


2021 Annual Report

idh the sustainable
trade initiative



A wide-angle photograph of a lush green tea plantation on a hillside. The tea bushes are arranged in neat, terraced rows that follow the contours of the land. In the background, there are more hills and mountains, some partially obscured by soft, grey clouds. The sky is overcast, with a mix of light and dark grey tones. The overall scene is vibrant and natural, emphasizing the connection between the land and the industry.

**We put people, progress,
and planet at the heart
of trade through systems
change, leveraging the
power of markets to
create better jobs, better
incomes, and a better
environment for all.**



Image Credit (front cover): Paul Abel - Pexels



MINISTRY OF FOREIGN AFFAIRS OF DENMARK
DANIDA | INTERNATIONAL DEVELOPMENT COOPERATION



Ministry of Foreign Affairs



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

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



Introduction from Daan Wensing

CEO of IDH and Chair of the Executive Board

The reporting year 2021 marked the beginning of our new funding cycle and my first full year as CEO. It was a year in which COVID-19 continued to demand much of our collective resilience. The pandemic has provided yet another lesson in our interconnectedness. It exposed the vulnerabilities in our value chains, and showed how farmers, workers, and their communities often endure the hardest blows.

These lessons have strengthened our resolve to push forward in redesigning trade and investment as a force for good. Throughout a challenging year, we saw strong evidence that where collective action was taken, the shocks were less severe and new development pathways were able to take shape.

I'd like to thank our staff and partners all around the world for their resilience, focus, trust, and commitment to IDH. We know that we can only do this together, step-by-step, as our route forward is by no means a straight path. And yet during these times of continuous crisis, they have all approached the work with a collaborative spirit that defines and energizes us.

In 2021, IDH transitioned to an organization that's fully focused on systems change, which has become ever more necessary as we put people, planet, and progress at the heart of trade. We foster systems change by focusing on the impact themes of our work: better jobs, better incomes and a better environment for all, with gender as a cross-cutting theme. This allows us to deliver our best by honing in on the areas of greatest impact.

In 2021, we also received the results of third-party evaluations of our 2016-2020 project cycle. This input provides valuable learning that will shape current and future interventions. The evaluations clearly found that IDH's work remains relevant for our partners, has carved out a unique niche, and has reached many targets. However, we also learned that we are not yet there; we have not met all our targets. Our aim is to catalyze change across governance, sector, and field levels. But delivering impact at scale remains complex. The work must continue.

Across our portfolio, 2021 represented a year of stepping up our game. We formed global coalitions on living incomes and wages, and set frameworks to work in and across sectors to close income and wage gaps for smallholder farmers and workers, respectively. We made clear headway in our efforts to stop commodity-linked deforestation. Our work in apparel and textile value chains has accelerated the delivery of end-to-end solutions. And the IDH Farmfit Fund closed its first deals in its effort to expand access to finance among smallholder farmers and businesses. Furthermore, we made progress on embedding a gender-intentional approach internally and across all of IDH's work.



**It takes courage
as an organization
to not follow the
familiar route, but
instead challenge the
status quo.**

**We are here to
support that.**

Our internal organization also continued to develop, becoming ever more international and refining its core competency as an agent for change. The IDH leadership team has grown to include new roles that provide greater structure for an organization that now comprises 300 employees across the globe. I had the pleasure of welcoming Lizet Friesen-Leibbrandt as our new CFO in October 2021, forming the Executive Board with me.

Finally, I want to thank our donors for their ongoing support. We are well aware of the scale and scope of the challenge outlined in the Sustainable Development Goals. Your support allows us to find new pathways forward in a world bound by old ways of working. IDH was created to challenge the status quo, and we recognize the courage it takes to make space for new ways of thinking, innovative approaches, and collaborative learning. This approach is exactly what the world needs right now.

Sincerely,

Daan Wensing

CEO IDH

Introduction from Magdi Batato

Chair of IDH's Supervisory Board

As the global pandemic held the spotlight through another year, we have all had to cope with this global challenge and move forward with great resilience. IDH's new CEO, Daan Wensing, who took on the role in the midst of 2021, managed to unite the team in developing IDH's new strategy, and put us on track in this first year of the 2021-2025 funding cycle. I continue to be impressed by the resilience and determination of IDH's global team.

We also bid farewell to IDH's COO, Céline Bouquet, who has left to pursue a new career opportunity. I would like to thank Céline for all her great work in guiding IDH through its recent years of development. We wish her all the best in her future career. With that, we wholeheartedly welcome Lizet Friesen-Leibbrandt as CFO and new member of the Executive Board at IDH. With her relevant financial background, she is the person "par excellence" to bring the organization to the next level.

Over the past year, IDH has successfully reoriented itself towards focusing on systems change and applying this concept in everything we do. Whether working to close living income gaps, creating gender-transformative business models, halting deforestation or ensuring living wages, IDH seeks to understand the entire context, the feedback loops, and the critical leverage points that can drive change. The organization does this by going wide, bringing the right people to the table, and sharing what's learned along the way.

Creating systems change is as much a challenge as it is exciting. It means convening multi-stakeholder coalitions, effectively defining the problems, and discovering new pathways. Together, IDH and its partners explore opportunities, test the concepts, and learn from them. This requires intense work at many levels and from many angles. And IDH has proven to be capable of doing that very effectively.

The launch of the Roadmap on Living Income in 2021, as well as the existing Roadmap on Living Wages, showed great progress and created opportunities for partners to progress towards a more sustainable value chain. IDH's landscape work is bearing fruit, especially in Brazil with the launch of the world's first deforestation-free beef (see the case study in this report). New work towards gender-transformative business models is also taking shape.

Moving through 2022, we know that this work is more urgently needed than ever before, especially as we get closer to the 2030 deadline for achieving the UN's Sustainable Development Goals. Each of the crises we face today – conflict, climate change, inequality, pandemic – add fuel to the need for change in how we operate and manage our global systems.

There is no time to waste – join us in taking action!

Sincerely,

Magdi Batato

Chair of IDH's Supervisory Board



Market transformation

IDH and its partners contribute to many of the Sustainable Development Goals:



We focus our work through three impact themes with gender equality as a cross-cutting theme:



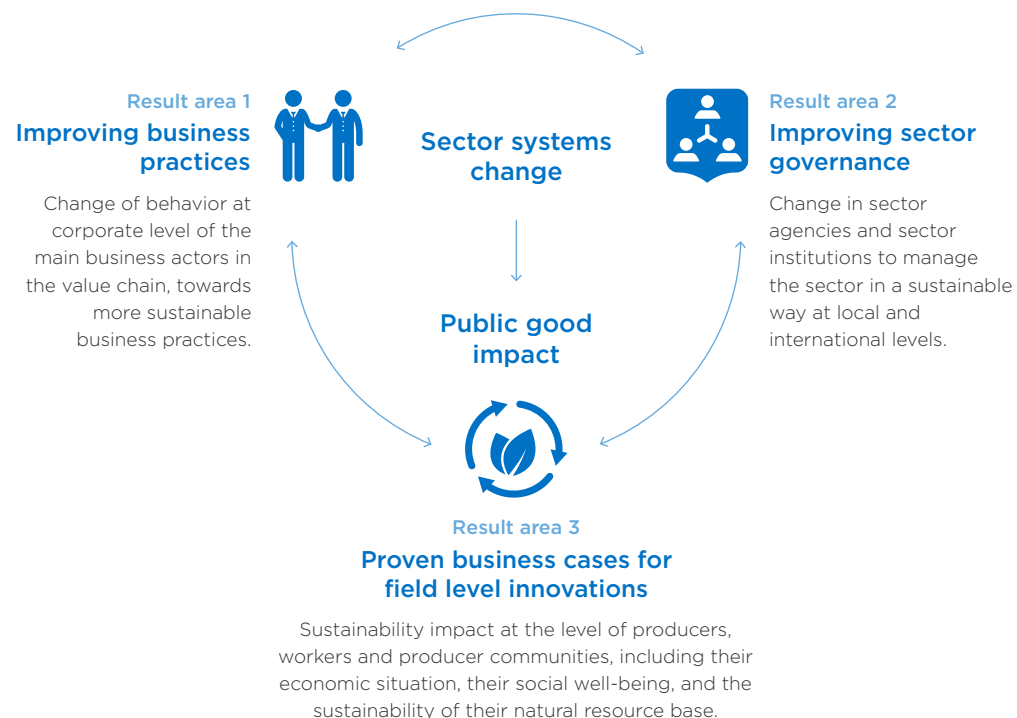
IDH recognizes that systems change is required to achieve our desired impact. We realize this change in three result areas:



IDH builds partnerships among stakeholders from the private and public sectors, and civil society. We work together to align on sector or landscape transformation strategies, gather resources, and commit to the adoption of improved practices that result in systems change for the public good.

Our core functions include:

- Impartial convening that creates an open, solution-oriented environment.
- Support for coalitions through governance functions to support stakeholders.
- Development of analytical tools and capacities that aid data-driven transformation.
- Co-creation of roadmaps that can help organizations at any point in their sustainability journey.

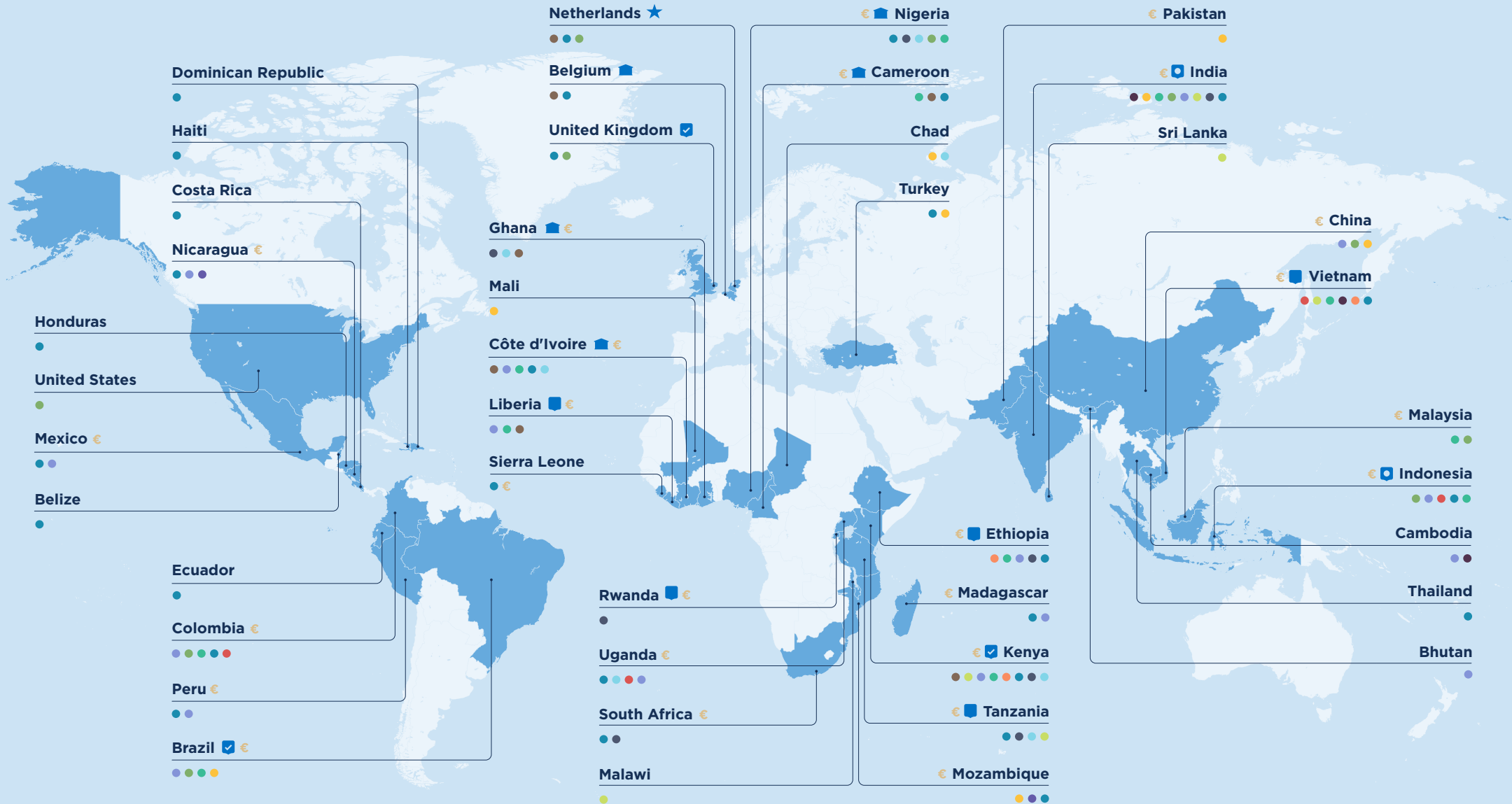


We base our intervention and exit strategies on the principle that changes in the system should be self-sustaining over time. Private-sector actors bring innovations to scale via investment in replication and copying of effective models. The public sector creates enabling regulatory and policy environments that enhance and support ongoing transformation, while civil society enables our work on the ground.

