
	Diversification from institutional funding	10%	20%	23%	31%	NA	NA	NA	NA

1. For all KPIs under Program Overall Target (2016-2020), there were adjustments to targets of 2016-2020 to address a few editing and calculation errors. These include recalculations on the part of Aqua, Cassava, Cotton and Brazil, the introduction of data for Liberia, and the exit of data from Columbia, Malaysia and Nigeria.

2. Difference in estimates for # persons trained and services delivered, hectares sustainable production and volume sustainable production between the IDH Annual Plan 2020 and this report are accounted for due to the use of projected figures in the Annual Plan 2020 and the introduction of data from Liberia. As cotton picking season had not fully begun at time of publishing the Annual Plan 2020, as well as due to climate and market related effects affecting planting and training schedules, data for Cotton Program and Fresh & Ingredient Program have been adjusted. The 2019 figures reflect actual totals as of 2019.

3. For all KPIs, 2016-2019 figure does not equal to the sum of 2016, 2017, 2018, 2019-to-date because Cotton Program reports cumulatively i.e. for Cotton Program, cumulative result 2016-2019 equals to annual result 2019 for Cotton (for details please refer to the Cotton KPI table in the Annex, on page 66). Cotton's reporting method is different from the result of the organization. However, it contributes to on average 80% of the organization's total achievement for all field-level KPIs. The variation of reporting method is the reason why results 2016-2019 does not fully equal to the total of annual figures to date.

4. Overall program target now includes the area under sustainable forest management supported by Timber Program. Timber Program was not included in the overall target for Annual Plan 2020. For consistency in Annual Plan 2020, Timber was previously covered under Hectares sustainable production. For 2019, Timber is covered under Hectares where protection and restoration interventions are implemented.

5. As of 2019, these indicators now include data from Liberia. Liberia overall was excluded in AP2020 due to delay of activities however Liberia program has results counted in 2019 and reported here.



Smallholder inclusion



7.9 million MT

Sustainably produced commodity



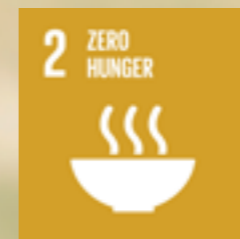
3.6 million

Farmers reached



€100 million

The €100 million IDH Farmfit Fund, de-risking finance for investments in smallholder agriculture, was operationalized in 2019 and formally launched at the World Economic Forum in January 2020



**Introduction from
Iris van der Velden,**

Director of Learning and Innovation

Approximately one third of the world's 7.7 billion people depend, at least in part, on smallholder agriculture for their livelihoods. Many of these farming households have limited access to the global market economy and the goods and services it offers. This prevents them from investing in their farms and results in low farm productivity and low household incomes. It also has long-term implications for the resilience of agriculture-reliant families, with regards to food and nutritional security, poverty alleviation, education, and climate resilience.

Businesses that engage with smallholders in transactional relationships have a key role to play in breaking this cycle of poverty. They are also starting to realize that the "aspiring poor" are potential clients for purchasing their goods and services. With 270 million smallholder farmers in Latin America, Sub-Saharan Africa and Asia alone, and looking ahead, this market is expected to grow. Companies that are able to offer quality services and offtake agreements to smallholders now may reap the benefits of brand loyalty in the years to come. Through the provision of affordable services, including finance, to smallholder farmers – as well by supporting the establishment of regionalized value chains – smallholders can be empowered with economic opportunity and increased food security. They can also help meet the growing demand for quality raw materials, both in export and in local or regional food supply chains. To support this transformation, IDH has a number of mechanisms that it is employing, to increase and innovate on service supply to farmers and (local) demand for sustainable smallholder produce.

Increasing service supply to smallholder farmers with viable business models and innovative financing through a dedicated Fund Facility

IDH is catalyzing a competitive marketplace of companies (including banks), providing smallholder farmers with a choice of affordable, inclusive and high-quality services.

Powered by a data-driven methodology, which analyzes smallholder service supply across value chains, sectors and geographies, Farmfit Business Support advises businesses on how service provision can be efficiently and cost-effectively provided to smallholder farmers (such as training, access to inputs, finance, information and markets) with a sustainable return on investment. In 2019, **Farmfit Business Support analyzed and advised over 50 businesses providing smallholder services in 20 countries.** Farmfit Intelligence aggregates and tailors these insights to business needs, helping companies gauge the performance of the services they provide to smallholders with other businesses around the globe. In 2019, Farmfit Intelligence hosted a Forum in East Africa, launched a digital learning platform and disseminated global learning products.



The dedicated **€100 million Farmfit Fund** complements Farmfit Business Support and Intelligence by reducing the risk born by companies and lenders when providing services (including finance) to smallholders. The Fund takes the highest risk positions in smallholder transactions, catalyzing commercial capital into the smallholder service sector. With access to affordable financing options for capital expenditures, companies are incentivized to expand their service offerings for smallholder farmers, increasing the availability of services (including long-term financing). Access to these tailored, affordable services enables smallholders to invest in their farms, creating significant improvements to their livelihoods and incomes. The Fund is a joint investment from the Dutch government and four international brands, strengthened by a second loss guarantee facility from USAID (up to US\$250 million). In 2019, the Fund was operationalized.



Farmfit Forum convenes over 230 stakeholders in East Africa with insights and best practices in smallholder service delivery

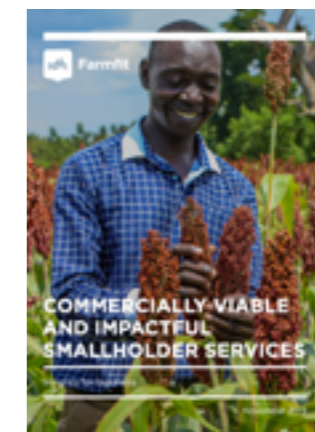
In 2019, Farmfit deepened its insights and engagement on small- and medium-sized enterprises' (SMEs) provision of services for staple crops across Sub-Saharan Africa. Hosted by the IDH Kenyan office in Nairobi, on November 18 and 19, [Farmfit organized a forum](#) that brought together 230 participants from SMEs, multinationals, financial institutions and donors. Participants often work with several thousands of smallholder farmers. The event encouraged exchange of knowledge and experience when developing commercially viable, impactful service delivery to smallholders.



Farmfit 2019 Insight Report released; insights for commercially viable and impactful smallholder services

During the Forum, Farmfit released its 2019 Insight Report. This report helps companies make smallholder business models more efficient and effective by sharing innovations in service delivery across agri-commodities. Insights have been gained from analyzing 50+ smallholder service delivery models (SDMs) across different commodities and geographies.

Read the insights report:
Commercially viable and impactful smallholder services





“The NKG smallholder livelihood facility was an idea between us and the innovative finance team at IDH. So IDH was kind of our anchor investor there from the very beginning. And I think that was really important in getting all the other subsequent conversations started. The first loss guarantee from IDH enabled us then to reach out to the commercial banks who had some appetite to take some risks on smallholder farmers. But this was an appetite that is of course limited. So with this first loss guarantee the banks could come in and take risks themselves in a second loss position.”

Catalina Eikenberg,
Head of Sustainable Business Unit at Neumann Kaffee Gruppe


Launch of the Neumann Kaffee Gruppe's (NKG) Coffee Smallholder Livelihoods Facility provides short-, medium- and long-term financing to over 300,000 smallholder farmers

The NKG Livelihoods Facility was launched in October 2019 to provide short-, medium- and long-term financing to over 300,000 smallholder farmers in NKG's value chains in 10 countries.

About 80% of the world's coffee is produced by smallholder farmers throughout Africa, Asia, and Latin America. An estimated 90% do not have access to formal financial services, which would allow them to invest in their farms, run them at full potential, and improve their livelihoods.

The livelihood facility is backed by IDH, ABN AMRO, BNP Paribas, Rabobank and USAID. It will provide investments for smallholder coffee farmers including fertilizers, seedlings, equipment and cash advances, coupled with coaching and access to market.

The Facility is a huge expansion of the NKG-Ibero Uganda finance facility that IDH co-structured in 2017 with NKG and ABN AMRO to support Ugandan coffee farmers with cash and fertilizer advances. It also serves as a precursor to the opening of IDH's €100 million Farmfit Fund. The Farmfit Fund provides de-risking finance for similar investments in smallholder agriculture, lowering risks and costs for both farmers and investors.

 **Listen to the podcast:**
“Farmer finance as a new asset class”



Watch the video: “Catalyzing Commercial Investment”




Farmfit Business Support helps Mountain Harvest close the living income gap for their farmers

IDH partnered with Mountain Harvest, an organic, sustainably certified coffee trader, to understand whether the investments they make in sourcing regions are increasing the incomes of coffee farmers and the surrounding communities. Mountain Harvest was paying a higher price for their coffee, but it was unclear if this resulted in a living income for farmers. Through using the Farmfit SDM methodology, they were able to calculate the profit and loss (P&L) for their farmers and explore how factors like increasing yields or plot size, intercropping and diversification could improve farmers' incomes.

With the results of the analysis, Farmfit Business Support was able to advise Mountain Harvest on key priorities that can improve the P&L for the farmer, as well as their business. For example, further farmer segmentation, so the right farmers are reached with the right services; investing in local leadership and management, including gender empowerment; implementing farm-level data collection software; and intercropping with avocados to increase resilience and sources of livelihood for farmers. The resulting increase in quality will improve Mountain



Harvest's Arabica sourcing strategy, so they can sell higher quality sustainable coffee to international premium specialty coffee roasters. The learnings from this case are being shared through Farmfit Intelligence.

 **Read the case study:**
Mountain Harvest



Mainstreaming the value of Farmfit's SDM methodology across IDH programs

IDH provides grant funding to de-risk innovative business models that deliver services to smallholder farmers. To learn more about the long-term viability of the models we finance and their lasting positive effect at farm level, we systematically use the Farmfit Business Support SDM methodology. These insights are then aggregated to help us make programmatic funding decisions.

In the coming years, we will continue to improve the SDM methodology, through more reliable primary data collection methods and repeat analyses to better understand how recommendations are being applied. These measures will enable us to see how service delivery evolves, and the impact on companies and smallholder households.

We also see increased willingness from businesses to invest their own resources into an SDM analysis. Competition in sourcing regions coupled with pressure to deliver sustainable products, means companies pay for a service that improves their sustainable procurement. Sustainability managers describe the SDM analysis as a tool to internally showcase the commercial relevance of integrating smallholder services into their sourcing strategies and build buy-in with their sourcing departments.



“The process of undergoing an SDM analysis has supported my business across departments – from top management to the field. We’ve been able to move forward with an aligned strategy that matches our commercial needs and capabilities with those of our farmers.”

Company that underwent SDM analysis



Financial institutions in Côte d’Ivoire provide over €22 million in working capital to farmer cooperatives and open 42,000 new bank accounts for smallholder farmers

The Farm and Coop Investment Program (FCIP) in Côte d’Ivoire is developing the capacity of farmers and cooperatives to be eligible for financial products and services, while at the same time working with (local) financial institutions to innovate for rural communities. These efforts combined make financial inclusion a reality for farmers’ cooperatives and communities, including women.

The FCIP convenes financial institutions to share experience and knowledge on financial service delivery to farmers and cooperatives. As a result, in 2019, six financial institutions started providing services and financial products for cooperatives and farmers. These services included digital savings accounts, inputs credit, school credit, leasing, micro-insurance, and financial literacy.

57 cooperatives received working capital from financial institutions, amounting to €22 million. 66 cooperatives received truck loans from financial institutions totaling €2.8 million. In the field, training and coaching increased financial literacy of 123,000 producers. 42,000 bank accounts were opened for cumulative savings of €5,437 million. Digitized transactions were rolled out, with 15,000 transactions recorded for operations such as school loan reimbursement and micro-insurance subscription.



Supporting farming families requires investing in women

Access to affordable financial services combined with financial literacy for women is key for supporting farmer families. IDH, in partnership with Cargill, is working with Advans, a microfinance group, and CARE, an international NGO, to support cocoa producing communities with innovative solutions such as mobile money accounts and digital loans, as well as connecting the Village Savings and Loans Associations (VSLAs) to more formalized financial lending systems and institutions.

In March 2019, through FCIP, Advans had already worked with over 3,200 women through VSLAs in cocoa producing communities in Côte d’Ivoire. Those women have benefited from access to formal finance including bank accounts attached to a mobile banking service. The goal is to scale up this project to 400 more VSLA groups in the cocoa area, benefiting over 10,000 members.

 [Read the blog post: Farming families, the cornerstone of sustainable cocoa](#)

Creating local demand and new export opportunities for smallholder produce through value chain development

IDH supports the development of agricultural suppliers in emerging economies in two ways. From regional development to the market: we work with local governments and suppliers to identify and grow the professionalism and quality of SMEs and smallholder farmers and connect them to international markets. From the market to supply sheds: we create commitments with large international buyers and connect them to maturing suppliers and regions.

HortInvest increases Rwandan horticultural exports from 6-10 metric tons per week to 50-70 metric tons in two-year period

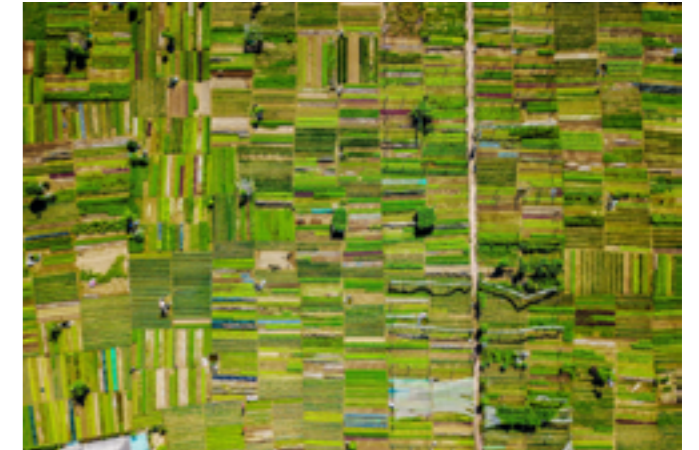
Through the IDH HortInvest program, more than 44,000 farmers from six districts in Rwanda are benefiting from improved nutrition and connection to SMEs. Funded by the Dutch Embassy in Rwanda, HortInvest is a four-year, €16.2 million project that strengthens the horticultural value chain in Rwanda, linking it to international and regional value chains. HortInvest offers co-finance for capacity building in best practices to improve productivity, crop protection, cost price calculations and the development of marketing strategies. The program has also co-financed capital investments in irrigation systems, farm mechanization, and fresh produce storage solutions.

In 2019, HortInvest worked closely with four exporting SMEs, sourcing from nine smallholder cooperatives, to improve productivity and connect them to premium export markets. The Rwandan National Agricultural Export Development Board (NAEB) also joined with IDH to improve cold store capacity, management at the NAEB packhouse, and the introduction of freight forwarder agencies into Rwanda. As a result of IDH's activities under HortInvest, total horticultural exports from Rwanda increased from 6-10 metric tons per week at the start of 2018 to 50-70 metric tons by the end of 2019.



Grown Sustainably in Africa partnership signed with Unilever: a US\$25 million sourcing commitment from African SMEs in the next three years

Grown Sustainably in Africa (GSA) supports, strengthens and develops the supply base of international companies on the African continent, for both local and European markets. Capitalizing on partnerships with major international companies, GSA facilitates long-term offtake agreements with SMEs sourcing from smallholders, and provides technical assistance and finance to mature their operations. The result is empowered smallholder farmers, high-quality raw materials with lower carbon footprint, an increase in African trade, and permanent employment opportunities for youths and women across the region.



In 2019, [Unilever signed an agreement with IDH under GSA](#), to commercialize and improve the business operations of emerging suppliers across several African countries. Based on long-term anchor sourcing commitments, IDH and Unilever provide technical assistance grants to selected SMEs to establish socially inclusive value chains and meet sourcing commitments.

Under the GSA partnership with Unilever, IDH also launched a project with Wensleydale Farms, an SME sourcing from smallholders in South Africa. IDH supports Wensleydale in establishing an inclusive dehydrated vegetable and herb value chain. A block farm model will be used to build an inclusive sourcing strategy; if this model proves successful, it can be replicated to further scale Wensleydale's sourcing and raise commercial financing.

 **Listen to the podcast:**
"Value chain development in Africa"

“We are excited about this GSA partnership with IDH. Promising SMEs are able to make technical, business and investment plans to help them produce at the right price and quality to meet Unilever’s real sourcing needs. We are committed to a US\$25 million sourcing commitment in the next three years.”

Mr. Christian Byron,
Vice President, Head of Supply Chain, Manufacturing and Plantations Africa, Unilever

Convening key market players to commit to living income

IDH convenes partnerships that align companies, governments and civil society around a shared sustainability commitment and targets. These overarching partnership commitments are based on individual company commitments, in which each commitment includes a step-by-step approach to sourcing and importing sustainable products. IDH works closely with companies in these partnerships to implement solutions through the provision of technical assistance and co-financing. A number of joint industry commitments and platforms with defined sustainable sourcing targets have been established that address smallholder inclusion and specifically living income.



The Taskforce for Coffee Living Income: convening the sector around effective sourcing and pricing practices to help close the living income gap

Ongoing low commodity prices in coffee and their disastrous effect on the livelihood position of smallholder producer organizations in the coffee sector has fueled the urgent need for action. Coffee price development in recent decades illustrates the problem: the long-term price of coffee in the futures market has remained basically stable for the last 47 years, meaning a massive decrease in farmers' purchasing power.

Growing public pressure has led retailers and brands to rethink their pricing and sourcing strategies. Additionally, the threat of future scarcity of coffee (especially Arabica) and climate change builds a business case for the coffee industry to leverage the full potential of their business to work towards a living income (and living wage) in their value chain. Since 2013, IDH has piloted business models in several sectors including flowers, tea, fruits and cocoa to work towards a living wage and living income.

Building on that momentum, IDH established the Taskforce for Coffee Living Income in 2019. The Taskforce aims to provide a proactive and fact-based overview of effective sourcing models and enabling conditions, from a business and value chain perspective, to improve the living income situation for professional coffee producers. Taskforce participants include the six largest coffee roasters and the three largest traders, plus coffee producer organizations and NGOs. As a result of the taskforce's collective journey to gather and interpret the current data on coffee farmer income, in early 2020 a Strategy Handbook was launched on effective sourcing and pricing practices that coffee companies can use to help close the living income gap. Data gathered in Colombia was used as example.

