



the sustainable
trade initiative

2018

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New, inclusive business models
for shared value



The future of SUSTAINABLE TRADE

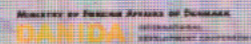
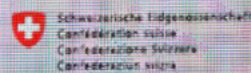
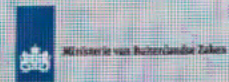
idh the sustainable
trade initiative

SPEAKER

Her Majesty Queen Máxima of the Netherlands

UN Secretary-General's Special Advocate
for Inclusive Finance for Development

Donors



Queen Máxima, in her capacity as the UN Secretary-General's Special Advocate for Inclusive Finance for Development at IDH's 10 Year Event:

“If the products of smallholder farmers so easily reach our tables, why is it so hard for us to reach their tables?”

Delivering transformative solutions for shared value

IDH leverages the power of the private sector to make progress on the Sustainable Development Goals. We help build innovative and inclusive business models that can be scaled up in the market.

As the world screams for solutions, IDH is pushing businesses to deliver, working closely with governments and civil society. In 2018, we carefully engaged in sectors when the market did not yet function, and we drove the private sector to serve the public good.

The power of our network and knowledge

It was clear at our [ten-year event](#) how far-reaching IDH has become, a convener on so many levels. For me, it was great to see all our stakeholders together. It makes me proud to be part of this movement towards positive change. This energy was captured well by [Queen Máxima](#), in her capacity as the UN Secretary-General's Special Advocate for Inclusive Finance for Development at the event when she said: "Ten years of growth, ten years of making a difference in its field, ten years of upscaling quality initiatives. The passion in IDH's work is contagious."

We've made great progress in linking international value chains to local landscapes, through [Verified Sourcing Areas](#). We launched the [Farmfit](#) methodology, which helps businesses make investments in their farmer engagement and sourcing models, with benefits to everyone. In both cases, we lead and own the methodology that we co-developed with our partners. Our deep understanding of the bottlenecks in value chains, coupled with the trust we've gained from the private sector, makes this possible.

Climate action

Looking beyond IDH, Greta Thunberg's speech on climate inaction to the UN at COP 24 really inspired me at the end of 2018. It was powerful in its shaming of world leaders. I hope it goes down in history as a game-changing intervention on climate change. I believe it's been a catalyst that's encouraged more people to pay attention. What we need now is to urgently rise to this immense challenge in collaborative transformation.

The power of working together will be key. Broad collaborations are needed to achieve global transitions. Convening such coalitions is key to IDH's approach; after ten years of clumsy solutions, we captured our insights in a book last year: [Collaborative Transformation](#). It's all about how to find a common way forward, rather than fight over our differences. This book distills our insights into five critical dimensions and gives examples from a range of industries: from cotton to tea to cocoa.



“The short-term and bottom-line focus of the private equity markets is worrying.”

Short-termism in capital markets

Although we are making progress, we need to move faster. We need more accountability in capital markets. Ten years ago, when IDH was founded, we saw CEOs of big companies wanting to become more sustainable. And that energy still exists. However, many of them feel limited by the short-term and bottom-line focus of the private equity markets. That is worrying. We need more front-running companies to build inclusive business models and ensure businesses are more responsible, not less. My hope is that the capital markets will accelerate a shift in their ethics. Otherwise it will be difficult to make the changes necessary to transform our economy.

The idea behind the [&Green Fund](#), that we set up in 2017, and now the [Farmfit Fund](#) as well, is to bring in money in ways that allow capital markets to do the right thing. We want to bend the investment behavior of capital investors. With &Green, we've made [an initial investment](#) in Indonesia, where you can see how a limited amount of funding can leverage larger funds. We hope to do the same with Farmfit: showing capital markets that smallholder value-chain investments are not as risky as they are perceived to be.

Living wages and income

We are making great progress towards the payment of [living wage](#) and living income. Both concepts we couldn't mention five years ago, and now they're becoming mainstream, with accepted definitions and ways forward. This is great news. I truly believe these concepts are going to be the new benchmark. By 2030, the SDGs could equate to living wage and living income. Everyone on this planet should be earning at least enough to achieve a decent standard of living. And now we have the methodologies to work towards it. Plus, there's appetite from the industry to go for more radical solutions.

The power of government

I hope (and I already see) that we've become better at working with governments in emerging economies. The [Cocoa & Forests Initiative](#) is a great example of that. We are working closely with the governments of Côte d'Ivoire and Ghana, and they are taking the initiative to develop land-use planning. The more governments become ambitious and resourceful, the easier things become. Slowly but surely this is happening. In [Kenya](#), [Rwanda](#), [Vietnam](#), and [Indonesia](#) there are more great examples of governments making commitments and taking the leadership required for the country to progress. We will continue working very closely with these governments in the coming years, serving their needs and helping them take a legitimate role.



Thanks

IDH is extremely grateful to our core and program donors, the Dutch, Swiss, Danish, Norwegian, and British governments, and the Bill & Melinda Gates Foundation. We are thankful that they share our vision, and place so much trust in us. In particular, I'd like to thank those donors that have funded us in an institutional way. Our mid-term review shows that our stakeholders are very positive, and that has a lot to do with the long-term flexibility we've been given. Our donors trust that as we progress, we gain new insights and adapt our priorities according to the reality of the situation.



Joost Oorthuizen
Executive Director, IDH

A global change agent with a start-up mentality

We can only change the world if we work together. Sustainable Development Goal 17 seeks to strengthen global partnerships to support and achieve the ambitious targets of the 2030 Agenda, bringing together national governments, the international community, civil society, the private sector and other actors. This is what IDH stands for. And it was never clearer than during IDH's 10 Year Event: The Future of Sustainable Trade, with over 600 high-level participants from all over the world, including Queen Máxima; Sigrid Kaag, the Dutch Minister for International Trade and Development Cooperation; high-level representatives from the governments of Cameroon, Côte d'Ivoire, Denmark, Ghana, Kenya, Liberia, Nigeria, Norway and Switzerland; and CEOs from multinational companies like Barry Callebaut, Dangote, ECOM, Jacobs Douwe Egberts, Neuman Kaffee Gruppe, Olam, Sainsbury's, Sucafina and many, many more. IDH has become a convening powerhouse, building coalitions and driving progress towards the Sustainable Development Goals.



Partners of IDH normally gather in value chain and landscape coalitions, but during the 10 Year Event, IDH brought them together in one place on one day to innovate and learn from each other. And when the living wage specialists from coffee, bananas, tea, apparel and flowers get together in one room, intersectoral learning takes off and new approaches abound.

Sigrid Kaag, the Dutch Minister for International Trade and Development Cooperation, advised IDH jokingly, with the experience of parenthood, to skip the puberty years and leapfrog straight into adulthood. When we look back on the last ten years, we have witnessed IDH maturing from a small initiative of 15 people, to the current global change agent with 130 employees globally. We have also observed how some things have not changed over the years, and probably shouldn't. IDH has maintained its start-up mentality of being bold, curious, fast-learning and innovative. And after a decade, we still see a staff of strongly inspired, highly motivated young people who are willing to go the extra mile to make a difference.



IDH commissioned a mid-term review (MTR) that was presented in August 2018. The MTR showed us how well IDH is appreciated by partners across value chains and landscapes. It also revealed that IDH has achieved milestone results on business practices, sector governance and field-level impact towards forest protection, living wages and incomes, gender equality, sustainable new jobs, and clean and healthy production in manufacturing. The MTR gave us confidence that IDH is well on its way to reaching its 2020 targets, as a stepping stone to implementing the IDH 2030 Strategic Direction.

In 2018, the Supervisory Board was actively involved in developing the 2030 Strategic Direction, focusing on IDH's partnership strategy, its 10 Year Event, and its investment and advisory propositions to improve smallholder farmers' livelihoods through better services, aiming at transforming smallholder farming into a new asset class (IDH Farmfit Fund and Farmfit Business Support).

The Supervisory Board as a whole met three times, while the Audit Committee convened three times, and both the Impact Committee and the Remuneration and Nomination Committee met twice. The Supervisory Board approved the 2017 Annual Report, including the 2017 Annual Accounts and the 2019 Annual Plan. In addition to helping shape the 2030 Strategic Direction, the Board discussed progress on program implementation on the basis of the MTR that IDH commissioned together with its core donors, as well as organizational development, drawing lessons learned from the employee survey that was conducted. We met with the IDH global leadership team to discuss emerging regional strategies and the programs under implementation. Guided by both the Impact Committee and the Audit Committee, the Supervisory Board gave direction to the smallholder finance proposition (IDH Farmfit Fund).

The Audit Committee also advised the Supervisory Board on the 2017 Annual Accounts, the Auditor's Board Report and Management Letter. The Committee reviewed and helped further strengthen IDH's data security risk management in light of an external data fraud. The Committee also consulted on a revised Treasury Policy, which is scrutinized during the annual audit.



“When you bring the living wage specialists of coffee, bananas, tea, apparel and flowers together in one room, intersectoral learning takes off and new approaches abound.”

The Impact Committee advised IDH on its impact measurement approach, including the follow-up to the first assessment for the 2016-2020 evaluation, which was contracted to Wageningen University & Research and KPMG, and which will result in a mid-term evaluation by summer 2019. The Committee held two deep-dives into programs in the cocoa and palm oil sectors, related to smallholder finance and reducing deforestation respectively. Based on the Supervisory Board's request for more support on reviewing the impact claims of the documents on its agenda, and the desire of management for strategic advice on impact management, the Impact Committee's mandate was expanded – with its Supervisory Board members now driving the agenda.

The Remuneration and Nomination Committee supported the Supervisory Board by assessing the performance of the Executive Board and setting performance targets for 2019, resulting in discharge of the Executive Board's 2018 responsibilities by the Supervisory Board, and a decision on the remuneration of the Executive Board. Members of the Supervisory Board met with the IDH Donor Committee and Employee Council.

In 2018, we changed the composition of the Supervisory Board. PWC's Richard Goldstein succeeded Gosse Boon when he retired from the Supervisory Board after five years of playing a core role in helping shape IDH's governance and accounting practices into what they are today: an organization with high levels of internal control compared to its peers.

We would like to thank the governments of the Netherlands, Denmark, Switzerland and Norway for their close partnerships with IDH, which continue to provide solid ground for further internationalization and increased development impact. We look forward to similarly close cooperation with the UK government and the Bill & Melinda Gates Foundation in the years to come.

We also look forward to continuing to provide guidance, support, supervision and encouragement in working with the Executive Board and IDH staff. It is a privilege to work with such a highly motivated and dedicated management team – driven by a clear purpose to further align business development with the Sustainable Development Goals.

One of the more critical conclusions from the MTR was that IDH was rather “underselling” its impact achievements. Indeed, IDH communication has largely been focused on convening and attracting new stakeholders to its sector programs and landscapes, in order to increase their potential impact. In this Annual Report, the team made an effort to let the numbers speak for themselves, as well as presenting a lot of practical examples of how the organization's work translates into tangible impact. We hope this will deepen your understanding of how IDH succeeds in making business work for the SDGs, and making SDGs work for business.



On behalf of the Supervisory Board,
Andre Veneman



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How are we doing?

600+ PUBLIC AND PRIVATE PARTNERS

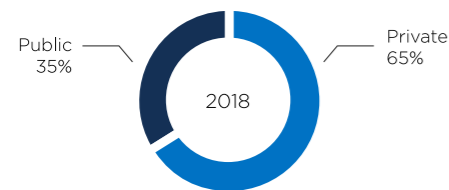


CHANGE IN BUSINESS PRACTICES

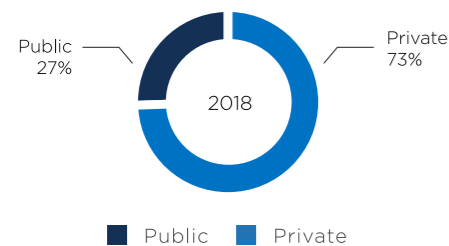
Investments private sector/IDH
Total private sector investment:

37 M

IDH OVERALL PUBLIC TO PRIVATE CONTRIBUTION RATIO



IDH COMMODITY PROGRAMS PUBLIC TO PRIVATE RATIO



CHANGE IN SECTOR GOVERNANCE

IDH stakeholder appreciation according to sector survey
Satisfaction about the effectiveness of multi-stakeholder processes or coalitions associated with the program

7.5



2018 Score ranked by IDH Stakeholders
(IDH stakeholder score 2017: 6.8)

IMPROVED FIELD-LEVEL SUSTAINABILITY

Volume of sustainably produced commodity
(cumulative 2016-2018: 13 M MT)



5.5 M MT

(2018)

Number of producers/workers/community members trained on key subjects for sustainable production, environmental and social sustainability.
(cumulative 2016-2018: 6.3 M)



2.78 M

(2018)

Number of hectares where sustainable production practices are applied.
(cumulative 2016-2018: 7.9 M)



6.5 M ha

(2018)

Number of hectares where interventions are implemented that support protection, restoration and sustainable rehabilitation.
(cumulative 2016-2018: 440,000 ha)

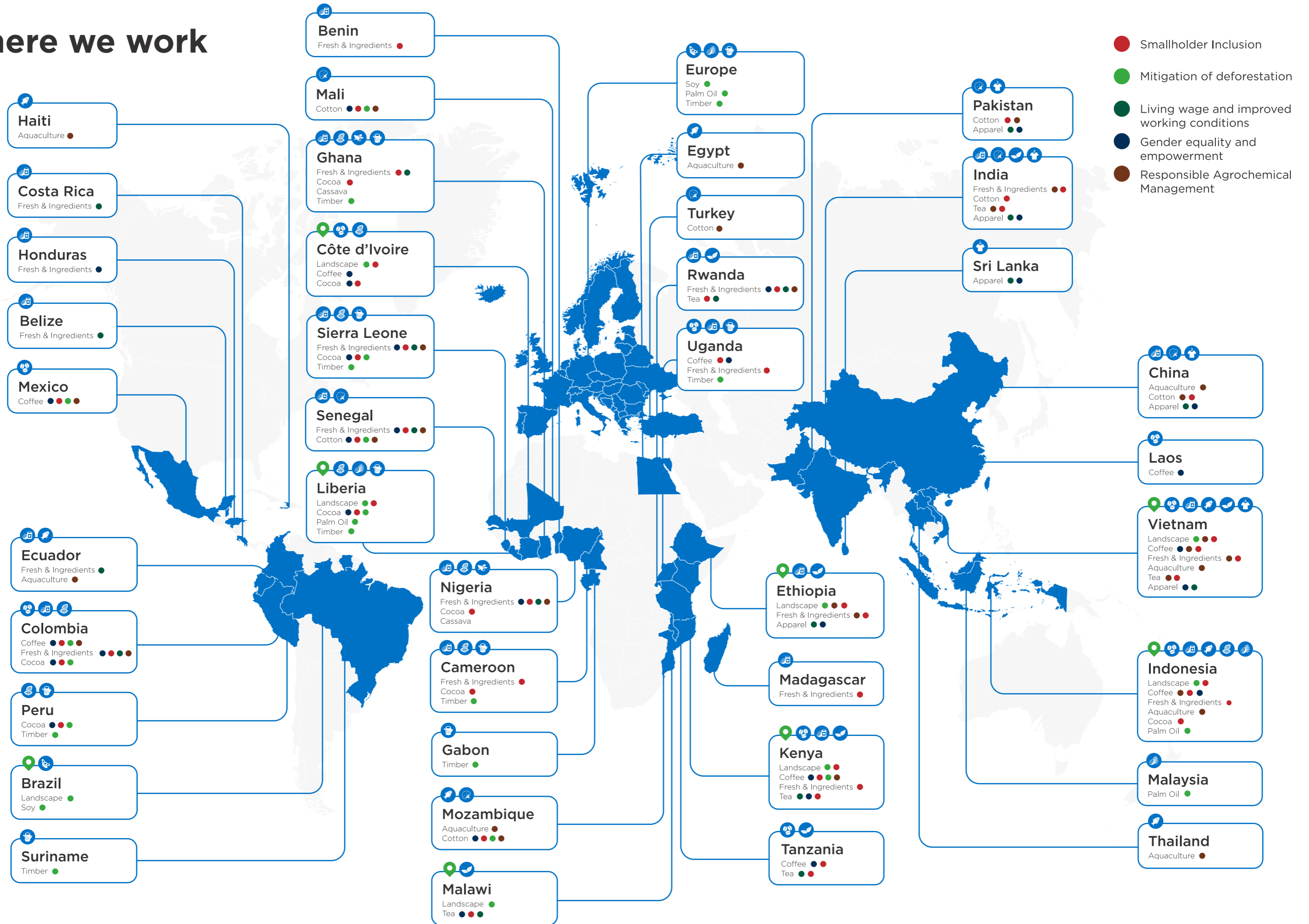


150,000 ha

(2018)