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Where we work



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|---|--|--|---|---|--|---|--|
| <ul style="list-style-type: none"> ■ IDH branch office ■ Office space through hosting | <ul style="list-style-type: none"> ☑ IDH legal entity ☑ IDH legal entity (associated entity) | <ul style="list-style-type: none"> ★ IDH HQ - legal entity € Program spending of more than €75,000 in 2021 | <ul style="list-style-type: none"> ● Sector Initiatives (FC&I) ● Farmfit Business Support (FC&I) ● VCD (FC&I) | <ul style="list-style-type: none"> ● PPI (LND) ● Landscape Finance (LND) ● Markets (LND) | <ul style="list-style-type: none"> ● Cocoa (A-C) ● Coffee (A-C) ● Tea (A-C) | <ul style="list-style-type: none"> ● Apparel (T&M) ● Materials (T&M) ● LABS (T&M) | <ul style="list-style-type: none"> ● Farmfit Fund |
|---|--|--|---|---|--|---|--|

Program delivery

INDICATORS		Baseline AR2021	Target 2021 AR (Cumulative)	Actual 2021 (Cumulative)	MYP Target 2021-2025 ¹	Forecast 2025	
SECTOR/LANDSCAPE-LEVEL RESULT							
OUTPUT RESULT							
Improved sector governance	Number of multi-stakeholder coalitions, committees, secretariats, initiatives, and platforms convened to sign and support a common vision, goals, or strategy on sustainable development or sourcing	47	76	75	155	127	
	Number of companies with MoUs, funding agreement or letter of assignment to invest, trade, and/or provide services	69	158	227	199	279	
Improved business practices	Number of factories, cooperatives, SMEs, plantations, traders reached with technical assistance (non-financial assistance)	199	438	494	2,985	2,870	
	Number of diagnostic analyses finalized	129	157	497	69	181	
	Percentage of projects in IDH portfolio that are gender intentional; percentage of projects in IDH portfolio that are gender transformative	0%	0%	Unintentional: 26% Intentional: 66% Transformative: 8%	Case count: Unintentional: 39 Intentional: 97 Transformative: 12	100% intentional; 10% transformative	100% Gender intentional
	Total program budget dedicated to climate change mitigation and climate change adaptation (2)				Mitigation: €41,394,980 Adaptation: €43,719,963		
OUTCOME RESULT							
Improved sector governance	Number of multi-stakeholder agreements signed as a result of IDH interventions	30	54	45	115	90	
	Number of new or improved policies or standards that are effectively enforced	8	18	24	17	35	
Improved business practices	Private investments co-funding in the program	€55,270,803.00	0	Total value: €48,643,454; Co-funding ratio = 1 : 2		1 : 2	
	Number of factories, cooperatives, SMEs, plantations, or traders with improved access to financial services such as blended finance, equity, or commercial loans	14	23	71	554	631	
	Number of targeted market actors that adopted or updated their sourcing, procurement policies or strategies to include sound social and environmental sustainability criteria and goals	12	17	21	16	72	
	Offtake volumes of focus crops (metric tons)	0	33,100	103,223	85,500	185,500	

INDICATORS		Baseline AR2021	Target 2021 AR (Cumulative)	Actual 2021 (Cumulative)	MYP Target 2021-2025 ¹	Forecast 2025
IMPACT RESULT						
Replication of investments and scaling by IDH partners	Other sources of public, private or blended-finance investments/funding leveraged by the program	€85,930,803	€91,740,000	€53,798,924	€263,760,000	€374,461,500
	Uptake rate of sustainable production by program partners or sectors (3)	Reports in 2020 (on 2019) SIFAV: 3,029,815 MT = 81% SJC: 1,013,149 MT = 22% SSI: 33,042 MT = 21% SVI: 28% SFI: 4,955,840,652 stems = 64%	0%	41%	38%	38%
FIELD-LEVEL PILOT PROJECT						
OUTPUT RESULT						
	Number of farmers and workers trained (4)	56,662	218,804	199,987	5,086,054 (596,591 women)	1,500,331
	Number of farmers who gained access to financial services	7,533	21,850	27,542	683,500 (190,598 women)	1,073,375
	Number of farmers who gained access to inputs and technology, including ICT	10,511	38,621	32,151	85,850 (23,058 women)	73,014
	Number of agronomists, extension workers and experts trained	3,612	10,646	20,101	29,355 (5,735 women)	27,857
OUTCOME RESULT						
	Adoption rate of sustainable manufacturing, production, and land-use management practices	Agricomodities: 0% FC&I: 0% Landscapes: 33% T&M: 0%	0%	For FC&I: FarmGate: 54% (16/30) and Hortinvest & Hortexport: 85% (12567/14621) Landscapes: 3%	65%	65%
Proven business cases for field-level projects	Number of farmers with increased number of crops (including those intercropped with focus crop) cultivated by the farmer	1,387	43,676	34,704	525,350 (129,730 women)	330,546
	Number of farmers with increased number of animal products (meat, dairy, wool, honey, etc.) produced on farm for sale or for consumption.	1,206	2,836	8,314	6,370 (1,145 women)	5,296
	Number of farmers with offtake seasonal, annual or longer-term contracts signed per year	3,559	8,315	6,035	35,201 (9,700 women)	35,031
	Number of licensed/certified farmers or farmers compliant with the quality or sustainability standards of offtakers	112	2,292	294	34,400 (4,870 women)	26,092
	Number of households or production facilities with improved water availability and access	0	5,000	440	345,000 (90,000 women)	46,038
	Area of forest(ed) land under sustainable (agro) forest management or other improved conservation or protection practices (hectares)	565,438	759,779	797,839	2,079,758	1,320,709
	Area of cropland and other non-timber commodity production under sustainable (intensification) production and management practices (hectares)	19,356	208,084	693,577	1,367,734	806,241

INDICATORS	Baseline AR2021	Target 2021 AR (Cumulative)	Actual 2021 (Cumulative)	MYP Target 2021-2025 ¹	Forecast 2025
IMPACT RESULT					
Number of farming households with increased net income (5)	2,951	56,572	32,177	1,557,994 (305,336 women)	1,313,082
Percentage of net income increase from focus crop(s)	0%	0%	Chili VCD India (2021): 26%; Cassava VCD Nigeria (2021): 371%	21%	21%
Number of workers with improved working conditions	365,000	766,900	650,296	4,130,000 (2,612,000 women)	4,212,000
Number of workers with reduced living wage gap	50,000	53,000	50,000	146,000 (60,000 women)	146,000
Greenhouse gas emissions reduced (tCO ₂ eq) (6)	167,037	76,665		900,495	900,495
Greenhouse gas emissions sequestered (tCO ₂ eq) (6)	662,533	503,567		2,620,948	2,620,948
Area of soil under restoration and rehabilitation practices (on site) (hectares)	42,028	339,378	338,315	224,954	475,302
Area of forest/watersheds covered by PPI governance (hectares)	7,395,171	8,444,589	8,519,795	11,354,369	13,749,573
Area of cropland covered by PPI governance (hectares)	2,634,700	2,887,184	3,407,362	4,614,997	4,378,538

Proven business cases for field-level projects

Footnotes

(1) MYP target 2021-2025 of "Private investment co-funding in the program" is adjusted from "1:1" in the MYP to "1:2" due to the changes of definition of "IDH program contribution in P&L" (see page 62, table "program contributions per program cluster and type of funding 2021"). "IDH program contribution" in the calculation of MYP (August, 2021) included overall cost such as cost of staff, office and project implementation; whereas the new definition of "IDH program contribution" excludes staff and office cost but include only cost of project implementation and activity delivery.

(2) Result 2021 of "Total program budget dedicated to climate change mitigation and climate change adaptation" is program budget of BUZA. Program budget of other institutional and program donors is excluded from this calculation.

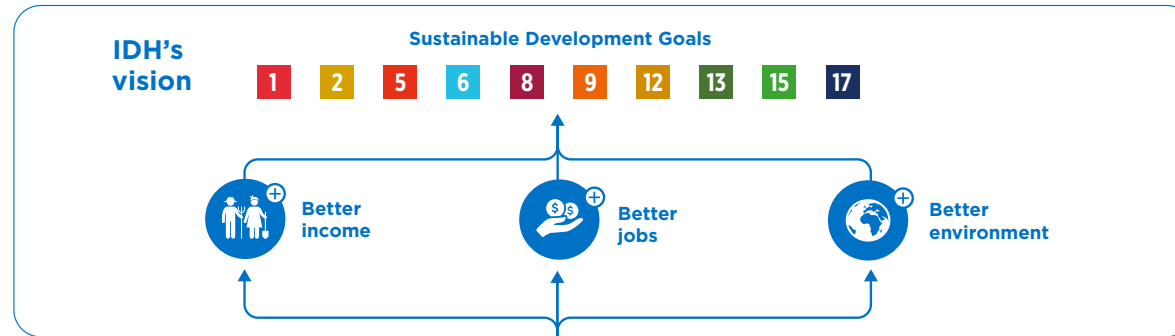
(3) Result 2021 of "Uptake rate of sustainable production" is cited from: PWC(2021), SIFAV 2020 progress report - the final year to reach the goal of 100% sustainable fruit and vegetables PWC(2021), 2020 Responsible sourcing - Fourth year progress reporting SJC; PWC(2021), Annual progress report for FSI - 2020 Benchmark on responsible sourcing; BCI (2021) Annual Report 2020.

(4) Baseline and target value of "Number of farmers and workers trained" has been adjusted. IDH adjusted the baseline value from 2,762,622 (IDH Multi-Year Plan, 2021) to 56,662; and consequently lowered the cumulative 2021 target from 2,885,042 (IDH MYP, 2021) to 218,804. The purpose of the adjustment is to exclude the number of trainees served by Better Cotton Initiative, which is financially supported by IDH. Farmers reached by BCI are in this case counted as "indirect result" of IDH, and have therefore been excluded from the calculation of AR2021 to differentiate BCI achievement from trainees directly served by IDH interventions.

(5) Result 2021 of "Number of farming households with increased net income" and "Percentage of net income increase from focus crop(s)" is cited from evaluation reports: ITC Agri Business (2021), Chili Farm Value Chain Development Project in Andhra Pradesh - End-year Impact Assessment Report; and Fusion Consulting (2022), Endline study for IDH Cassava Program in Nigeria - evaluation report.

(6) Result 2021 of "Greenhouse gas emission reduced & sequestered" is not calculated (modeled) in 2021 due to concerns of cost-effectiveness of reporting. GHG result of IDH is modeled against interventions directly and significantly contributing to GHG reduction and removal. These interventions are not yet fully implemented to the scale that would allow substantial and concrete reporting in AR2021.