 **Read the handbook:**
Taskforce for Coffee Living Income Strategy Handbook


Farm P&Ls for small producers, USD/farm



Beyond Chocolate: partnership for a sustainable Belgian chocolate industry

In cocoa-consuming countries, IDH is facilitating sector-wide partnerships to mobilize companies, government and civil society in addressing living income and deforestation in the cocoa sector. In Belgium, the [Beyond Chocolate](#) partnership, signed December 5, 2018, aims to address these challenges for all chocolate produced and/or sold in Belgium. The partners jointly undertake to ensure that by 2030 at the latest, cocoa growers will earn at least a living income, and deforestation due to cocoa growing for the Belgian chocolate sector will have ended. The partnership will have an effect on the lives of 128,450 cocoa-farming families supplying the Belgian market.

In 2019, IDH coordinated the implementation phase of Beyond Chocolate by establishing an accountability, monitoring and evaluation framework and a full governance structure - convening a steering committee, thematic working groups and a general assembly. Six new partners, Nestlé, Galler, Baronie, Port of Antwerp, Lita.co, and Samilia Foundation, joined the partnership and in early December IDH held an initial call for co-funded living income proposals for Beyond Chocolate partners.

 **Listen to the podcast:**
"Reflections on one year of Beyond Chocolate"

Testing disruptive finance business models and new technologies that help provide access to (financial) services for smallholder farmers

Advances in technology such as artificial intelligence, big data, internet of things (IoT), remote sensing, robotics, and mobile phones are changing many industries, yet they've only scratched the surface of creating a much-needed farmer-friendly technological revolution. The main challenges to integrating these technologies into smallholder agriculture are a lack of investment, the need for research, and a weak enabling environment.

At IDH, we are facilitating this shift. Building on the data collected through Farmfit, we provided tailored technology advice to agribusinesses. We assist value chain companies, brands, input providers, financial service providers and advisory providers in operationalizing this transition. For these companies, integrating technology can reduce sourcing cost, improve farmer engagement, reduce operational risk, and achieve profitable scale in smallholder-inclusive business models that rapidly lift farmers out of poverty.



Scaling up East African tech start-up Tulaa, to provide services to 110,000 smallholder vegetable farmers in Kenya

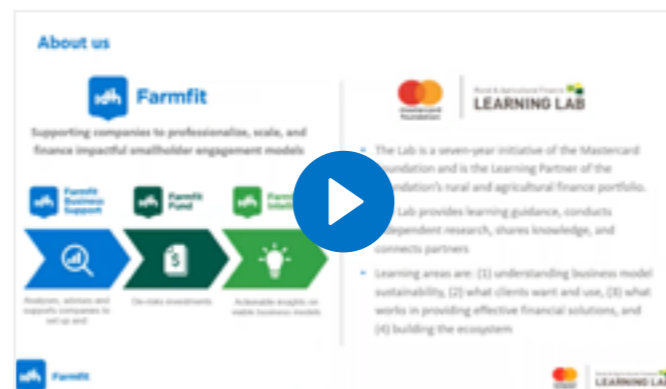
Tulaa is a technology startup in Kenya providing smallholders with inputs on credit, access to markets and advisory services. Farmers struggle to receive access to financing from banks and other financial institutions, and can be turned down for loans if they have outstanding debts of less than US\$5 on their credit bureau score. Tulaa's FARMSAT model is building a new credit scoring model for these farmers, looking beyond the credit bureau score to the farmers' ability and willingness to pay.



The FARMSAT program integrates satellite-based data into the credit scoring process, mapping parameters such as soil moisture, land temperature, and nitrogen and phosphorous levels, on individual farmer plots. These factors are important as they have a direct impact on farm yields and, as a result, a farmer's ability to borrow and repay loans. Tulaa aims to scale the FARMSAT from 15,000 vegetable farmers to over 110,000 over the next three years, and to extend over US\$14 million in loans (input credit) to over 70,000 farmers by 2022. If successful, Tulaa could radically transform rural service ecosystems nationwide.

To help Tulaa evaluate the strengths and weaknesses of their model and scale up more quickly, they engaged the Mastercard Foundation Rural and Agricultural Finance Learning Lab (the Lab) and IDH Farmfit to conduct a service delivery model (SDM) analysis. The analysis identified opportunities for Tulaa to scale up sustainably while positively impacting its farmer clients and value chain partners. IDH also provided co-funding to help Tulaa scale up their model based on the findings in the SDM.

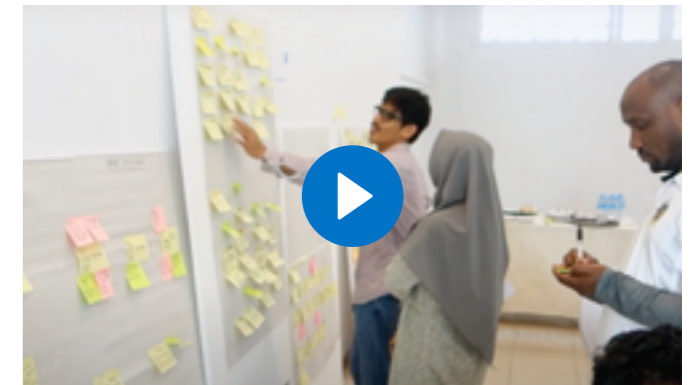
To learn more about the Tulaa model, watch the webinar IDH co-hosted with the Lab or read more about the SDM findings on the RAF Learning Lab [blog](#).



Watch the webinar: "Closing the smallholder finance gap"

IDH Innovation Launch Pad helps value chains solve technology challenges

In the [IDH Innovation Launch Pad](#), we apply a design-thinking approach to rapidly generate new solutions to help partners solve technology challenges in their agricultural value chain. The result is context-specific, scalable business solutions. For each Innovation Launch Pad, IDH selects a business challenge and brings together six experts, specialized in technology and business development from different industries, to work together for six days. The group creates new approaches to an existing business model and delivers a road map for implementation.



Watch the video: "Re-inventing a business model in six days"

The 2019 edition of the Innovation Launch Pad series [featured SpiceUp](#), a consortium developing information services to support 100,000 pepper farmers in Indonesia. The Innovation Launch Pad experts helped SpiceUp to explore their business model and optimize farm data collection. The solutions generated are accessible to inspire and help companies around the globe facing similar challenges in a new technology-driven era. Our hope is that the broader agriculture sector learns from the knowledge generated, and that SpiceUp is able to provide better support to its 100,000 pepper farmers in Indonesia – increasing their production, income and food security, and optimizing their inputs of water, fertilizer and pesticides.

Read the white paper:
Turning farmer information services into a sustainable business



Living wage and improved working conditions



Salary Matrix

The Salary Matrix was tested across five sectors (bananas, pineapple, tea, coffee and flowers) in eight countries



15 retailers

The first nationwide commitment to close the living wage gap in the banana supply chain signed by Netherland's (15) biggest food retailers



120,000 workers

Experience improved working conditions through the remediation rate of around 30% in the new LABS program



Introduction from Carla Romeu Dalmau,

Living Wage and Living Income Strategy Lead

The majority of workers in developing economies do not earn enough to allow them to work their way out of poverty. The situation is particularly troubling in Africa where, in 2018, almost one-third of all workers were living in extreme poverty, despite having a job. The systemic problems that cause wages to remain low are multifaceted, as are the barriers to enable change. For instance, there is a lack of data on what constitutes a living wage in different regions, and a lack of understanding if there is enough value in value chains to enable the payment of a living wage or if value needs to be created.

For the last five years, IDH has been working to tackle this situation, with the ambition to close the gap between what workers earn, and what they really need to ensure a decent life for themselves and their families. Those who are earning sufficient wages can afford to send their children to school instead of work, access healthcare, and avoid going hungry. In that way, living wage forms a baseline for other human rights.

IDH has developed its expertise to support companies in taking effective action to close the living wage gap in their supply chains. To do this, we convene sectoral and company commitments, co-design and co-fund projects, and develop tools to solve some of the many challenges of this work. One such tool is the Salary Matrix, which allows suppliers to assess how the remuneration (including wages, bonuses and in-kind benefits) they provide to their workers compare to a living wage benchmark. We also research best practices at supplier, trader, buyer and retail level that contribute to the payment of a living wage. We go on to share key insights with our partners on how to make value chains more equitable for all players.

Creating alignment and generating data-driven business solutions

We recognize that, if we want to ensure living wages for workers, it is essential to bring buyers, producers, standard-setting organizations and worker's representatives together on the journey. And by generating alignment in tools and benchmarks used to measure wages, we create consistency and transparency in a unified effort to ensure living wages become a reality.

IDH's platform for the living wage roadmap brings key players from different sectors together

In 2019, [we convened companies and organizations](#) committed to developing solutions for measuring and closing living wage gaps. Throughout the year, retailers including Aldi North, Aldi South, Axfood, Metro, Rewe Group, Sainsbury's, Tesco, and companies such as Afriflora, Dole, Fyffes, and Unilever, committed to working together with IDH in a joint effort to deliver the solutions needed to harmonize how living wage gaps are measured and enable action to scale up.

To ensure an effective partnership, we created a coalition with two cross-industry bodies to support our work: a steering committee of leading companies and retailers (those mentioned above) working on living wage, and a technical advisory group of experienced sustainability standards and certifications, to bring together the force and knowledge of influential players. This latter group includes representatives from Amfori, Fairtrade, Fair Wear Foundation, Rainforest Alliance, Sedex, and Social Accountability International. For the first time, key players from different sectors are cooperating to work on living wage. The steering committee identifies the challenges in closing the living wage gap and shares lessons learned, while the technical advisory group supports IDH in the technical development of our tools.

For example, the Salary Matrix, first developed in collaboration with Rainforest Alliance, allows suppliers to assess how the wages, bonuses and in-kind benefits they pay their workers compare to the living wage benchmark. It is an essential and practical tool that helps to bring transparency to companies' supply chains regarding wages. IDH continued to develop this innovative wage-assessment method throughout the reporting year. In 2019, we tested the method across five sectors (bananas, pineapple, tea, coffee, and flowers) in eight countries, with the goal of creating an improved, sector-agnostic version.



Read more:
[Living Wage Roadmap](#)

In addition, IDH worked closely with the technical advisory group to identify a list of key criteria that any methodology aiming to calculate estimates of living wages in a certain area need to fulfil to be recognized as credible and sound. The aim is to provide a list of recognized methodologies to industry players that they can use when calculating the gap between current salaries and living wage estimates in their supply chains. This will enable the calculation of living wage gaps to be scaled up across all geographies and supply chains.

With all the roadmap work, IDH aims to establish an industry consensus on how to measure gaps, and in future for all standards to embed the Salary Matrix when calculating total remuneration and assessing potential gaps in living wages at the production end. This will ensure private-sector partners have one trusted method to assess the living wage gap in their supply chains, which ensures credibility and longevity of the living wage work.

“Poverty is the root cause of the social compliance issues that are found in global supply chains. Building the IDH living wage roadmap and executing it with key stakeholders allows IDH to bring the rubber to the road. It provides a trusted foundation for the dialogue between customer and supplier on the living wage gap and how to close it. It's a privilege to contribute to this important topic and move towards the complex challenge of ending poverty.”

Marjan Smit,
Managing Partner ImpactBuying and Strategic
Advisor to the Sustainable Supply Chain
Initiative of the Consumer Goods Forum



**The Only
Way is UP**
.....
Living Wage and Living Income Conference

Communication and collaboration: online strategy session, webinar, conference and more

IDH organized an online strategy session with around 15 selected partners (key retailers and buyers) to discuss lessons learned, challenges we still face, and recommended solutions, as well as to receive input on how IDH can best support the private sector to close the living wage gap. Following this strategy session, we held an open webinar for all partners interested to hear how to take action to close the living wage gap. During this webinar, some 108 participants learned about concrete strategies to close the living wage gap and how IDH can help them. IDH also published a brief on living wage essentials to help more companies get started on closing the living wage gap in their supply chains.



Read the publication:
[Addressing inequality and reducing poverty](#)

In November, IDH was one of the seven partners organizing the world's first international conference addressing living wage and living income in global agri-food supply chains: The Only Way Is Up conference. In front of more than 300 participants from 20 different countries, IDH launched the banana living wage commitment by the Netherlands' biggest food retailers. We also discussed tools for sustainable procurement, demonstrated how Farmfit can improve farmer income, showcased IDH-led sectoral commitments, and supported our key partners to pitch their own commitments in the closing session.

In addition to the work in the IDH coalition for the living wage roadmap, IDH consulted and aligned with other key players including Wage Indicator, Global Living Wage Coalition, ISEAL and ILO. IDH also supported the ILO project, which (in collaboration with Rainforest Alliance and the Dutch Ministry of Foreign Affairs) aims to advise governments on setting needs-based minimum wages that are more aligned with a living wage.

We also work to find strategies on how best to close the living wage gap. Based on the last five years' experience, IDH has learned what to take into consideration before starting living wage projects (e.g. a supply chain approach usually works better), what suppliers and workers can do (e.g. social dialogue is key), and what buyers can do to work towards closing the living wage gap (sustainable procurement practices are needed).

Gaining commitments from retailers and producers

During the reporting year, IDH has seen good progress on gaining commitments from retailers in the banana sector.



Read more: [Salary Matrix for a Living Wage](#)



Dutch supermarkets commit to closing living wage gap in the banana sector by 75%

Bananas are the most commonly sold fruit in supermarkets all over the world. Ensuring that those who grow and process bananas receive a decent wage will create a foundation for equitable supply chains. In November 2019, the Netherlands' 15 biggest food retailers, including Albert Heijn, Superunie, Boni, Boon, Coop, Deen, Hoogvliet, Jan Linders, Jumbo, Plus, Poiesz, Sligro, Spar, Vomar, and the Dutch Food Retail Association developed and supported the world's first nationwide commitment to close the living wage gap in the banana supply chain, [with the support of IDH](#).

The [commitment](#) means that participating retailers will strive to increase the availability of bananas sourced from plantations that pay a living wage to their workers. Over the next five years, they've agreed to work to close the living wage gap of those producing bananas by at least 75%. The commitment is part of the Dutch Agreement for the Food Products Sector on International Responsible Business Conduct (IRBC). With IDH's continued support during 2019, the retailers have been able to set realistic targets, and made their commitments public. Not only does this increase the pressure to stick to their commitment; it brings more attention to the living wage agenda, and supports an aligned, forward momentum towards positive change.

The retailers will use the Salary Matrix, made available by IDH, to calculate the difference between current wages and the living wage, and will report the findings to IDH. By using the tool, they can analyze current wages in the locations that supply their bananas. This serves as the baseline from which future wages will be compared. From 2021 onwards, they will gradually bridge the living wage gap by at least 10% each year.

“Supermarkets are competitors, but when it comes to a more sustainable supply chain and risk reduction, private-sector parties can certainly work together. For example, through dialogue with local governments and trade unions, we gain insight into local challenges and solutions. If we succeed, we have paved the way for other products.”

Dutch supermarkets in the Banana Retail Commitment

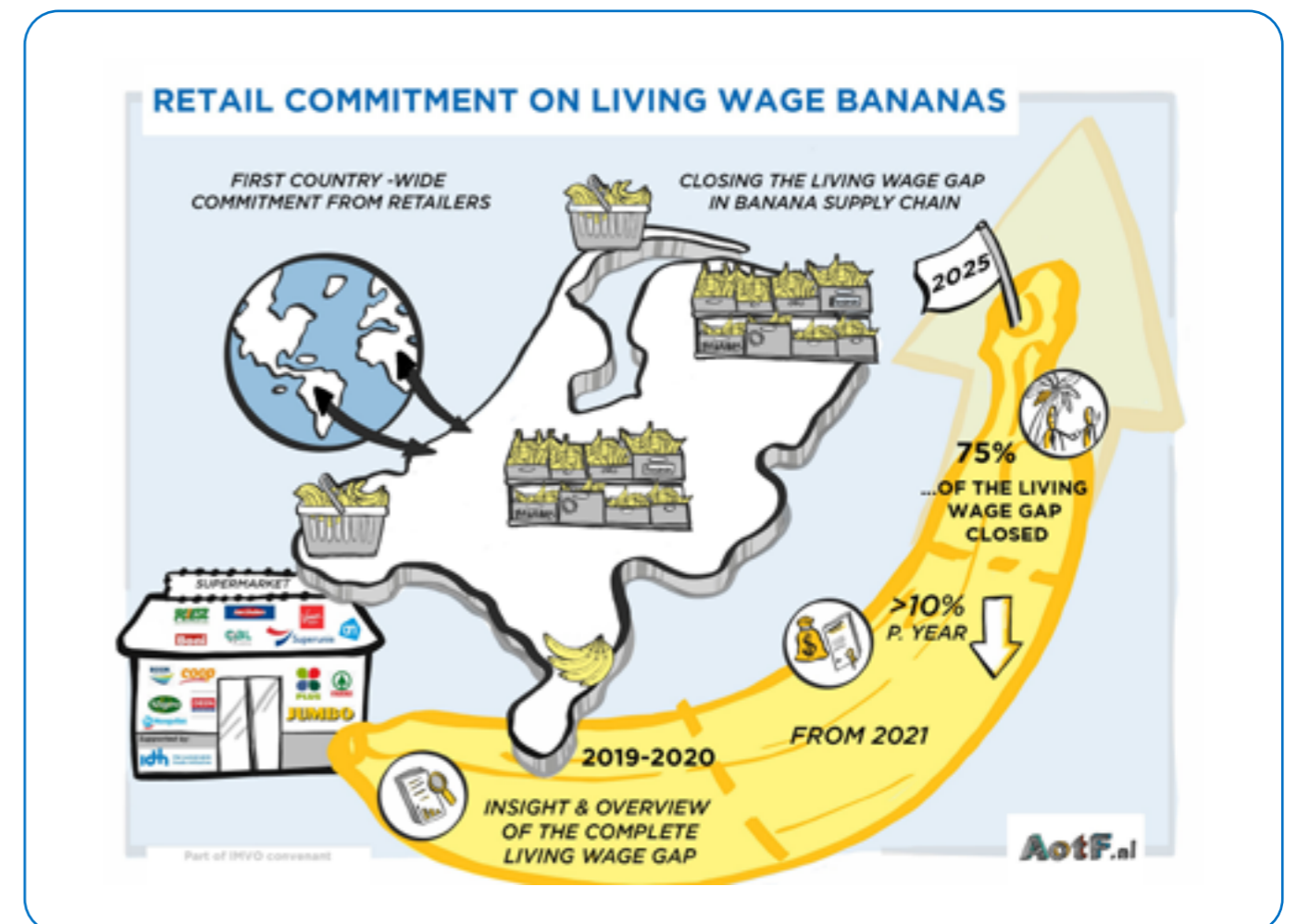
In 2020, IDH will continue to invite other interested private-sector parties to join the Banana Retail Commitment, such as supermarkets in other countries outside the Netherlands. The goal is to have an international group of retailers, as this will increase the positive impact on living wages.