Where we work



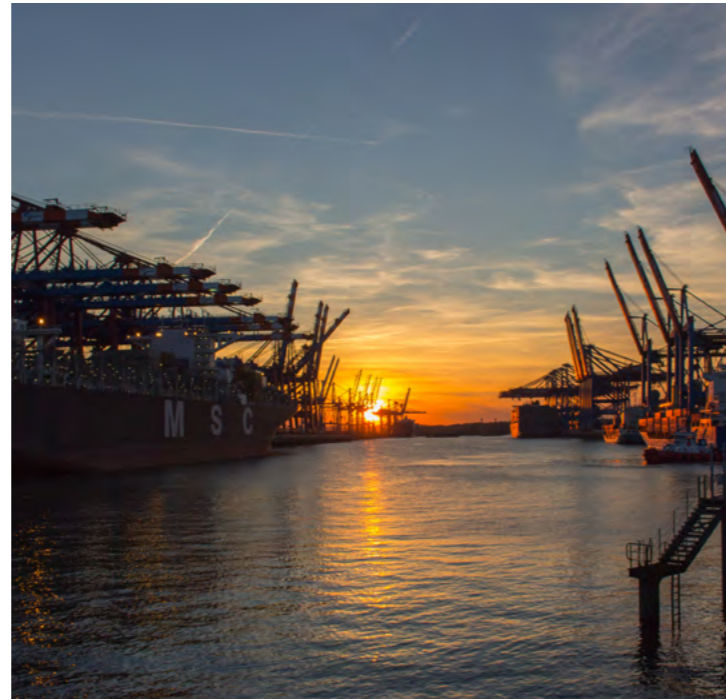
Introduction

Governments in sub-Saharan Africa, Latin America and Asia consider agriculture and agricultural processing industries as the engine of economic growth. But they're also associated with poverty, gender inequalities, depletion of natural resources, and carbon emissions that cause climate change. Sustainable production and trade of tropical agricultural commodities like palm oil, soy, cocoa, tea, coffee, cotton, and manufacturing of apparel and footwear, are the logical solution. They can help create sustainable jobs and prosperity, as well as mitigate environmental risks. With this mission, IDH started in 2008: driving sustainable production and trade through sustainable certification with 40 front-running companies in six value chains.

IDH's success is dependent on many factors, within and outside of our scope of influence. We control the quality of our interventions, the expertise of our staff, our ability to engage businesses on a sustainability agenda, and the strength of our convening work. Factors outside our scope are for example the recent drop in commodity prices in cocoa, coffee and tea that affected the profitability of farming and caused us to change tactics in our living wage programs, as well as changes in government and government policies, which necessitate us to reconnect with new government officials. New insights and techniques, such as fintech and agri-tech, develop fast, creating new opportunities to empower smallholder farmers and improve transparency. It takes an agile organization to adjust to shifting circumstances that produce both new challenges and new opportunities to create impact at scale. This annual report is proof of our ability to innovate and adjust to ever-changing conditions.

On the following pages we share some examples of opportunities we've embraced in 2018 and the impact we achieved, together with our partners.

VIDEO:
Making SDGs work for business
and business work for SDGs



Clockwise: Sunset over the harbor of Hamburg, Convening meeting with the minister of Agriculture of Colombia, Banana selling in Africa..

Cassava processing industries and block farming

Cassava is a root that has great potential as an industrial crop and to improve food security. However, it's considered to be of low value due to its short shelf-life, typically deteriorating within 24 to 48 hours after harvesting. With the Industrial Cassava Program, an off-spring of our engagement with Grow Africa, we demonstrated in 2018 that cassava processing in Africa, by introducing new technologies like blockchain and block farming with smallholders, is sustainable and can cut post-harvest losses in half so that smallholder farmer incomes can increase by 50-100%. Better still is the value creation this initiative generates by processing the cassava in Africa, leading to more business opportunities, higher export value, new sustainable jobs, and development of technology and knowledge. Plus the potential to upscale through investments by the African Development Bank and market finance.



PODCAST:
Cyril Ugwu
Regional Coordinator,
West Africa

Developing the processed cassava sector to improve livelihoods of millions of people.

—
“Working with IDH in the cassava value chain in Nigeria we have learned how to work with the private sector on building inclusive business models. The team is well respected by private sector players as they have a deep understanding of the cassava sector, have extensive experience working in the private sector coupled with knowledge of the development sector. They are therefore able to hand hold private sector players to design programs that have the dual impact on profit and social growth. With IDH we believe we are laying the foundation to transform the cassava value chain in Nigeria with private sector as the engines for that growth.”

Rafael Flor
 Director Yieldwise Program, Rockefeller Foundation.



Living wage impact

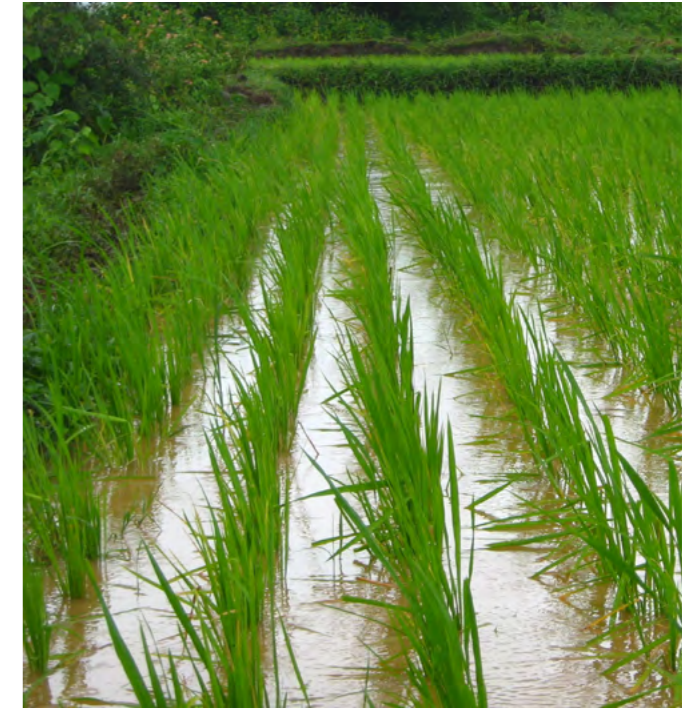
To create insight into why paying a living wage is good for both workers and businesses, we outlined a series of project case studies that address the challenge of compromised worker safety and insufficient wages. The benchmarks for cost of living enable actors to “speak the same language”. IDH drives different approaches towards living wages in different sector coalitions and shares learnings, so companies can effectively approach this complex issue with all their value chain partners. The recent drop in commodity prices has forced us, in bananas and tea, to change tactics. We expanded our efforts to neighboring producing countries, so that Malawi and Costa Rica are able to compete in the market.



IDH Farmfit: breaking the cycle of rural agricultural poverty

IDH traditionally works with companies sourcing cash crops, like cocoa and coffee. Farmfit's new partnering with the UK Department for International Development (DFID) is an opportunity to move beyond our immediate network and apply the IDH [Farmfit](#) methodology to food crops for local value chains. This has the potential to create larger impact for smallholder livelihoods, living incomes and food security. A good example of this is the work we did with Dangote, the largest manufacturing conglomerate in West Africa. We helped them consider how to extend their rice-sourcing operation to tens of thousands of smallholder farmers from Africa in a way that is profitable for both Dangote and the smallholder farmers.

VIDEO:
Farmfit, investing in inclusive agribusiness



Production-Protection-Inclusion (PPI) Compacts and VSAs

To create market transformation, IDH is driving new compacts between government, communities, farmers, companies, CSOs and other stakeholders to halt depletion of natural resources. These compacts spell out time-bound targets, governance, monitoring, roles and responsibilities, and finance. In 2018, compacts were forged in vulnerable sourcing areas around the world: rallying partners behind a shared vision on how to sustainably develop the area they call home. In collaboration with our farmer and private-sector partners, we can intensify production, restore natural areas, manage peat and water resources sustainably, and scale agroforestry systems. In collaboration with our partners from landscapes across the supply chain to end-markets, we developed a new trading mechanism: [Verified Sourcing Areas \(VSAs\)](#). This mechanism will link landscapes to markets, with clear incentives to farmers and governments to transform the bulk of production towards sustainability.



PODCAST:
Daan Wensing
Program Director, Landscapes

A new sustainable market mechanism: Verified Sourcing Areas (VSAs)





10 YEAR EVENT:

The Future of Sustainable Trade

On November 15, 2018, The Future of Sustainable Trade event brought together 600+ ministers, CEOs, directors and other experts in Utrecht to celebrate ten years of public-private partnerships. The event was geared at highly effective, collaborative learning sessions across multiple sectors, landscapes and geographies through partnership panels, innovation labs, workshops, and numerous side meetings and networking opportunities.

After a CEO breakfast, we were honored with an opening speech by Queen Máxima, in her capacity as UN Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA) addressing the issue of delivering finance to smallholder farmers: "If the products of smallholder farmers so easily reach our tables, why is it so hard for us to reach their tables?" Her impressive speech was followed by the Dutch Minister for Foreign Trade and Development Cooperation, Sigrid Kaag, who spoke appreciatively of IDH and its achievements over the last ten years: "People often wonder whether the Sustainable Development Goals can be reached. I think IDH is one of the answers to that question."

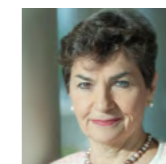
IDH launched the IDH Farmfit Fund, a €100 million smallholder de-risking fund, IDH [Farmfit Business Support](#), and the concept of [Verified Sourcing Areas](#). IDH signed partnerships with the Neuman Kaffee Groupe and Dalberg. Dutch TV station RTLZ broadcasted live from the event interviewing representatives from Rabobank and Mondelez, Queen Máxima, and several IDH staff. IDH executive director Joost Oorthuizen shared his insights on ten years of collaborative transformation and presented the book: [Collaborative Transformation](#).

After an intense day of top-level learning and sharing insights, Olam CEO Sunny Verghese closed the event with a keynote speech praising IDH for its entrepreneurial start-up mentality and inspired team, and praising the Netherlands for the country's agricultural innovations that help feed the world sustainably.

We are truly humbled by the continuous support of so many powerful partners who trust us to lead sustainable innovations in landscapes and supply chains. We feel empowered and excited by all the positive and concrete commitments by so many partners to continue the journey towards a more sustainable future with us. A comprehensive report of the 10 Year Event can be found [here](#).



“This book is a wonderful example of stubborn optimism. It presents an intriguing model for enabling sustainability transitions within international value chains based on five carefully elucidated underlying dimensions.”



Christina Figueres, internationally recognized leader on global climate change and former Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC) 2010-2016.



BOOK:
Collaborative Transformation



Our stories toward market transformation

IDH aims for systemic change through changing business practices, improving sector governance, and improving field-level sustainability. We see these three areas as interlinked, and are better addressed in parallel to create systemic change towards the Sustainable Development Goals (SDGs).



Change in Business Practices

Change of behavior at corporate level of the main business actors in the value chain, towards more sustainable business practices.



Improved Sector Governance

Change in sector agencies and sector institutions to manage the sector in a sustainable way at local and international levels.

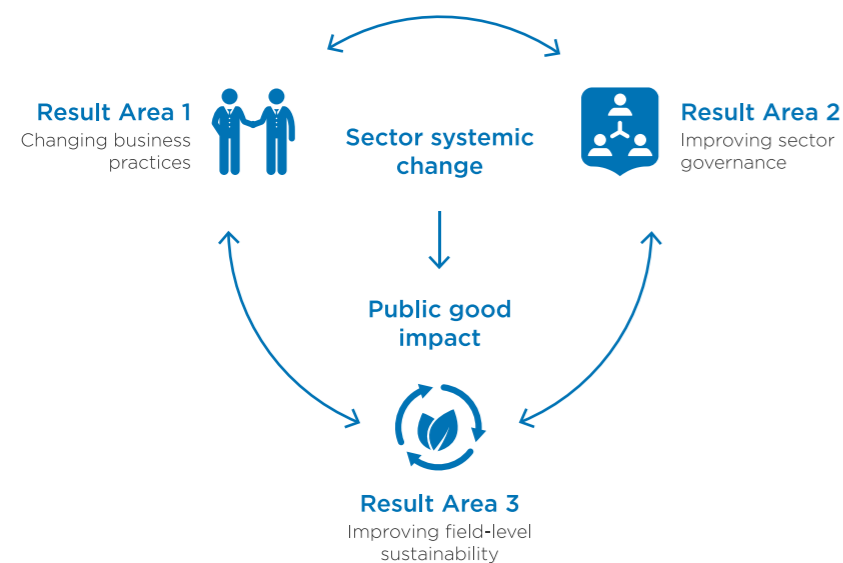


Improved Field-Level Sustainability

Sustainability impact at the level of producers, workers and producer communities, including their economic situation, their social well-being, and the sustainability of their natural resource base.

Our progress towards market transformation in 12 value chains and 12 landscapes has advanced beyond first movers and is heading towards critical mass. We have defined five cross-cutting impact themes that help us and our partners to reach the SDGs: smallholder livelihoods, living wage and improved working conditions, mitigation of deforestation, responsible agrochemical management, and gender equality and empowerment.

On the following pages, you'll find an overview of the progress we have made so far on these impact themes.





IMPACT THEMES

Smallholder Inclusion

Smallholder agriculture is a significant source of income and an important generator of rural jobs. There are 450-500 million smallholder farmers worldwide, 270 million of which are in Latin America, sub-Saharan Africa and Asia. Food crops produced by smallholder farmers are essential for global food supply, producing roughly 50% of the world's supply and up to 80% of supply in Asia and sub-Saharan Africa. The [World Institute for Development Economics Research](#) shows agriculture is up to three times better at reducing poverty in low-income countries than other sectors. Yet the majority of smallholder farmers are trapped in poverty, unable to access the services they need to invest in their farms and increase the productivity of their land. A transformation is needed to break this cycle, so that the next generation sees farming as a business opportunity.