IDH CORPORATE THEORY OF CHANGE

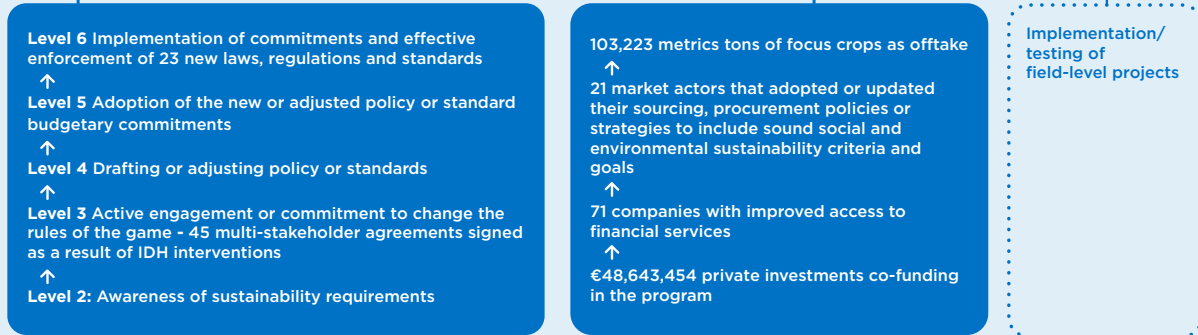


PHASE 3
SCALING

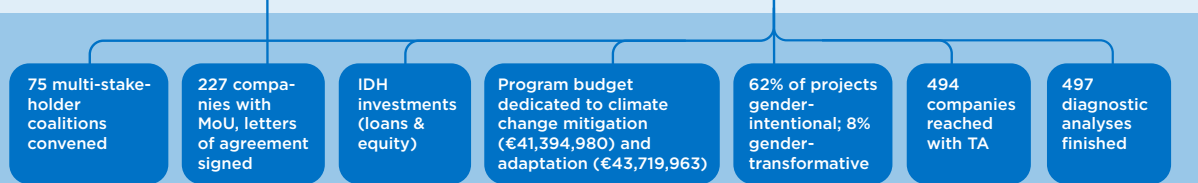
- €53,798,924 other sources of public, private or blended-finance investments/funding leveraged by the program
 - 41% uptake of sustainable production by program partners or sector
 - Description of proven business cases and upscaling by IDH partners
- Description of crowding-in by other players

Improved sector governance Improved business practices Proven business cases for field-level projects

PHASE 2
IMPLEMENTATION



PHASE 1
IDEATION AND
PARTNERSHIP BUILDING



IDH CONTRIBUTION TO SECTOR-WIDE IMPACT

SPHERE OF INTEREST

FINAL OUTCOMES

SPHERE OF INFLUENCE

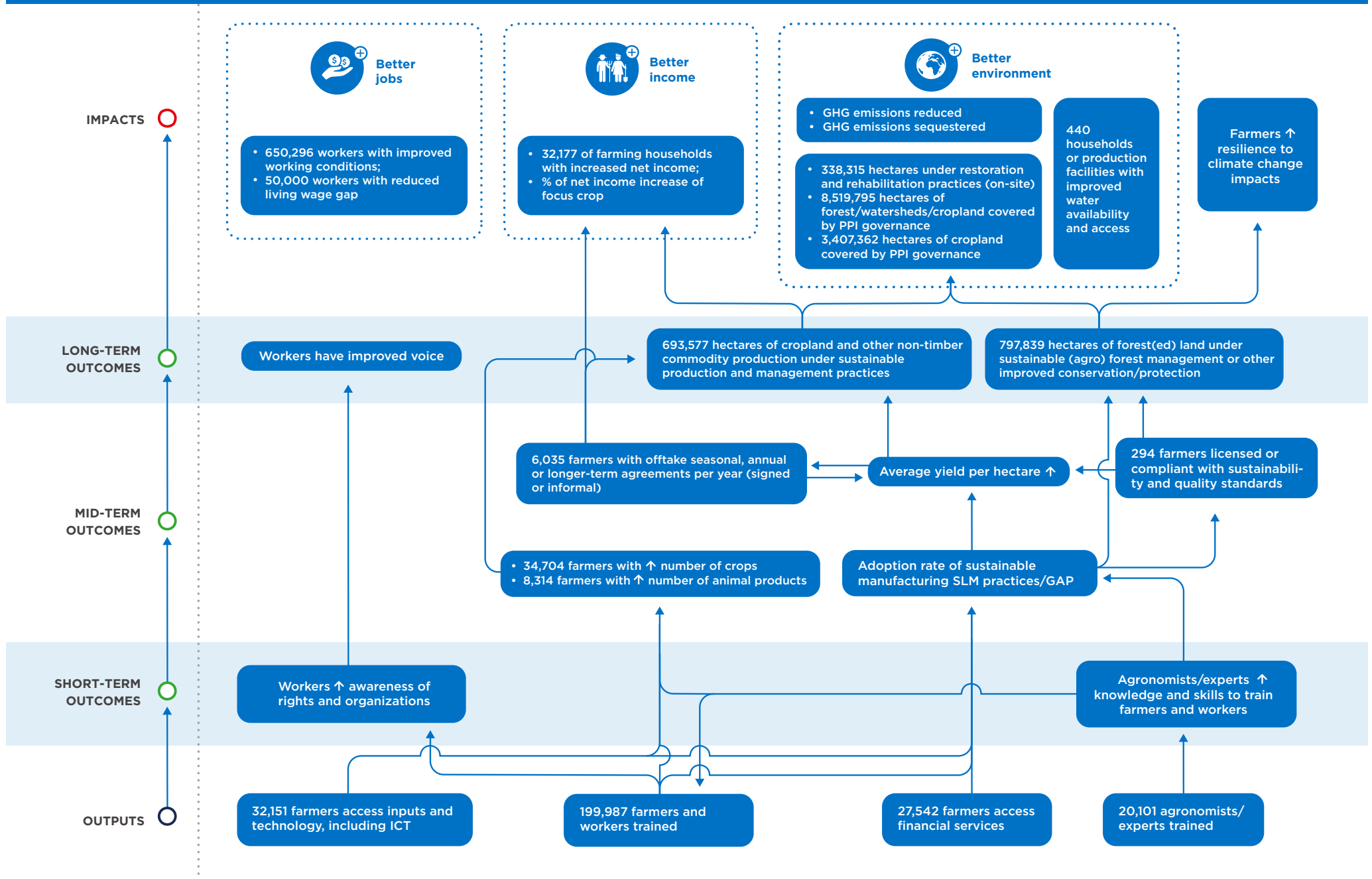
MID-TERM OUTCOMES

SHORT-TERM OUTCOMES

OUTPUTS

SPHERE OF CONTROL

PROVEN FIELD-LEVEL BUSINESS CASES



Executive summary

IDH has adopted systems change as its core purpose. The private sector can play a huge role in catalyzing systems change by sourcing sustainably, investing in projects that bring about scalable change, and working with financial institutions, governments and civil society organizations to find new pathways towards a sustainable future. Together, we can collaborate on making the shift.



Systems change

We believe there is opportunity to be found in the nexus of climate change and inequality. And that is why IDH has shifted from five impact themes to three, focusing on better jobs, better incomes, and a better environment, with gender as a cross-cutting theme. Within all three impact themes, the way of working is similar: we take a step back to reach a holistic view on the entire ecosystem. That is our starting point. It ensures the collective takes all perspectives into consideration at all times, and then makes the steps needed to create the greatest long-term change for the public good, in the shortest amount of time. In this report, you can see this concept demonstrated through the way that the IDH Farmfit Fund, Farmfit Business Support and Farmfit Intelligence work together, bringing tailor-made opportunities to companies and markets while creating real systems change in their value chains.



Better jobs

The IDH Living Wage Summit – bringing together 190 participants from 70 private-sector companies plus several governments – was successfully held online due to the COVID-19 pandemic. With the Roadmap on Living Wage now in place, 49 organizations continue to think along with us to develop this further. IDH also developed the Salary Matrix, to address the lack of understanding of existing wages across a given sector. Measuring the wage gap resolved a barrier to progress: 188 organizations supplied their data for 15 different products in 20 different countries in the living wage tool. The developments in the retail sector in bananas demonstrate best how we work with these tools.

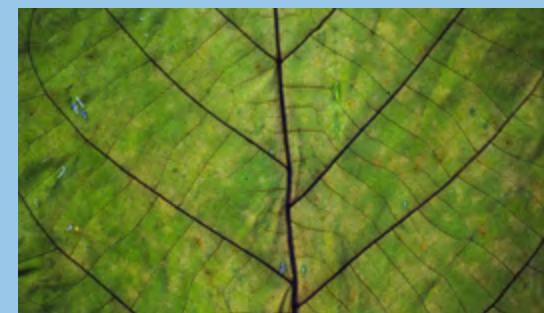


Better incomes

With the launch of the Roadmap on Living Income, a new structure was put into place for companies to work towards closing the living income gap in their value chains. Starting with sector governance, the Belgian Beyond Chocolate partnership offers a great model to test and learn through smart interventions that allow private-sector companies to change business practices. The Dutch Initiative on Sustainable Cocoa (DISCO) also rolled out a sector-specific roadmap.

Better environment

Highlighting a business case in Brazil, we explain what happens when you put systems change into practice in a landscape model – taking into account the entire ecosystem with all its elements and participants. Here, we analyzed the system, the underlying patterns, and the leverage for change. We continued to welcome different stakeholders with different views. We kept the conversation going, looking for a common language based on shared understanding and ambition, resulting in the launch of 100% traceable beef together with Carrefour Brazil.



Gender

In 2021, IDH stepped up its focus on gender. Starting in 2022, all IDH programs will be gender-intentional, meaning that they will take into account the different needs and constraints of women and men, and take steps to adapt to those needs. It has been proven that gender equality makes for better business, is a source of value creation for companies and communities, and contributes to a safer working environment.

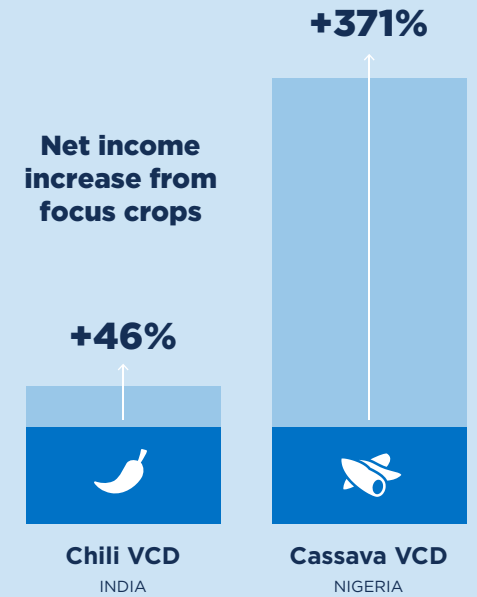


In-depth Report: Annex

Our program delivery table demonstrates how our focus on systems change comes to life throughout all our projects. As presented in the Multi-Year Plan 2021-2025, a new corporate theory of change has been devised, based on changes in sector governance, business practices and field-level innovations. The annex provides an in-depth report on program progress, while also presenting our five business units and their strategies.

What's happening through our partnerships

Some examples



Roadmap on Living Income

33 Partners



Step 1

Identify the living income benchmark



Step 2

Assess the living income gap



Step 3

Verify the calculations



Step 4

Close the gap and track progress



Step 5

Share learning

Roadmap on Living Wages

49 Partners



Step 1

Identify the Living Wage



Step 2

Measure Living Wage Gaps



Step 3

Verify calculations of living wage gaps



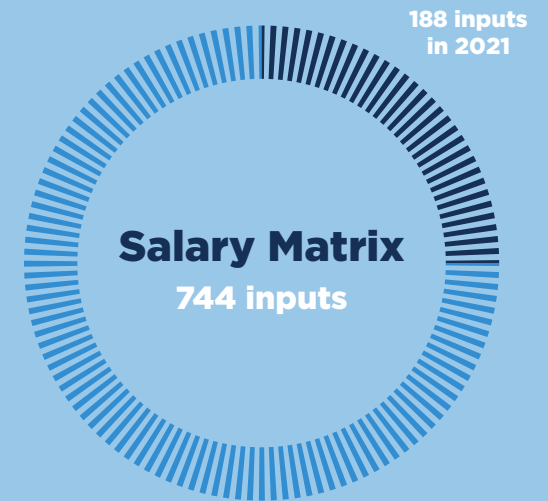
Step 4

Close living wage gaps



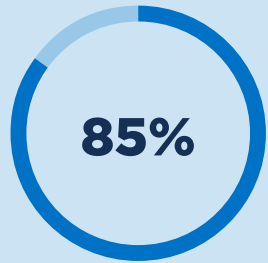
Step 5

Share learning



Sustainably sourced volume reached by sector initiatives

of the total sourced volume by members



Sustainability Initiative Fruits & Vegetables

34 Members



Sustainable Juice Covenant

16 Members



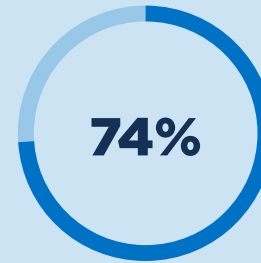
Sustainable Spices Initiative

45 Members



Sustainable Vanilla Initiative

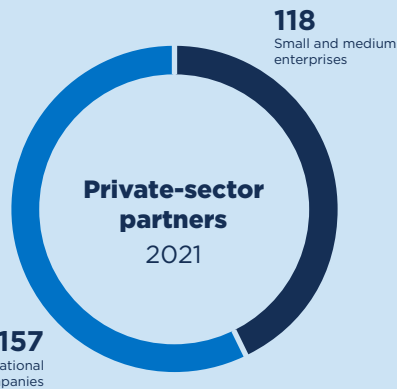
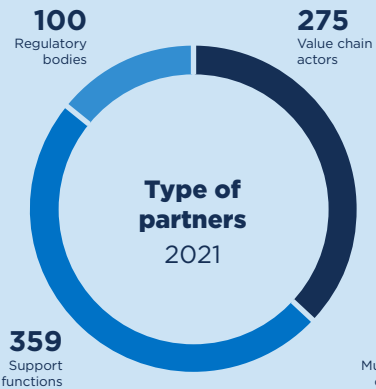
30 Members