Listen to the podcast:
[“Closing the living wage gap: the Banana Retail Commitment”](#)



“Living wage is a very important topic to address. When you have it in place, other social issues can improve, too. For us as retailers, it’s important to work with IDH, because they have a lot of experience and they can guide us. We wanted to find solutions to a complex and sensitive topic, but the challenge is making this work in practice. IDH is helping us with this process. To make an impact, you need volume and leverage. So collaboration [with other retailers] is necessary. By working together we can combine knowledge and search for a solution together, as well as learning from each other, because we have the same challenges to deal with.”

Cindy Verhoeven,
 Sustainable Trading Process Manager, Superunie





Mitigating preventable structural, fire and electrical safety risks with major apparel brands

To mitigate preventable structural, fire and electrical safety risks in apparel and footwear industries, we formally launched the [Life and Building Safety \(LABS\) program](#) in India and Vietnam in 2019. Major brands including Bestseller, Gap Inc., Li & Fung, PVH, Target, VF Corporation, and Walmart have [joined](#) the program.

By the end of 2019, 59 factories had received structural, fire and electrical safety assessments. As a result of the LABS methodology, the program saw a remediation rate of around 30%, improving working conditions of over 120,000 workers. In addition, the [LABS Helpline](#) was set up, and in 2019 it covered 60,000 workers. The helpline acts as a central toll-free number where workers can anonymously report issues primarily related to structural, fire and electrical safety.

The LABS program is fully funded by the private sector. Since the start, seven brands and retailers have joined the program and are part of the Steering Committee. They govern program operations and review performance, ensuring the credibility of the program. The collaboration with local governments is underway. LABS will continue to support and inform policies, including a project with the Ministry of Construction in Vietnam where the LABS standards are serving as the source for new industry guidelines regarding fire safety. In both Vietnam and India, the National Stakeholder Committees, a public-private collaboration, are being institutionalized.

“At Target, we believe in the value found by collaborating with other companies to create sustainable and systemic improvements. This includes supporting industry-aligned standards like those developed by the Life and Building Safety (LABS) program. Target is a proud founding member of LABS, aiming to improve worker safety in the apparel and footwear industries, and we would encourage others to join.”

Bill Foudy,
Senior Vice President and President, Owned Brand Sourcing and Development, Target

[Click here for more brand statements](#)



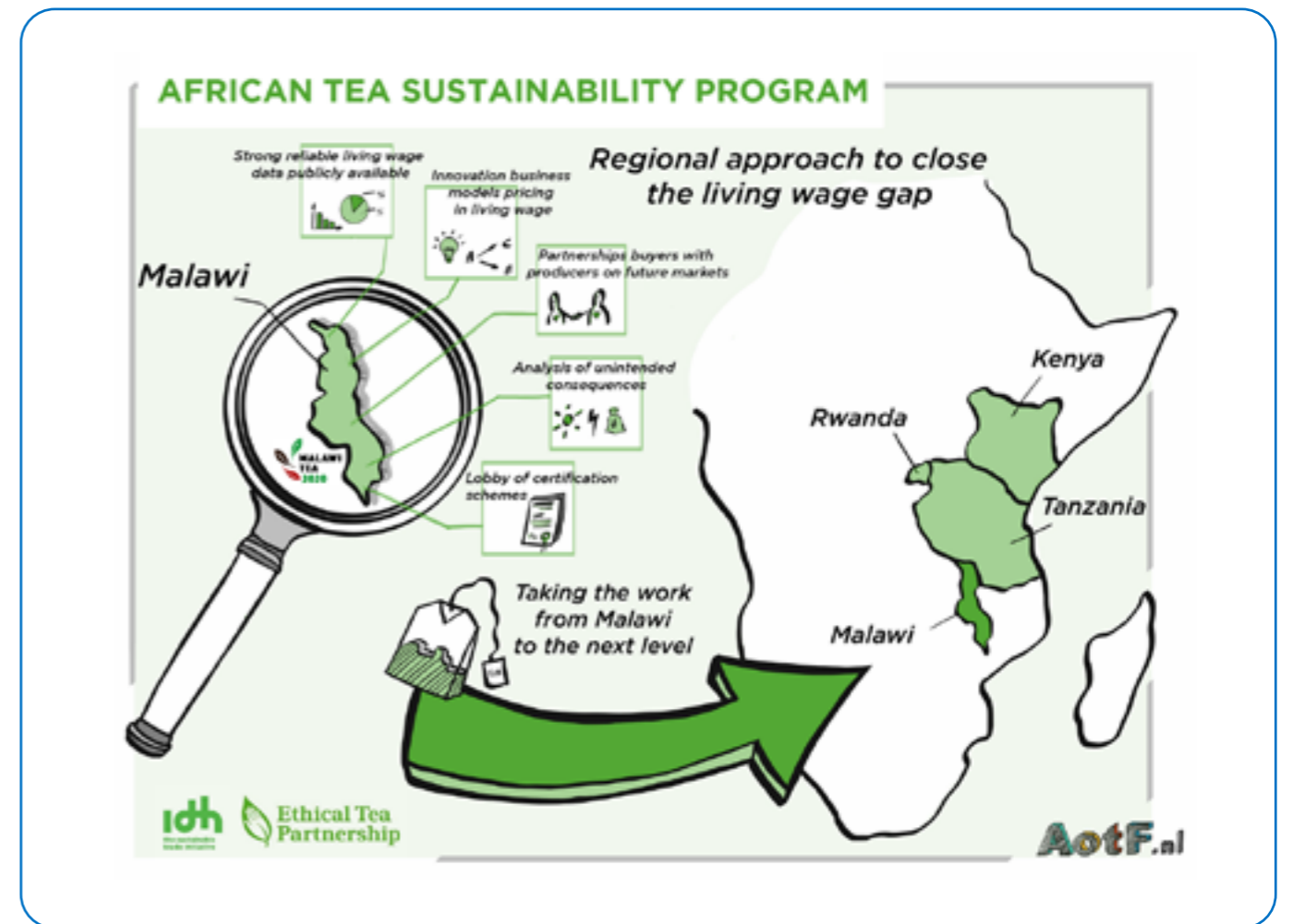
Tea sector continues commitment to close living wage gap

Since the start of the [Malawi Tea 2020](#) program, the gap between prevailing wages and the living wage slowly continues to close. It has now been reduced by 29% since the October 2014 baseline, meaning that current take-home pay is at 66% of a living wage. Despite challenging market conditions, most buyers have continued to prioritize Malawi to purchase their tea from, and investments by coalition partners have continued.

The living wage gap won't be 100% bridged, mainly due to poor tea prices in 2019 and poor prices outlook for 2020, as well as significant changes in the Malawian income tax regime, reducing take-home pay of tea workers.



Beyond our work on living wage in the Malawian tea sector, we made a public commitment at the Only Way Is Up conference to expand our living wage and living income work to multiple East African countries beyond 2020, together with the Ethical Tea Partnership. As part of this work, IDH formalized a partnership with Taylors of Harrogate in December 2019, with the objective of gaining insights into living wage and living income gaps across their coffee and tea supply chains, and what it would take in terms of extra payments to close those gaps.



Strengthening social dialogue and production

In many apparel factories, dialogue between workers and management is limited. This hinders the ability of workers to raise their concerns, which fuels dissatisfaction and in turn, hampers productivity. Our interventions in the factories have positive outcomes both on factory knowledge to produce more effectively, as well as on worker satisfaction.



Striding ahead in the Race to the Top program in Vietnam


We continued our work in our Race to the Top program in Vietnam, where we have been supporting factories to improve employee satisfaction and working conditions since 2016. This impact-oriented coalition between multinationals, civil-society organizations, governments, and other stakeholders has knock-on impacts on productivity and profitability

In 2019, the first factory to graduate from the program reported notable improvements. The worker engagement and productivity programs implemented in collaboration with Tan Hop factory brought together workers, local union representatives, supervisors, and management to work on soft and technical skill development, to improve worker well-being and productivity. To achieve a living wage in a sustainable way, it is vital to strengthen social dialogue to make workers part of the process. The worker engagement feature of the program provides this opportunity, consisting of around 20 training and coaching days.



Not only did the program lead to a decrease in staff turnover, it also reduced absenteeism and late arrival to work. Interviews with the participants brought other successes to light, including that of improved communication skills that allowed supervisors to better respond to workers' questions and concerns. Workers also reported improvements in management, with supervisors listening more carefully to them, which increased trust levels.

Our work to support producers to increase their profits and the quality of their products, while ensuring these benefits translate into better working conditions and higher wages, is one way we can move towards a living wage for everyone.

 **Read the report:**
[Impact in the Race to the Top Program](#)





Mitigation of deforestation



3 VSAs

Verified Sourcing Area readiness pilots established



15

green growth and other landscape management and invest plans developed or operationalized



548,486

Hectares where interventions are implemented that support protection, restoration and sustainable rehabilitation (cumulative of 2016-2019)



**Introduction from
Daan Wensing,**

Global Director Landscapes

Tropical forests are home to some of the most biodiverse ecosystems on the planet. They store enormous quantities of carbon and sustain local communities and businesses. Yet they face great pressures from extractive deforestation as well as conversion to agriculture and other land uses. Agriculture accounts for over 80% of cumulative tropical deforestation. Tackling deforestation and related climate change hinges on cooperation between communities, the private sector, civil society, and governments.

Our scenario analysis shows that sustainable sourcing of soy and palm oil by European countries could save over 3.6 million hectares of forests by 2025 and over 5.7 million hectares by 2030. Sustainable sourcing can save up to half a billion tons (500 metric tons) of CO₂ over the next 12 years. IDH is uniquely positioned at the intersection of businesses, governments and communities to push and anticipate market dynamics as well as to support changing regulatory frameworks to turn the tide against tropical deforestation.

Encouraging inclusive governance through PPI compacts

We convene relevant businesses, government, civil society, and community stakeholders in PPI compacts to improve sustainable land use, increasing productivity and securing livelihoods, while protecting forests and other natural resources. IDH brokered multiple compacts in 2019 in Brazil, Indonesia, Liberia and Vietnam.

Generating scalable field-level impact in forested regions

Throughout 2019, we further explored our inclusive, multi-sector landscape approach to tackling deforestation, often bringing new voices to the table. Livestock grazing in the forest prevents tree regeneration and is a major cause of forest degradation.

Coffee compact in Vietnam leads to more sustainable production practices

A compact between the coffee sector, government, NGOs, farmers, and international partners in the Central Highlands of Vietnam resulted in investment in sustainable coffee production and led to more sustainable water management, reforestation and more responsible use of pesticides. The World Bank, Asian Development Bank and United Nations Development Program are funding a VSA approach to water management and deforestation-free coffee in Vietnam.



Livestock intensification to help reduce reliance on forests for grazing and improve forest protection leads to reduction in forest grazing by half and 40% increase in milk yields

A business case for intensified feeding of dairy cattle in Kenya calculated that annual milk production per cow could be increased from 1,500 liters to 3,800 liters, and net-income increased from an average of KES 3,900 to KES 9,500 per month. The successful pilot involving 10 demonstration farms and 200 smallholder dairy farmers has shown that intensified feeding increased daily milk yield per cow by 40% from 4.66 liters to 6.55 liters and has reduced forest grazing by more than half. There has been good support from the tea companies and county governments who have supplied milk cans and improved roads to help the smallholder dairy farmers. A project to reach out to 1,000 more farmers has started and is expected to further help in reducing forest grazing and therefore in enhancing forest protection.

We have also successfully driven forward a large outgrower scheme for smallholder forestry in Kenya with Komaza, by using public finance to de-risk private-sector investment.

 **Read the LDN report:**
Smallholder Forestry in Kenya

PPI compact signed for sustainable palm oil in Indonesia

To ensure that systemic change is long-lasting, we guide private and public capital towards models that strengthen forest-friendly landscapes. We reached this stage in December 2019 with the [signing of a PPI compact in Aceh](#) in Indonesia, where Unilever, PepsiCo and palm oil producer Musim Mas Group are looking to make local palm oil production sustainable in cooperation with the local government protecting the Leuser Ecosystem.



Sustainable soy and beef pilot in Brazil reduces deforestation rates

In Brazil, we continued the Jurena Valley VSA pilot connecting sustainable soy and beef production to (international) market demand, to bring down deforestation rates. Initial field observations indicate that deforestation rates are indeed lower than in surrounding regions. We see evidence of huge potential to mainstream financing in sustainable land use if we can close the gap between motivated investors and innovative, business-driven project developers. In September 2019, [we signed an MOU with Marfrig](#), as part of the US\$500 million Sustainable Transition Bond to drive sustainable calf production. It will halve land use for cattle ranching to free up millions of hectares for agricultural production, and halt the major driver of deforestation and land degradation in Brazil.



Improving landscape governance

Good governance is crucial in reducing and mitigating deforestation, and reforesting degraded areas.

Green growth plans protect millions of hectares of tropical forest

We are implementing green growth plans in West Kalimantan, South Sumatra and Jambi (Indonesia), Mato Grosso (Brazil), and Lam Dong (Vietnam), protecting millions of hectares of tropical forest. Building on those experiences, we started a program in Papua and West Papua, Indonesia, in 2019. The first phase, supported by the UK Climate Change Unit, has been finalized. IDH and the Indonesian government built a green growth alliance in partnership with Invon, developed a green growth roadmap for both provinces, and held a public consultation meeting. Outcomes to date include a single-origin chocolate bar from [Ransiki cocoa](#), sold by Pipiltin Chocolate in Jakarta stores, and a natural dye tannin made from mangrove.

Listen to the podcast:
 “The chocolate bar that is a pioneer for green investments in West-Papua, Indonesia”



Land-use plan in Liberia to protect 100,000 hectares

IDH convened national, municipal, and civil-society stakeholders in Lofa and Kpanyan in Liberia to produce participatory land-use plans as a pre-phase for green growth plans. In December 2019, [Kpanyan became the second district in Liberia](#) to have its land-use plan validated by stakeholders including the Liberia Land Authority (LLA). The plan allocates forest for sustainable management, community conservation and agricultural production, and proposes protection for critical resources such as rivers and streams. It allows communities to increase their agricultural productivity while protecting important conservation forests. Once completed, the plan will cover over 100,000 hectares. We also engaged communities in Liberia in long-term planning for forest management, and supported indigenous people in formalizing their land rights as part of this process.



Watch the video: “Pipiltin Cocoa – Ransiki Chocolate”

Closing the gap between investors and project developers

IDH links investment funds to suitable landscape projects to make landscape projects financially sustainable. IDH has created a mechanism to close the gap between motivated investors and innovative project developers. We prepare projects for investment, reduce risk, build capacity, and establish data flows for increasing impact, such as in Brazil (cattle and soy) with Mafrig; in Indonesia (rubber) with RLU and Michelin; and in Vietnam (coffee and irrigation) with the World Bank.

Ecotierra restores 8,250 hectares of degraded land and protects 12,300 hectares of forest in Peru

We provide support to reduce investment risk and maximize impact for an investment of US\$14.5 million over the next four years. The investment finances loans to cooperatives for on-lending to smallholder farmers in Peru by Ecotierra, to transition from degraded lands to agroforestry and forestry systems, leveraging carbon credits. The project aims to restore 8,250 hectares of degraded land, protect 12,300 hectares of forest, reach 2,000 producers, and reduce 1.29 million MtCO₂eq of greenhouse gas emissions.

Read the LDN report:
 Coffee agroforestry in Peru



Connecting sourcing jurisdictions to markets via Verified Sourcing Areas (VSAs)

The VSA model aims to provide a market mechanism that enables responsible sourcing and sustainable development at scale, by connecting sourcing jurisdictions to markets. Central to the VSA model is a neutral online platform to link buyers to coalitions of regional stakeholders such as local governments, CSOs and local producers, processors and traders. These stakeholders agree on ambitious locally relevant priorities and indicators on forest protection, labor conditions, land tenure and livelihoods, for example. The VSA online platform is the interactive clearinghouse for producers and committed buyers, and provides sustainability data relating to the jurisdictions. In addition, we link sustainable commodity production in these areas to international sustainable market demand. The VSA model is in development, and is being tested through multiple [VSA readiness pilots](#) with some of the world's biggest brands and sustainability experts, including Mars Wrigley, PepsiCo, the World Resources Institute, Conservation International, the World Bank and Stockholm Environment Institute.



Indonesian district of Aceh Tamiang works towards becoming VSA

In December 2019, IDH launched a [PPI compact in Aceh Tamiang](#) as the first step towards the district becoming a VSA. The government of Aceh Tamiang signed the compact together with multiple local stakeholders in the presence of Unilever, Musim Mas and PepsiCo. The three companies are exploring investment opportunities in the district to increase sustainable palm oil production while protecting the Leuser Ecosystem.