2.78 M
farmers reached



5.5 M MT
sustainable/responsible
commodity produced

Private agribusiness has a key role to play in this transformation. Through leveraging their supply chain, businesses can provide affordable services, including finance, to smallholder farmers. However, businesses lack insight into how to do this cost-efficiently. Through its convening power (SDG **17**), experience in improving smallholder livelihoods (SDG **1** **2**), innovation and technical knowledge, IDH is in a good position to help facilitate viable market transformation towards smallholder-inclusive businesses.

IDH Farmfit Business Support, Intelligence and Fund

Building on our core donor base, IDH convened the Bill & Melinda Gates Foundation (BMGF) and the UK Department for International Development (DFID) to support the establishment of [Farmfit Business Support](#) with a US \$30 million grant. In 2018, IDH analyzed over 40 models of smallholder sourcing and service models in 20 countries, involving over 2 million smallholder farmers in sub-Saharan Africa. Best practices on creating farmer resilience, using farm data, ag-tech, and fin-tech solutions will be shared through IDH Farmfit Intelligence, so that other businesses can customize and integrate them into their operations. To unlock commercial investment into sustainable smallholder agriculture and take promising business innovations to scale, IDH convened Jacobs Douwe Egberts, Mondelez, Unilever, Rabobank and the Dutch government to build a €100 million de-risking capacity: the IDH Farmfit Fund, to be backed by US treasury guarantees. The fund will take high-risk positions in smallholder financing deals, triggering market financiers to invest in smallholder farmers and achieve a 50% increase in income for 3-5 million smallholder farmers in sub-Saharan Africa (SDG [1](#) [2](#)).



VIDEO: Farmfit, investing in inclusive agribusiness

“We share a vision with IDH, that through the right channels and with the right tools, fragmented and hard-to-reach smallholder farmers can be empowered to improve productivity, and strengthen and grow their family businesses. Through IDH Farmfit’s analysis we are able to leverage what drives the private sector to service smallholder farmers, moving smallholders from receivers of philanthropy to sustainable and entrepreneurial business men and women.”

Thomas Kehoe,
Deputy Director Africa Agriculture,
Bill & Melinda Gates Foundation

Neumann Kaffee Gruppe, Uganda

With Neumann Kaffee Gruppe (the world’s largest green coffee trader by volume), IDH prototyped new models to provide profitably short-, medium- and long-term financing to smallholders; to purchase and distribute inputs, seedlings and equipment; and to give smallholder farmers access to cash in times of need. This reduces farmers’ dependency on money lenders, and helps them bridge the pre-harvest finance shortage (for example, to send their children to school). Insights gained from these prototypes are shared through the IDH Farmfit Intelligence, and used by IDH to optimize service and sourcing models in other companies, sectors and geographies.



VIDEO: Neumann Kaffee Gruppe investing in smallholder coffee farmers

“The IDH Farmfit Fund is a truly innovative financing mechanism that tilts the risk-return profile for Neumann Kaffee Gruppe, enabling us to invest in smallholder farmers. We are excited about the possibilities to take this innovative approach beyond Uganda, to as many as ten producing countries in the coming years. This will really be a change to our core coffee-purchasing strategy worldwide, and will become part of our core business.”

David M. Neumann,
Managing Partner, Neumann Gruppe GmbH



Mastercard Foundation Rural and Agricultural Finance Learning Lab

In partnership with Mastercard Foundation's Rural and Agricultural Finance Learning Lab (RAFL), in 2018 IDH developed reliable data on the profitability of financial institutions' smallholder finance activities. Through better data and more transparent markets, investors and funders (including the IDH Farmfit Fund) are better equipped to mobilize private capital, and unlock the US \$200 billion smallholder finance market. So far, three financial service providers in Africa ([ECLOF in Kenya](#), Opportunity Savings and Loans in Ghana, and Advans in Côte d'Ivoire) have shared their data. The insights developed through these case studies help identify the key ingredients that contribute to serving smallholders profitably at scale.

ADVANS CI and CARE, Côte d'Ivoire

Through a partnership with ADVANS CI (a microfinance institution) and CARE communities' capacities are being developed, to mobilize their own resources and redistribute them as credit. The major innovation in the project is the way it connects Village Savings and Loan Associations (VSLAs) to existing financial systems, and digitizes the savings and group loan process using mobile phones. 3,825 members of 166 VSLAs have been engaged in the project (80% women). The total savings mobilized are around €52,000 (SDG **1**).

“Private capital can play a catalytic role in piloting and supporting new financial businesses that serve smallholders. But just as in other early stage and developing sectors, lack of market- and business-level data means there is little visibility on the risks and expected returns of private capital. We’re working to change this, and we believe this partnership with IDH’s Farmfit is the missing piece of the puzzle.”

Clara Colina,
Program Manager, Mastercard Foundation RAFL

“Our activities with banks are really advancing; with ADVANS, we have opened up savings accounts for our farmers so that they can make investments. They have never experienced this before. Now, every time they earn money they put something aside in their savings, to spend at another moment. These savings enable them to get life or health insurance.”



Alphonse Konan N'Goran,
Director CAAG Coop-CA, Côte d'Ivoire.



Farm and Coop Investment Program, Côte d'Ivoire

In Côte d'Ivoire, the Farm and Coop Investment Program (FCIP) is developing the capacity of cocoa farmers and cooperatives while also creating innovative financial products, including digital loans, insurance and accessible mobile money accounts (SDG **1**). The program has leveraged five agribusinesses and six financial institutions to provide €120 million to 46,000 smallholders through financial products and services (SDG **17**). An additional 140,000 smallholders received training and access to agri-business services through the program.

Price and climate resilience

Smallholder resilience to climate change and price volatility are high on the agendas of IDH and partners. Business models that support new plant materials, water-saving techniques, agroforestry, intercropping and diversification are being prototyped. Gains in these areas will increase sustainable performance and profitability, and reduce smallholder farmers' dependency on a single cash crop for their livelihoods. Learnings from our projects in 2018 shows that diversification not only generates additional income and increases price resilience, but also helps to address food security in producing regions (SDG **1** **2**).



VIDEO: The Farm and Coop Investment Program (FCIP)



Visit our [Smallholder Inclusion](#) impact page to learn more



IMPACT THEMES

Living wage and improved working conditions

Globally there are 1.8 billion wage-earning and salaried workers. The majority in developing economies earn wages that are insufficient to work themselves out of poverty. With today's globally connected economy, there is an increased understanding among businesses that paying living wages lowers absenteeism, turnover, and recruitment and training costs, while improving workers' satisfaction, which translates into higher productivity. Furthermore, poverty in supply chains generates reputational risks for consumer-facing brands. In 2011, Richard Anker published an in-depth methodology on *Estimating a living wage*. Today, the Anker methodology is widely accepted, with over 30 country benchmark reports that help companies reach consensus on the living wages gap. Once a living wage has been identified, the next step is to define the responsibilities of each player in the supply chain, including producers, traders, brands and retailers, to help close that gap.

“When we look into the market and at the topics that are currently discussed, a key one is living wage. Are the people producing our fruit and vegetables earning a decent wage? We will make sure to address living wage and we will need to make visible to the market what we really do around this topic.”

Leon Mol, Chair, Sustainability Initiative Fruit & Vegetables (SIFAV)



193,925
workers' wages/working conditions improved



25%
net living wage gap closed in Malawi

With support from European governments, like the Dutch, Danish and Swiss, and consensus on the goal, brands and companies are now establishing their commitments to pay a living wage. Certifications such as Fairtrade, Rainforest Alliance and Social Accountability International (SAI) have joined the [Global Living Wage Coalition](#) (GLWC) to support the creation of further benchmarks.

IDH drives progress towards living wages jointly with supply chain actors: producers, traders, brands and retailers, civil-society partners and governments (SDG **17**). IDH appreciates the need to close the living wage gap while securing the competitiveness of a sector. This can be a tedious process, where keeping a close eye on the potential negative consequences is key. Involvement of trade unions and local governments is essential to balance choices between higher wages and lower employment levels.

IDH helps to build a supporting environment through improving sector governance, creating multi-stakeholder sector initiatives, and establishing sector-wide living wage benchmark research. In 2018, we published a [new series of cases](#) that outline the challenge of compromised worker safety and insufficient pay. In five examples, we show how we work to create room for the payment of living wages to workers (SDG **1** **8** **10**).

Fyffes, IPL and Rainforest Alliance, Costa Rica and Belize

We worked with Fyffes, International Procurement & Logistics (the procurement division of the British retailer ASDA) and Rainforest Alliance on a pilot project to work together towards the payment of living wages in banana plantations in [Costa Rica and Belize](#). From the insights gained, we developed the Salary Matrix, a self-assessment tool to calculate wage gaps at farm level (SDG [1](#) [8](#) [10](#)). This tool is a necessity for both farms and buyers to fully understand the current wages and how far these are from a living wage. The [Salary Matrix](#) will soon be used in other banana-producing countries where living wage benchmarks are available. IDH is also working on the next phase to make our tool the recognized baseline for the calculation of living wage gaps by the wider network of social standards, and to make this applicable across different sectors. The Dutch food covenant has committed to using our tool to define their ambition for a 2025 living wage goal and to measure their progress over time.

Floriculture Sustainability Initiative, East Africa

As part of IDH's [Floriculture Sustainability Initiative \(FSI\)](#), Fairtrade flower farms in East Africa raised the wages of over 40,000 workers in 2018 (SDG [1](#) [10](#)). Before this, they were lower than the new Fairtrade Floor Wage, which was formulated with research support by IDH. All Fairtrade farms are currently identifying business cases towards increasing wages as part of their supply chain margin and price setting.

Race to the Top, Vietnam

In the apparel program, IDH organized the [Race to the Top](#) Program: a public-private platform together with apparel brands, government (such as the Vietnam Ministry of Labor (MOLISA)), and international and local dialogue experts (SDG [17](#)). We developed and implemented a training curriculum on social dialogue, soft skills for workers and local union representatives, factory management and supervisors, and the creation of improvement circles of workers within factories (SDG [8](#)). This led to an increase in worker satisfaction overall, tangible improvements in working conditions, reduction in worker turnover in factories by 33%, all while boosting productivity and reducing rework rates. This increases profitability and the potential to further improve working conditions and wages.

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“Receiving specific information on the wage situation at the farms we source from is a great step forward in enhancing transparency and sustainability in our supply chain. We can then have an open dialogue with our partners. We would like to see this tool being used throughout the industry.”

Ian Harrison,
Director – Produce Technical at IPL
(the procurement division of the British retailer ASDA)



—

“I think that the relationship between the workers and management is getting better and better. [The] workers trust more and share more. They are more engaged with their jobs, so they are getting better at their jobs.”

Senior management member of participating factory in Dong Nai Province, Vietnam





Malawi Tea 2020

In 2018, IDH and Oxfam GB finalized the development of the Sustainable Procurement Model, which informs buyers on prices that enable living wages. This model forms the guidance for contractual negotiations between buyers and producers, but does not replace commercial negotiations.

After tea plantation wages leapt up 25% in Malawi in 2017, in 2018 wages again increased by 11%. This means tea workers on plantations in Malawi now earn 40% more than the country's minimum wage, compared to being on par at the beginning of the program (SDG [1](#) [10](#)). The main challenge to make further progress to the living wage target is the income tax threshold in Malawi. Due to higher wages received, tea workers now fall into the income tax bracket, lowering their purchasing power. This shows the clear need for government involvement and policy alignment in support of living wages, both in and outside of Malawi. The effects of income increases (like we currently see in Malawi) need to be built into future living wage roadmaps.

With stakeholders from across the entire value chain, the [Malawi Tea 2020](#) program reached its mid-point (SDG [17](#)). Now it is important to capitalize on the progress made so far while ensuring that the program remains rooted in the commercial realities of the Malawian tea industry. As other African tea-producing countries remain behind in terms of wage levels, stakeholders believe a regional approach is required to create a level playing field.



REPORT:
Malawi Tea 2020
Third Progress Report

Value chain partners

In tea, flowers, apparel and bananas, IDH is increasingly organizing value chain partners, including retailers, around discussing a living wage agenda. We have gained ample experience in driving the living wage agenda in different sectors and geographies, working towards better data and transparency, enhancing worker-management dialogues, orchestrating collective bargaining agreements, creating clearer standards, increasing productivity, and improving overall working conditions to drive progress towards a living wage. IDH is increasingly asked to share its knowledge and experience through newspaper interviews and speaking opportunities, while other (international) NGOs and organizations refer to our living wages work as a best practice.

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“The project Next steps in Sustainability – Measuring Impact and Testing Living Wage that we worked on together with IDH helped among other achievements to understand in greater detail the environmental and social impacts of sustainable agricultural practices on certified banana plantations in Costa Rica and Belize. We’ve made significant steps in making the concept of living wage becoming more operational through the development of the Salary Matrix and the methodology for the calculation of total remuneration and living wage gap at farm level. This is as an important contribution to the living wage work as it helps to fill a void in the analysis that was not previously addressed. We are therefore excited about the next phase for this tool; to broaden the use of the Matrix to other farms and crops. With the Salary Matrix companies are able to identify where they stand regarding wages and to make the first steps together with their supply chain partners to develop implementation plans toward the payment of living wages.”

Oscar Maroto, Manager Fruit Lead, Landscapes and Livelihoods at Rainforest Alliance

Visit our [Living Wage and Working Conditions](#) impact page to learn more



IMPACT THEMES

Mitigation of deforestation

Natural resources are a key asset to our economy, society and the planet. Forests cover 31% of the land area on our planet. They provide jobs for some 50 million people. However, agriculture is driving deforestation, water stress, soil erosion and loss of biodiversity. Habitat loss due to land clearing for agriculture is deemed to be the key reason for loss of biodiversity, and deforestation and agricultural activities drive around 60% of global soil erosion. Emissions from agriculture and land-use changes account for approximately 20-25% of all human-caused emissions. Forests can reduce greenhouse gases by avoiding emissions from deforestation and degradation, while reforestation means they can sequester more carbon. Forests account for 37% of the solution to climate change. Moreover, conservation, restoration, and improved management of tropical forests, mangroves, and peatlands are seen as the most cost-effective way of mitigating climate change, which is needed to limit global warming to 1.5°C by 2030.



150,000 ha

Number of hectares where interventions are implemented that support protection, restoration and sustainable rehabilitation. (cumulative 2016-2018: 440,000 hectares)

Reducing emissions from agriculture- and forestry-driven land-use changes can largely be achieved through leveraging the increasing business interest in deforestation-free, globally and locally traded, agricultural and forestry commodities – such as soy, palm oil, cocoa, beef and tropical timber.