Floriculture Sustainability Initiative

79 Members

IDH at a glance



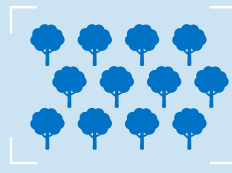
11,766,003 MT

Total volume of sustainable produce by IDH partners



693,460 Ha

Area of cropland and other non-timber commodity production under sustainable (intensification) production and management practices



1,012,839 Ha

Area of forest(ed) land under sustainable (agro) forest management or other improved conservation or protection practices



€50,763,924

Other sources of public, private or blended-finance investments/funding leveraged by the program

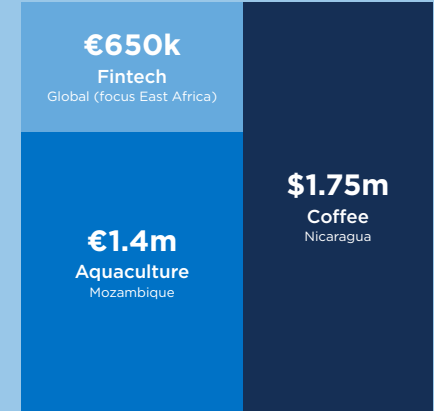


Total co-finance leveraged:

€5.6 million

€4.76 million private sector

Farmfit Fund



€3.5 million

Total investments made in 2021 by the Fund

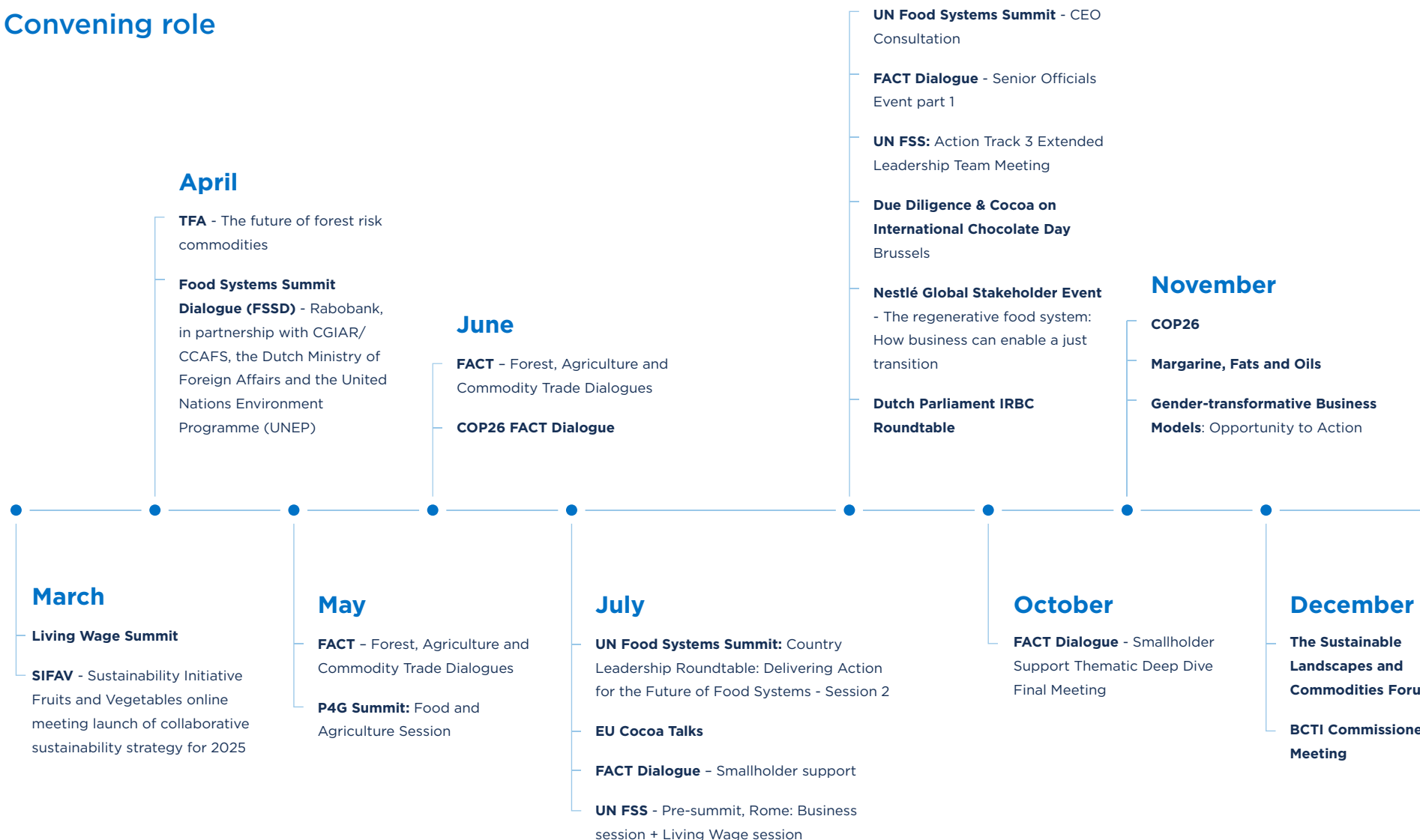


Rabobank joined as an investor to the Fund with

€10 million

Overview of events in 2021

Convening role



Systems change

Collaborating on systems change





The shift to sustainable trade is based on deep understanding and transformative collaboration. This critical insight has guided our years of convening stakeholders across global value chains. At IDH, we apply a systems change approach to our work of putting people, planet, and progress at the heart of trade.

There is no clear-cut path to sustainable trade. Change requires collaboration to generate the new pathways that will help shift the focus from short-term performance to long-term public good. The world's prevailing system of economic trade, with its primary objective of profit maximization, has resulted in great social and environmental costs that have become increasingly evident on a global scale:

- Unsustainable use of, and unequal access to, natural resources;
- Profound social and economic inequality;
- Climate change.

Addressing these problems calls for a holistic approach. We begin any project or program with a step back to understand the full ecosystem surrounding any issue we hope to address – whether protecting vulnerable ecosystems, achieving better incomes and living wages, or reaching gender equality.

Our programs bring together sector actors and seek out the leverage points where small adjustments can catalyze change. This could be a shift in how farmers access services and support, a change in procurement practices, funding for technological solutions and new tools that provide deep insights, or a reprioritization of investments.

We work across three integrated levels:



Sector governance

Governmental, institutional and agency levels



Business practices

Business actors throughout value chains



Innovation in the field

Producers, farmers, fields, ecosystems, workers and producer communities

The level of effort needed for this shift requires extensive collaboration and a willingness to co-create solutions. That's why we convene, innovate, and invest with our partners in inclusive, sustainable solutions that create value for people and planet, while maintaining performance.

To create the greatest impact in the shortest amount of time, we team up with courageous individuals within the financial sector, governments, business world, NGOs and civil society organizations that have the most influence over supply chains. Together, we gather knowledge, share our learnings, develop and test solutions, and bring them to life.

The complexity of connections and diversity of approaches in global, regional, and local trade means that projects sometimes do not meet the intended goals, but we are committed to learning and applying these lessons. Over time, we discover new perspectives and create new frameworks, together with our partners, that address the biggest challenges in sustainable trade.

Together, we are agents for change.



Civil society, private sector and academia should do more to work with local communities and Indigenous People where their rights are established to march towards a just, inclusive and sustainable future.

Silas Siakor

IDH Country Manager, Liberia

From the article: [Keeping the promise: When governments let up, civil society, academia and private sector must step up](#)

Systems change in brief



Unlocking regional food trade in the cassava sector

Cassava, an important crop in East African diets, faced supply-demand constraints that limited industrialization. IDH's wide-ranging value chain development partnership, funded by the Rockefeller Foundation, served as a prototype for Africa to show how market transformation and improvement in business practices can help industrial processing factories develop inclusive, sustainable supply chains and reduce on-farm waste.

Read more about the cassava program [here](#)



Grown Sustainably in Africa

This value chain development program unites international brands and small and medium enterprises in Africa to shift towards local supply and to help entrepreneurs and farmers enhance their productivity and commercial viability.

Listen to our podcast with program leaders [here](#)



IDH Farmfit Fund makes initial investments

The IDH Farmfit Fund deploys capital to de-risk innovative investments in smallholder farming and demonstrate the viability of finance for smallholder farmers and agricultural small and medium enterprises. In 2021, the IDH Farmfit Fund made its first three investments and continued to develop its investment pipeline for 2022.

Read about Farmfit's first investment [here](#)



SourceUp launches with first committed buyer

SourceUp connects landscape initiatives with buyers around the globe, which structures information flows that allow key decision makers to take action for sustainable outcomes. The platform was rolled out in December 2021, with JDE Peet's as the first company using the tool to source coffee from the Vietnam Central Highlands Compact.

Read more about the compact [here](#)

CASE STUDY

Enabling systems change in the smallholder sector

Smallholder farmers play an important role in global food production. Although they manage just 12% of the world's agricultural land, they produce 35% of its food. Enabling these farmers to reach their potential could significantly increase food production for a growing population and reduce poverty in smallholder households.

The challenge is that capital markets are hesitant to invest in smallholders. Such farmers currently face a funding gap of around \$170 billion that could dramatically improve their businesses and livelihoods. Coupled with the difficulty of reaching them with adequate services – including training and access to inputs, finance, and markets – this funding gap has huge implications for the sustainability of global food chains and the environment.

IDH Farmfit unlocks the power of capital markets, provides insights and expertise, and convenes market actors to make a convincing case for investment in smallholder farmers and to encourage the development of innovative service delivery models.



From opportunity to action

The limitations on access to finance, resources, and training are often less about a lack of interest in serving smallholders than they are about a perception that smallholder investments are riskier and more costly to serve than other segments. Farmfit provides a platform for addressing these issues and spurs a shift in the way financial institutions, traders, processors, brands, and companies engage with smallholder farmers and provide service delivery.

Farmfit works across three distinct entities:

- **IDH Farmfit Fund** combines a farmer-centric mandate with the ability to take risks and catalyze other investors in the farmer finance space.
- **Farmfit Business Support** uses data, insights, and blended finance to identify service areas that are ripe for innovation and to scale up effective service delivery for smallholder farmers.
- **Farmfit Intelligence** compiles and shares key insights on how to make smallholder value chains more efficient, effective, competitive, and scalable. Robust data from our benchmarking database helps financiers, companies, and support organizations to make better investment decisions.

Systems change is not just about adapting to the current reality, but shifting to a new plane. Farmfit's combination of investment, informed advisory support, and intelligence opens the door for smallholder farmers to access finance and affordable options for quality goods and services. It optimizes the business models of companies working with smallholder farmers, and provides attractive investment opportunities for financial institutions.



Farmfit Business Support

Farmfit Business Support: Building business models that work for smallholders and companies

Farmfit Business Support leverages data and insights to support the development of service delivery models (SDMs) that serve smallholder value chains. They regularly publish case studies to provide valuable analysis of successful SDMs in order to drive innovation in smallholder services. Recent case studies include:



Musoni Microfinance, a Kenya-based microfinance institution, is a pioneer in the digital lending space, offering cashless and fit-for-purpose loan products to smallholders.

Download the Musoni case study [here](#)



UGACOF Ltd is a leading coffee processor and exporter aiming to build a business case for regenerative coffee-farming systems in Uganda.

Download the Ugacof case study [here](#)

Visit the full catalog of nearly 80 case studies [here](#)



Farmfit Intelligence: Informing and educating

Farmfit Intelligence helps companies scale up business models that serve smallholders. Tools include a benchmarking database for comparing performance, a business modeling tool to quantify potential new models, and white papers to share what we've learned. Latest topics include:

- [Unlocking regional food trade](#)
- [How to best use primary farm-level data for impactful smallholder engagement models](#)
- [Shifting gears: Engaging the private sector for agricultural transformation](#)
- [Optimizing farm systems through gender inclusion](#)

Learn more at farmfitintelligence.org



IDH Farmfit Fund: Different needs, different approaches

The IDH Farmfit Fund aims to make smallholder farmer finance a viable asset class to the benefit of farmers and businesses. The fund addresses perceived barriers to investment among investors to initiate behavioral change towards servicing smallholder farmers and associated businesses. Increased access to finance can enable responsible business growth and efficiency gains for smallholder farmers.

For example, Aldea Global is a small farmers' association of 6,200 coffee farmers based in Nicaragua that exports Fairtrade and organic coffee to Asia, Europe, and the US. In the past, the absence of structural long-term financing has been a deterrent for the sustainability and growth of impactful farmer-owned organizations, such as Aldea Global. In 2021, the organization secured an eight-year loan from IDH Farmfit Fund and Oikocredit to implement a coffee mill integrating wet and dry mill processing, which will allow them to manage the coffee transformation process, standardize coffee quality, increase yields through efficiency gains, and minimize environmental impact.