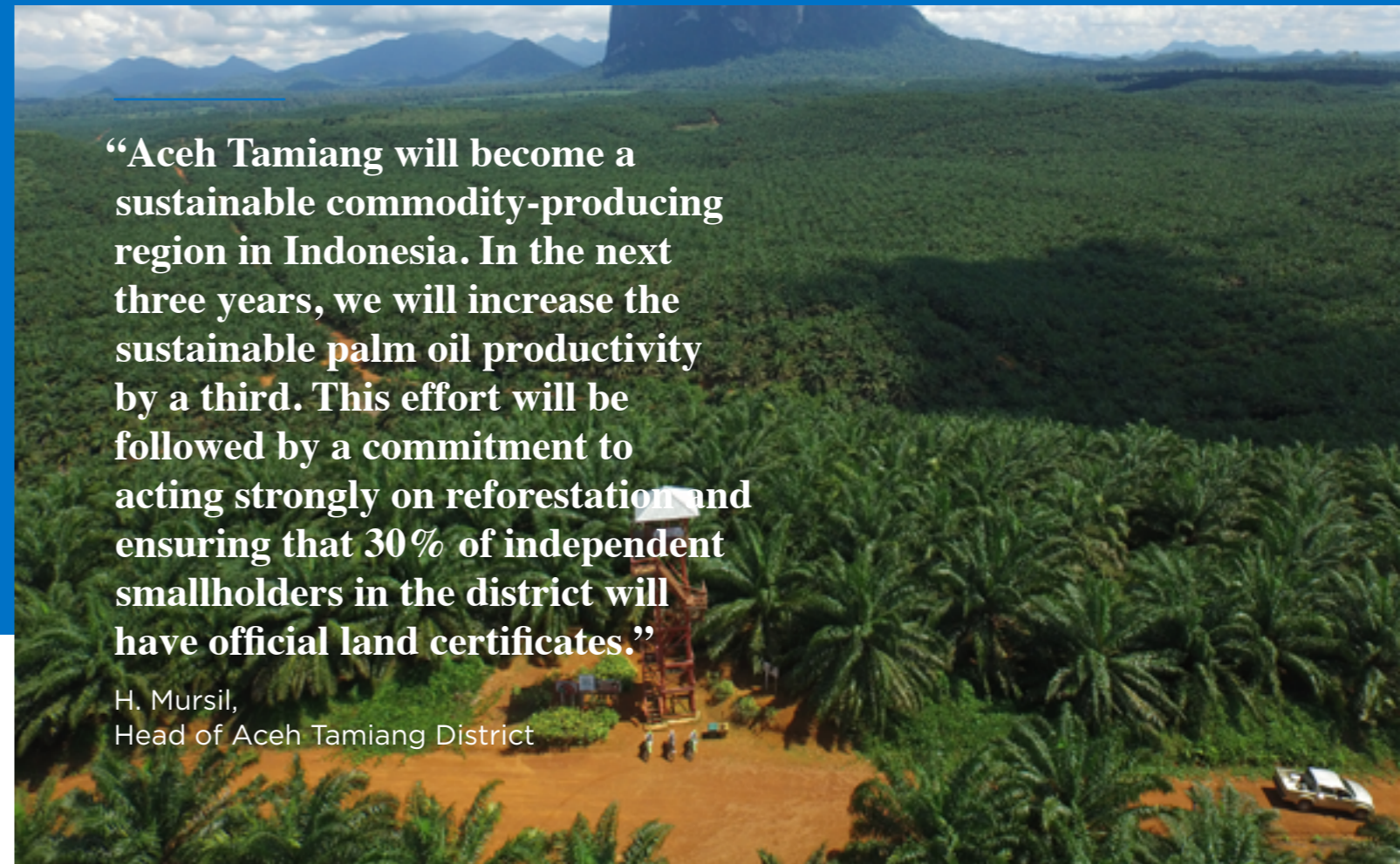


VSA pilot supports sustainable calf and soy production in Brazil's Mato Grosso state

In Mato Grosso, our VSA pilot in the Jurena Valley combines sustainable soy and other grain production with sustainable beef production. The VSA pilot is part of Mato Grosso's multi-stakeholder sustainable development plan - Produce, Conserve and Include (PCI) - which has been in place since 2015. Soy producers are working towards responsible soy production, which encompasses forest protection, for example. Both the largest soy traders in Brazil, as well as the largest European processors of soy (feed and oil industries) have committed to preferentially source from this area. In 2019, IDH launched a new Sustainable Production of Calves Program in partnership with the Carrefour Foundation, Fazenda São Marcelo and Acrimat. This program addresses low productivity and extensive land use by cattle ranchers, which are the reasons why smallholder cattle ranchers clear forests. The program provides technical assistance, finance, and land tenure regularization, so farmers can graze their cattle on less land. When mainstreamed, intensified cattle ranching can help free up land for commodity production for years to come, while protecting forests. Carrefour Brazil has committed to preferentially buy sustainable beef from this area.

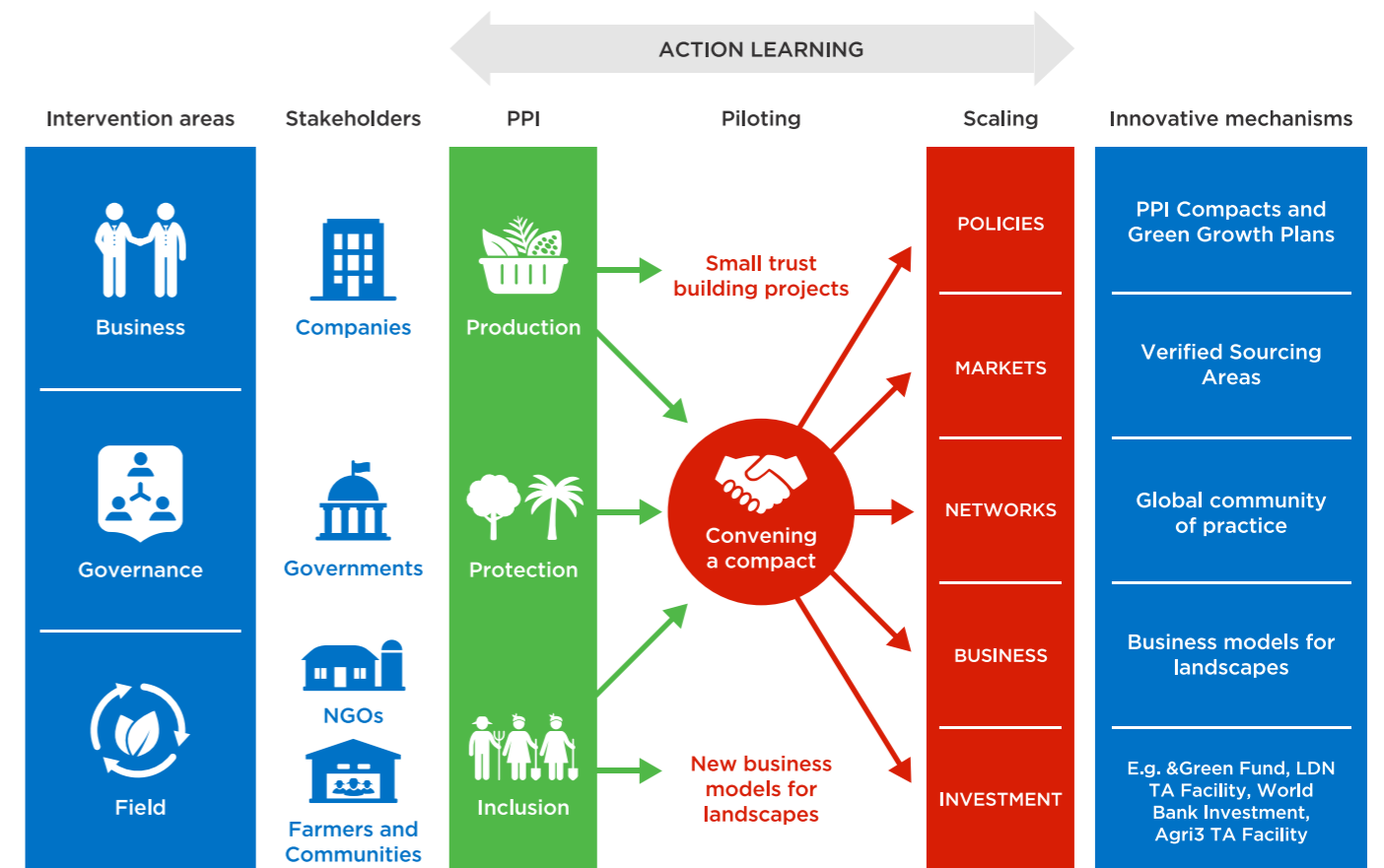


Watch the video: "What are Verified Sourcing Areas?"



“Aceh Tamiang will become a sustainable commodity-producing region in Indonesia. In the next three years, we will increase the sustainable palm oil productivity by a third. This effort will be followed by a commitment to acting strongly on reforestation and ensuring that 30% of independent smallholders in the district will have official land certificates.”

H. Mursil,
Head of Aceh Tamiang District





Gender equality and empowerment



Gender lens

We integrated a gender lens into our project design processes and approval mechanisms



2,000

Around 2,000 field-level supervisors and managers, who provide extension services to over a million farmers in India, were able to apply learnings on female inclusion



1 million farmers

were reached in India with learnings on female inclusion by extension services



*Introduction from
Judith Fraats,*

Gender Impact Strategy Lead

Gender equality is as much a business concern as it is a social and political one. Both women and men play a vital role in production and sales of cash and food crops, and as workers, traders and processors in value chains. Globally, women make up around 47% of the labor force in agriculture and manufacturing. In low-income and lower-middle-income countries, agriculture remains the most important employment sector for women. Yet often women have fewer (economic) opportunities and are more vulnerable to exploitation, with an estimated 35% of women worldwide having experienced physical or sexual violence, and fewer than 20% of the world's landholders being women. Resources and opportunities are limited for women, who also experience higher risks.

The IDH strategy on gender is to work on key focus areas where we can make an impact on gender dynamics in business and community settings. For smallholders, our overarching goal is to work on equal opportunities for men and women to have a living income. The second focus area is our work in factory and plantation settings where we work towards equal (living) wages for all workers as well as on a safe working environment, including battling gender-based violence (GBV). Last but not least, we support equal representation in management layers and opportunities for more equal social mobility and representation.

Gathering gender-specific data

IDH has been applying a gender lens to most of its programs since 2016, and currently works with 10 project teams on how to integrate gender into project design processes and approval mechanisms. Most recently a gender lens was included in the Farmfit analyses and the Salary Matrix tool. There is a noticeable lack of gender-specific data. IDH is attempting to close this gap by gathering data on gender dynamics among smallholder farmers, as part of our service delivery model (SDM) work. Within the sustainability standards of the Floriculture Sustainability Initiative, two standards organizations have also tested the new IDH gender KPIs published in early 2019, with the aim of including them under their own schemes.

Gender Tool identifies opportunities to address gender gaps, highlights potential interventions, and tracks gender outcomes

From capturing richer data during market assessments to better understanding each service provider's intentions, the Gender Tool that IDH developed in 2018 for Farmfit helps us identify opportunities to address gender gaps in different sectors and landscapes, highlight potential interventions, and track gender outcomes. With a data pool of over 20 SDMs already, we can start mapping per sector/country which improvements can be made for female equality to inform our future strategies, and share insights with our public and private partners to accelerate their implementation.

IDH Gender Toolkit is improved and extended

In 2019, we also improved and extended the Gender Toolkit to support our staff in applying a gender lens by adding four new examples and success stories from other IDH projects. The Gender Toolkit helps to identify opportunities to address gender gaps in different sectors and landscapes, highlights potential interventions, and tracks outcomes.

 **Read more:**
[Gender Toolkit with Guide](#)




Empowering people through training and education on gender equality

Across many different sectors in which IDH works, empowering people with training, education and knowledge on gender-based issues, as well as applying a gender lens to our work, is crucial to creating equality.

Empowering tea workers with knowledge in Kenya

In the tea sector, IDH brings together producers, technical experts, and civil society organizations in the Gender Empowerment Platform (GEP) to address gender issues and GBV. The platform, which represents the majority of the tea companies in Kenya, including Unilever Tea Kenya and James Finlays Kenya, is also implementing field-level projects addressing gender and GBV, as well as programs on financial literacy and household decision-making that were found to be the basis of the problem. In 2019, we saw [positive initial results from the projects](#). We celebrated the graduation of peer educators in Unilever Tea Kenya's HERfinance program, while women managers at James Finlays Kenya graduated from their Women in Leadership program.

 **Watch the video:**
["Finlay's Sustainable Future; Our People"](#)



Watch the video: ["Finlay's Sustainable Future; Our People"](#)



A great example of our work in 2019 was the training of over 180 peer educators in tea plantations' social halls and resource centers via HERfinance. These peer educators then share their knowledge with fellow tea workers in Kenya. Empowered with knowledge of financial planning, budgeting, savings, borrowing responsibly, talking about finances at home, and local financial products and services, the HERfinance graduates are now passing on their learnings to over 3,000 workers in the tea fields and factories before they start their working day. Participants in the program reported that 45% of them now involve their spouse in decisions related to spending, investments and savings in comparison to 32% at the start.

The training boosts financial skills and competence as well as self-confidence — with more women putting themselves forward for higher-level job openings, helping to shift outdated, cultural Kenyan gender and financial norms in the workplace and in the home. The number of respondents being able to meet their family's needs and involving their spouses in decisions around spending increased by 13% after the intervention. There was a 40% increase in the ability to save, as well as an increase in usage of formal saving methods (bank accounts, registered savings groups). There was also an increase of 15% in respondents borrowing from a formal financial institution after the intervention.

Since 2017, we have also strengthened our work in India and Malawi on GBV based on the experiences gained in Kenya.



Tackling gender-based issues in the fruit and vegetables sector: Fyffes

Through establishing gender committees and a peer-to-peer gender education program, IDH's gender projects in the Ethiopian flower sector produced positive results. Importantly, through these projects it was found that the rate of gender-based violence decreased by 32% between 2015 and 2017, and the number of women in managerial positions increased by nearly 40% between 2013 and 2017.

Applying the learnings of our successful initiative in the Ethiopian flower industry, we [launched a program](#) to analyze local gender issues, and to research and raise awareness of the political environment and legal context in Fyffes' pineapple and melon farms in Central America. The findings led to developing gender awareness training for both management and employees, as well as establishing gender committees that determine how best to address issues in Fyffes's global operations, adapted in accordance with the different contexts in the different regions. From there, peer-to-peer training models and regular assessments will follow to create a virtuous circle that aims to continuously improve the working and living conditions of Fyffes' workforce. We are using the learnings from Fyffes' collaboration to build tools and methodologies to tackle gender-based issues in fruits, vegetables, flowers, tea and other commodities that are typically produced on estates.

“The idea is to scale the program to Fyffes’ entire operations globally by adding new locations each year, following Costa Rica and Honduras.”

David McCann,
Chairman Fyffes Limited



“Before the training, I did not engage with a lot of women farmers and had no female field facilitators. But after the training, I realized their role in farming and in overall social development and have been working to engage them more within the program.”

Arvindbhai Govindbhai Patel,
Project Unit Manager with AFPRO

Female inclusion in Indian farming communities leads to improved decision-making and profitability

In 2019, around 2,000 field-level supervisors and managers, who provide extension services to over a million farmers, were able to apply the sanitation learnings conducted by our gender consultant with 19 IDH implementing partners, in 30 locations across India. In small villages, farmers were made aware of the impact that female inclusion in farming decision-making can have in overall profitability. This resulted in women participating in more farming training sessions.

 **Read more:**
[Field-level stories about bridging the gender gap](#)



Improvement Circles at apparel factories in Vietnam lead to 8% higher employee satisfaction, 4-5% reduction in employee turnover, and 15% improvement in perception

In Vietnam, IDH is working with partners to establish Improvement Circles to improve communication in apparel factories by training female staff to better voice their opinions, concerns and issues, and by providing managers and supervisors with knowledge, tools and skills to better understand workers. This initiative led to an increase in worker satisfaction of 8%, which consequently improved motivation and overall relations between workers and supervisors. Employee turnover has decreased by 4-5%, and the perception that women should have equal rights has increased by 15%. Providing managers and workers with better communication skills not only improves well-being and productivity, but also leads to new policies that consider the views and needs of workers.

It is important to note that when starting these worker-management dialogues, they initially focused on the overall well-being and working conditions. During the implementation, we have found strong results that specifically highlight the impact on gender dynamics and balance.



Watch the video: [“IDH’s work on gender equality”](#)



Responsible agrochemical management



Mobile App

Together with the Department of Plant Protection (DPP) of Vietnam a national mobile app was developed to help farmers improve their pesticide use.



Benchmarks

The flowers program has expanded its basket of standards by adopting environmental benchmarking criteria.



17,500 tons CO₂

The Mill improvement program in the apparel sector saved 1.5 million cubic meters of water and reduced 17,500 tons of CO₂ emissions



Introduction from Flavio Corsin,

Program Director Aquaculture

Pesticides and antibiotics impact the planet, people and profits. Farmers are unwilling to risk losing their crops, which means they often spray when not necessary. Although judicious pesticide use protects crops, misuse and overuse threatens agriculture. For example, resistance development to pesticides can make it difficult and more expensive to control pests. There are now known to be 262 herbicide-resistant weeds, which some estimates show can increase costs of control by over 25%. Indiscriminate use of insecticides has contributed to pollinator decline and biodiversity losses. For farmers in developing countries, it is often unclear how to use agrochemicals properly and what (levels of) pesticides or antibiotics are forbidden for use.

Digital innovations are changing many industries, yet they've only scratched the surface when it comes to agriculture and aquaculture. But in pesticides, herbicides and antibiotic application, monitoring and analyzing information through digital technologies can lead to massive improvements. One of the approaches that IDH takes in improving agrochemical and antibiotics management is to encourage a data-driven approach. We analyze existing datasets to help optimize control of pests and diseases, and to generate feedback to farmers to improve their farming practices.

Applying a data-driven approach while using technology to inform farmers and increase market access

IDH increasingly supports the use of data and technology to help farmers overcome pests and diseases more responsibly, and to inform them better about different pesticides and antibiotics and their application strategies.

Epidemiology in aquaculture scaled up in Vietnam, Thailand, Indonesia, and Ecuador


In the aquaculture program, we promote broad uptake of aquatic epidemiology. Data on farm management and diseases is collected and analyzed to provide insights into the risks and occurrences of a specific disease in fish populations. It has proven its value in salmon farming. Now, IDH wants to demonstrate that this approach also works for tropical aquaculture.