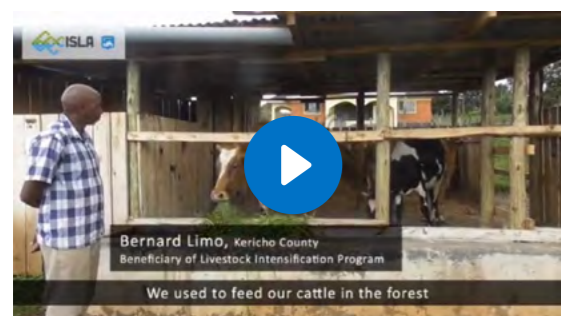
To be effective, sustainable production of such commodities needs to go hand in hand with (the implementation of) forest protection laws and regulations, as well as alternative livelihoods for local communities. We make this actionable by convening the industry for offtake as long-term economic incentives for farmers to produce sustainably. We scale new business models across concessions, supply chains and geographies. We sign Green Growth Plans to align and implement local and national policies that involve local communities. Market finance is de-risked to invest in new business models across landscapes and to replicate them in other geographies.

In this way, IDH builds partnerships (SDG 17) that establish areas where commercial and food crops are grown sustainably - Production; forests and other natural resources are sustainably used and protected - Protection (SDG 6 15); and farmers' and communities' livelihoods are enhanced - Inclusion (SDG 1 2 12).



South West Mau Forest, Kenya

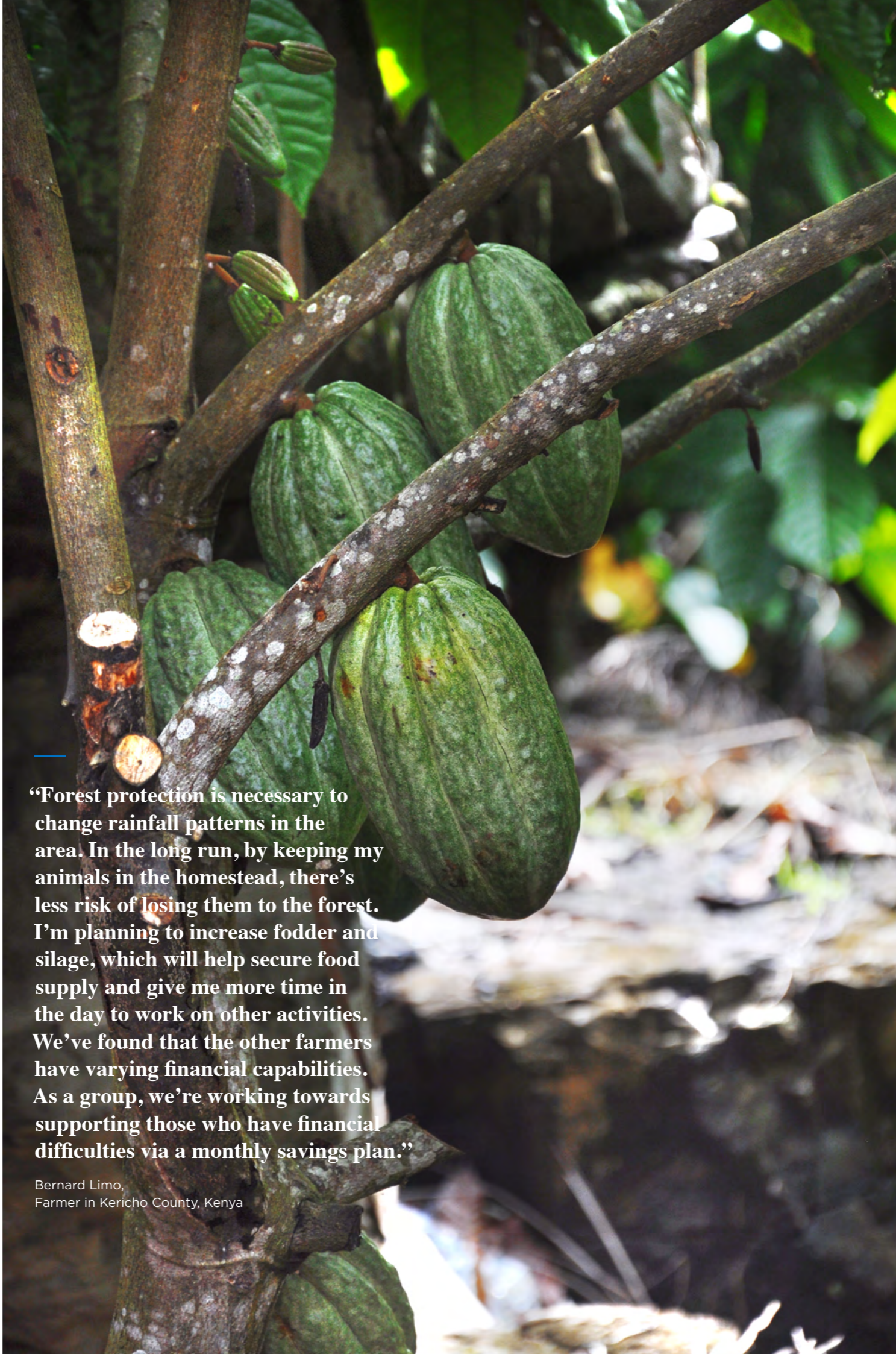
A good example of this approach is the [South West Mau Forest landscape program in Kenya](#), where we combine the interests of tea companies in protecting the forest for its micro-climate services, with investing in forest conservation by local governments, and creating alternative livelihoods for surrounding communities, to stop forest degradation (SDG [1](#) [2](#) [12](#) [15](#) [17](#)). In 2018, we started a two-year [livestock intensification program](#) to stop forest degradation by cattle grazing. We also established a public-private governance trust that will enable better cooperation, and institutionalizes the work IDH has done so far.



VIDEO: ISLA Kenya Livestock intensification program

“Forest protection is necessary to change rainfall patterns in the area. In the long run, by keeping my animals in the homestead, there’s less risk of losing them to the forest. I’m planning to increase fodder and silage, which will help secure food supply and give me more time in the day to work on other activities. We’ve found that the other farmers have varying financial capabilities. As a group, we’re working towards supporting those who have financial difficulties via a monthly savings plan.”

Bernard Limo,
Farmer in Kericho County, Kenya



Cocoa & Forests Initiative

The [Cocoa & Forests Initiative](#) (CFI) aims to halt deforestation related to cocoa production and to restore degraded forest areas. In 2018, IDH focused on strengthening the governance of the CFI and translating the Frameworks of Action (signed in November 2017), into concrete and detailed implementation plans. These plans regarding traceability, agroforestry, forest protection and rehabilitation, and social inclusion. These plans were approved by the Côte d’Ivoire and Ghana governments in July 2018, and were followed by the development of a public budget for 2019-2021: €193 million in Côte d’Ivoire and €87 million in Ghana. Companies started publishing their individual company plans that fit into the country’s strategy in late 2018, and will continue to do so in 2019. Meanwhile, the CFI expanded to Colombia in 2018, and similar public-private initiatives started in Cameroon under the IDH umbrella. (SDG [1](#) [2](#) [12](#) [15](#) [17](#)).



VIDEO: Cocoa & Forests Initiative

“We are not just improving cocoa yields. With the Cocoa & Forests Initiative, we are also restoring the forest cover and reducing the emission of greenhouse gases. In fact, we are avoiding the emission of greenhouse gases that cause global climate change.”

Roselyn Fosuah Adjei,
Head of Redd++ Forestry Commission, Ghana

Village Forests in Indonesia

In West Kalimantan in Indonesia, IDH leverages zero net deforestation commitments made by palm oil buyers and timber companies to prototype new business models for sustainable production, mangrove reforestation, protection of peatland, and alternative livelihoods for local communities, including coconut charcoal (instead of mangrove), mud crab and honey (SDG [1](#) [2](#) [6](#) [12](#) [15](#)). The provincial government launched the Green Growth Plan (co-designed with IDH), and since 2018 IDH has been supporting the government in defining local regulation to realize the Green Growth Plan. IDH chairs the public-private Essential Ecosystem Area (KEE) platform that provides a legal framework to protect 500,000 hectares of KEE definitive and indicative areas, allows multi-stakeholder management of valuable nature outside national parks and wildlife sanctuaries, and creates legal support for palm companies to conserve forest (SDG [17](#)).

In 2018, IDH secured funding of €1.6 million from the UNDP Governors Climate and Forest Task Force (GCF). The first village forest business model that was co-developed by IDH received a soft loan of around €6 million (over multiple years) from the Indonesian government. Complementing public investment, in 2018 IDH secured a total of €1.2 million in direct investment from private companies for field-level projects with forestry and palm oil companies and village forest communities. In 2018, we prototyped [Production, Protection and Inclusion \(PPI\)](#) Compacts protecting over 130,000 hectares of mangrove and (peat) forest, and developed business models for sustainable peatland management on acacia plantations. Furthermore, we signed a PPI Compact with palm oil companies, the district government and seven villages to protect approximately 8,000 hectares of forest and improve 26,000 hectares of agricultural land.



Coffee production in Vietnam

With international coffee companies, including Jacobs Douwe Egberts and ACOM, and with the Vietnamese government, in 2018 IDH prototyped irrigation systems that help reduce water, fertilizer and pesticide use related to coffee production (SDG [6](#) [12](#) [15](#) [17](#)). Farmers are also trained on agroforestry to protect natural forests in coffee-production areas in Vietnam. This prototype will be scaled through investments by the World Bank and government regulations. By 2025, deforestation related to coffee will have stopped, water use will be reduced by 25%, and coffee farmers' incomes will have increased by 30% (SDG [1](#) [2](#)).

“ACOM is proud of joining forces with IDH and local authorities in the Central Highlands in a sector effort to tackle inefficiencies along the coffee value chain responsible for deforestation and the inappropriate use of natural resources (water) or agrochemicals (chemical fertilizers, pesticides).”

Laurent Bossolasco,
Sustainability Manager, ACOM, Asia



PODCAST:
Aris Wanjaya
Program Manager Landscapes
and Commodities

Forest protection through
sustainable livelihoods



Incentives in Liberia

An important element in any forest protection program is the inclusion of smallholder farmers and local communities. In Liberia, we carefully apply the Free Prior Informed Consent (FPIC) methodology to reach out to local communities to explore their interest in sustainable palm oil production and agroforestry (SDG [12](#) [15](#) [17](#)). We need to ensure that local communities and farmers have economic incentives, which will create long-lasting solutions for forest protection and illegal logging. Companies, whether local or multinational, are in a good position to create those incentives fueled by their interests in delinking commodity production from deforestation. In 2018, IDH leveraged these well-understood private self-interests and combined them with protective laws and regulations that governments can implement. With the local knowledge and experience of NGOs on the ground, we reach out to local communities and farmer groups to take their interests into account.



INFO: Community Oil Palm & Forest
Protection Information Poster

Verified Sourcing Area pilot in Brazil

Mato Grosso in Brazil is a biodiversity hotspot. Land clearing for timber, followed by cattle ranching, are the biggest drivers of illegal deforestation. More than half of the ranches are highly unproductive. Intensification of cattle production can significantly reduce pressure on forests. In 2018, IDH brought the Juruena and Cotriguaçu municipalities, local government, soy and beef farmers, processors and traders, and community representatives together to translate the Mato Grosso state-level Produce, Conserve, Include (PCI) strategy into an actionable municipality-level plan (SDG 17). This led to a PPI Compact in May 2018, through which stakeholders committed to restore up to 182,904 hectares of degraded pastureland for sustainable production across both municipalities by 2023, mostly through intensified cattle farming, and to preserve 970,000 hectares of the Amazon Rainforest (SDG 12 15).

A few months later, the PPI attracted a commitment from French retailer Carrefour to invest €1.9 million to source sustainable beef from Juruena and Cotriguaçu. This investment will be used to intensify cattle ranching, restore degraded pastureland, and free up land to increase production sustainably. This will reduce the need to convert forests into farmland, boost livelihood opportunities by providing technical assistance and access to credit to farmers, and help them comply with the Brazilian Forest Code.

A governance system is being set up that looks at how to sustain the partnership in the long term. With a compact signed, and the first committed end-buyer in place, the region acts as a readiness pilot for the [Verified Sourcing Area \(VSA\)](#) concept. We expect the first project to attract other investments in the region.

“I need to buy 100% from legal growers; it’s been the same for 24 years. It has been difficult for us to increase our supply base in the region, because typically what happens is that you can only check the direct seller, not the previous people they have bought from. It is a problem, because other farms don’t have traceability like we do. It is better for us for the entire region to be approved, so anything from the region can be assured.”

Daniel Eijsink,
General Manager, São Marcelo



Operationalizing IDH as the technical assistance facility manager for the Land Degradation Neutrality Fund

IDH aims to scale up its impact by mobilizing investment, and sharing lessons learned and approaches to be replicated. To this end, in 2018 IDH mobilized a new partnership with the United Nations Convention to Combat Desertification (UNCCD) and the Land Degradation Neutrality (LDN) Fund, managed by Mirova.

LDN refers to a stable amount of healthy and productive land. Investments in sustainable land management can help avoid, reduce and reverse land degradation. But finance preparedness is a major bottleneck for such investments. In 2018, IDH was selected to run the LDN technical assistance facility (TAF) to prepare and de-risk investment transactions, and increase the development impact of investments. IDH develops pipeline and impact monitoring, and provides finance tailored to each potential investment. IDH raised funds from the Agence Française de Développement (AFD) and the Global Environment Facility (GEF), through implementing partner the World Wildlife Fund.

Deforestation rates reached an all-time high in 2018. The 12 landscapes in which IDH pilots PPI approaches are very relevant, and we aim to prove that these approaches are scalable and replicable. Innovative finance initiatives like the &Green Fund and the LDN Fund are essential for scale, as well as connecting international markets to areas where governments, communities and industries are willing to combat deforestation together. 2018 saw the birth of the [Verified Sourcing Area](#) concept: as some media reported in 2018, this could very well be the “beyond certification to combat deforestation” solution the sustainable trade community has been waiting for. We plan to report on the first deals of the &Green Fund and LDN Fund and the further development of the VSA concept in our next annual report.



VIDEO: Verified Sourcing Areas

Visit our [Mitigation of Deforestation](#) impact page to learn more



IMPACT THEMES

Gender equality and empowerment

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.



REPORT:
Malawi Tea 2020
Third Progress Report

After the launch of the gender policy across all tea estates in Malawi late 2017, implementation of the policy started in 2018. For example, Satemwa Tea Estate (breastfeeding room on their estate on the photo) has adapted the Gender Policy to their own and they now also have reporting structures for sexual harassment or any form of gender-based violence put in place. In 2019, we will continue the roll-out of the policy, for example through training of trainers of 1000 staff (managers, supervisors and workers).



65,000

farmers trained on gender awareness
(54,200 women and 10,800 men)

We know from experience that more gender equality in decision-making, and participation of both men and women in farm activities, are key drivers for sustainable growth. Research has proven that when women have equal access to, and control of, resources in agricultural supply chains, there is potential for yield to increase by 20-30%.



We believe that by including women in business plans, by training women who often are the ones doing the agricultural work, investments in improving farmers' livelihoods can be more effective. Impact can be multiplied by applying a gender lens to our work, resulting in more cost-efficient interventions, higher adoption rates of trainings, improved worker satisfaction, and higher family incomes. We increasingly invest in economic empowerment of women, financial inclusion, moving beyond financial literacy programs, looking at access to finance and financial products, and entrepreneurship activities that can create alternative livelihood opportunities (SDG 1 5).