[Read the full story on Aldea Global here](#)



In 2021, IDH Farmfit Fund signed an agreement to acquire a 21% stake in LendXS, a fintech scaleup company. LendXS BV was founded in 2019 and has quickly grown, with operations in Kenya, Ghana, Uganda, and Côte d'Ivoire, aiming to provide access to finance for at least 280,000 first-time borrowers within five years. The company improves access to finance for rural smallholders through affordable digital technology. LendXS's suite of digital tools reduces the costs per transaction, and streamlines data collection and crop-specific credit scoring, all of which help rural and other lenders to make faster, better-informed loan decisions.

[Read the full story on LendXS here](#)

Better jobs

Rewarding the value in work





Inequality is a cause for concern when it comes to ensuring the well-being and livelihoods of all the people on our planet. It's not only a threat to global stability and personal livelihoods, but to business and economic growth as well. According to the OECD, the average income among the richest 10% of the population is nine times higher than that of the poorest 10%. Long-term, sustainable growth in business depends on working conditions and wages that reduce inequality and increase opportunity.

Businesses become sustainable when employees throughout the supply chain are valued, work in safe and healthy conditions, and earn enough for a decent livelihood. A motivated and engaged workforce is a company's most valuable asset.

Living wages, safe working conditions, and workers' representation are critical components of the equation. IDH is committed to helping companies in the manufacturing and agriculture sectors to make the journey towards better jobs.

IDH's Roadmap on Living Wages provides companies and brands with the resources they need to understand the gap between a living wage and what workers earn, and the strategies they need to close that gap. We also collaborate with stakeholders to support collective bargaining, hold multi-stakeholder dialogue, create life and building safety frameworks, and address gender-based violence to create safe workplaces that are responsive to workers' needs.

When workers are properly remunerated, feel safe, and can engage in social dialogue with management, the result is a more productive and committed workforce, which creates a virtuous economic growth cycle. IDH works collaboratively to build concrete strategies that improve conditions for workers in agriculture and textiles.

Our goal is to achieve better jobs for millions of employed people as well as strong, resilient businesses.

Roadmap on Living Wages



Step 1

Identify the living wage



Step 2

Measure living wage gaps



Step 3

Verify calculations of living wage gaps



Step 4

Close living wage gaps



Step 5

Share learning

“

...in an era with increasingly fragile supply chains battered by the effects of climate change, smart businesses are wise to invest in their most valuable resource: their workers.

Amanda Penn

IDH Senior Partnerships Manager, UK

In the article: [Keep focusing on the big picture of improving wages](#)

Better jobs in brief



Different paths, common goal

For many companies, paying a living wage can seem daunting, but the potential benefits for businesses are clear. Members of IDH's Roadmap on Living Wages shared five key insights from their living wage journeys.

[Read the story here](#)



Creating a better workplace

The Life and Building Safety (LABS) initiative is an industry-driven program facilitated by IDH that provides for safer factory working conditions in the apparel and footwear industry. To date, 265 factories have been assessed, 254 safety trainings have been conducted, and 63% of all issues identified have been resolved.

[Read the LABS initiative's latest report here](#)



Living wages: Share, learn, achieve

The IDH Living Wage Summit brought together 190 participants from 70 private-sector companies, plus governments and civil society organizations, to share experiences in confronting economic inequality through living wages.

[Read the summit recap here](#)

CASE STUDY

Collaborating for progress on living wage

The banana supply chain has been built to ensure that bananas are cheap and bountiful. Maintaining such low prices requires a herculean effort and tight margins. A key factor in this equation is labor costs. Underpaid labor is one of the externalized costs that are rarely accounted for in the price consumers see on the shelf.

According to salary information gathered from over 200 plantations and released in 2021, 45% of all participating farms showed living wage gaps (which is the living wage minus current wage), while 32% of all workers were earning less than a living wage. Over half of them face a living wage gap of more than 10%, while almost one in 10 showed a wage gap greater than 30%. Though progress has been made by some frontrunner companies and through several organizations, including third-party certifications to address the social and environmental costs hidden in supply chains, sector-wide action on living wages remains elusive.

Even if a responsible retailer commits to paying the equivalent of a living wage, their purchases may represent a small percentage of any farm's annual production. This can dilute the impact of living wage contributions unless other buyers take similar action.





Unlocking retail collaboration

Large-scale systems change – like the shift to a living wage – requires a broad approach that considers everything from farm productivity and working conditions, to purchasing practices and sometimes even the regulatory environment. There are various factors that can spur this shift: the actions of competitors, consumer pressure, and government regulation.

In 2018, the Dutch government introduced an agreement on responsible business conduct and sustainable supply chain management. The action led 14 supermarket chains and other stakeholders to launch the Dutch Retailers' Commitment to Living Wages together with IDH, aiming to reduce the living wage gap for banana workers by 75% by 2025.

The Dutch commitment has led to similar efforts in other countries. In Germany, seven retailers have united to create the German Retailers Working Group on Living Income and Wages. The group recently scored a success when the German government's Federal Cartel Office, the Bundeskartellamt, announced that broad agreements on wages do not violate anti-trust laws.

"These initiatives build on each other," said Ronald Sanabria, Senior Program Manager at IDH, in the Annual Report 2020: Banana Retail Commitment on Living Wage. "In the case of the Netherlands, it was policy that helped spur the shift; in Germany, it was cooperation among private companies and the government development agency, GIZ. Now in the United Kingdom, we see how commitments from one or two retailers can motivate others to join in the effort."

In November 2021, IDH brought together top UK retailers to explore how progress can be made on living wages in a pre-competitive space. Prior to the meeting, Tesco announced a time-bound commitment to paying living wages to workers in their banana supply chains. IDH is now working with several top UK retailers to explore their supply chains and work together to close wage gaps.

Information maps the way forward for Dutch retailers

Agreeing on how to measure wage gaps sets the stage for action. The latest report from members of the Dutch Retailer's Commitment on Living Wages in bananas provides a clearer picture of what's needed for a living wage:



14 retailers participating in the Commitment



217 farms submitted data in IDH's Salary Matrix



These farms represent **75% of the total banana purchases** by participating retailers



45% of farms have a living wage gap affecting **32% of the total workforce** across all farms



There is an **average gap of 10.7%** between what workers earn and a living wage



Solid data powers progress on wages

The lack of a thorough understanding of existing wages across a sector is often a barrier to progress. Charting a course forward requires an in-depth understanding of gaps between current wages and a living wage. IDH developed the Salary Matrix to help retailers and producers understand wage gaps based on aggregated data. Since its launch, the Salary Matrix has become an important tool for other sectors, including flowers, juice and tea.

Read more about the Salary Matrix [here](#)

Aligning on data

The critical first step of any multi-stakeholder commitment is an agreed understanding of the gap between current wage levels and recognized living wage benchmarks. Establishing this living wage gap requires cooperation from banana producers.

Following the establishment of the Dutch Retailers' Commitment to Living Wages, IDH further developed the Salary Matrix (see sidebar) and made it available for producers to upload wage levels for various roles, which are aggregated and compared with existing living wage benchmarks. The resulting data is useful for helping the entire supply chain understand the scope and scale of wage gaps, and identifying areas where practices can be improved.

The coalition of Dutch retailers has made strong progress in identifying a reliable living wage gap. In 2021, data from 217 farms representing 75% of the volumes purchased by coalition partners showed an average living wage gap of 10.7%.

Committing to action at field level

While data collection will continue, coalition partners in the Netherlands are now working to identify the root causes of wage gaps and possible solutions. Given the diversity of farms in terms of size, location and structure, it is clear that there is no one-size-fits-all approach. IDH and coalition partners continue to work together to learn from best practices and recruit other private-sector actors to join the Dutch Retailers' Commitment to Living Wages in bananas.

For further information, [read more about the Banana Retail Commitment](#)

Better incomes

Creating value chains that redress imbalance



Equitable distribution of value remains a challenge in global, regional and local supply chains, which has an effect on the entire value chain. Though smallholder farmers often shoulder the greatest burden of risk, from volatile prices to climate change, they receive a relatively small percentage of the product's final value.

To date, industry and development partners have often made increased productivity and quality the focus of their efforts to improve income and livelihoods. Yet farmers remain in poverty, with unstable incomes and large living income gaps. (A living income gap represents the value that a household would need to earn on top of their actual income, in order to meet their basic needs.) In Côte d'Ivoire, the average cocoa-farming household earns just 41% of what's needed to achieve a decent livelihood.

Productivity and quality are just two of the drivers of household income. True progress relies on an understanding of all income drivers when designing sustainability programs and planning investments. IDH has developed the Roadmap on Living Income; designed for companies, it features a range of steps, guidance questions, and data-driven tools to help companies modify their business model for high impact. Though living incomes are the ultimate goal, the roadmap's tools and resources are also relevant for more modest strategies that contribute to increasing incomes.



Improving incomes requires companies, and often other partners in the value chain, to take ambitious actions in alignment with one another. There are numerous actions that individual companies can take to ensure better incomes in their supply chains, but systems change requires collaboration with other stakeholders. Governments play a specific role in creating enabling policies that support better incomes and provide pathways to viable alternatives for income. NGOs can contribute to rural development and support communities in transition.

IDH convenes a wide range of stakeholders in our work on better incomes. Our partnerships rely on a smart mix of interventions that together can improve the value and risk distribution in supply chains to the benefit of smallholders as well as local and regional value chains.



Roadmap on Living Income



Step 1

Identify the living income benchmark



Step 2

Assess the living income gap



Step 3

Verify the calculations



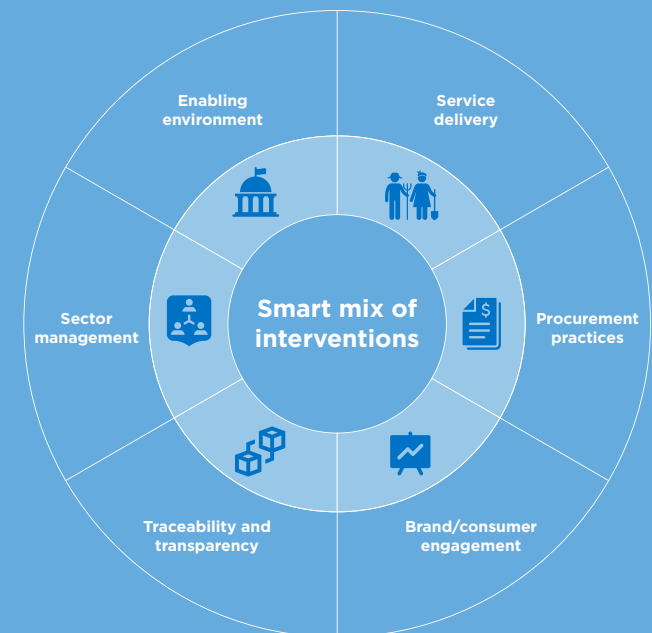
Step 4

Close the gap and track progress



Step 5

Share learning



“

It's inspiring to see Belgian retailers have as good as reached their individual commitment, having 100% of their private chocolate brands certified and/or covered by a corporate sustainability program. We now need to use the power of the partnership to bridge the gap between this first achievement and a living income for cocoa farmers by 2030.

Mieke Vercaeren

Beyond Chocolate Steering Committee retail representative
and Head of Sustainable Products Unit, Colruyt Group

Discussing the partnership's annual progress

Better incomes in brief



Co-financing change in the cocoa sector

The Belgian Beyond Chocolate partnership offers a unique co-financing model to test various smart interventions for achieving living incomes. Three new partnerships kicked off in March 2021.

[Read more about the pilots here](#)



Roadmap shows way to living incomes

The Dutch Initiative on Sustainable Cocoa (DISCO) is committed to achieving living incomes for cocoa-farming families by 2030. The group, including 18 brands, retailers and traders, and 15 governments and NGOs, rolled out a cocoa sector-specific Roadmap on Living Income with incremental steps for different stakeholders to play their part in reaching their collective goals.

[Read more about DISCO's roadmap here](#)



NKG BLOOM program sets baseline

NKG BLOOM is a unique model for helping coffee farmers achieve a living income that includes financing, training, and transparency tools. A new baseline study marks the beginning of a 10-year impact evaluation.

[Read the full story here](#)

CASE STUDY

Steering the cocoa industry towards living incomes

Even in hard times, chocolate remains an attainable treat for most people. Yet for all of the positive feelings associated with chocolate, the smallholder farmers producing cocoa receive just a fraction of the value while bearing the greatest amount of risk, as they struggle with volatile pricing and the impacts of climate change.