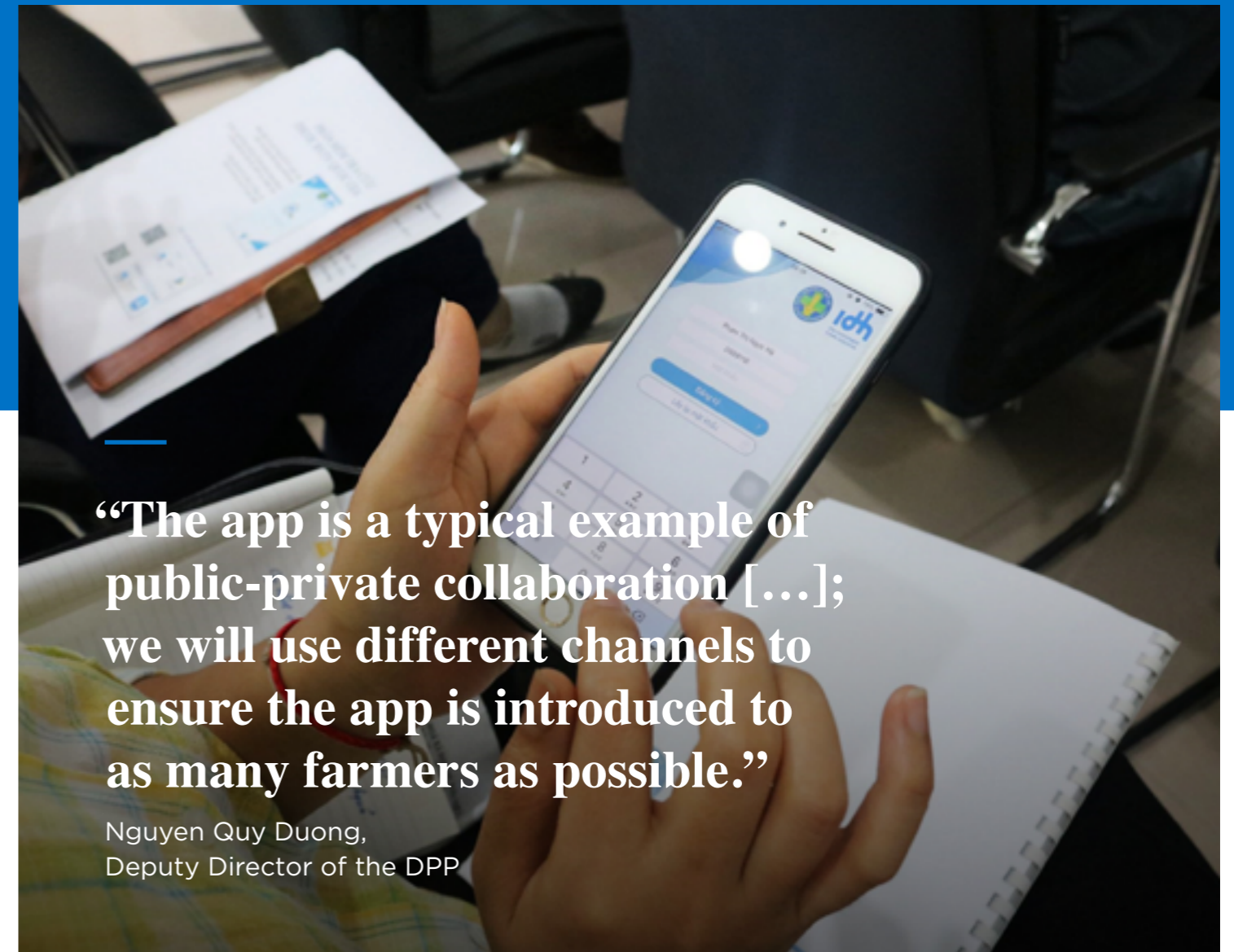
IDH integrates aquatic epidemiology in our so-called aquascape projects, where we support collaboration and innovation to improve sustainable performance in aquaculture areas. In 2019, we laid the foundation for aquatic epidemiological analysis to start in 2020 in Dong Thap and Soc Trang in Vietnam; in Chumphon, Surat Thani and Rayong in Thailand; in Banyuwangi in Indonesia; and in Ecuador. We connect epidemiological institutions, such as the University of Prince Edward Island, the University of Stirling or the University of Zaragoza, to industry associations. In Vietnam, we actively collaborate with the Department for Animal Health.

In addition, we launched three projects in 2019 with companies that support farmers in making better farm management decisions. We supported these data and technology companies by integrating aquatic epidemiology into their business model. Aquaconnect helps Indian shrimp farmers to manage their farm operations by using artificial intelligence. Aquaconnect is linked to an aquatic epidemiologist, so that Aquaconnect's mobile app can also advise farmers on better health management. Through a project in Indonesia with eFishery, we combine the capability of the eFishery smart feeders and an intelligence platform with population health expertise. This generates more robust knowledge and recommendations that farmers can use to combat diseases and improve farm performance. IDH also partners with JALA, a data services company for shrimp farming based in Indonesia. This will lead to better management, fewer diseases and a reduction in risks.

Farm management information systems in Asia support data-driven decisions

In 2019, IDH commissioned a study into farm management information systems (FMIS). FMIS are digital systems that support farmers in making data-driven decisions to optimize their use of farm resources to enhance farm-level sustainability and profitability. These digital systems also provide information about the use of, and alternatives to pesticides, herbicides and antibiotics. The study was carried out in China, India, Indonesia, Thailand and Vietnam. We learned that using FMIS is strengthening smallholder farmer livelihoods in these countries and is bringing down pesticide use and residue levels. But scaling up these solutions remains a critical challenge that prevents them from reaching full potential. IDH will share its lessons learned with data and technology companies working in agriculture and aquaculture to catalyze quicker uptake of solutions to mitigate misuse and overuse of pesticides and antibiotics.

 **Read more:**
Practical guide for integrating data into farmers' decision making



“The app is a typical example of public-private collaboration [...]; we will use different channels to ensure the app is introduced to as many farmers as possible.”

Nguyen Quy Duong,
Deputy Director of the DPP

Mobile app in Vietnam offers advice on pest management options

Agricultural production in Vietnam needs to meet the needs of nearly 100 million people, as well as generating a total annual export turnover of over US\$42 billion. At the same time, unsustainable agricultural practices, especially excessive use of agrochemicals, have resulted in a failure to meet global market requirements on food safety, posing a major risk for the future of the sector. The Ministry of Agriculture and Rural Development (MARD) in Vietnam has called for a shift from quantity to quality in food production, and to improve economic value and competitiveness while ensuring farmers earn a more sustainable income. Insufficient access to knowledge and information on agrochemical use is one of the bottlenecks to achieving this.

IDH and the Department of Plant Protection (DPP – part of MARD) held extensive consultations with farmers and other stakeholders to [develop a mobile app](#) to improve access to information. Thuoc BVTV brings a wealth of knowledge directly to mobile phones of extensionists, inspectors, pesticide manufacturers, shops and so on, so that they can identify the least toxic pest control options for crops such as coffee, tea and pepper, and give advice to farmers so that they avoid chemicals banned by the Vietnamese government. Offering relevant information about the availability of less toxic pesticides and non-chemical pest control alternatives allows farmers to easily identify the pest management options, including the most appropriate pesticide and how to use it correctly. This will help farmers optimize their pesticide use and increase the value of their products on the international market, while minimizing potential harm to human health and the environment. The app and underlying database will be officially managed and regularly updated by DPP and will be continually improved based on farmers' feedback.

Improving benchmarks and standards for RAM

IDH leverages market demand for minimizing potentially hazardous residues in and on products to drive producers towards more responsible agrochemical use (e.g. through a basket of standards) in flowers, fruits and vegetables, spices, tea and other crops.

Area-based pest and disease management surveyed over area of 5,200 hectares of coffee, pepper and other intercrops

IDH organizes awareness and training programs on responsible use of agrochemicals, through introducing area-based pest and disease management (ABPDM) via extension services and mobile technologies. In Vietnam, initially in the tea sector, we piloted spraying teams that use the right pesticides in the right quantities at the right time, taking the right protective measures. The PPI compact area of 5,200 hectares of coffee, pepper and other intercrops was surveyed to develop ABPDM solutions for farmers via improving ecosystems and using biological solutions to tackle key pests and diseases for the whole area. Many farmers in the region don't even use pesticides anymore. Monitoring of 300 farmers via farmer field books showed that the number of farmers using banned pesticides decreased from 15% in 2016 to 0.5% in 2019. These solutions are being piloted, and impact will be seen more clearly in the years to come. In the long run, ABPDM can cut input costs and reduce pesticide residue levels, ensuring they are within the maximum legally allowed residue levels, which are a prerequisite for entrance to higher priced export markets.



Basket of standards in the flowers sector expanded with additional environmental criteria

IDH's flowers program has expanded its basket of standards by [adopting environmental benchmarking criteria](#). The new set of criteria supports growers in reducing environmental impact. These include additional environmental [criteria](#) with an emphasis on reinforcing reliable recordkeeping. They will be used to benchmark relevant standards in the Floriculture Sustainability Initiative (FSI) basket of standards. In 2019, growers continued to adopt integrated pest management (IPM) practices, while many sustainability standards organizations (re)designed their services to enable growers to record data on agrochemical use in their central databases. Some standards-setting organizations have already developed their own toxic load indicators to evaluate the impact on the environment. IDH worked closely with sector partners to create agreement on a standardized set of data that growers can use to record agrochemical use; define reliable means to verify records and practices during audits; facilitate comparison of performances over time and location to encourage continuous improvement; and facilitate communication on positive change across the supply chain.

By going through this new FSI environmental benchmark process, sustainability standards-setting organizations agreed to harmonize their approaches around a set of standardized records of key input used by growers and of standardized auditing practices. The new criteria are optional until 2020, when they will become mandatory. From now until the end of 2020, organizations can start adopting the new criteria and can gain recognition on the basis of a self-declaration process. Once annual audits take place, market demand for more sustainable products will help raise the bar.

Forming public-private partnerships, expanding the mill improvement program, and training farmers

IDH convenes public-private partnerships and establishes PPI compacts that include criteria on pesticide use.

PPI compacts in the Vietnamese coffee sector aim for 100% of coffee across 11,000 hectares to be sustainably produced, including a reduction in water use of 25%, and in agrochemical use of 15%

The Vietnamese government, together with leading international coffee roaster Jacob Douwe Egberts (JDE), coffee traders Simexco, ACOM and LDC, IDH and other key stakeholders, have agreed to collaborate on reducing water, fertilizer and pesticide use in coffee production in three districts of Dak Lak and Lam Dong provinces in the Central Highlands landscape of Vietnam. This will help coffee farmers adapt to climate change and secure Vietnam's future coffee supplies.

By 2025, these Production-Protection-Inclusion (PPI) compacts aim for 100% of coffee across 11,000 hectares to be sustainably produced, including a reduction in water use of 25%, and in agrochemical use of 15%. The compacts also commit to increasing farmer incomes by 30%. In particular, Simexco and the local authorities signed a cooperation agreement to implement the PPI compact, committing to procuring coffee produced in the PPI area.

These PPI compacts were all signed by end-2018/early 2019, witnessed by Dutch government representatives including the Minister of Infrastructure and Water Management and the Dutch Ambassador in Vietnam. Together, these compacts mark a milestone for public-private cooperation in the Vietnamese coffee sector.



Mill improvement program in the apparel sector saves 1.5 million cubic meters of water and reduces 17,500 tons of CO₂ emissions

IDH has worked with dedicated companies to dive deeper into their chemical practices. These practices focus on chemical inventory, chemical hazard and risk assessment, chemical waste management, and other topics to support cleaner and safer production. In addition, IDH has worked with the Vietnamese Ministry of Natural Resources and the Environment, the Vietnam Environmental Association, and Center for Natural Resource and Environmental Communication to draft and disseminate new guidelines for chemical management for the wider apparel and footwear sector. These guidelines focus on zero discharge of hazardous chemicals.

In 2019, IDH continued to focus on our mill improvement program. The energy, water and chemistry efficiency program continues to drive engagement with brands and manufacturers in Pakistan and Vietnam. We partnered with 17 brands, the Pakistan Textile Mills Association (APTMA) and the Pakistan Hosiery Manufacturers Association (PHMA). In addition, we continued to support the Apparel Impact Institute, which is active in China, Taiwan and India. Our most recent results from the end of 2019 demonstrate that major savings can be obtained from the mills participating in the programs. The cohort of 13 mills in Vietnam and Pakistan saved 1.5 million cubic meters of water and reduced 17,500 tons of CO₂ emissions, resulting in US\$1.5 million in cost savings per year.

Training on pesticides in the cotton sector leads to 17% less synthetic fertilizer and 20% less pesticide

In 2019, we commissioned impact research into our cotton program. Farmers are trained to adopt practices consistent with the Better Cotton Principles and Criteria, which relate to crop protection, water stewardship, soil health, biodiversity, fiber quality, decent work, and effective management. Compared to their non-BCI peers, BCI farmers trained in India in the 2016/17 season used 17% less synthetic fertilizer and 20% less pesticide, while experiencing an 8% higher yield and a 21% higher profit. The majority of these training programs are financed through the Better Cotton GIF, enabling widespread uptake of the Better Cotton standard on a global scale.

Read the report:
How we're making a difference in sustainable cotton production

Female decision-making on fertilizers in India

Lalitaben is a farmer in Ujiben's project area. While she used to attend every meeting, she did not have any role in decision-making in farming, as it was her husband's role. From her learnings at the field extension trainings, she advised her husband to apply SSP fertilizer instead of DAP. Though he did not completely agree to do this, they eventually decided to try it on seven acres of land, out of their total 17 acres. While the production on the whole field remained unchanged, expenses on the area of land where the SSP fertilizer was used were less than the other. The husband-wife duo is now applying SSP in the entire field. Lalitaben is also now a shareholder in Somnath Farmers Producer Company Limited, a farmer producer organization in Gujarat.

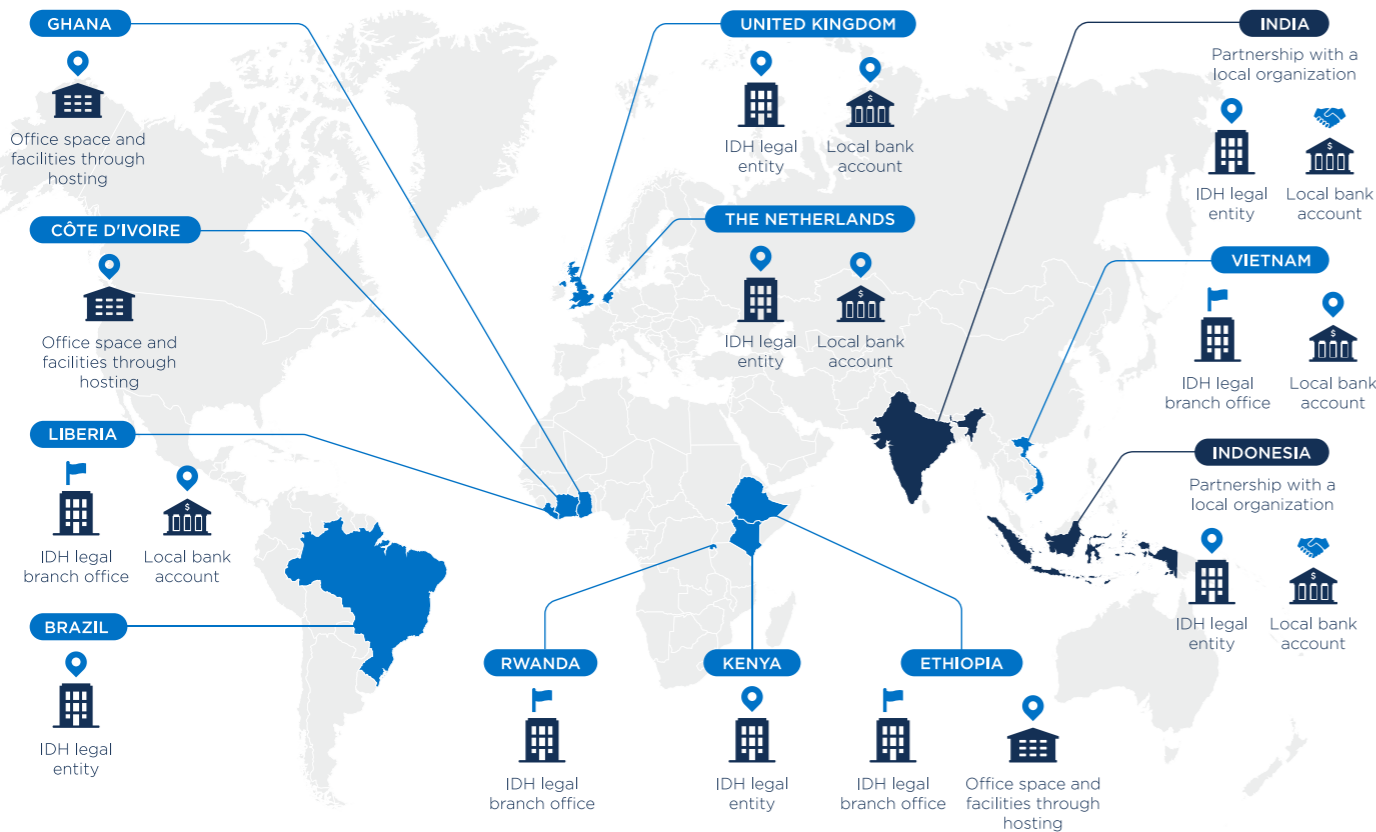


“I have been harvesting the cotton crop every year from my five acres of land. I attended BCI training in 2017, in which I learned about the selection of early crop varieties, reducing spacing, intercropping, avoiding calendar spray, using organic pesticides, and sowing refuge and border crops. I started incorporating these practices into my work, which helped me in improving yield quality, as well as cutting costs.”

Kishor Bharat Singh Rajput BCI Farmer Dhule, Maharashtra

Organizational development

Our organizational focus in 2019 was on delivery of our 2016–2020 strategy, putting the emphasis on those proofs of concept (POCs) that have most potential to transform business and maximize our impact. To support our mission to be a world-class catalyst for market transformation, IDH must invest in its people, global network, structure, systems, and controls. In 2019, we worked on strengthening our processes and procedures, while starting the preparations for our 2021–2025 strategy.



IDH VIETNAM TEAM

Our organizational structure

The organizational structure drawn up in 2018, to drive change and deliver on our goals as part of our 2030 strategic direction, was implemented in 2019. This led to a restructuring of the 12 program teams into five business units. The new structure allows us to start leveraging synergies, improving learning opportunities, and using resources in the organization more efficiently. A management team was established, in which the global directors of the business units meet with the Executive Board regularly. This management team is mandated by the Executive Board to lead strategy development for the organization and oversee its delivery.



Our global network

We carefully followed our Country Operations Framework, and the underlying decision to establish a legal presence only in countries where IDH has a long-term strategy to develop and manage locally funded programs, or where this is required based on local laws. In 2019, we registered offices in Rwanda and Ethiopia, and incorporated a legal entity in Kenya.