“We must work in partnership with the private sector to provide women with equal opportunities. In this way, we can effectively combat gender-based violence and sexual harassment.”

Ulla Tørnæs,
Minister for Development Cooperation of Denmark



In 2018, we worked with 50 companies to raise awareness of gender discriminatory practices such as GBV and sexual harassment, to define reporting and grievance mechanisms to respond to incidents, and to put structures and interventions in place to prevent this from happening in the future. We worked on economic empowerment through advancing female leadership, and expanding livelihood opportunities through (additional) income-generating activities in the Kenyan tea sector, with 10,450 female plantations workers and 7,000 community members. In addition, we built partnerships between companies, civil society and government to discuss gender discriminatory practices on a safe and open platform. We worked with companies to find solutions and stimulate the exchange of learnings and best practices between partners, within sectors as well as across the different sectors in which we operate.

With our partners in Tanzania, in 2018 we provided training on agronomy and access to finance for women in coffee-farming households.

“Women and girls are not only 50% of the world’s population, they are rights holders. In value chains women need to be given a central role. There will not be a transformative change if women and girls are not given that centre stage, role or leadership and are recognized and respected for their rights.”

Sigrid Kaag,
Minister for Foreign Trade and Development Cooperation of the Netherlands

Toolkit

We have published a Gender Toolkit offering practical case examples drawn from the sectors and projects that we work in, as well as a Gender Guide, where we explore opportunities to integrate gender aspects in different programming steps of projects and inventions. Over the course of 2019 we will further build upon the Toolkit by including case examples from IDH sector programs.



INFO:
IDH Gender Toolkit

Resources

In our work we address and focus on more equal access to resources and services (training, inputs, finance) for both women and men (SDG 1 8). We aim for transformative change through advancing equal decision-making at household level, encouraging female leadership, and addressing gender-based violence (GBV), including sexual harassment (SDG 5).

PODCAST:

Judith Fraats
Program Manager
Tea, Impact Lead
Gender Equality
and Empowerment

Steven Collet
Operational
Director, Member
Executive Board



Gender - it is there when working with smallholder farmers and workers

Roadmap

IDH published a [roadmap](#) to address GBV and other forms of sexual harassment in the Kenyan tea sector. The roadmap provides information on the importance of addressing GBV in the workplace, as well as practical recommendations and guidance for companies wanting to effect change (SDG 5 8).



INFO:
IDH Gender Roadmap



VIDEO: Coffee as a family business



Tea and flowers in Kenya and Ethiopia

In 2018 in Kenya and Ethiopia, the IDH tea and flowers programs worked towards safer and more gender-equal workplaces (SDG 5 & 8). Hear from our partners why they find it important to work towards a gender-balanced workplace in [this video](#).

Flowers and tea sectors have much in common in terms of work environment and the issues that the sectors face in terms of gender equality are of a similar nature. To share best practices and learnings, we organized a first gender cross-learning event. Over 55 players, predominantly from the business side in the tea and flower sectors in Kenya, Ethiopia, Colombia and Malawi, participated in the conversation on how to integrate gender into their supply chains. Topics that were addressed are workplace safety, sexual harassment, and leadership and empowerment.

In our flowers program, we are directly engaged with a gender transformative strategy on empowering women. Our field project in Ethiopia in 2018 saw 20,000 workers and 800 gender committee members of 42 farms trained on gender-related topics. By documenting the outcomes of this intervention and creating awareness in other sectors, we encourage private companies to promote gender equality, leading to increased worker satisfaction, better working conditions, and improved production (SDG 5 & 8). Read [our learnings and best practices](#) and listen to the [podcast](#) where Sonia Cordera, IDH fresh & ingredients program manager, shares news about the women empowerment project she's been involved in and why a gender approach is not only important for farmers but also for business and the sector as a whole.

“Addressing gender issues is the right thing to do. It also has a positive impact on business productivity and profitability – for example, through a reduction in absenteeism.”

Tewodros Zewdie,
Executive Director of the Ethiopian Horticulture
Producer Exporters Association



INFO:
Gender-balanced workplace in the tea and flowers industry



INFO:
Gender business case in Ethiopian flower sector



PODCAST:
Sonia Cordera
Program Manager, Fresh and Ingredients

Why a gender approach is good for farmers, business and the sector as a whole

Farmfit Gender Tool

In 2018, IDH developed a [Gender Tool](#) to explore and understand gender dynamics to improve lives of smallholder farmers; we piloted the tool in eight SDM analyses. The tool can be used by IDH teams and service providers in all sectors to conduct an in-house gender analysis (SDG 5). From capturing richer data during market assessments to better understanding each service provider's intentions, the Gender Tool helps us identify opportunities to address gender gaps as well as highlight potential interventions and track gender outcomes. The Gender Tool can also be used by other companies, NGOs and service providers. We will share learnings and best practices to enable companies to see the benefits and understand how to integrate gender into their work.



Gender awareness in India

In India, as part of a broader [gender awareness initiative](#) across IDH programs, 2,000 field facilitators were trained in 2018 on gender awareness in their work, and how to apply this in their outreach to farmers (SDG 5). Through this training, the field facilitators reached over 1 million cotton, spice and grape farmers across India. The learnings from the training also serve as input to further design gender-balanced interventions and trainings across India.

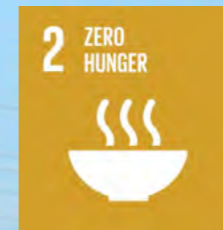
Visit our [Gender Equality and Empowerment](#) impact page to learn more



IMPACT THEMES

Responsible agrochemical management

Crop protection is essential to ensure farmers do not lose their yields to pests and diseases. Total losses due to pests represent hundreds of billions of dollars. Shrimp diseases alone have caused US \$45 billion in losses over the past decade. An estimated 82% of the cotton crop is lost without pest control, and 29% is lost with pest control. But pesticides and antibiotics present a risk to human health and the environment. Overuse, misuse, unsafe storage, and unsafe handling and application of pesticides are widely practiced. Annually, there are around 3 million people hospitalized and 300,000 deaths from pesticide poisoning. The accumulated cost of lost work, medical treatment, and hospitalizations to 37 African countries between 2005 and 2020 is estimated to be between US \$66 and 97 billion. Environmental effects of irresponsible agrochemical use include negative impacts on soil microbes; pollution of water systems and soils; loss of wild plants; loss of pollinators; and release of greenhouse gases. Use of banned pesticides and residue levels on agricultural products hamper international market access. Still, the global market for agrochemicals increased by 4.1% in value in 2018, reaching US \$64,038 million.



2.78 M

farmers/community members trained on Responsible Agrochemical Management (RAM), or including RAM

There are strong health and economic incentives to implement responsible use of pesticides and antibiotics, through integrated pest and disease management. However, lack of knowledge and fear of losing crops often prevent farmers from responsible agrochemical management. The conventional approach by industries and compliance standards is a list-based approach where active ingredients are banned. But list-based approaches may lead to a higher use of less toxic agrochemicals, and greater negative impact than lower and more isolated use of more toxic agrochemicals.

In 2018, IDH worked in multiple commodities and geographies with public and private stakeholders to impact sector governance, business practice, and field-level practices. We work with governments, farmers, their off-takers, brands and retailers. We understand the need for crop protection, food safety, health and environmental protection. Through innovative approaches to pest and disease management and effective data collection, we implement responsible agrochemical management to reduce the use of pesticides (SDG 2 3 6 8 12).



Sector-level governance

In 2018, IDH co-chaired the Public-Private Partnership Taskforce on Agrochemicals in Vietnam, together with the Department of Plant Protection and CropLife. This resulted in the National Sustainability Curriculum for tea and pepper production, a training tool used by all government extension workers (SDG 3 6 8 12 15). This comes with a pesticide app that was developed in 2018 by IDH and the Department of Plant Protection (DPP). The app tells farmers, retailers and governments if pesticide products are legal, what the pre-harvest interval is, for which pest/disease it can be used, on which crop, and recommended user guidelines.

In India in 2018, IDH signed a Memorandum of Understanding (MoU) with a not-for-profit organization established by the Andhra Pradesh government to support the transition of 6 million farmers to zero-budget natural farming (ZBNF) by 2024 in spices. The ZBNF program was launched in Andhra Pradesh by the State Chief Minister Chandrababu Naidu, together with Erik Solheim, Executive Director of UN Environment; Sunny Verghese, CEO of Olam; and Pavan Sukhdev, President of WWF International.

To improve sector governance in the flower sector, in 2018 IDH engaged various standards schemes through the FSI Basket of Standards in the development of environmental benchmarking criteria, based on a standardized record-keeping methodology for farm-level inputs (agrochemicals, water and energy), approved by the FSI board. In the future, standards will need to meet these criteria to be recognized as official environmental standards; through this, member companies will need to meet social and environmental requirements for produce to be officially sustainably sourced.

In aquaculture in 2018, IDH partnered with the Sustainable Shrimp Partnership (SSP) in Ecuador. SSP products use zero antibiotics, are ASC-certified, have minimal environmental impact, and are fully traceable. IDH supports the SSP by being a member of their advisory board; by testing different traceability systems such as blockchain; and by supporting small- and medium-sized producers to achieve SSP through the establishment and coordination of an improvement program (SDG 3 6 8 12 14).



Business practices

IDH develops and improves Service Delivery Models that benefit both farmers and businesses. In tea in Vietnam, companies organize agrochemical spraying teams to provide farmers with responsible spraying services and good-quality agrochemicals. This improved farmers' yields in 2018 (SDG 2), and affected the quality of tea supply, improved the health of workers (SDG 3 8 12), reduced impact on environment (SDG 6 15), and achieved compliance with markets maximum residue levels (MRLs).

In the Central Rift Valley in Ethiopia in 2018, Ethiopian Airlines bought GLOBALG.A.P.-certified products as part of the GLOBALG.A.P. project that started in 2017. In 2017 and 2018, IDH convened companies and branch organizations to reduce pesticide use. Farmers were trained in [integrated pest management](#). As a result, farmers increased their competences and used less and better pesticides (SDG 6 15), cutting input costs and increasing profitability (SDG 2 8 12). Ethiopian Airlines buys farmers' produce at a premium, which increased profitability, improved health of workers/farmers, improved product safety, and reduced ecosystem impact.

In Vietnam, pepper exports to the EU from Vietnam that meet EU legal requirements increased from 12.8% in 2016 to 46% in 2018. Carbendazim (herbicide) was forbidden in 2018 through the work of the [Vietnam PPP Taskforce Pepper](#).

“Prior to the BCI training, I was spraying pesticides after just 15 days of sowing. I did not know about beneficial insects and intervals at which I should be applying pesticides. After BCI training, I delayed spraying of the pesticides, which resulted in beneficial insects being attracted to the crops. Now, I conduct regular field observations and apply pesticides only when required – using personal protection equipment while doing so. My cotton yield has increased from 20 mounds per acre in the last year to 35 mounds per acre in this year. Reduction in input cost has also resulted in a substantial profit for me this year.”



Muhammad Sohail, Smallholder cotton farmer for the past 20 years in Pakistan

Field-level sustainability

Since 2009, IDH has supported the [Better Cotton Initiative \(BCI\)](#) and its members and partners. One of the key principles of BCI is that farmers minimize the harmful impact of crop protection practices (SDG 3 8 12). In 2018, 2.4 M farmers were trained on BCI, which includes training on responsible agrochemical management. IDH partners with the Better Cotton Initiative through the Growth and Innovation Fund, and convenes a large group of brands and retailers around an investment agenda. IDH and BCI create significant reductions in the use of water and pesticides in cotton (SDG 6 15).

In the flower sector in 2018, IDH has been working on integrated pest management with AfriFlora in Ethiopia, the results of which have been extremely positive. Based on residue analyses, MRL levels have been reduced by 30% relative to conventional pest management, primarily due to the increased uptake of biological control methods (SDG 3 12 15). A project with MPS has entailed the sample analysis of five flower production value chains to analyze the persistence of active ingredients across flower value chains.








Visit our [Responsible Agrochemical Management](#) impact page to learn more



Program deliverables

Impact themes per program

	IMPACT THEMES				
	 Living wage and improved working conditions	 Gender equality and empowerment	 Smallholder inclusion	 Mitigation of deforestation	 Responsible agrochemical management
TEA	●	●	●	●	●
COTTON		●	●	●	●
COCOA		●	●	●	
COFFEE		●	●	●	●
FRESH & INGREDIENTS	●	●	●		●
APPAREL	●	●			
AQUACULTURE					●
TROPICAL TIMBER				●	
PALM OIL				●	
SOY				●	
INDONESIA					
West Kalimantan			●	●	
Aceh			●	●	
South Sumatra			●	●	
Jambi			●	●	
BRAZIL					
Mato Grosso				●	
CÔTE D'IVOIRE					
Taï Forest			●	●	
KENYA					
South West Mau Forest			●	●	
ETHIOPIA					
Central Rift Valley			●	●	●
LIBERIA					
Nimba & Lofa			●	●	
South East & West			●	●	
VIETNAM					
Central Highlands			●	●	●

Program Delivery

IDH Delivery Dashboard	(all results and targets are annual figures unless state otherwise)	2016	2017	2018	Progress towards 2020 (% achieved)	Cumulative 2020 Target
Impact	% of IDH Proof of Concepts on track	55%	60%	50%	NA	>66%
Improved Field level sustainability	# population trained (Including farmers, workers and community members)	1,827,000 (25% over target)	2,468,000 (30% over target)	2,778,458 (20% over target)	152%	4,147,421
	Hectares sustainable production	3,464,000 (38% over target)	5,585,137 (76% of target)	6,499,418 (40% over target)	85%	9,298,834
	Hectares protection, restoration and/or sustainable rehabilitation	416,000	194,000	150,018	31% ¹	1,439,200
	MT sustainable production	3,268,000 (19% over target)	4,824,000 (56% over target)	5,554,730 (77% of target)	116%	11,200,000
Changing Sector Governance	# Stakeholders satisfied about IDH multi-stakeholder programs	8.4	6.8	7.5	NA	NA
	# Policy changes	8 (60% over target)	31 (55% over target)	25	67%	51
	# Green growth and other landscape management and invest plans	4 (40% under target)	12 (50% over target)	8 (56% below target)	62%	29
Changing Business Practices	# New business cases	10 (40% over target)	22 (10% over target)	40 (74% over target)	151%	49
	Overall IDH contribution : private ratio	1:2	1:2	1:2	NA	1:2
	Value Chain program : private ratio	1:2.4	1:3.0	1:2.8	NA	1:1
	IDH landscape program : private ratio	1:0.5	1:0.6	1:0.4	NA	1:0.5
Financials	IDH contribution (euro)	26 million	21 million	20 million	NA	NA
	Private sector contribution (euro)	52 million	44 million	37 million	NA	NA
	Organizational cost/ total expenditures	14%	15%	16%	NA	NA
	Diversification from institutional funding	10%	20%	23%	NA	NA