Most cocoa farmers in West Africa, where the majority of cocoa is produced, earn far less than a living income and continue to live in poverty. The responsibility for improving the situation is shared along the entire supply chain, but there are many ways in which companies and traders can influence farmer income – chief among them being the price paid.

In addition to price, companies and their farming partners need to evaluate the primary drivers of a farming family's income to assess opportunities for closing the living income gap. These drivers include crop land, yield, cost of production, diversified income, and price. IDH's Roadmap on Living Income provides a framework for companies to create a customized living income approach in partnership with their supply chain partners.





Leading the way on income

Reorienting the industry towards living income requires leading companies to step forward and set the tone for the entire sector. Visible, concrete action to close living income gaps creates pressure in the marketplace to keep pace. IDH is currently working with a number of brands and retailers to develop cocoa products and chocolate that deliver a living income to cocoa-farming households.

Colruyt

This Belgian-based retailer is developing an own-brand “living income chocolate bar” with partners across the value chain and 102 households in Côte d’Ivoire. The integrated approach is based on addressing various income drivers, including price premiums, yield, production costs, and income diversification (through agroforestry, for example), along with work in reforestation and gender equality. If the approach is successful, the company plans to upscale its entire own-brand range of chocolates.

[Read more about the initiative here.](#)

Ben & Jerry’s

Since 2020, Ben & Jerry’s has committed to paying the Fairtrade Living Income Reference Price to farmers producing cocoa for their base ice cream mix. The commitment goes above and beyond other contributions to programs in agroforestry, diversification, and professionalization of cooperatives to build more profitable and resilient communities. IDH is working closely with Ben & Jerry’s and their partners to track the impact of interventions on farming household income. Insights will be used to improve farming service delivery models and procurement practices, such as pricing.

Nestlé

Nestlé is the latest company to make a strong commitment to living income. Their income accelerator program aims to improve the livelihoods of cocoa-farming families, while also advancing regenerative agriculture practices and gender equality. Cocoa-farming households will receive direct cash incentives for certain activities, such as enrolling and keeping children in school, proper pruning, and other better farming practices. IDH will chair the multi-stakeholder Strategic Advisory Committee, which will have independent oversight of the program.



Getting the full picture on household income

An accurate understanding of farming household income and its sources is a critical first step in creating strategies to achieve a living income. The Income Measurement Survey provides guidance for developing customized surveys for cocoa and coffee farmers that account for income data beyond the focus crop. This should create a clearer picture of household income to compare against living income benchmarks. The survey also enables assessment of the income drivers, as well as key indicators for planning strategic action to close living income gaps. Surveys for other commodity products are currently in development.

[Read more about the Income Measurement Survey here.](#)

Better environment

Mitigating and adapting to climate change



The way in which industries produce goods and crops around the world is degrading the planet's soils, decimating its forests, and polluting its water. All the while, excessive greenhouse gas emissions continue to fuel a rise in temperature. As the effects of a changing climate become evident, smallholder farmers in tropical countries are among those facing the greatest negative impacts.

It is possible to adapt our systems to mitigate and adapt to the dual crises of climate change and the loss of biodiversity worldwide, but it will take significant changes across a variety of sectors. We use data-driven insights to identify effective measures that companies and producers can take to make production more environmentally sustainable and climate-resilient. With these insights in place, IDH operates on two levels: internationally with market and industry representatives, and within individual countries and regions with business owners and producers.

We convene industry coalitions as collaborative platforms to ignite commitments to environmental progress. Company commitments on emissions and sustainability support climate change mitigation and adaptation. This enables smallholder farmers to transition to nature-positive practices, such as agroforestry and regenerative agriculture, that can ensure future-proofed supply.



Broader coalitions of companies, governments and civil society actors, who collectively share a vision for a regenerative and low-carbon system, create holistic solutions that trigger systems change. We work with all stakeholders to create locally-owned green growth plans, where ecosystems are restored and protected, and local industry profits – whether from intensified, well-managed agricultural production or better-quality produce.

We bring new ways of doing business to the forefront. For example, by co-funding better business practices, to shift to a form of agriculture that works with nature – not against it. Lastly, we help successful pilots become investment-ready through our technical assistance facilities, and link sustainability initiatives with international markets through our SourceUp platform to create systems change that endures in the long term.





Now we see a shift in perspective across diverse sectors: government, companies, and smallholder farmers. Cocoa agroforestry is becoming a priority for cocoa sector stakeholders as its benefits are better understood.

Jonas Mva Mva

IDH Africa Regional Director of the Cocoa & Forests Initiative

In the article: [Cocoa agroforestry: A win-win for resilient food systems](#)

Better environment in brief



Saving water, eliminating banned pesticides and cutting carbon emissions in Vietnam

Coffee and pepper farmers in Vietnam earned 20% higher income while using 20% less water. They also achieved a 14% reduction in chemical fertilizer and ended the use of banned pesticides, with 60% less carbon emissions.

[Read more here](#)



Banding together in Indonesia to protect biodiversity

When a mining company wanted to begin mining in a critical wildlife corridor in West Kalimantan, members of a multi-stakeholder initiative mobilized local producers, palm oil companies, and civil society organizations to protect these vulnerable areas. The government upheld forest protection policies developed through multi-stakeholder agreements in partnership with IDH.

[Read more here](#)



Making the case for sustainable palm oil in India

India is heavily reliant on the import of palm oil, which contributes to increased deforestation and peatland destruction in Indonesia and Malaysia. Palm oil is the most commonly used edible oil in India; the current method of palm oil production is unsustainable in the long term. A new report demonstrates the link between palm oil imports and deforestation in India.

[Read more here](#)

CASE STUDY

Calves countering climate change

It is counterintuitive in climate change discourse: the idea that meat production could be leveraged in the fight against deforestation. But IDH's landscape approach in the state of Mato Grosso, Brazil, has shown positive effects in terms of reducing deforestation and improving incomes, land rights, and governance.

In 2008, the general consensus was that soy was the key driver of deforestation in the Amazon. Consumers and campaigners in Europe, the largest importing market at the time, successfully pressured the industry to act. IDH entered the soy commodity sector alongside market actors and other stakeholders in the Round Table on Responsible Soy to scale up certification of soy producers, which led to a rapid expansion in certified land area.

Over time, the flow of imports shifted, forcing us to reconsider our approach. Europe was no longer the world leader in soy imports, largely due to consumer preference and a dramatic increase in demand from China and India. Most importantly, satellite imagery showed that soy was not the direct driver of deforestation in the Amazon that the world thought it was. Cattle farming and environmental crimes were fueling encroachment on conservation areas.

This lesson instigated a change in direction to focus on cattle, and marked IDH's first foray into a landscape approach. Dedicated work on soy across Latin America was halted to regroup and refocus our efforts in Brazil on a cross-sector, cross-commodity format. Since roughly 80% of meat from cattle raised and slaughtered in Brazil is sold there, this format focused on the domestic market rather than on exports.



Improving sector governance

At the time, the farming sector in Mato Grosso was in difficult straits, with insecure land tenure, limited access to capital and markets, and limited budget for law enforcement. Without effective governance and involvement of stakeholders at field level, any effort to address deforestation was at risk of failure.

IDH supported the development of a secretariat, legal structure and all of the tools necessary for a Production-Protection-Inclusion (PPI) Compact: the key instrument for brokering agreement among a wide range of stakeholders. Through the process of developing this state-wide plan and translating it to municipality level, we discovered an overlooked detail: the *criarias*, or farms where the beef value chain begins.

The beef supply chain in Brazil is complex, and traceability next to impossible, with farmers buying and selling cattle with little regard for how or on what land they were raised. IDH developed the Sustainable Production of Calves Program in partnership with Carrefour Brazil and the Carrefour Foundation, and implemented by local partners NatCap, Agrojacarezinho, and Acrimat.

Participating farms tag each calf with a QR code-linked ear tag that enables traceability from birth to point of sale. The government supports land-tenure legalization for farmers, which helps connect them with formal markets and capital. This helps them invest in sustainable intensification, reducing the amount of pastureland needed. And increased monitoring of vulnerable areas helps protect the forests.

Making the business case from field level to store shelf

The program currently counts 457 farmers in five municipalities, protecting a total conservation area of 153,000 hectares of tropical forest and a total pasture area of 102,464 hectares. In November 2021, Carrefour Brazil Group and IDH Brazil announced the first public sales of 100% deforestation-free beef.

The results are clear, with proven changes in business practices, sector governance, and field-level sustainability. Deforestation is decreasing in the compact area, farmers have land titles, incomes are increasing, the government is enforcing the law, investors are investing, and there is affordable deforestation-free beef on supermarket shelves.

The next step is scale. That means leveraging the vertical buying power of the big supermarkets and meat packers to introduce full traceability, while supporting calf farmers in vulnerable landscapes to help them secure legal tenure, improve their farming practices, and help communities stop illegal deforestation.

The PPI Compact has proven successful at spreading the benefits of sustainable agriculture across landscapes (horizontally) and improving the sustainability of supply chains (vertically). Next, we aim to scale up this model nationally within the Brazilian beef sector, by working with partners in farmer organizations, government, and businesses in the beef sector.

SourceUp[®]

SourceUp: Linking markets to landscapes

The final step in IDH's landscape approach is to create market links for multi-stakeholder initiatives committed to sustainable production and inclusive governance of vulnerable forest areas. SourceUp enables producers to connect directly with these sustainable production landscapes, scaling up the interventions towards the full supply chain. This new digital platform helps agri-commodity companies connect with verified sourcing areas around the world.

Visit the [SourceUp profile](#) of the Jurueña Valley in Brazil



Gender

Recognizing and elevating the role of women





Women play a critical role in agricultural value chains, providing up to 40-50% of the labor in many developing countries. Yet they are 50% less likely than men to have access to productive assets and services. To drive sustainable growth in agriculture and business, the unique challenges that women face must be fully addressed, and their rights respected.

Gender equality makes for better business. For example, by tailoring goods and services to the needs of women, companies can reach a large, underserved market and simultaneously enhance supply security. In some cases, tailored service delivery has helped female farmers increase yields by 20-30%.

The move towards gender equality requires a concentrated focus on how gender issues manifest across business: in governance and leadership, among labor and suppliers, in company culture and training, and at household level.

True change requires a gender-transformative approach that goes beyond simply including women, to address the underlying social norms that contribute to inequality. This shift is not a simple or fast process; it is a journey we embark on with the intention to do business better, improve livelihoods, and contribute to climate change adaptation.



Gender is a cross-cutting issue that is integrated across our organization and in all that we do. IDH is committed to gender equality, aiming to ensure that 100% of our programs integrate a gender-transformative approach by 2030.

We are committed to sharing learnings, and are currently developing a roadmap to show how gender issues can be addressed by data-driven methodologies, innovative service delivery models (SDMs), and deep analysis across sectors and geographies.

As with every IDH approach, we put collaboration at the fore, bringing together peers to innovate and accelerate learning on how to work towards gender equality. Our goal is to catalyze systems change in sector governance, field-level innovation, and business practices, to benefit all – men, women, and non-binary – in the service of a sustainable agricultural sector.





We are committed to gender equality across our organization with 100% gender-transformative programs by 2030. We co-create innovative business approaches that are gender-transformative because we know that it makes for better, more resilient business.

Iris van der Velden

Director of Innovation and Insights, IDH

During the Gender Transformative Business Models: Opportunity to Action event hosted by IDH and CGAP

Gender in brief



Gender's impact on yields and profits

Gender inclusivity in agricultural value chains is critical for improving yields and profitability. By addressing the gender gaps, companies can strengthen business and social outcomes for the entire value chain and everyone involved.

[Read more here](#)



Greater equality leads to better outcomes in Kenya

Tea-farming families found that gender equality in the home can lead to better outcomes for the entire household. In a final review of the Gender Empowerment Platform, a multi-stakeholder partnership in Kenya, field-level interventions contributed to an increase in inclusive decision-making in households, especially around financial topics.

[Read more here](#)



Awareness of safety needs spurs change for female tea workers

The Women's Safety Accelerator Fund enables safe and empowering workplaces for women in agricultural value chains. The initiative emerged from research in Assam, India, showing that many tea estates were failing to prevent and address sexual abuse in the workplace. The fund helps tea producers improve their processes to address sexual abuse and harassment.

[Read more here](#)

CASE STUDY

Opportunity to Action event

Gender equality is a fundamental human right; it is also an engine for economic growth. Research shows that gender-transformative approaches are good for business and agricultural value chains.

This was one of the key takeaways from “Gender Transformative Business Models: Opportunity to Action”, virtual and in-person events with over 400 participants and 20 speakers from private and public organizations, financial institutions, and service providers working directly with the rural poor across value chains.