Our people

The growth of our organization continued in 2019, with our global team growing by 34%. In our Utrecht office, at year-end 2019 we employed 85 FTEs, plus 142 contracted team members in the 24 countries in which we operate. This growth has mainly come from additional donors and landscapes in our landscape programs and strengthening the Farmfit teams.

To sustain this growth and to enable us to integrate new team members, we put a lot of effort into further optimizing our HR processes. This resulted in an enhanced recruitment and onboarding process, optimized performance evaluation process, and corporate training for all staff, with an emphasis on training people managers.

Our systems

We completed a major step in 2018 by implementing a contract management system/tool that digitized our work processes, from fundraising to contracting. In doing so, we gained further insights and understanding of the remaining opportunities to further digitize our work processes, with the objective of increasing quality and driving efficiency within IDH. A digitization and productivity action plan was developed to drive further efficiency in 2020.

Our controls

Thanks to expanded risk management focusing on key controls, the IDH external auditor indicated that IDH maintained the same overall maturity level of internal controls as in 2018, positioning IDH at the high end compared to our peers. For the 11th consecutive year IDH's Annual Accounts received unqualified positive audit opinion. We elaborated policies and controls to manage emerging risks related to (data) fraud, safeguarding and other integrity issues in our chain of partners. We supported our Indonesian sister organization in further strengthening its financial management capacity and internal controls.

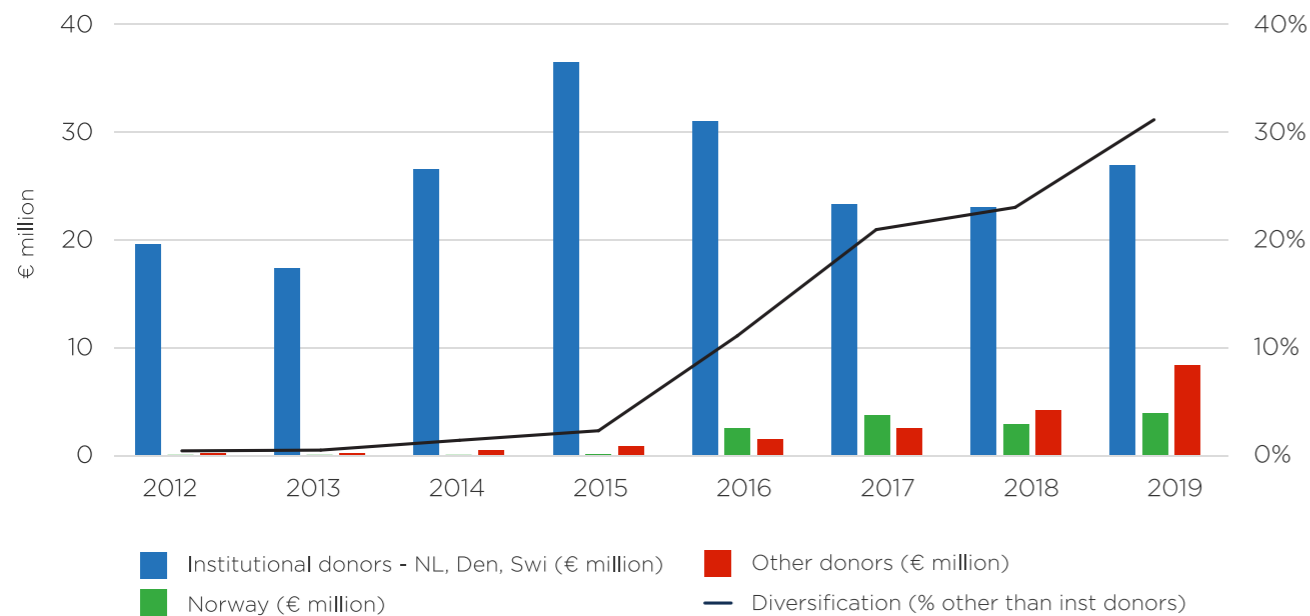
International partnerships and fundraising

Diversification and deepening of our funding base beyond our core donors is a good indicator of the meaningful work we've done and the ambition that we have. Our fundraising structure reflects the broad base of the partners we engage with through our commodity and landscape programs, ranging from private sector to (local) governments and civil society organizations. The newly developed 2021-2025 strategy translates this into ambitious fundraising, co-finance and investment targets. Our fundraising capacity has been professionalized through capacity building, strategy development and increased focus.

In 2019, we consolidated our existing donor base with new supporters – such as the IKEA Foundation for a coffee program in Kenya and Uganda, GEF for our Land Degradation Neutrality Technical Assistance Facility, and the C&A Foundation for the Better Cotton Global Investment Fund. In 2019, the Dutch government issued a €50 million redeemable grant to the IDH Farmfit Fund, while Jacobs Douwe Egberts and Unilever each invested €10 million in the form of senior loans. Rabobank and Mondelēz have committed to join in the first half of 2020. Our growing and maturing presence in Africa, Asia and Latin America strengthens our fundraising and partnerships capacity, and confirms IDH as a trusted and reliable partner. Engagement in partnerships was reflected in our organization of the Creating Green Value conference in Copenhagen in November 2019, where we brought together governments, the private sector and civil society around topics like value chain development in Africa, sustainable textiles, and sustainably sourced palm oil.



The mid-term impact evaluation has shown that we are on track to deliver impact by the end of our 2016-2020 strategy. This sends a strong signal to direct our energy towards the 2021-2025 strategy with our current core donors, the Dutch, Danish and Swiss governments and dedicated program donors as the cornerstone for IDH to drive systemic market transformation through meaningful partnerships.



Financials

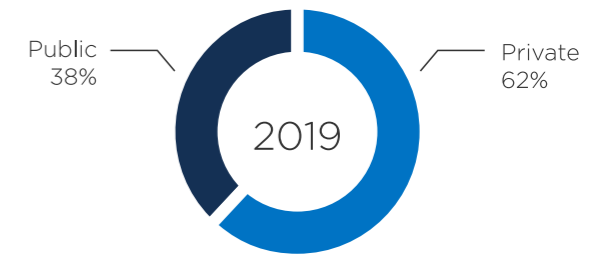
Overall program contribution was in line with budget and significantly higher than last year. We delivered on the bulk of our programs according to planning while pluses and minuses balanced out and are confident to demonstrate proof of concept in accordance to our donor commitments by end of 2020.

In 2019 we continued to leverage our publicly financed budgets with almost twice as much private sector funding through our projects. A little lower than previous year, mainly as a result of the start-up of Farmfit Business Support, for which in its first year versus IDH funding large € 2.8 million, the private sector funding only contributed for € 0.1 million. We expect the startup costs and first investments of Farmfit Business Support in SDM analyzes to be an incentive for companies to invest in improving their SDMs. Ultimately making SDMs bankable and drastically increasing the IDH versus private sector investment ratio. This was demonstrated with the blueprint case of Neuman Kaffee Gruppe in which ABN AMRO, Rabobank and BNP Paribas created a USD 25 million revolving credit facility, underpinned by a first lost guarantee of maximum EUR 2.5 million by IDH and a second loss guarantee from USAID.

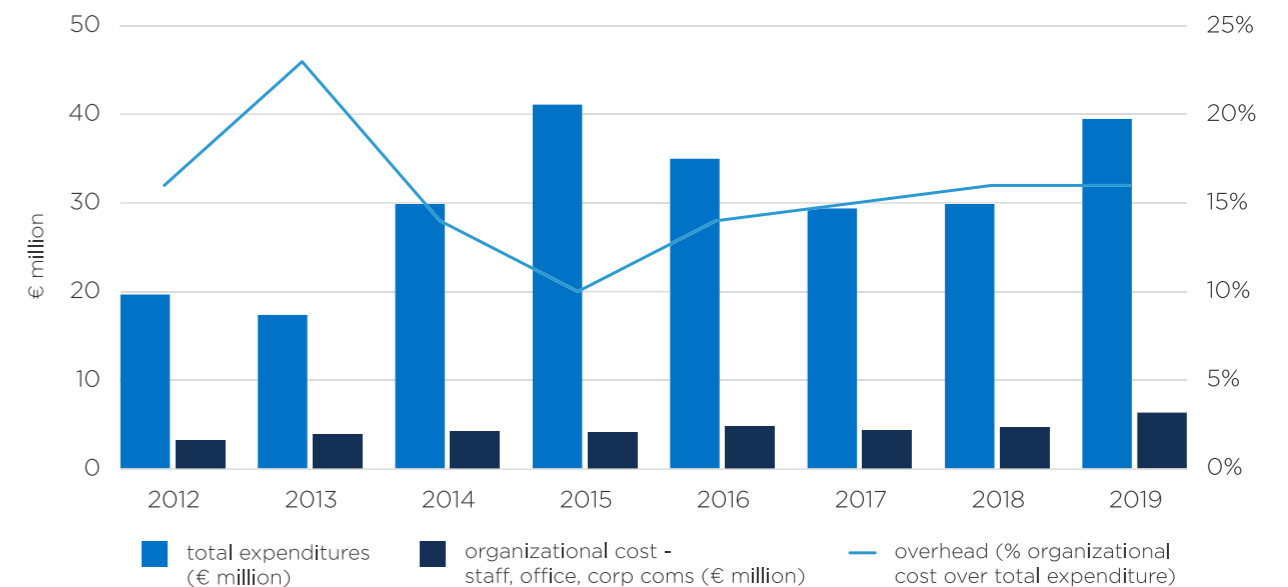
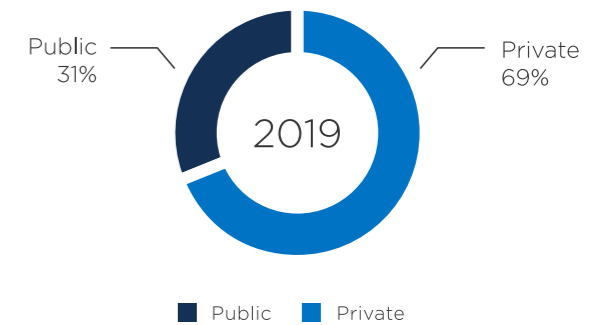
These private sector investments into our projects are audited. Public-private funding ratio's vary per project, depending on the degree of convergence between the public good and the private interest, and how much market finance can be leveraged in the case of innovative finance projects.

As the graph below indicates we managed to keep our organizational costs in par with our program spending, resulting in a similar overhead ratio as last year. We have safeguarded that the core donors do not subsidize costs related to programs we implement with other funders, through full cost-recovery models.

IDH OVERALL PUBLIC TO PRIVATE CONTRIBUTION RATIO



IDH COMMODITY PROGRAMS PUBLIC TO PRIVATE RATIO





In accordance with the grant from the Ministry of Foreign Affairs, IDH has not created a provision for continuity. To flag the related risk, IDH reports to the Ministry of Foreign Affairs on an annual basis its liabilities regarding personnel and short-term liabilities when ending the grant. This should safeguard future liabilities that might result from IDH not being allowed to form equity. Consequently, solvency is not a relevant financial KPI for IDH. Based on contracts with institutional donors, cash flow is secured and aligned with expenditures. Total donor funding unspent yet secured is € 118 mln. At year-end 2019, the current ratio (current assets: short-term liabilities excluding appropriated funds) was 4.0 (2018: 3.6). As a result of the consolidation of the Stichting Life and Building Safety Initiative, IDH Investment Management BV and IDH Farmfit Fund BV, the consolidated IDH result in 2019 was -/€ 464k (2018: +/- € 139k).

The negative result of the IDH Farmfit Fund ("Fund") consists of formation expenditures for the establishment of the Fund and the operational expenditures in 2019. The formation and operational expenditures in 2019 are not yet covered by income generated through the investments that the Fund will make. The cash flow required for the Fund's expenditures, not yet covered

by income generated from the investments, is covered through the facility agreements the Fund has with its corporate investors and the redeemable grant ruling issued by the Dutch Ministry of Foreign Affairs. The result of IDH (before share in profit/loss of participations) itself was nil, like in 2018, due to the fact that income is matched with expenditures during the year. As in previous year for 2019, the auditor has expressed an unqualified audit opinion on the 2019 financial statements.



CORPORATE KPIs 2019

KPI	Target 2019	Delivery
Delivery of 2016-2020 program implementation on track	<ul style="list-style-type: none"> 65% of POCs on track 90% of 2016-2020 budget allocation contracted Farmfit Business Support delivering SDMs Farmfit Fund operational 	<ul style="list-style-type: none"> 65% of our POCs are on track and 72% of our allocated budget is contracted Farmfit Business Support is delivering SDMs and the Farmfit Fund is operational
Safeguarding of local delivery on current strategy	<ul style="list-style-type: none"> Five legal entities established with solid basic internal control procedures and processes: Brazil, Ethiopia, Kenya, Rwanda and Côte d'Ivoire TBD Entities that were established before 2019 move to next internal control maturity level fit for fund management: Indonesia, Vietnam, Liberia, United Kingdom Strategic partnerships with key implementing partners 	<ul style="list-style-type: none"> In 2019, we registered offices in Rwanda and Ethiopia, and incorporated a legal entity in Kenya We are working with the country teams towards the next level of maturity, depending on the IDH strategy in each respective country Strategic partnerships with key partners are on track
Ensuring of staff capacity	<ul style="list-style-type: none"> Salary and reward benchmark executed and adjusted where needed (in service of maintaining attractive employer status) Training staff involved on business support and investment Onboarding of new staff by implementing an improved induction program Staff training program (including e-learning and webinars) on vital processes: project management, cyber security, integrity 	<ul style="list-style-type: none"> Job descriptions needed more detail and alignment before moving to the next phase. Stakeholders throughout the entire global organization were involved to gain commitment, meaning we are now ready to move to the next stage Staff training focused more on individual training (such as people management skills) and content, also involving business support The outline of the onboarding has been finalized; the next step for the global team is to integrate the onboarding into a learning management system. A mandatory cyber security training program was followed by all employees

KPI	Target 2019	Delivery
Effective structures, procedures and controls	<ul style="list-style-type: none"> IDH Farmfit Fund effectively incorporated as an integral part of IDH for maximum impact, structured and governed to meet the needs of investors, without liabilities to IDH grant donors IDH technical assistance roles to various funds effectively integrated into IDH (mutual benefit, no conflict of interest) Management team adjusted for better integration of IDH approaches and processes throughout the organization Liabilities and fiscal risk well managed through structure that enables service contracts from companies and funders Easy access to internal policies through one portal Anchor the increased maturity on internal control, by periodic reviewing and reporting on its effectiveness and rollout of the control framework to country offices 	<ul style="list-style-type: none"> The Farmfit Fund was incorporated as an integral part of IDH, taking care to not add additional liabilities to IDH grant donors The technical assistance roles of IDH are effectively integrated into IDH, while preventing any conflicts of interest IDH restructured its programs into five business units led by global directors. Together with the Executive Board, these global directors form the management team for strong focus on delivery and integration of IDH approaches and processes in the organization IDH has incorporated a for-profit entity in Kenya to facilitate service contracts from companies in light of the execution of the SDM analyses. The need to add another structure for IDH Netherlands will be assessed in 2020 IDH uses ShareFile, accessible to all IDH staff, for storing relevant policies and procedures IDH maintained its level of internal control. Relevant policies were implemented in the Indonesia office in light of the rollout of the control framework
Effective fundraising	<ul style="list-style-type: none"> Effective, strategic approach to fundraising to meet 2021 funding target (€35 million), through focus on next phase with current funders, selected commodities and landscape donors, plus selected local fundraising (Indonesia, Vietnam, India) Dedicated staffing to support fundraising from Operations (Finance, Legal) 	<ul style="list-style-type: none"> The proposal for 2021-2025 was submitted for review, building on the suggestions by the core donors Prospective core donors have been identified and engaged Fundraising capacity, dedicated to business units, has been created for landscapes and fresh & ingredients

CORPORATE KPIs 2019

KPI	Target 2019	Delivery
Learning and innovation that supports future market uptake of POCs, improving quality, and building strong value propositions for future funding	<ul style="list-style-type: none"> M&E (including mid-term evaluation by WUR/KPMG) helps steer towards impact and generates track record data, including results of convening IDH core innovations systematized into clear value propositions and business cases POCs that have the best chance for future market uptake identified and improved 	<ul style="list-style-type: none"> Mid-term evaluation was conducted by KPMG The quality of the projects and programs was improved by strengthening the logic framework, measurement framework and M&E plan, indicator definition and target setting. IDH organizational impact measurement was strengthened by leading the development of the corporate multi-year strategy (2021-2025) Project and program learning were collected and disseminated through program and organizational evaluations
Learning and innovation that further professionalizes its knowledge sharing, both internally and externally, through the setup of interactive platforms (initially a platform on service delivery models)	<ul style="list-style-type: none"> Web-based platform with online tools, insights and exchange between practitioners is up and running for service delivery models Internal knowledge repository is tested for landscapes and, if successful, will form the basis for an organization-wide knowledge platform Events and publications reach stakeholders with effect of learnings 	<ul style="list-style-type: none"> The web-based platform was launched in November 2019 and is available at www.farmfitintelligence.org An internal knowledge repository has been set up in the landscapes program. It has proven to be a valuable tool for alignment. New members joining programs have greatly benefited from having access to the knowledge repository. Unfortunately, the uptake beyond onboarding purposes (e.g. for regular knowledge exchange) has been low and, as such, the current repository will be taken down in 2020. Lessons learned from this pilot will be taken on board as new internal knowledge platforms are being set up Numerous online and offline events were organized, while reports, tools and other learning documents were shared with stakeholders. For more information on specific events and publications, see the impact chapters
Communication of fundraising and scalability of POCs	<ul style="list-style-type: none"> IDH value propositions and track record clear to prospective funders Market uptake of POCs that have most potential promoted Tailored communications to groups of stakeholders, focusing on our USPs 	<ul style="list-style-type: none"> The 2021-2025 strategy is central in approaching prospective funders, complemented by the mid-term impact evaluation. The expanding donor base (program funding) proves our ability to deliver impact in line with value chain-driven solutions. Promising POCs are well communicated to business stakeholders

Risk management

Risk management is an integral part of IDH's internal control system, and provides input into our decision-making process by identifying (potential) risks and measures to mitigate them. IDH risk management is currently performed at corporate, project and partner level.

In 2020, we will work to further improve our risk framework, and will organize risk sessions to identify risks at business-unit level. Risk analysis and planned mitigation measures are continuously updated based on ongoing new insights, testing of these measures, or materialization of specific risks.