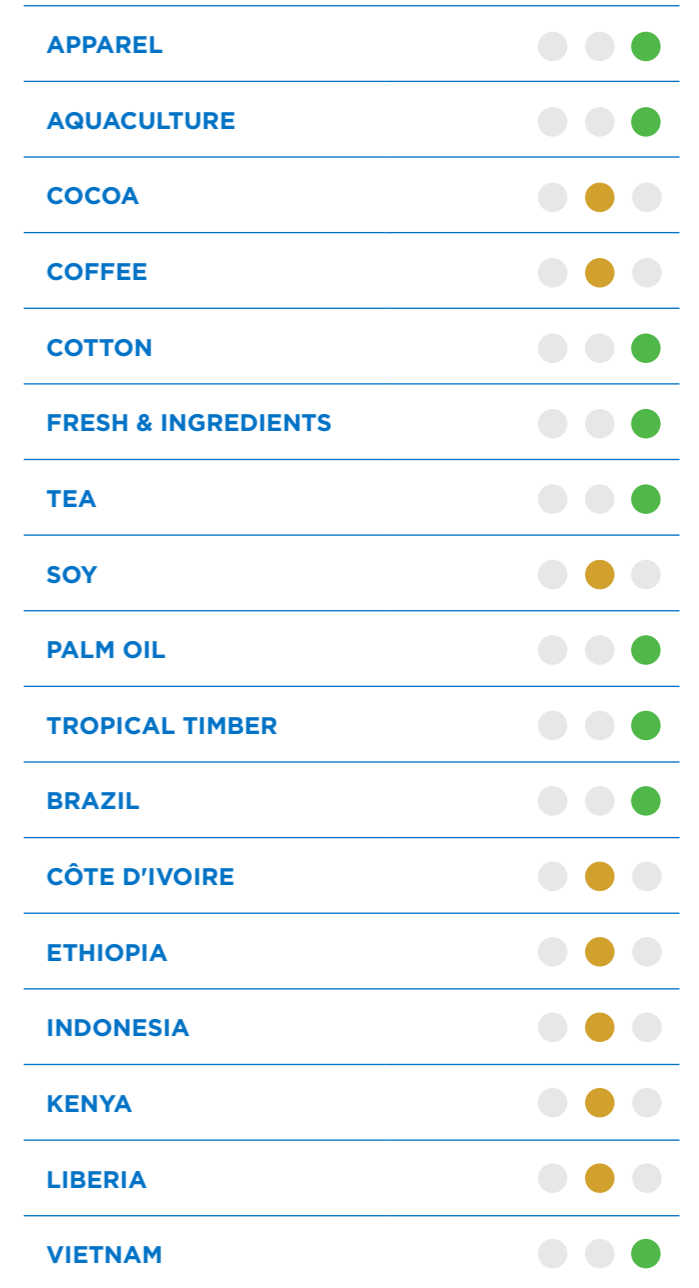
1. Only results directly covered by our projects/interventions to date are included here and not the number of hectares that can potentially be reached following continuous protection efforts. This explains the relatively large gap between cumulative to date and the end target.

Progress per program*

As the data here shows, there is a slight regression in the progress of our programs. This is mainly due to weighing in external factors. For example in coffee, tea and cocoa we are in fact on schedule with our activities, but low market prices for these commodities seriously influence the potential of our programs. In some countries, prices currently are below cost of production. As this is fundamental to any progress on sustainability, we currently explore options to contribute to living income, next to and based on our experiences with working towards living wages. On Soy, our market report demonstrates a serious lack of European market demand. Set backs in landscapes partly relate to the low market prices, limiting incentives to deliver on deforestation-free production of commodities in these countries. Other factors relate to local political contexts, that can either complicate or facilitate effectiveness of public-private partnerships on the ground. Also capacity constraints play a role in our landscapes (Indonesia), where the team is rapidly growing to meet increasing demand to work with government, companies and local communities on protecting and restoring forests and peats.

LEGEND

Proof of Concepts (POC) Traffic light	Definitions
	70% of the projects and activities required to prove the program's POCs are implemented and/or ongoing on track
	Delay and/or challenges to meet the desired objectives of one POC by the end of 2020
	Delays and/or challenges to meet the desired objectives of two or more POCs by the end of 2020



* The traffic light assessment was carried out in April 2019, when program teams were asked to rate to what extent projects and activities are on track to meet targets by the end of 2020.



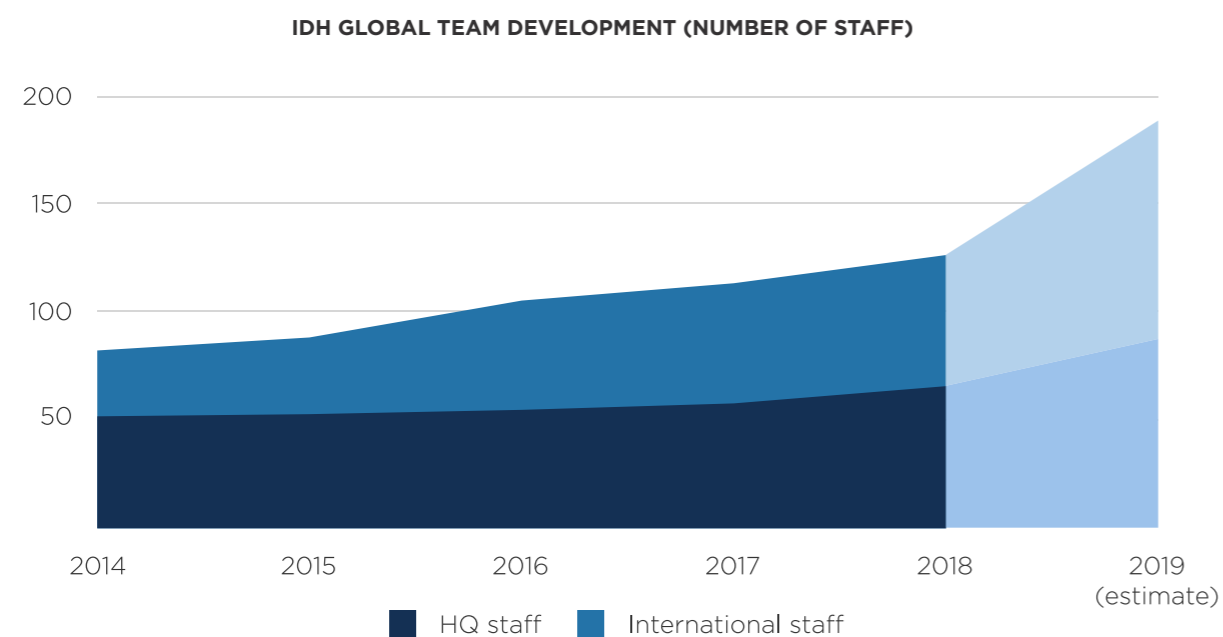
Organizational development

The IDH Strategic Direction 2030 that we finalized last year has been guiding organizational development in 2018. To realize our mission to be a world-class catalyst for market transformation, IDH needs to invest in its people, global network, structure, systems, and controls. In 2018, we did just that.

People

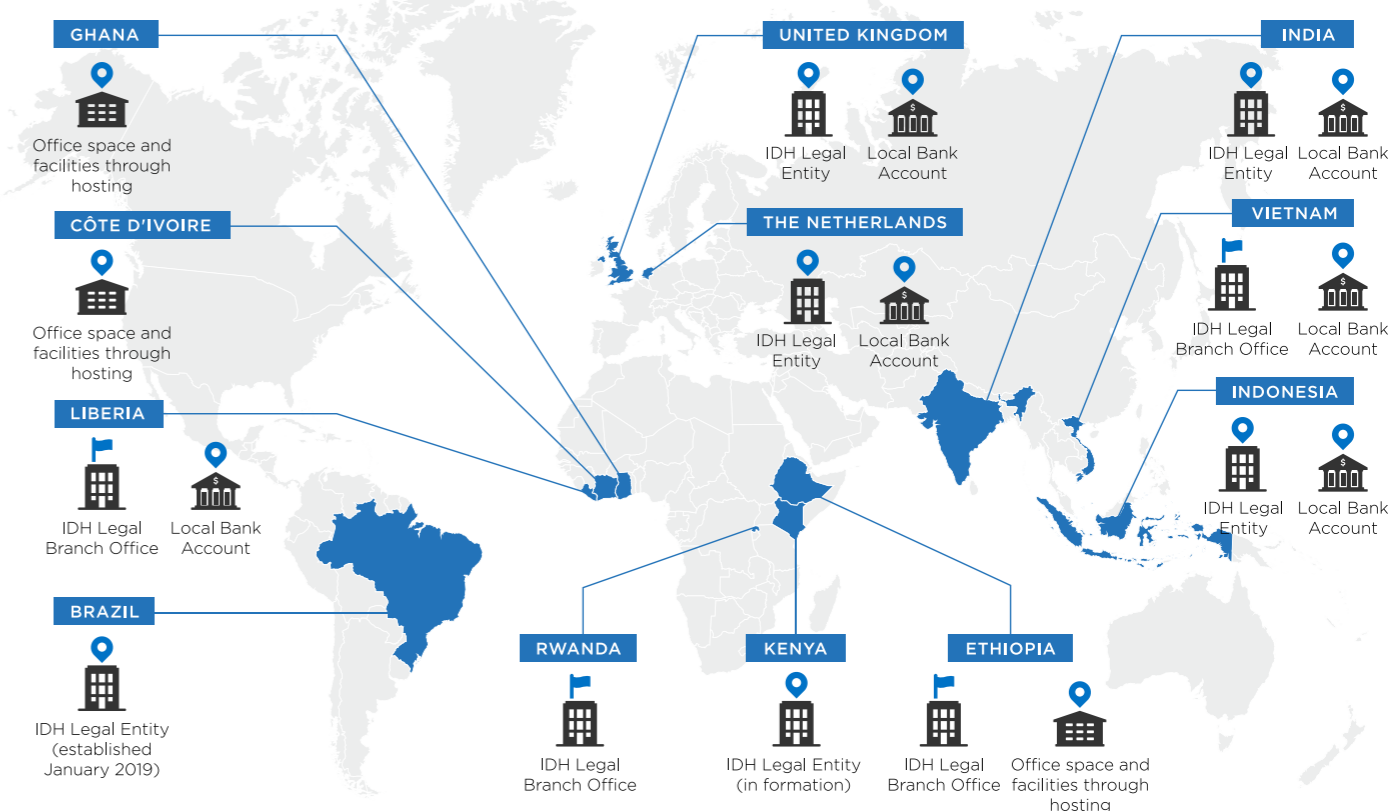
Our global team grew 15%. We now employ 69FTE at our Utrecht headquarters, plus 60 team members in 20 countries where we operate. This growth mainly results from further diversification of our funding base, including our engagement with Bill and Melinda Gates Foundation and Department for International Development on the Farmfit program. Expecting a staff increase in the years to come, we have professionalized our HR

department, developing a global team statement, and further strengthened people management, performance management, onboarding, training and development. We started updating our job descriptions and remunerations structure. In addition to our global team meeting, landscape team meetings, and leadership days, specific on the job trainings were provided to further capacitate our teams.



Global network

To enable us to work in landscapes, we need to structure our presence in a number of countries. Last year we designed a policy to do this based on careful scoping and decision making on a needs and opportunity basis. The underlying vision is that we establish legal presence only in countries where IDH will need to develop and manage locally funded programs, and in countries where we require registration for our license to operate. The legal structure depends on the scope of our work and the local requirements. In 2018 we started scoping of registering or incorporating legal entities in Kenya, Ethiopia, Rwanda and Brazil and incorporated legal entities in India and the United Kingdom.





Structure

Part of our 2030 Strategic Direction is that IDH will develop different services to optimally work with both public and private sectors, and work through 3 main business units, on agri-commodities, landscapes and manufacturing. For this we have designed a new management structure, consolidating the programs in powerful business units. For Farmfit, we have been developing fitting legal entities, both to cater for Farmfit Business Support in Kenya, and for Farmfit Fund, into separate legal entities under the IDH Foundation. These restructurings will be implemented in the first six months of 2019.



Systems

IDH introduced a new global contract management system and CRM system, bringing key data together in one only tool for approvals, reporting and document management. We further rationalized our ICT policies, ensuring any time, any place, any device systems access. We implemented better data security.



Controls

Thanks to expanded risk management focusing on key controls, the IDH external auditor indicated that IDH reached next overall maturity level of internal control, positioning IDH at the high end compared to our peers. For the 10th 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.



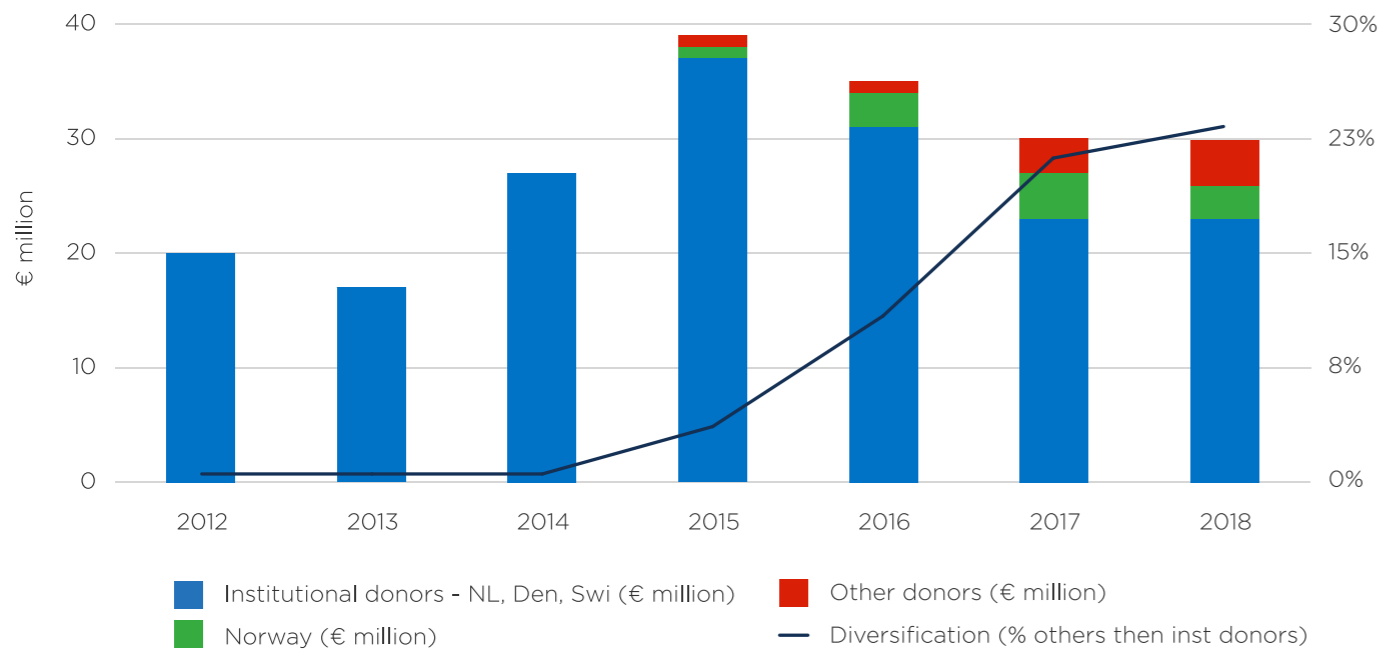
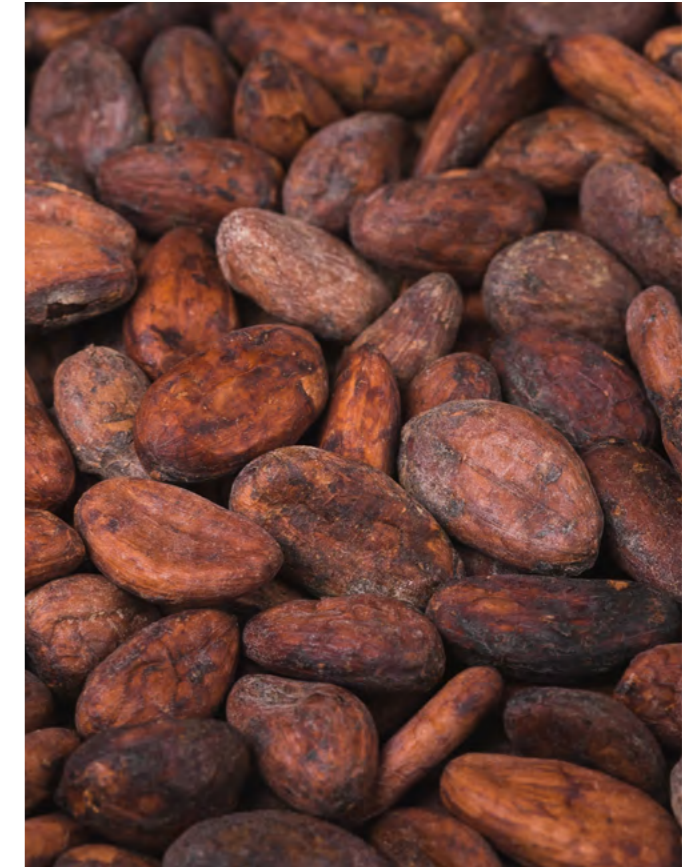
CORPORATE KPIS 2018