“I really urge companies to accelerate investments in gender transformation,” H.M. Queen Máxima of the Netherlands, United Nations Secretary-General’s Special Advocate for Inclusive Finance for Development (UNSGSA), said in her opening remarks. “These investments will boost your company’s competitive edge and improve the lives of millions of rural women.”

IDH partnered with the Consultative Group to Assist the Poor (CGAP) to organize the event, marking the launch of the convening phase of IDH’s work on gender-transformative business models. Throughout our history, we have seen how strong, effective coalitions can fuel systems change. The individuals and organizations that attended the Opportunity to Action event have an essential role to play in transforming the agricultural sector and leading others to do the same.





The scale of the challenge

Based on recent data insights from IDH Farmfit, of the 58 companies that IDH has partnered with to provide services to farmers, 2% of them applied a gender-transformative approach, 28% were gender-intentional, and 70% were gender-unintentional, meaning that they did not take steps to consider the differing needs and constraints of women and men.

We know that gender equality can be a source of value creation for companies and communities and that it can contribute to a safer working environment. Based on analysis of IDH programs, we have seen that the inclusion of a gender-intentional approach results in stronger outcomes.

For example, in the coffee sector, we saw that training for both women and men increased productivity by 131%, versus a 95% increase among groups where only men were trained. In flowers, a 50% increase in the number of women in supervisory roles in Kenya led to a dramatic reduction in gender-based violence. Given these positive outcomes, it's clear that applying a gender-transformative approach with targeted services and support can improve results and efficiency.

Moving forward together

IDH and CGAP are aligned in the conviction that gender-transformative approaches add value to businesses, improve lives and livelihoods, and support a healthy environment. Together, we are creating a roadmap to help companies in agricultural value chains and food systems sectors to build evidence, generate buy-in, create allies, and make the shift towards gender-transformative business models.



Terminology insight: From unintentional to transformative

Gender unintentional

Takes no steps to understand the different needs and constraints of women and men, or to target gender gaps or barriers.

Gender intentional

Considers the different needs and constraints of women and men, and takes steps to adapt to their needs without changing gender norms or barriers.

Gender transformative

Considers the different needs and constraints of women and men, and addresses the root cause of gender inequality by fostering change in individual agency, gendered norms and expectations, and institutional rules and practices.

Organizational development

IDH has made strides over the course of 2021 – the first year of our 2021-2025 funding period. With one global team, the organization has matured and honed its focus on systems change. Though the pandemic continued to impact our field operations and convening efforts, we have settled into an adapted approach that allows us to continue building momentum internally and across our programs.

The final impact evaluation of our 2016-2020 program portfolio from KPMG reaffirmed our track record as a successful convenor for coalitions seeking sustainable market transformation. There was clear recognition that IDH has relevance and provides additionality. The report highlighted key learning points and areas in which we can improve our effectiveness and further refine the focus of our work.

IDH has now aligned our program portfolio with our primary impact themes – better jobs, better incomes and a better environment – with gender as a cross-cutting theme. This replaces our previous proof-of-concept structure, which centered on five impact themes. The new simplified structure brings more clarity to our efforts on achieving change in business practices and sector governance, leading to innovations at field level. We currently have 72 programs across five business units.

Our monitoring and evaluation

In 2021, IDH enhanced its Monitoring & Evaluation (M&E) function across the portfolio, adding two corporate M&E staff along with four more M&E staff in the business units. The team was instrumental in developing IDH's new corporate theory of change and the complementary Result Measurement Framework (RMF) that will be used for the 2021-2025 funding period. A new traffic light system, used in this annual report, was developed to track and report on program clusters.

Design work was initiated on an implementing partner reporting portal that will increase IDH's data collection and reporting efficiency. The corporate M&E team developed a Quality Assurance Plan, in close collaboration with Operations, that articulates policies and mandates for the key processes in program development and the management cycle.



Our people and our global presence

On December 31, 2021, IDH's headcount stood at 264 employees across the entire organization (for all entities including the IDH Farmfit Fund and excluding contractors). Our people represent 49 nationalities, with a presence in 28 countries in Europe, Asia, Latin America, and Africa. We have a balanced gender representation and have reaffirmed our commitment to equal opportunities and diversity. We successfully recruited a new Director of HR and Director of Communications and Engagement. We also welcomed our new CFO, Lizet Friesen-Leibbrandt, who joins CEO Daan Wensing on the Executive Board.

The HR department has created a plan based on 10 segments for further professionalization, including Recruitment & Selection, Onboarding, Compensation & Benefits, Performance Management, Training & Development, Talent Management, Employee Relations, Organizational Design, Safety & Health, and Offboarding.

IDH is strategic in considering further global expansion if our presence in a country is deemed necessary for delivering our strategy. We currently have a legal presence in Brazil, Ethiopia, Kenya, Liberia, the Netherlands, Rwanda, Tanzania, the United Kingdom, and Vietnam, and we work in close partnership with our affiliated entities in India and Indonesia. We continue to evaluate a possible legal presence in Ghana, Côte d'Ivoire, and Nigeria.



Our international partnerships and fundraising

The reporting year marked a transition for IDH, as we closed off activities from the 2016-2020 funding cycle, which were delayed due to the pandemic, and began implementation of our Multi-Year Plan (MYP) 2021-2025. In line with our increased focus on our organizational foundations, much of the work of our International Partnerships & Fundraising team consisted of setting up building blocks to work towards our 2025 ambition and to make sure we're well prepared for the 2026-2030 funding cycle.

Our core donors, including the Dutch (DDE), Swiss (SECO) and Danish (DANIDA) governments, supported IDH through this pivotal year, acting both as trusted partners and critical friends to bring IDH to the next level. Along with them, IDH deepened its collaboration with the Directorate General Development Cooperation and Humanitarian Aid of Belgium (DGD) through the Better Jobs Accelerator Fund, an additional MYP funding stream that enables us to fast-track our planned activities on better jobs across our portfolio. Towards the end of 2021, a new cycle for the Norwegian landscape funding was secured via the next phase of our strategic collaboration with Norway's International Climate and Forest Initiative (NICFI).

Additional 2021 milestones included:

- The spices program in Vietnam was expanded with funding from the European Union.
- A contract was signed with GIZ for a Value Chain Development (VCD) program in Rwanda.
- An ambitious VCD program in Ghana was launched in 2021 with the support of the Mastercard Foundation, a new IDH donor.
- Our MYP partnership with long-term partner the State Secretariat for Economic Affairs (SECO) was renewed, with an increased focus on Ghana, Colombia, Indonesia, and Vietnam.
- Throughout 2021, we prepared for the renewal of the MYP funding from our Danish donor.
- A new indirect USAID funding stream for the verified industrial parks approach in Vietnam was achieved.
- Funding from the World Bank was secured for the Liberia Forest Sector Project.

Our communications and engagement

The Communications team transitioned from its role of directly supporting our various programs to focusing its efforts at the corporate level. This required a revision of the Annual Plan to focus on IDH stakeholders, internally and externally, and to ensure harmony on all relevant narratives and communication activities. This transition also necessitated a brand refresh, which began in June 2021 by exploring updates to IDH's brand positioning and values. The new brand positioning, including design, will be rolled out in 2022.

Key controls

Thanks to risk management focusing on key controls, our external auditor indicated that in 2021, we maintained the same overall maturity and quality of internal controls as in 2020, positioning IDH at the high end compared with our peers. For the 13th consecutive year, IDH's Annual Accounts received an unqualified positive audit opinion. We detailed policies and controls to manage emerging risks relating to (data) fraud, safeguarding and other integrity issues in our network of partners. We also supported our Indonesian sister organization in further strengthening its financial management capacity and internal controls.



Financials

We aim to present a profit & loss format in which all direct program costs incurred at our headquarters in the Netherlands are allocated to the program cluster to which they contribute. In 2021, we therefore worked on a new reporting format. The required allocation adjustments were discussed in the Audit Committee of the Supervisory Board and with our external accountant, Mazars. The original 2021 budget was not set up in this new format. For the purposes of comparability in this annual report, the 2021 budget has been restated and, where this was not possible, condensed. The 2020 actuals are still presented in the original reporting format, but as figures are no longer fully comparable, some details have been condensed.

In 2021, total program costs excluding corporate organizational costs show an underspend of €8.3 million below budget, partly because of the slower ramp-up of the new multi-year strategy, and partly as a result of the impact of COVID-19 on the convening and delivery of our programs. Despite this, we largely delivered on the majority of our programs and KPIs according to plan, and are confident in our ability to demonstrate our contribution to systems change in accordance with our donor commitments by end of the new subsidy period.

To mitigate the impact caused by COVID-19 during 2020, as well as to help optimize the impact of the final stage of our 2016-2020 strategy, the Dutch government approved a six-month extension on the BuZa II subsidy for a total amount of €9.0 million. All committed funds needed to be spent before July 1, 2021. During this half-year extension, a total of €7.3 million was spent.

Finance ratios

KPIs for Stichting IDH, including LABS	Actuals 2021
IDH reported income	€44.8 million
IDH program contribution excl. private & other	€22.4 million
Private-sector contribution	€48.6 million
Ratio of private-sector contribution to IDH program contribution excl private & other	1 : 2.2
Organisational costs out of total expenditure	11%
Diversification from core funding	46%
Share of BuZa only in total funding	38%
Share of Dutch MFA in total funding	50%
Strategic funding in total funding	82%

In 2021, we leveraged IDH program contribution exclusive private and other managed by IDH with a private-sector contribution ratio of 2.2. These private-sector investments into our projects are audited. Public-private funding ratios vary per project, depending on the degree of convergence between the public good and the private interest, and/or how much market finance can be leveraged in the case of innovative finance projects.



For Stichting IDH, including LABS, the corporate organizational cost expressed as a percentage of total cost was 11% in 2021. This is slightly higher than budgeted, mainly as result of the slower than expected ramp-up in our program contributions. By using our financial model on full cost recovery, cross-subsidizing of overhead costs between core donors and program funding is prevented.

In 2021, 46% of IDH's funding was core funding, provided for by DDE/BuZa, Danida and SECO. IDH's objective for 2025 is to be less dependent on funding from the Dutch Ministry of Foreign Affairs (MFA), which is measured against two targets: the share of DDE/BuZa in total funding to be below 35% by 2025, and the share of total Dutch MFA in IDH's funding to decrease to 25% by 2030.

The strategic funding percentage measures the share of core plus strategic program funding, and monitors the manageability of the donor group as a total. To qualify as a strategic program donor, the donor needs to meet at least two of the criteria below:

- Committing to fund IDH for a minimum of three years;
- Funding a minimum of €2 million per year (earmarked);
- Strengthening IDH's thought leadership by contributing to our Learning & Innovation programs and/or having the potential to become a future core donor.

In accordance with the grant conditions of the Ministry of Foreign Affairs, IDH has not created a provision for continuity. To flag the related risk, IDH annually reports to the Ministry of Foreign Affairs on its liabilities regarding staff and short-term liabilities when ending the grant. This should safeguard future liabilities that might result from IDH's inability to build up a general reserve. As a result, 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 amounted to circa €200 million in 2021.

At year-end 2021, the consolidated current ratio (current assets: short-term liabilities excluding appropriated funds) was 5.6 (year-end 2020: 3.9). This increase was mainly driven by large advances received from the IDH Farmfit Fund's lenders at the end of 2021 due to expected disbursements in Q1 2022.

After the consolidation of the Foundation Life and Building Safety Initiative (LABS), IDH Investment Management BV and IDH Farmfit Fund BV, the consolidated IDH result in 2021 was -/-€1,507,000 (2020: -/- €1,956,000).

The negative result of the IDH Farmfit Fund was driven mostly by operational expenditures that were not yet fully covered by income generated through the investments that the fund made in 2021. The cash flow required for these expenditures is covered by the facility agreements the fund has with its corporate investors and the redeemable grant ruling issued by the Ministry of Foreign Affairs.

The result of IDH itself (before share in profit/loss of participations) was nil, the same as in 2020, due to the fact that income is matched with expenditures during the year. As in previous years, the auditor has expressed an unqualified audit opinion on the 2021 financial statements.

Risk management

Risk management is an integral part of IDH's internal control system, and provides input into our decision-making process by identifying (potential) risks and measures to mitigate them. We carry out risk management at corporate level, based on input from the business units and corporate departments, and at project level, where risks are assessed on the basis of project proposals and assessments of the quality of both projects and implementing partners. The table below shows an overview of the key risks and mitigating actions taken, as reflected in the Annual Plan 2021.