Anticipated risks	Probability	Impact	Occurrence in 2019	Mitigating actions undertaken
Preventable risks				
The rapid growth and decentralization of IDH may lead to inefficiency, non-compliance with procedures and legal/donor requirements, damaging our reputation.	Medium	High	No	Growth of the organization continued in 2019. However, relevant mitigation measures were taken to ensure proper onboarding and training of staff so that the procedures and donor requirements were still met.
IDH is not allowed to build a continuity reserve from the current institutional funding. Continuity for IDH to carry out its mission and vision for 2030 is at risk if institutional donors choose not to continue their funding after 2020. This also impacts IDH's ability to offer long term contracts to its staff and to retain talents. Financial risk on staff and rent expenditures, estimated to be 2.5 million EUR in 2019, as per annual reporting to Dutch MFA in October 2019 (the program-related commitments include a clause to retain the right to terminate financial commitment in case institutional funding materially changes or is terminated).	Medium	High	No	Due to COVID-19, the contracting process of IDH's core funding is delayed in 2020. Please also refer to the outlook 2020. We minimized financial commitments relating to current institutional funding beyond 2020 and, where possible, retained the right to terminate financial commitments if current institutional funding materially changes or is terminated. We report annually to the Dutch MFA our non-program related commitments. IDH will restart conversations with donors to assess the possibility of a continuity reserve, as part of our 2021-2025 strategy.
The need to secure funds beyond 2020 to enable IDH to carry out its mission and vision for 2030 may result in unfocused fundraising that burdens the organization and blurs its value proposition.	Medium	Medium	No	The management team was established to ensure delivery of IDH's strategy and to continue discussing the balance between the future strategy and delivery of the current strategy. Furthermore, a fundraising guidance document was developed, and all employees were trained on the fundraising plan to ensure strategic choices on fundraising are made.
Labor market not in our favor, making IDH unable to attract competent staff in relevant fields (finance, data, senior management), leading to IDH being unable to deliver sufficiently and in compliance with donors.	Medium	Medium	No	IDH has been able to attract competent staff; however, in some cases the recruitment process took longer than anticipated. IDH hired a recruiter to improve and strengthen the recruitment process. Recruitment processes were outsourced in circumstances where we were unable to recruit qualified staff ourselves.

Anticipated risks	Probability	Impact	Occurrence in 2019	Mitigating actions undertaken
Strategic risks				
Cyber security breach through criminals penetrating IDH data, financial records and management systems leads to liability in terms of (confidential) data protection and/or financial losses. Financial risk on all expenditures.	Medium	High	No	IDH raised awareness of the risk of cyber security breaches, through conducting cyber security training and testing for all staff. An external IT audit was conducted.
Unpredictable, diverse, multi-donor funded portfolio requires decentralization, which leads to managerial challenges in terms of organizational development.	High	Medium	No	IDH developed a 2021-2025 strategy, giving guidance to staff and management on the focus of the next five years.
The establishment of the Farmfit Fund under IDH may lead to: <ol style="list-style-type: none"> Liabilities towards investors and investees; Reputational risk in case of negative consequences; Exposure to IDH's other activities; Exposure of investors and investees to state aid and market distortion complaints; Conflict of interest with external funds where IDH plays role of technical assistance provider. 	Medium	High	No	These risks were mitigated when the fund was incorporated, supported by specialized (legal) advisors. IDH drafted a conflict of interest policy to avoid issues with the various technical assistance roles IDH plays.
External risks				
Sudden undesirable political decisions, changes in legislation and unreliable governments in the countries in which IDH operates require IDH's approach to be revised, affecting our ability to deliver on the targets set.	Medium	High	Yes	Political and civil unrest in some of the countries we operate in led to delays in implementation. As far as possible, we aligned key milestones for program implementation with upcoming elections and governmental changes to reduce the impact of changes that can be foreseen.
The volatility of the commodity market prices and sudden inflation or deflation may affect IDH's approach or cause IDH's business partners to be unable to participate, resulting in the need to revise our intervention or targets.	Low	Medium	Yes	<p>All agreements that IDH enters into include sufficient exit clauses in case significant changes occur that may affect the targets and activities planned.</p> <p>For tea, we have made the annual living wage target for buyers less mandatory, as producers were not selling any tea due to oversupply in the global market. With Oxfam, IDH has sent out a letter to the Malawi Tea 2020 consortium explaining the urgency for buyers to close contracts and, where possible, include the living wage targets.</p> <p>For coffee, we have set up a Taskforce for Living Income in response to the global price crisis in coffee. IDH convened roasters, traders, retailers and NGOs to organize a proactive, fact-based, transformative dialogue to address the issue of large living income gaps. IDH published a report with recommendations in early 2020.</p>



Outlook 2020

Assessing the impact of COVID-19: building to be better and more resilient

During the process of writing this annual report, the COVID-19 crisis loomed large across the globe. At the time of finalizing the report, we do not yet see an end to it. In emerging economies especially, and in Africa and Latin America in particular, lock-down measures have and will continue to have severe social and economic consequences. In terms of the impact on IDH's activities, we do not yet have a fully clear picture.

However, we do see positive mitigating business initiatives emerging, and we applaud the EU for ring-fencing their development aid budgets for Africa. The COVID-19 crisis has revealed that there is an urgent need in Africa for shorter, local value chains that can supply fast-growing African cities with food and food products and that (smallholder) farmers need in order to become resilient against price and demand fluctuations through diversification. European companies – with their purchasing power, investment capacity, and supply chain networks – can play a pivotal role in creating this transformation together with (local) governments, banks and CSO networks on the ground.

For IDH, the main risks relate to delays in our field work, as our implementing partners can currently not implement all activities due to travel restrictions. Another risk is that some of our partners may be focusing on maintaining their business, instead of continuing their sustainability efforts.

On our funding/income side, the main risk is that our core donors may amend their funding to IDH: our current contract/grant ends in December 2020, and discussions about grant extensions / renewal have been delayed due to COVID-19, since governments have to revisit their budgets in the context of COVID-19. Our core funding is contracted until the end of 2020, and our level of underspending provides a buffer against potential grant reductions in 2020. For 2021, we expect to see a reduction in our core funding, which would mainly impact our programs, and require us to set priorities to protect our most important activities.

These risks remain very uncertain and subject to change, however IDH is actively working to mitigate them much as possible, through a close and constant dialogue with our core donors, cost control measures and scenario planning. Considering the high level of uncertainty regarding our core funding, a material uncertainty which may cause significant doubt on IDHs' ability to continue as a going concern exists. Based on the status of our discussions with our main donor, the Dutch MFA/DDE, and the conclusion of our scenario planning, we are positive on the outcome of our discussions: the Executive Board believes that IDH can continue a going concern basis, and the financial statements have been prepared on the going concern assumption. We are positive about the future and IDH's continuity at this stage, and have mitigation actions underway to minimize the disruption for our organization.

As the Corona-crisis could not have been foreseen at the end of the reporting period, the respective implications, if any, have not been reflected in the financial statements as at 31 December 2019. Considering the high level of uncertainty regarding the implications of the Corona-crisis and further developments of this crisis going forward, we are not able to precisely estimate the future impact on the foundation at this stage. IDH aims to secure its core funding for the coming years in the summer of 2020, to allow us to continue business in the coming years.

As much as circumstances allow, IDH will therefore continue its convening, co-financing and innovation work in agri-commodities and value chain development in Africa. We also aim to bring commercial investments into supply chains through five IDH Farmfit Fund deals in 2020. Farmfit Business Support will provide important building blocks for these investment deals, piloting agri-technology solutions and digital models to provide services to producers (rather than manual and personal data distribution and aggregation). Where possible, we hope to see online services bring greater

smallholder knowledge and better service distribution, while digitizing farm-level information. Financial institutions and fintechs can partner with such agri-technology providers and launch a wider set of affordable financial services for smallholder families, leveraging digital technology to mitigate risk and viably serve rural areas and smallholder families.

Another dimension of our business-driven sustainability solutions is the further development of the Verified Sourcing Areas concept, connecting landscapes with international sustainable market demand. Furthermore, and despite the challenging circumstances, we will expand our living wages and living income programs beyond our current focus countries into more East African and Latin American countries. Having convened retailers in the Netherlands, Germany and Belgium around a living wage agenda for bananas, and living income in coffee and cocoa, we aim to expand this coalition and bolster the impact of the relevant sustainability standards on living wages and living incomes in multiple commodities.

Although we will continue to be agile and adhere to the challenging circumstances, at this point it is hard to visualize what impact COVID-19 will have, and how that is going to affect our delivery of two-thirds of our impact claims, and the contracting of 90% of our 2016-2020 budget allocation. We will keep you updated and provide a full overview of the consequences as soon as soon as we can.

Finally, we want to applaud our staff for being so agile and flexible and keeping up a high spirit working from home and online under these difficult circumstances. The COVID-19 crisis only makes IDH's mission even more relevant, and we are confident that, thanks to our people, our innovations and our partners, we will continue to play a key role in catalyzing sustainable solutions for business impact.

Joost Oorthuizen
Céline Bouquet
Executive Board,
May 2020



Summary financial statements

The summary financial statements contain a summary of the annual accounts of Stichting IDH Sustainable Trade Initiative. Goal of the summary financial statements is to provide insight in IDH's financials on an aggregated level. The auditor's report at the end of this section ensures consistency with IDH's annual accounts. IDH's annual accounts are available on request. Both the annual accounts and this summary financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on those financial statements. The summary financial statements do not contain all the disclosures required by the Guideline for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board. Reading the summary financial statements therefore is not a substitute for reading the audited financial statements of Stichting IDH Sustainable Trade Initiative.

The following table indicates the key financial figures over 2019 and 2018.

Amounts in millions of Euros	Actual 2019	Actual 2018
Program Contributions:		
Private partners - via IDH	1.73	1.49
Private partners - directly to project	44.43	35.87
Total private partners	46.16	37.36
Other donors - via IDH	0.19	0.35
Other donors - directly to project	5.44	1.69
Total other donors	5.63	2.04
IDH	28.60	19.71
Total Program Contributions	80.39	59.11
IDH Expenditures:		
IDH Program Contributions	28.60	19.71
IDH contribution on behalf of private partners	1.73	1.49
IDH contribution on behalf of other donors	0.19	0.35
Total IDH Program Contributions	30.52	21.55
Learning, Innovation and Impact	1.66	2.47
Support and outreach	0.93	1.07
Total Program Related Costs	2.59	3.54
Congress and communication	0.36	0.61
Personnel	4.37	2.99
Organization	1.56	1.13
Total IDH organizational expenditures	6.29	4.73
Financial income & expenses and taxes	-0.02	-0.06
Total Fin income/expenses	-0.02	-0.06
Total IDH Expenditures (incl. contributions via IDH)	39.37	29.76
Total incl. Partner Contributions	89.2	67.3
Ratio program contributions IDH: private	1:1.6	1:1.9
Percentage IDH organizational Expenditures: Total IDH	16.0%	15.9%
Percentage IDH organizational Expenditures: Total incl. Partner contributions	7.0%	7.0%

Consolidated balance sheet

As at 31 December 2019 (after appropriation of result).

	31 December 2019		31 December 2018	
	€	€	€	€
ASSETS:				
<i>Intangible Fixed Assets</i>		54,744		86,355
<i>Tangible Fixed Assets</i>		116,172		105,026
<i>Current Assets</i>		36,562,336		25,120,004
Accounts receivable	821,220		894,831	
Deferred program contributions	4,531,061		3,038,996	
Other receivables and prepaid expenses	2,738,571		913,132	
Cash at bank	28,471,484		20,273,045	
TOTAL ASSETS		36,733,253		25,311,385
LIABILITIES & EQUITY:				
Equity		-324,918		139,484
Other Reserve LABS	126,088		139,484	
Other Reserve IDH Investment Management BV	109,261		-	
Other Reserve IDH Farmit Fund BV	-560,267		-	
Other Reserve Farmfit Guarantee Facility BV	-		-	
Other Reserve IDH	-		-	
<i>Long-term liabilities</i>		5,027,700		-
Profit sharing loan	500,000		-	
Redeemable grant	4,527,700		-	
<i>Short-term liabilities</i>				
Appropriated funds		22,942,792		18,148,325
Institutional funding	10,349,082		7,359,825	
Earmarked funds	12,593,710		10,788,500	
Trade and other payables		9,087,678		7,023,576
Accounts payable	3,601,697		2,566,843	
Accrued expenses	190,447		115,192	
Program commitments	3,664,022		3,471,490	
Program payables	365,980		358,323	
Other liabilities	1,265,533		511,728	
TOTAL LIABILITIES & EQUITY		36,733,253		25,311,385

Consolidated statement of income and expenditure

	Actuals 2019	Budget 2019	Actuals 2018
	€	€	€
INCOME:			
Subsidies from governments	35,110,700	38,024,000	27,236,741
Other income	3,798,586	1,600,000	2,664,584
<i>Total income</i>	<i>38,909,286</i>	<i>39,624,000</i>	<i>29,901,325</i>
EXPENDITURES:			
Program Contributions	30,517,662	31,120,000	21,552,093
Learning and Innovation	1,366,242	1,820,000	2,198,641
Impact assessments and evaluations	294,001	130,000	274,469
Programs - travel and other program costs	542,188	600,000	722,421
Programs - country offices	356,134	495,000	341,093
Outreach - external advisory	30,463	30,000	6,770
<i>Total program expenditures</i>	<i>33,106,692</i>	<i>34,195,000</i>	<i>25,095,487</i>
Program communication costs	13,539	150,000	283,341
Corporate communication costs	342,063	325,000	324,457
Wages and salaries	5,300,385	5,245,000	3,897,205
Social security charges	757,673	732,000	541,662
Pension contribution (defined contribution)	398,827	377,000	284,523
Other personnel costs	960,598	598,000	470,670
Attribution of personnel costs to programs	-3,046,833	-3,392,000	-2,203,056
Office costs (housing and IT)	889,496	803,000	666,998
Other organization costs	674,683	566,000	458,380
<i>Total organizational expenditures</i>	<i>6,290,431</i>	<i>5,404,000</i>	<i>4,724,180</i>
<i>Operating result</i>	<i>-487,837</i>	<i>25,000</i>	<i>81,658</i>
Interest income	-1,932	-	-634
Foreign exchange result	-78,303	-	-82,352
Bank charges	31,171	25,000	25,161
Result before taxation	-438,772	-	139,483
Corporate Income Tax IDH Investment Management BV	25,629	-	-
Result after taxation	-464,402	-	139,483

Program Contributions 2019

Sector	2019				2019
	TOTAL	IDH	PRIVATE managed by IDH	OTHER managed by IDH	Annual Plan
Apparel	1,510,274	644,505	751,248	114,520	2,000,000
Aquaculture	1,087,063	990,377	96,686	-	1,000,000
Cocoa	2,682,538	2,603,541	42,943	36,055	2,950,000
Coffee	1,850,540	1,850,540	-	-	1,400,000
Cotton	2,638,075	2,638,075	-	-	3,200,000
Farmfit	2,831,352	2,831,352	-	-	-
Fresh & Ingredients *	3,189,799	2,903,611	286,188	-	3,400,000
Grow Africa (Cassava)	698,452	689,734	-	8,718	1,500,000
Landscapes	9,568,091	9,086,269	455,399	26,423	11,770,000
Innovative Finance	659,741	659,741	-	-	500,000
Palm Oil	563,980	563,980	-	-	500,000
Soy	583,982	583,982	-	-	400,000
Tea	2,219,517	2,120,805	98,712	-	2,000,000
Tropical Timber	434,257	434,257	-	-	500,000
Total programs	30,517,661	28,600,769	1,731,176	185,716	31,120,000

* In Fresh & Ingredients the following programs are included:
Fruit & Vegetables, Flowers & Plants, Cashew, Spices

Program Contributions 2008 - 2019

Sector	2008 - 2019			
	TOTAL	IDH TOTAL	PRIVATE TOTAL	OTHER TOTAL
Apparel	10,459,755	2,571,774	6,925,456	962,525
Aquaculture	31,965,925	7,924,934	21,524,219	2,516,772
Cocoa	108,285,563	26,780,715	68,336,635	13,168,212
Coffee	67,736,074	20,591,483	44,605,916	2,538,675
Cotton	104,947,613	25,075,667	68,869,413	11,002,533
Electronics	13,825,947	2,036,411	11,789,535	-
Farmfit	3,370,568	3,250,568	120,000	-
Fresh & Ingredients	41,022,894	16,363,555	22,785,692	1,873,647
Grow Africa (Cassava)	3,250,157	2,999,314	215,691	35,152
Landscapes	50,324,026	31,996,800	13,931,482	4,395,744
Innovative Finance	1,375,744	1,135,475	48,370	191,899
Mining & Minerals	903,979	422,532	481,447	-
Natural Stone	1,528,379	762,354	591,714	174,311
Palm Oil	12,281,546	3,551,975	8,715,325	14,246
Pulp & Paper	882,573	790,030	46,961	45,582
Soy	39,972,874	11,967,118	27,763,131	242,625
Tea	48,180,484	16,624,594	28,427,297	3,128,593
Tourism	2,524,083	794,720	1,560,023	169,340
Tropical Timber	31,311,805	12,991,435	13,239,900	5,080,470
Subtotal programs	574,149,989	188,631,455	339,978,209	45,540,326
Learning	11,112,757	10,164,622	199,148	748,987
Comm. & Congress	5,031,089	3,865,594	1,072,382	93,113
Total	590,293,836	202,661,671	341,249,739	46,382,426

Accounting Principles

General

Principal activities

IDH – the Sustainable Trade Initiative (CC reg. 53521129), is a foundation under Dutch law, and has its legal address at Arthur van Schendelstraat 500 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 and in accordance with relevant laws and regulations as stipulated in the audit protocol of the Dutch Ministry of Foreign Affairs. These guidelines are endorsed by the core donors of IDH. 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.

For the 2019 valuation of the Redeemable grant and the Profit Sharing Loan of the consolidated company IDH Farmfit Fund B.V., IDH deviates from the Dutch Accounting Standards. For further explanation of this deviation see notes 8 and 9 of the consolidated statements.

Law on the financial remuneration of senior executives in the public and semi-public sector (“Wet normering bezoldiging toefunctionarissen publieke en semipublieke sector (WNT)”)

The organization complies with the formal policy of the rules of the WNT (“Beleidsregel toepassing WNT”) and uses this Policy as a guideline throughout these financial statements.