KPI	Target 2018	Delivery
Delivery: Secured funding contracted	70% program budget contracted	60% of program budget was contracted by the end of 2018. The delivery was lower than the target, due to political developments in countries that IDH's landscape program operates in. Additionally, new types of implementing partners and internal capacity influenced delivery.
Safeguarding local operations	3 legal entities	IDH incorporated legal entities in India and the UK in 2018. The process of incorporation in Kenya, Ethiopia, Rwanda and Brazil started in 2018, but took more time due to local administrative procedures. IDH Brazil was established in January 2019 and it is expected that the legal establishment of IDH in Kenya, Ethiopia and Rwanda is finalized in the 1st half year of 2019.
Ensure staff capacity	Continuity in operational staff	The turnover rates for operational staff decreased with 40% in 2018.
	IDH staff development and 2018 plan considered effective by staff and leadership	An HR roadmap was developed, and the implementation of this roadmap started in 2018, led by a newly hired Head of HR.
Efficient systems and procedures	More efficient and accountable project management cycle	This was achieved by the successful implementation of Salesforce.
	New Risk Management Framework	The Risk Management Framework was redesigned and implemented in 2018.
Future-proofing IDH: Fundraising Outreach Corporate strategy beyond 2020	6 funding propositions scoped, 3 contracted, pipeline at country level	Achieved, funding propositions are scoped and pipeline at country level is contracted.
	IDH known by, and provided useful to, key donor stakeholders	IDH is known by key donor stakeholders, Further strengthening of position is in progress.
	Business model and transition plan in place	New business model and transition towards 2030 Strategic Direction where part of the 2018 management dashboard.
Learning: Learning events on smallholder inclusion, responsible agrochemical management, gender.	Events, publications, stakeholders reached and effects of learnings	At IDH' 10-year event, dedicated sessions were organized on Gender, Living Wage and Working Conditions, Verified Sourcing Areas and Service Delivery to smallholder farmers.
Publications on mitigation of deforestation (PP) and VSA papers, business case studies).		We strengthened our thought leadership on forest protection and landscapes through publications, newspaper articles, social and special media articles and interviews, the IDH website etc. Together with information briefs on our approach to landscapes, business case studies and speaking opportunities at multiple events.
Responsible agrochemical management (position paper), and impact research		Several internal sessions to establish cross-learning opportunities for program teams were organized on the topics of smallholder inclusion, responsible agrochemical management and gender. In 2018 IDH finalized impact research for key IDH Proof of Concepts from several commodity programs such as cocoa, tea, cotton and landscapes, which captured the evidence on the achievements so far and helped to fine-tune the program strategies.
Meaningful mid-term review MYP 2016-2020	Input for more effective delivery through Annual Plan 2019	Core recommendations have been implemented by management, and reporting has been simplified.

International partnerships and fundraising

Part of our strategy is to diversify funding as a way to engage more governments and foundations in market transformation through value chain development. In line with this strategy, in 2018 IDH secured several funding contracts with governments, like the United Kingdom, Belgium and Australia. IDH also receives funding from the Walton Family Foundation for our aquaculture program, and the Bill & Melinda Gates Foundation for support of IDH Farmfit Business Support. We are pleased with the development of strategic partnerships with Partnering for Green Growth (P4G) and the Global Goals 2030 to work together on economic transformation in Africa and beyond, through interventions in the agricultural sector. In order to involve funders in emerging markets as well, IDH is strengthening its presence in India, Indonesia, Vietnam, Brazil and Kenya.

With our core donors – the Dutch, Danish and Swiss governments – and program support by Norway, IDH organized a mid-term review of our current 2016-2020 strategy, resulting in helpful recommendations to further improve our work and strengthen our communications.

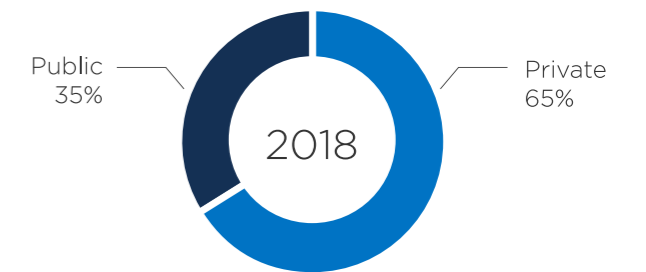


Financials

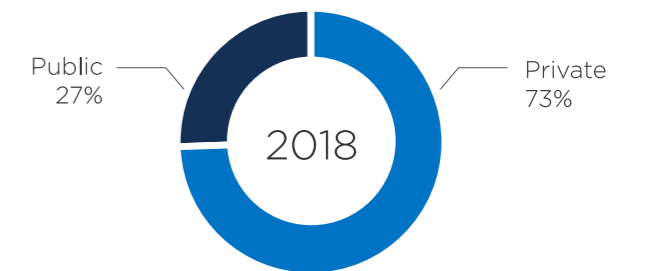
Overall program spending was at similar levels as last year. Where we did not spend as planned, this was mainly due to changes of local government affecting progress in our public-private partnerships (African, Brazilian and Indonesian landscapes, Aquaculture and Fresh & Ingredients programs). In some cases contracting new types of implementing partners required longer than expected (cocoa and cassava). In Indonesia we changed our planning to enable the team to engage on Papua, a core opportunity to contribute to preserving very precious natural resources, where our partners requested IDH to engage. For this we needed to shift capacity from other programs. Getting our program management staff in landscapes up to speed continued to be an overall challenge. Despite these challenges, that were mainly external, we delivered on the bulk of our programs according to planning, and are confident to demonstrate proof of concept in accordance to our donor commitments by end of 2020.

In 2018 we continued to leverage our publicly financed budgets with twice as much private sector funding through our projects. 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 following graph demonstrates, our commodity programs leverage 3 times private sector contributions.

IDH OVERALL PUBLIC TO PRIVATE CONTRIBUTION RATIO



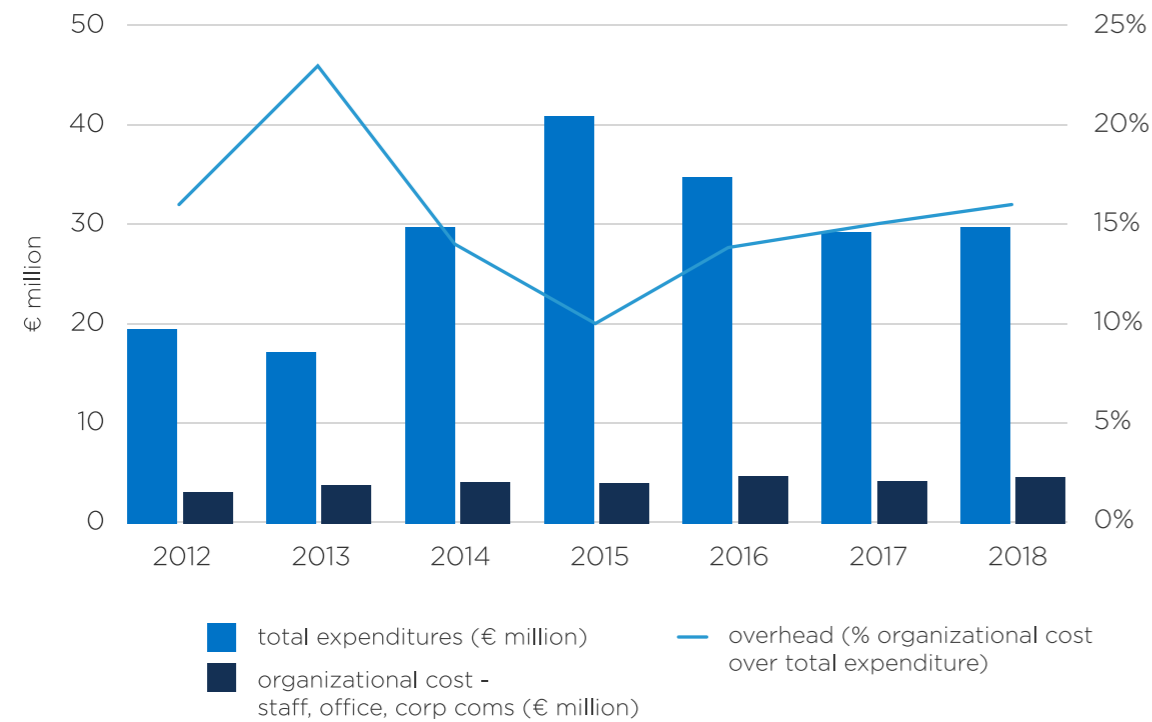
IDH COMMODITY PROGRAMS PUBLIC TO PRIVATE RATIO



As the graph below indicates, we managed to keep our organizational costs in par with our program spending, resulting in similar levels of overall expenditures 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.

The Dutch Ministry of Foreign Affairs, as major institutional donor, has provided a formal guarantee that it will 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 Euro 122m. At year-end 2018, the current ratio (current assets: short-term liabilities excluding appropriated funds) was 3.6 (2017: 3.9). IDH's result in 2018 was nil (2017: nil), due to the fact that income is matched with expenditures during the year. Also for 2018, the auditor has expressed an unqualified audit opinion on the 2018 financial statements.



Risk management

Risk Management forms an integral part of IDH's internal control system and provides input for IDH's decision making process by identifying (potential) risks and mitigation measures. IDH risk management is performed on four levels: global level, in-country and on project and partner level. Risk analysis and planned mitigation measures are updated based on ongoing new insights, testing of these measures or occurrences materialized. For 2019 we will raise awareness on whistleblower policies, safety and safeguarding policies and preventing breach of data security and/or (internet) fraud. This after an external data fraud case in

2018, that impacted on one of our partners. After the fraud was identified, risk procedures were followed, including the start of an internal investigation and the immediate implementation of mitigation actions. An external specialist firm investigated the case and gave recommendation to minimize reoccurrence of this type of fraud. Additional measures have been taken. The matter was discussed with our external auditor, our Supervisory Board and its Audit Committee of our Supervisory Board, and our institutional donors.

Anticipated risks	Probability	Impact	Occurrence in 2018	Mitigating actions undertaken
External (uncontrollable) risks				
Lack of suitable implementing partners (IP's) to carry out IDH's innovative strategy / prototyping of business cases leading to targets not being achieved.	High	High	Yes: Delay in contracting in various landscapes and in our cocoa program due to time required for onboarding implementing partners on our innovative approaches.	
Shareholders' short-term interest changes the long-term strategy for sustainable value chains of IDH's key corporate partners.	Medium	Medium	No	IDH increasingly shows economic value for companies to invest in sustainability, next to societal value (e.g. through service delivery models). In accordance to its 2030 Strategic Direction, IDH also engages with corporate partners in emerging markets to leverage their interest in sustainability.



Anticipated risks	Probability	Impact	Occurrence in 2018	Mitigating actions undertaken
Strategic risks (deliberately taken for innovative and strategic returns)				
Securing funds beyond 2020 (fundraising) and new business development distracts from delivery of the Annual Plan 2018 and the progress on the multi-year plan 2016 - 2020	Medium	Medium	No	The implementation in 2018 of a further strengthened internal control process for fundraising resulted in better prioritization and more efficiency in our drive to diversify funding. As a result, IDH was able to secure several new funding contracts.
Innovative activities (e.g. the Smallholder Innovation Platform, LABS Program, and impact themes such as living wage and gender) lead to reputational and legal claims on matters like intellectual property rights, data protection and competition compliance.	Medium	Medium	No	With legal advice we structured our innovations (Apparel Life and Building Safety Program, service delivery modelling, Farmfit Fund) in such a way that this risk is minimized. Several trainings for all IDH staff on IDH's Code of Conduct, anti-bribery and anti-corruption- and competition compliance policies were held, including as part of IDH's induction program for all new staff members. These trainings are mandatory for all staff and are provided regularly.
IDH's focus in its deforestation program on continuous improvement versus compliance can lead to an implementation delay or reputational risk if more activist types of organization protest against this strategy.	Low	Low	No	IDH issued various publications and position papers to explain its position on sensitive topics, and actively participated in public and media discussions on these topics.
Preventable risks (arising from within the organization)				
Material misstatements in donor reporting and external financial reporting: <ul style="list-style-type: none"> income from grants and program contributions from private and other donors (completeness); legitimacy of expenses (projects) and costs (overhead); liabilities and commitments related to projects and other income (completeness); overriding of internal controls by management; corruption and bribery. 	Medium	High	No	As planned, IDH further strengthened internal control on critical business processes, by: <ul style="list-style-type: none"> Further standardizing the internal controls and incorporating them in the IDH Risk Management Framework. Effective design, documentation and internal review of Internal Controls. Within 2018 the first set up of framework of risks and mitigating measures (Risk Control Matrix) is created and a large subset of key controls is in place and implemented in line with this framework. Complete implementation and application of the framework is planned from financial year 2019.

Anticipated risks	Probability	Impact	Occurrence in 2018	Mitigating actions undertaken
Preventable risks (arising from within the organization)				
Poor quality of IP's and insufficient performance on IDH's reporting requirements, leading to IDH not being able to comply with donor reporting and external financial reporting.	High	Medium	No	In March 2018, IDH launched a re-design of the pre-contracting phase with a much stronger focus on identifying risks on the capacity of the partner, but also identifying risks on project level. The pre-contracting process, including the hard controls, is fully integrated in our digital project management system. IDH's Investment Committee, launched in 2017, had its first full year in 2018. Learnings of and by the Investment Committee were shared within IDH and allowed to further improve the time-span and efficiency of the (pre)-contracting process.
Staff leaving, leading to loss of knowledge, capacity and continuity.	Medium	Medium	No	IDH analysed its turnover and reduced it by 30% (40% in Operations). We invested in quality and continuity of leadership in our country offices. <p>We improved our team capacity with an induction training that is given to every new IDH staff member, including regular recurring sessions for all (existing) IDH staff on certain policies like IDH's Code of Conduct, Anti-Bribery and Anti-Corruption, Whistleblower and competition compliance. Trainings and workshops on finance, fundraising, resilience, and feedback were held. The implementation of our new project management system has further ensured a smooth handover in case of staff leaving.</p>

Outlook 2019

Over the last three years we have grown considerably. In terms of our partner network, private investments and outcomes of farmers trained, sustainable products produced and hectares of farmland under sustainable land use. In 2019, the third-party impact research on our 2016-2020 strategy will impartially show how these figures result in impact on business practices, sector governance and field-level impact.

IDH will increasingly deliver investable business cases for SDG impact. The number of smallholder business models we analyze will increase, and we will build pipeline for commercial investments in our sector programs and landscapes. For example through the IDH Farmfit Fund, &Green Fund, LDN Fund and others.

Another dimension of market-driven approaches is the further development of the VSA concept that connects our landscape with international sustainable market demand. We see a clear business appetite for this concept, reflected in the level of company engagement in the steering group. We expect to launch more VSAs in Brazil and potentially in Indonesia.

We will expand our living wages program beyond our current focus countries into more East African and Latin American countries, mitigating the risk of pushing Malawi and Costa Rica beyond their competitive capacity. On the market end, we expect to be able to convene retailers in the Netherlands, Germany and Belgium around a living wage agenda for bananas, and to bolster the impact of the most relevant sustainability standard on living wages and living incomes for multiple commodities.

We will continue to build our series of data-driven market reports on soy, palm oil and timber to push the business agenda for sustainable sourcing, and feed the data into the Amsterdam Declarations Partnership meeting in June 2019.

We will further drive delivery in our sector and landscapes programs, to ensure two-thirds of our impact claims are on track, and at least 90% of our 2016-2020 budget allocation is contracted. We will implement our gender strategies in programs targeted at workers in tea and flowers, and integrate a sound gender lens in our work on smallholder income and resilience.

We will strengthen our business units to deliver our programs. We will further build and empower our global team to develop and deliver programs in the regions.

The IDH Farmfit Fund will be incorporated and fully integrated in IDH. The IDH Farmfit Business Support and Intelligence units will be further developed as key drivers for our smallholder and land-use intensification (related to forest protection) work.

We will agree with our core donors on the next phase of funding beyond 2020.

Joost Oorthuizen

Steven Collet

Executive Board,

24 May 2019



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 2018 and 2017.

Amounts in millions of Euros	Actual 2018	Actual 2017
Program Contributions:		
Private partners - via IDH	1.49	1.42
Private partners - directly to project	35.87	42.34
Total private partners	37.36	43.76
Other donors - via IDH	0.35	0.32
Other donors - directly to project	1.69	1.67
Total other donors	2.04	1.99
IDH	19.71	20.99
Total Program Contributions	59.11	66.74
IDH Expenditures:		
IDH Program Contributions	19.71	20.99
IDH contribution on behalf of private partners	1.49	1.42
IDH contribution on behalf of other donors	0.35	0.32
Total IDH Program Contributions	21.55	22.73
Learning, Innovation and Impact	2.47	1.53
Support and outreach	1.07	0.75
Total Program Related Costs	3.54	2.28
Congress and communication	0.61	0.44
Personnel	2.99	2.82
Organization	1.13	1.03
Total IDH organizational expenditures	4.72	4.29
Financial income and expenses	-0.06	0.34
Total Fin income/expenses	-0.06	0.34
Total IDH Expenditures (incl. contributions via IDH)	29.76	29.64
Total incl. Partner Contributions	67.3	73.7
Ratio program contributions IDH: private	1:1.9	1:2.1
Percentage IDH organizational Expenditures: Total IDH	15.9%	14.5%
Percentage IDH organizational Expenditures: Total incl. Partner contributions	7.0%	5.8%

Consolidated balance sheet

As at 31 December 2018 (after appropriation of result)

	31 December 2018		31 December 2017	
	€	€	€	€
ASSETS:				
<i>Intangible Fixed Assets</i>		86,355		-
<i>Tangible Fixed Assets</i>		105,026		83,294
<i>Current Assets</i>		25,120,004		28,205,199
Accounts receivable	894,831		936,816	
Deferred program contributions	3,038,996		3,360,597	
Other receivables and prepaid expenses	913,132		519,728	
Cash at bank	20,273,045		23,388,057	
TOTAL ASSETS		25,311,385		28,288,493
LIABILITIES & EQUITY:				
Equity		139,484		-
Other Reserve LABS	139,484			
Other Reserve IDH	-			
<i>Short-term liabilities</i>				
Appropriated funds		18,148,325		20,993,164
Institutional funding	7,359,825		16,304,591	
Earmarked funds	10,788,500		4,688,573	
Trade and other payables		7,023,576		7,295,329
Accounts payable	2,566,843		1,800,499	
Accrued expenses	115,192		102,767	
Program commitments	3,471,490		4,646,803	
Grants received in advance				
Program payables	358,323		320,344	
Other liabilities	511,728		424,916	
TOTAL LIABILITIES & EQUITY		25,311,385		28,288,493

Consolidated statement of income and expenditure

	Actuals 2018	Budget 2018	Actuals 2017
	€	€	€
INCOME:			
Subsidies from governments	27,236,741	35,282,000	27,732,012
Other income	2,664,584	800,000	1,903,209
Total income	29,901,325	36,082,000	29,635,221
EXPENDITURES:			
Program Contributions	21,552,093	27,425,000	22,721,391
Learning and Innovation	2,198,641	1,965,000	1,425,821
Impact assessments and evaluations	274,469	335,000	99,994
Programs - travel and other program costs	722,421	810,000	508,884
Programs - country offices	341,093	475,000	231,360
Outreach - external advisory	6,770	-	8,697
Total program expenditures	25,095,487	31,010,000	24,996,147
Program communication costs	283,341	215,000	155,504
Corporate communication costs	324,457	260,000	287,259
Wages and salaries	3,897,205	4,076,000	3,456,922
Social security charges	541,662	534,000	458,041
Pension contribution (defined contribution)	284,523	297,000	263,395
Other personnel costs	470,670	723,000	587,182
Attribution of personnel costs to programs	-2,203,056	-2,187,000	-1,945,395
Office costs (housing and IT)	666,998	728,000	692,704
Other organization costs	458,380	401,000	337,383
Total organizational expenditures	4,724,180	5,047,000	4,292,995
Operating result	81,658	25,000	346,079
Interest income	-634	-	-3,017
Foreign exchange result	-82,352	-	324,826
Bank charges	25,161	25,000	24,270
Result	139,483	-	-

Program Contributions 2018

Sector	2018				2018
	TOTAL	IDH	PRIVATE managed by IDH	OTHER managed by IDH	Annual Plan
Apparel	1,607,928	484,019	948,375	175,534	1,720,000
Aquaculture	272,083	219,454	52,629	-	650,000
Cocoa	1,607,291	1,607,291	-	-	2,850,000
Coffee	1,652,562	1,637,952	14,610	-	1,800,000
Cotton	2,503,048	2,503,048	-	-	2,575,000
Farmfit	419,216	419,216	-	-	-
Fresh & Ingredients *	2,663,155	2,475,772	176,312	11,071	2,500,000
Grow Africa (Cassava)	438,910	423,363	-	15,547	1,400,000
Landscapes	7,258,648	6,905,576	208,756	144,316	9,970,000
Innovative Finance	320,720	320,720	-	-	500,000
Mining & Minerals	-	-	-	-	-
Palm Oil	358,534	358,534	-	-	310,000
Soy	157,561	157,561	-	-	350,000
Tea	2,059,361	1,965,236	90,000	4,125	2,000,000
Tropical Timber	233,075	233,075	-	-	800,000
Total programs	21,552,092	19,710,817	1,490,682	350,593	27,425,000

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

Program Contributions 2008 - 2018

Sector	2008 - 2018			
	TOTAL	IDH TOTAL	PRIVATE TOTAL	OTHER TOTAL
Apparel	7,417,685	1,927,270	4,967,072	523,344
Aquaculture	28,100,859	6,934,558	19,352,616	1,813,685
Cocoa	96,832,226	24,177,174	60,220,119	12,434,933
Coffee	61,588,964	18,740,943	40,958,536	1,889,486
Cotton	84,372,332	22,437,592	50,932,207	11,002,533
Electronics	13,825,947	2,036,411	11,789,535	-
Farmfit	419,216	419,216	-	-
Fresh & Ingredients	34,224,848	13,459,944	19,032,138	1,732,766
Grow Africa (Cassava)	2,390,837	2,309,580	56,950	24,307
Landscapes	34,467,630	22,910,530	9,802,763	1,754,337
Innovative Finance	526,858	475,734	48,370	2,754
Mining & Minerals	903,979	422,532	481,447	-
Natural Stone	1,528,379	762,354	591,714	174,311
Palm Oil	10,504,568	2,987,995	7,502,327	14,246
Pulp & Paper	882,573	790,030	46,961	45,582
Soy	39,261,063	11,383,136	27,635,302	242,625
Tea	43,746,430	14,503,789	26,159,987	3,082,654
Tourism	2,524,083	794,720	1,560,023	169,340
Tropical Timber	30,242,581	12,557,178	12,678,488	5,006,916
Subtotal programs	493,761,058	160,030,686	293,816,554	39,913,818
Learning	9,746,515	8,798,380	199,148	748,987
Comm. & Congress	4,675,487	3,509,992	1,072,382	93,113
Total	508,183,060	172,339,058	295,088,084	40,755,918

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. In addition, in annex 1 the institutional donor overview is presented. This statement is used predominantly towards donors and other external parties.

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

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 objects of the Stichting Life and Building Safety initiative are expending a scalable cooperation approach focussing 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.

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 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).

Receivables

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

Appropriated funds

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

Trade and other payables

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

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.

Equity

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

Revenue recognition

Government grants

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

Recognition of private and other co-funding

With the co-funding grant from the Dutch, Swiss and Danish Governments (the donors), IDH runs public-private, precompetitive market transformation programs in multiple sectors. A prerequisite for any IDH contribution - based on the grant conditions of IDH's 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 cumulatively 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 does not perform any entrepreneurial activities. The Dutch tax authorities have ruled that IDH is exempt from VAT and from Corporate Income Tax.

Determination of fair value

A number of accounting policies and disclosures in the foundation's financial statements require the determination of the fair value for financial assets and liabilities. Where applicable, detailed information concerning the principles for determining fair value are included in those sections that specifically relate to the relevant asset or liability.

Law on the financial remuneration of senior executives in the public and semi-public sector

'Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT)'

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
Position	Chairman of the Executive Board	Member of the Executive Board
Former director	No	No
Employment agreement	Yes	Yes
Type	Indefinite period	Indefinite period
Hours per week	36	40
Part time percentage	90%	100%
Period	Jan - Dec 2018	Jan - Dec 2018
Salary, holiday and year end allowance	€ 131,361	€ 115,798
Other allowances	€ 2,859	€ 2,189
Pension and other insurances	€ 14,929	€ 13,745
Total remuneration 2018	€ 149,149	€ 131,732
Maximum Allowable WNT	€ 156,333	€ 174,000
Total remuneration 2017	€ 160,318	€ 136,198

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 G. Boon	Member	8 April 2013	1 June 2018
Mr C.P. Frutiger	Member	16 June 2015	
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 International Peer Review on German Sustainable Development Strategy
- Member of Board of Directors & Green Fund
- Executive Director Holding Company Zuid Holland
- Director of IDH Sustainable Trade Initiative UK Limited

Mr. S.C. Collet (appointed as a member of the Executive Board on 1 January 2017)

- Member of Supervisory Board Stichting OneWorld
- Director of IDH Sustainable Trade Initiative UK Limited

Supervisory Board

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

- Corporate Director Sustainability at AkzoNobel
- Ambassador Amsterdam Climate Initiative
- Member of International Advisory Board of the Utrecht University
- Member of Nyenrode's International Advisory Board (IAB)
- Member of Supervisory Board Human Cities Coalition
- Member of World Business Council for Sustainable Development
- Member of daily and general board as well as Committee Multinational Organizations of Dutch employers' organization VNO-NCW
- 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)

- 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
- Chairman of the Board Middelgrundsfonten
- Chairman of the Board Dagbladet Information a/s
- Chairman of the board of Coop amba
- 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 Managing Board of Rabobank
- Chairman of the Shareholders Council of Rabobank Partnerships (as of 2018 the name of the department Rabo Development changed into Rabobank Partnerships)
- Chairman of the Supervisory Board of De Lage Landen International BV
- Chairman of the Supervisory Board of Obvion NV
- Chairman of the Board of Directors Rabohypotheekbank NV (dissolved as of 1 December 2018)
- Member of the Board of Directors Rabobank International Holding BV
- Member of the Board Rabobank Australia Ltd
- 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
- Member of the Internationaal Strategisch Overleg (started as of December 2018, 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 Member of the Managing Board Rabobank

Mr. G. Boon (appointed as a member of the Supervisory Board on 8 April 2013 till 1 June 2018)

- Non-executive director (KPMG, Albron (chair) and Royal BAM Group)
- Lay judge ("Raad") at the Enterprise Chamber ("Ondernemingskamer") which is part of the Amsterdam Court of Appeal ("Gerechtshof")

Mr. C.P. Frutiger (appointed as a member of the Supervisory Board on 16 June 2015)

- 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. 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:

Audit Committee

- Mr. B.J. Marttin
- Mr. G. Boon (till 1 June 2018)
- Mr. R. Goldstein (as of 1 June 2018)

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
- Frank Eyhorn – Co-Team Leader Rural Economy at the Advisory Service Department, HELVETAS Swiss Inter-cooperation
- Mr. I. Gavilan
- Ms. K.D. Schuijt

The nomination and remuneration committee

- Mr. A.H.J. Veneman
- Mr. C.P. Frutiger

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 2018 of Stichting IDH Sustainable Trade Initiative, based in Utrecht is derived from the audited financial statements 2018 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 2018 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 2018 and 2017;
2. the following statements over 2018:
the consolidated balance sheet, the consolidated statement of income and expenditures, program contributions 2018, program contributions 2008-2018;
3. the accounting principles;
4. Law on the financial remuneration of senior executives in the public and semi-public sector; and
5. 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 24 May 2019.

THE AUDITED FINANCIAL STATEMENTS AND OUR AUDITOR'S REPORT THEREON

We expressed an unqualified audit opinion on the audited financial statements 2018 of Stichting IDH Sustainable Trade Initiative in our auditor's report of 24 May 2019.

RESPONSIBILITIES OF EXECUTIVE AND THE 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, 24 May 2019

MAZARS N.V.

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