Going concern

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

In accordance with the grant from the Ministry of Foreign Affairs, IDH has not created a provision for continuity. To flag the related risk, IDH reports to the Ministry of Foreign Affairs on an annual base its liabilities regarding personnel and short-term liabilities when ending the grant.

Material uncertainty related to going concern

The impact of the outbreak of the Coronavirus resulted in an uncertainty related to going concern. Refer to the subsequent events as included for specific details.

Consolidation

The consolidation includes the financial information of Stichting IDH Sustainable Trade Initiative and other entities in which it exercises control or whose central management it conducts.

Other entities in which Stichting IDH Sustainable Trade Initiative exercises control or whose central management it conducts are consolidated in full.

Intercompany transactions, profits and balances among consolidated entities are eliminated, unless these results are realised through transactions with third parties. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

The consolidated companies are listed below:

- **Stichting Life and Building Safety initiative, Utrecht, the Netherlands (100%)**

The objectives of the Stichting Life and Building Safety initiative (LABS) are expending a scalable cooperation approach focusing on structural electrical, fire safety and evacuation that brings about a tangible improvement, with neutral and independent organization and governance.

The Board consists of a number of Board members determined by Stichting IDH Sustainable Trade Initiative.

- **IDH Sustainable Trade Initiative UK Limited, the Netherlands (100%)**

The objectives of IDH Sustainable Trade Initiative UK are to promote sustainability in the main international trade chains and to reinforce public-private consortiums that operate in 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.

- **IDH Investment Management B.V., Utrecht, the Netherlands (100%)**

The objectives of IDH Investment Management B.V. are:

- to act as fund manager as well as statutory board member of the IDH Farmfit Fund B.V., the Farmfit Guarantee Facility B.V. or one or more other companies or investment undertakings;
- to incorporate, manage, supervise of, and participate or take any other financial interest in (other) legal entities, partnerships and/or enterprises;
- to render administrative, technical, financial, economic or managerial service to (other) legal entities, partnership, persons and/or enterprises.

The Executive Board of IDH Investment Management B.V. consists of one or more board members and are appointed or dismissed by the shareholder Stichting IDH Sustainable Trade Initiative. The Supervisory Board of IDH Investment Management B.V. consists of a number of members and are appointed or dismissed by the shareholder Stichting IDH Sustainable Trade Initiative.

- **IDH Farmfit Fund B.V., Utrecht, the Netherlands (100%)**

The objectives of IDH Farmfit Fund B.V. are:

- to provide finance in the form of, predominantly, junior loans and guarantees to eligible parties in smallholder farming and related services and financing sector in developing countries placed on the list of countries receiving official development assistance, compiled by the Development Assistance Committee of the Organisation for Economic Co-operation and Development with the ultimate objective to, by blending public sector funding with private sector investments, improve the livelihood of farmers in developing countries;
- to incorporate, supervise, conduct the management in (other) legal entities, partnerships and/or enterprises;
- to render administrative, technical, financial, economic or managerial service to (other) legal entities, partnership, persons and/or enterprises;

- to lend monies and to acquire, dispose of, manage and operate real property, personal property and other goods, including loans and securities.

The Fund derives its funding from the Dutch Ministry of Foreign Affairs as well as private sector.

The Executive Board consists of one or more board members and are appointed or dismissed by the shareholder Stichting IDH Sustainable Trade Initiative.

- **Farmfit Guarantee Facility B.V., Utrecht, the Netherlands (100%)**

The objectives of Farmfit Guarantee Facility B.V. are:

- to borrow or lend monies and to provide security or guarantee or otherwise warrant performance jointly and severally on behalf of others in favor of banks and other third parties acting as lenders in respect of loans provided by such lenders to borrowers that operate in the smallholder farming (and related services and financing) sector, in developing countries placed on the (OECD) DAC List of ODA Recipients;
- to incorporate, supervise, conduct the management in (other) legal entities, partnerships and/or enterprises;
- to render administrative, technical, financial, economic or managerial service to (other) legal entities, partnership, persons and/or enterprises;
- to acquire, dispose of, manage and operate real property, personal property and other goods, including loans and securities.

The Executive Board consists of one or more board members and are appointed or dismissed by the shareholder Stichting IDH Sustainable Trade Initiative.

Accounting policies

General

Unless stated otherwise, assets and liabilities are shown at nominal value.

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

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

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

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

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

Use of estimates

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

Transactions in foreign currencies

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

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

Financial instruments

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

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

Expenditure on development projects is capitalised as part of the production cost if it is likely from both a commercial and technical perspective that the project will be successful (i.e.: if it is likely that economic benefits will be realised) and the cost 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 are charged to the result in the period during which they are incurred.

Impairment

For (in)tangible 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 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).

Financial fixed assets

Participations over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence. The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied. If the valuation of a participation based on the net asset value is negative, it will be stated at nil. If and insofar as IDH can be held fully or partially liable for the debts of the participation, or has the firm intention of enabling the participation to settle its debts, a provision is recognised for this.

Newly acquired participations are initially recognised on the basis of the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis. The amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the net result achieved by the participation is recognised in the income statement.

Receivables

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

Equity

Equity LABS consists of the contributions received which are not yet used for the implementation of the project.

Equity of the companies IDH Farmfit Fund B.V., IDH Investment Management B.V. and Farmfit Guarantee Facility B.V. consists of the results for the reporting year, following the activities of the companies.

Profit sharing loan

IDH Farmfit Fund B.V. has attracted and will attract some additional corporate investors in the near future that either have made a commitment or are requested a commitment to the Fund. The corporate investors will make this commitment by providing 15 year profit sharing loans to the Fund in the form of a loan facility agreement.

Redeemable grant

The Dutch Ministry of Foreign Affairs is the anchor investor of IDH Farmfit Fund B.V. by providing a redeemable grant to the IDH Farmfit Fund.

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'.

Contingent liability

Contingent liabilities include possible obligations depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot be measured reliably.

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.

Other income

Other income consists of earmarked contributions from private and other donors. Other income is 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 earmarked income. Income 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. Co-funding is considered private when it comes from private sector companies that have their main source of income from the specific commodity supply chain or landscape of a program. All other funding from NGOs or governments is considered other funding. Based on the grant conditions of IDH's institutional donors this should be measured cumulative and over the entire grant period. IDH's convening role in bringing together supply chain partners 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.

Program expenditures

Program expenditures

IDH enters into conditional, multi-year contracts with its implementing and other public and private partners. These multi-year contracts are not recognized in the year in which they have been committed, but the annual commitment to the implementing partner is determined based on the (revised) approved annual budgets of the implementing partners taking into consideration the actual spending on the project. The annual commitment is recognized as program expenditure in the corresponding financial year. This accounting principle is derived from the fact that:

- The contracts include the provision that the parties (including IDH) reserve the right to terminate the agreement and/or the project with immediate effect and without the risk of incurring liability for damages or compensation, in the event IDHs institutional donors terminate or materially change their funding of IDH;
- Every year IDH will initiate an evaluation and assessment of the projects for the past year. IDH reserves the right to lower or quit its contribution when the implementing partner or other parties do not meet the predefined deadlines and/or goals;
- The program expenditures in the budget of IDH are recognized on this same accounting principle. The annual budget is discussed each year with and approved by IDHs institutional donors.

The remaining obligation based on the contracts held with the implementing partners is recognized under the off-balance sheet assets and liabilities. Once obligations to implementing partners or other parties cease to exist, they are released to the statement of income and expenditure in the same financial year and noticeably deducted from the program expenditures in the financial year.

Expenditures if IDH is liable on behalf of funders

Funding from other program partners received by IDH will be recognized as income in the statement of income and expenditure of the foundation, when IDH is contractually liable for the total financial commitment (the grant of the foundation and

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

Other

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

Employee benefits/pensions

Pension insurance

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

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

Leasing

The foundation may enter into financial and operating leases. A lease contract where the risks and rewards associated with ownership of the leased property are transferred substantially all to the lessee, is referred to as a financial lease. All other leases are classified as operating leases. In classifying leases, the economic reality of the transaction is decisive rather than its legal form. Stichting IDH Sustainable Trade Initiative has only entered into operating leases.

Operating leases

If the company acts as lessee in an operating lease, then the leased property is not capitalized. Lease payments regarding operating leases are charged to the profit and loss account on a straight-line basis over the lease period.

Taxes

IDH and LABS do not perform any entrepreneurial activities. The Dutch tax authorities have ruled that IDH and LABS are exempt from VAT and from Corporate Income Tax.

IDH Investment Management B.V. is registered as VAT entrepreneur. The financial statements of the companies IDH Farmfit Fund B.V., IDH Investment Management B.V. and Farmfit Guarantee Facility B.V. are reflecting the year of incorporation. The companies are looking into the possibilities to obtain a tax ruling from the Dutch Tax authorities and has engaged tax advise on this matter.

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.

Subsequent events

With the outbreak of the Coronavirus and preventive measures taken by governments, there is high economic uncertainty in the short-term and most likely in the long-term as well. For IDH, the main risks relate to delays in our field work, as our implementing partners can currently not implement all activities due to travel restrictions. Another risk is that some of our partners may be focusing on maintaining their business, instead of continuing their sustainability efforts.

On our funding/income side, the main risk is that our core donors may amend their funding to IDH: our current contract/grant ends in December 2020, and discussions about grant extensions / renewal have been delayed due to COVID-19, since governments have to revisit their budgets in the context of COVID-19. Our core funding is contracted until the end of 2020, and our level of underspending provides a buffer against potential grant reductions in 2020. For 2021, we expect to see a reduction in our core funding, which would mainly impact our programs, and require us to set priorities to protect our most important activities.

These risks remain very uncertain and subject to change, however IDH is actively working to mitigate them much as possible, through a close and constant dialogue with our core donors, cost control measures and scenario planning. Considering the high level of uncertainty regarding our core funding, a material uncertainty which may cause significant doubt on IDH's ability to continue as a going concern exists. Based on the status of our discussions with our main donor, the Dutch MFA/DDE, and the conclusion of our scenario planning, we are positive on the outcome of our discussions: the Executive Board believes that IDH can continue a going concern basis, and the financial statements have been prepared on the going concern assumption. We are positive about the future and IDH's continuity at this stage, and have mitigation actions underway to minimize the disruption for our organisation.

As the Corona-crisis could not have been foreseen at the end of the reporting period, the respective implications, if any, have not been reflected in the financial statements as at 31 December 2019. Considering the high level of uncertainty regarding the implications of the Corona-crisis and further developments of this crisis going forward, we are not able to precisely estimate the future impact on the foundation at this stage. IDH aims to secure its core funding for the coming years in the summer of 2020, to allow us to continue business in the coming years.



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 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, in which it is stated that the remuneration of the Executive Board does not exceed the remuneration of the Director-/General of International Cooperation.

As per 1 January 2015 the 'Wet normering bezoldiging topfunctionarissen WNT-2' came in to force to which IDH is fully compliant, including the transitional regulation of the WNT that is applicable till 1st January 2017. 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	S. Collet	C. Bouquet
Position	Chairman of the Executive Board	Member of the Executive Board	Member of the Executive Board
Former director	No	No	No
Employment agreement	Yes	Yes	Yes
Type	Indefinite period	Indefinite period	Indefinite period
Hours per week	36-40	40	40
Part time percentage	90% Jan -Jun 2019 100% Jul- Dec 2019	100%	100%
Period	Jan - Dec 2019	Jan - Aug 2019	Aug - Dec 2019
Salary, holiday and year end allowance	€ 140,381	€ 82,309	€ 48,746
Other allowances	€ 2,904	€ 1,405	€ 883
Pension and other insurances	€ 16,158	€ 7,520	€ 4,179
Total remuneration 2019	€ 159,443	€ 91,234	€ 53,808
Maximum Allowable WNT	€ 171,950	€ 120,667	€ 67,875
Total remuneration 2018	€ 149,149	€ 131,732	€ -

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

Name	Function	Appointed	Retired
Mr A.H.J. Veneman	Chair	7 September 2011	
Mr B. Marttin	Member	16 May 2012	
Mr C.P. Frutiger	Member	16 June 2015	1 October 2019
Ms. K.D. Schuijt	Member	23 February 2017	
Mr. I. Gavilan	Member	23 February 2017	
Mr. S.E. de Cleene	Member	1 June 2017	
Mr. L. Bolander	Member	27 November 2017	
Mr. R. Goldstein	Member	1 June 2018	

The Supervisory Board did not receive any remuneration.

Ancillary Positions

Executive Board

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

- Member of the Better Cotton Initiative Council
- Wageningen Ambassador for the Wageningen University
- Member of World Connectors
- Member of Board of Directors & Green Fund
- Executive Director Holding Company Energy Transition Funds Province of Zuid Holland
- Director of IDH Sustainable Trade Initiative UK Limited
- Member of the Board of Directors Stichting Life and Building Safety Initiative (LABS)
- Member of the Board of Directors IDH Sustainable Trade Initiative Kenya
- Chairman of the Supervisory Board IDH Investment Management B.V.

Mrs. C. Bouquet (appointed as a member of the Executive Board on 19 August 2019)

- Director of IDH Sustainable Trade Initiative UK Limited
- Member of Supervisory Board IDH Investment Management B.V.

Supervisory Board

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

- Corporate Director Sustainability at AkzoNobel (until July 1, 2019)
- Member of International Advisory Board of the Utrecht University
- Member of Dutch Supervisory Board Slum Dwellers International/ Human Cities Coalition
- Member of Committee on development and cooperation of the Advisory Council on International Affairs of Dutch Ministry of Foreign Affairs

Mr. S.E. de Cleene (appointed as a member of the Supervisory Board on 1 June 2017)

- Trustee of The Partnering Initiative

Mr. I. Gavilan (appointed as a member of the Supervisory Board on 23 February 2017)

- None

Ms. K.D. Schuijt (appointed as a member of the Supervisory Board on 23 February 2017)

- Member of the Supervisory Board of PWN drinkwater-bedrijf
- Member of the Advisory Board of Nederlands Instituut voor Onderzoek op Zee (NIOZ)

Mr. L. Bolander (appointed as a member of the Supervisory Board on 27 November 2017)

- Chairman of the board of Coop amba
- Member of the Board AP Pension fmba
- Member of the Board OK amba
- Chairman of the Board Travelmarket a/s
- Member of the Board Trap Danmark a/s
- Chairman of the Board Direct Gruppen a/s
- Chairman of the Board Spejder Sport a/s
- Member of the Board Einar Willumsen a/s
- Chairman of the Board Dagbladet Information a/s
- Chairman of the board of KHR Architecture a/s

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

- Member of the Board Rabobank New Zealand Ltd
- Member of the Board Rabobank Foundation
- Member of the Board Stichting Nieuwe Fondsen
- Member of the Board of Rabobank North America Board and Risk Committee

- Member of the Supervisory Board and Chairman of the Audit Committee of the Wageningen University (ended as if July 2019)
- Member of the Internationaal Strategisch Overleg (former Dutch Trade and Investment Board)
- Member of the Board of Trustees of Hanns R. Neumann Stiftung
- Member of the Supervisory Board of ARISE BV
- Vice-chairman of the Board of Directors American Chamber of Commerce

Mr. C.P. Frutiger* (appointed as a member of the Supervisory Board on 16 June 2015 till 30 September 2019)

- Global Head of Global Public Affairs at Nestlé S.A
- Member of the Swiss Government Advisory Commission on International Cooperation
- Board Member at Global Compact Network Switzerland
- Deputy Chair, Executive Board, Nestlé Nutrition Institute

***Mr. C.P. Frutiger resigned as Supervisory Board member per 30 September 2019. He also cancelled all other ancillary positions by that date.**

Mr. R. Goldstein (appointed as member of the Supervisory Board on 1 June 2018)

- Public Sector Industry leader, partner audit, PwC Netherlands

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. R. Goldstein

The impact committee:

The impact committee now consists of the following members:

- Prof. Dr. Peter Knorringa (Chairman of the impact committee) – Professor of Private Sector & Development, International Institute of Social Studies (ISS), Erasmus University Rotterdam
- Mr. Jan-Kees Vis – Global Director Sustainable Sourcing Development, Unilever

- Mr. I. Gavilan

- Ms. K.D. Schuijt

The nomination and remuneration committee:

- Mr. A.H.J. Veneman

REPORT OF THE INDEPENDENT AUDITOR

To: the Executive Board and the Supervisory Board of Stichting IDH Sustainable Trade Initiative

OUR OPINION

The summary financial statements 2019 of Stichting IDH Sustainable Trade Initiative, based in Utrecht is derived from the audited financial statements 2019 of Stichting IDH Sustainable Trade Initiative.

In our opinion the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements 2019 of Stichting IDH Sustainable Trade Initiative, on the basis described in the related explanatory notes.

The summary financial statements comprise:

1. the summary statement of the key financial figures over 2019 and 2018;
2. the following statements over 2019: the consolidated balance sheet, the consolidated statement of income and expenditures, program contributions 2019, program contributions 2008-2019;
3. the accounting principles;
4. Subsequent events;
5. Law on the financial remuneration of senior executives in the public and semi-public sector; and
6. annex - ancillary positions Executive Board and Supervisory Board.

SUMMARY FINANCIAL STATEMENTS

The summary financial statements do not contain all the disclosures required by the Guideline for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements of Stichting IDH Sustainable Trade and our auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on those financial statements of report dated 25 May 2020.

THE AUDITED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

We expressed an unqualified audit opinion on the audited financial statements 2019 of Stichting IDH Sustainable Trade Initiative in our auditor's report of 25 May 2020.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to the section "Subsequent events" in the summary financial statements on page 93 where management describes its assessment of the effects of the Corona Crisis and the effects for the going concern assessment on Stichting IDH Sustainable Trade Initiative, which indicates that Stichting IDH Sustainable Trade Initiative depends on the continuation of funding by its main donor.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about Stichting IDH Sustainable Trade Initiative's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

RESPONSIBILITIES OF THE EXECUTIVE BOARD AND SUPERVISORY BOARD FOR THE SUMMARY FINANCIAL STATEMENTS

The Executive board is responsible for the preparation of the summary financial statements on the basis as described in the related explanatory notes. The supervisory board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which we conducted in accordance with Dutch law, including the Dutch Standard 810 'Opdrachten om te rapporteren betreffende samengevatte financiële overzichten' (Engagements to report on summary financial statements).

Amsterdam, 25 May 2020

MAZARS N.V.

drs. R.C.H.M. Horsmans RA RV