Category	Anticipated risks	Occurrence in 2021	Mitigating actions taken
Financial risk	Due to COVID-19, grants included in our 2021 budget do not materialize and/or donors re-consider contracted grants.	No	The contract with our main donors (Dutch MFA and Swiss government) for the upcoming funding cycle was signed.
Operational risk	Due to COVID-19, we face challenges to kick-off and conclude our programs, undermining the impact of our work.	Partially	COVID-19 had some impact on the progress of our work in 2021, with contracted spending at 15% under budget. Due to travel restrictions, many meetings were organized virtually, which impacted the effectiveness of our convening work and hampered field-level activities by our implementing partners. But this has not significantly undermined the impact of our work.
Impact risk	The impact evaluations conducted by KPMG and our landscape donors in 2021 are inconclusive about IDH's impact in 2016-2020, due to lack of impact and/or evidence, undermining our ability to attract and retain new donors.	Partially	In order to strengthen the evidence base for IDH's contribution to impact, we developed a new Result Measurement Framework and plan that was introduced in 2021. In addition, a new multi-year corporate evaluation plan is being prepared for 2021-2025 that builds on program-level evaluations and an overarching corporate evaluation. The human resource capacity dedicated to Monitoring & Evaluation (M&E) was extended to a total of 10 staff (up from three FTEs in 2020) divided between corporate and business unit level M&E advisors.
Partnership risk	The departure of IDH's founder and CEO, Joost Oorthuizen, translates into a loss of visibility and network externally.	No	As a professional management team has been put in place, IDH was less vulnerable to the changes in the Executive Board. The new CEO, Daan Wensing, already had several years of experience at IDH, giving him external visibility, and is also involved in key account management activities. In 2021, Lizet Friesen-Leibbrandt joined as CFO, creating an even stronger management team.
Focus risk	Our graduation obligations from the Dutch MFA lead to unfocused fundraising and our teams focusing more on fundraising instead of impact delivery.	No	IDH's ambition for systems change, our four impact themes, our theory of change linked to KPIs in the Result Measurement Framework, and our co-funding objective have resulted in a coherent set of guidelines for qualitative program design and fundraising. Lastly, Investment Committee approval ensures alignment with IDH's strategy.
People risk	Due to COVID-19, the related health and safety challenges, as well as online fatigue, we see an increase in sick leave and burnout.	Partially (no increase in short-term sick leave)	On a monthly basis, the HR team sends the "Tip of the Month" featuring tips on how to work from home (take time to move, organize meetings outside and while walking). Three time management training sessions were provided to the organization, as a result of the 2020 employee engagement survey. A coaching agency was selected, which offered online coaching. And we took a flexible approach to employees' preferences to work from home vs. at the office (within the government guidelines).

Outlook 2022

Looking back on 2021, the picture painted by the end of the year was not what we had anticipated at the start. The COVID-19 pandemic continued to cause damage and suffering, further upending supply chains, while climate change became every more present in our daily lives. It was, however, a year that allowed us to start working on our new strategy, our strengthened mandate, and our ever stronger international partnerships.

For the world at large, 2022 has not gotten off to a good start. The war in Ukraine has already had horrific direct effects, but also puts enormous stress on our global energy and food systems – disproportionately affecting the most vulnerable communities around the world. The latest report from the Intergovernmental Panel on Climate Change shows that we need to act now, and the most recent World Inequality Report doesn't mince its words either. There is work to be done, for all of us.

IDH's programs that focus on closing the living income gap will become more relevant than ever, considering the increasing cost of inputs (i.e. fertilizer, energy) as well as the rising cost of living for smallholders. At same time, exacerbated food price inflation increases the risk of ecosystem conversion/deforestation, in order to grow more food and/or to exploit higher export prices for commodities like palm oil and soy. On the plus side, expensive fertilizers could result in gaining interest for regenerative farming models.

Availability of farm inputs is another risk factor and might reduce farm productivity, having an indirect impact on market prices. Local markets for food products will come under pressure, as not enough food can be imported and local production is not yet ready to compensate for this. Governments will look at protection measures, which could harm regional trade. There will be an increasing sense of urgency to promote local production of staple food ingredients. Initiatives like value chain development, service delivery model analysis and access to finance for farmers will become more important. At same time, food nationalism reduces trade and means European sustainable consumption has less leverage on production. But the specific effects are highly unpredictable and will vary by commodity and country.

In the longer term, there is potentially downward pressure on development aid budgets as Europe is likely to spend more on military defense, and this may affect future funding of IDH's programs. In summary, there is much uncertainty about how these risks as well as the relevance of many of IDH's programs will play out, and it feels too early to draw conclusions. At the time of writing, there is no significant disruption due to the war in Ukraine in progressing towards our objectives in 2022.

Internally, 2022 will be about further preparing the organization for the necessary leap in the scale of our impact. Our ever more international and globally-based team is well-placed to partner and co-create contextualized interventions that work in and for our countries of operation. The further internationalization of IDH will provide the right mandate, structure, and support to our teams and partners.

In 2022, we will strengthen our focus on systemic change for better jobs, better incomes and a better environment, with gender as a cross-cutting theme. Our global programs on living income and living wage, gender, climate, and sustainable manufacturing are gaining momentum and the collaborative support needed to test innovations. We will focus on solutions, based on data and insights, that can be scaled up by companies, investors, and governments – with real benefits for farmers and workers – while protecting our natural resources.

The current crisis of food, energy, climate, and inequality require us to think harder, work smarter, and always aim for partnerships. IDH is transforming itself: to play its role, to find new solutions, to discover new ways of working. And 2022 will be fundamental in laying this foundation.

Consolidated balance sheet

As at December 31, 2021 (after appropriation of result).

	December 31, 2021		December 31, 2020	
	€	€	€	€
ASSETS:				
<i>Financial Fixed assets</i>		3,734,322		-
<i>Intangible Fixed assets</i>		299,425		84,329
<i>Tangible Fixed assets</i>		79,764		86,144
<i>Current Assets</i>		48,106,406		38,716,268
Accounts receivable	1,231,806		856,043	
Deferred program contributions	2,887,420		4,189,695	
Other receivables and prepaid expenses	3,363,547		2,379,301	
Cash at bank	40,623,633		31,291,229	
TOTAL ASSETS		52,219,917		38,886,741
LIABILITIES & EQUITY:				
Equity		-3,788,540		-2,281,354
Other Reserve LABS	495,548		225,902	
Other Reserve IDH Investment Management BV	434,826		346,305	
Other Reserve IDH Farmit Fund BV	-4,725,794		-2,853,561	
Other Reserve Farmfit Guarantee Facility BV	6,880		-	
Other Reserve IDH	-		-	
<i>Long-term liabilities</i>		17,804,466		5,427,208
Profit sharing loan	3,130,676		869,450	
Redeemable grant	14,600,084		4,527,700	
Provisions	73,706		30,058	
<i>Short-term liabilities</i>				
Appropriated funds		29,664,953		25,846,565
Institutional funding	7,097,993		12,262,000	
Earmarked funds	22,566,960		13,584,565	
Trade and other payables		8,539,038		9,894,322
Accounts payable	2,566,134		2,918,823	
Accrued expenses	78,811		179,442	
Program commitments	3,924,424		4,882,137	
Program payables	355,539		333,686	
Other liabilities	1,614,130		1,580,234	
TOTAL LIABILITIES & EQUITY		52,219,917		38,886,741

Summary financial statements

The summary financial statements contain a summary of the annual accounts of Stichting IDH Sustainable Trade Initiative. The goal of the summary financial statements is to provide insight into IDH's financials at 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 these 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 is therefore not a substitute for reading the audited financial statements of Stichting IDH Sustainable Trade Initiative.

Consolidated statement of income and expenditure

	Actuals 2021	Budget 2021	Budget 2021 restated	Actuals 2020
	€	€	€	€
INCOME:				
Subsidies from governments	37,369,714	44,081,000	44,081,000	41,153,006
Other income	7,962,520	8,784,166	8,784,166	4,313,138
<i>Total income</i>	<i>45,332,234</i>	<i>52,865,166</i>	<i>52,865,166</i>	<i>45,466,144</i>
EXPENDITURES:				
Program Contributions	24,114,278			37,482,049
Impact assessments and evaluations	2,069,330			337,745
Programs - travel and other program costs	1,095,554			190,591
Programs - country offices	1,108,187			610,901
Program communication costs	294,374			27,655
Program personnel costs	11,031,209			-
<i>Total program expenditures</i>	<i>39,712,932</i>	<i>45,621,655</i>	<i>48,360,655</i>	<i>38,648,941</i>
Wages and salaries	6,647,586	8,456,162	7,912,322	6,780,053
Social security charges	1,222,860	1,067,082	1,067,082	1,072,752
Pension contribution (defined contribution)	537,174	532,010	532,010	506,689
Other personnel costs	1,637,596	1,200,822	1,200,822	1,426,804
Attribution of personnel costs to programs	-5,675,363	-4,506,619	-6,701,779	-3,938,506
Corporate communication costs	304,620	245,000	245,000	371,004
Office costs (housing and IT)	1,133,906	1,198,483	1,198,483	974,422
Other organization costs	1,124,068	1,182,201	1,182,201	1,366,559
<i>Total organizational expenditures</i>	<i>6,932,447</i>	<i>9,375,141</i>	<i>6,636,141</i>	<i>8,559,777</i>
<i>Operating result</i>	<i>-1,313,144</i>	<i>-2,131,630</i>	<i>-2,131,630</i>	<i>-1,742,574</i>
Interest (income)/expense	123,354	50,000	50,000	34,877
Foreign exchange (gain)/loss	17,780	-	-	84,797
Bank charges	35,988	42,697	42,697	37,159
Result before taxation	-1,490,266	-2,224,327	-2,224,327	-1,899,407
Corporate Income Tax IDH Investment Management BV	-16,920	-23,058	-23,058	-57,029
Result after taxation	-1,507,186	-2,201,269	-2,201,269	-1,956,436
Appropriation of funds				
Transferred to/from				
Other Reserve LABS	269,646	-	-	99,814
Other Reserve IDH Investment Management BV	88,521	-225,944	-225,944	237,044
Other Reserve IDH Farmit Fund BV	-1,872,233	-1,975,325	-1,975,325	-2,293,294
Other Reserve Farmfit Guarantee Facility BV	6,880	-	-	-
Result	-1,507,186	-2,201,269	-2,201,269	-1,956,436



Program contributions per program cluster and type of funding 2021

Business Unit	Program Cluster	'Core' donor contribution to programs	Other Program donors	Subtotal IDH funding	Private Donor (A)	Other Liabile	IDH Program Contribution in P&L 2021	Private project co-funding (B)	Other project co-funding	Sub-total (A+B): private co-funding to programs	Private co-funding ratio to Programs
Agri Commodities	Cocoa	536,732	1,474,106	2,010,838		98,317	2,109,156	5,243,212	648,029	5,243,212	1 : 2.6
Agri Commodities	Tea	434,491	556,933	991,424	71,747	13,253	1,076,423	1,374,955		1,446,702	1 : 1.5
Agri Commodities	Coffee	398,448	180,734	579,182			579,182	969,054	125,408	969,054	1 : 1.7
Agri Commodities	BU Cross-commodities	218,152	3,948	222,100			222,100			0	
Food Crops & Ingredients	Value Chain Development	577,957	1,327,973	1,905,930		366,179	2,272,109	1,251,996	33,771	1,251,996	1 : 0.7
Food Crops & Ingredients	Sector Initiatives	2,586,496	124,494	2,710,991	167,968	34,779	2,913,737	3,150,505	7,050	3,318,473	1 : 1.2
Food Crops & Ingredients	Farmfit Business Support	27,899	522,739	550,638			550,638	243,757		243,757	1 : 0.4
Landscapes	SourceUp		774,515	774,515			774,515			0	
Landscapes	Landscapes	600,798	6,158,608	6,759,407	749,422	109,272	7,618,101	6,202,198	2,593,337	6,951,620	1 : 1
Landscapes	Markets	725,306	77,057	802,364			802,364	77,337	616,287	77,337	1 : 0.1
Landscapes	Landscape Finance		594,554	594,554			594,554	314,514		314,514	1 : 0.5
Textile & Manufacturing	Materials	1,903,083	250,421	2,153,504			2,153,504	27,852,969	485,354	27,852,969	1 : 12.9
Textile & Manufacturing	Apparel	528,701		528,701			528,701	236,535		236,535	1 : 0.4
Textile & Manufacturing	LABS		734,520	734,520	52,524		787,044	684,760		737,284	1 : 1
Innovation and Insights	Innovation and Insights	1,091,159		1,091,159		35,500	1,126,659			0	
Innovative Finance	Innovative Finance	5,491		5,491			5,491			0	
Total		9,634,714	12,780,603	22,415,317	1,041,661	657,300	24,114,278	47,601,793	4,509,236	48,643,454	1 : 2.2

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.

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

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

Going concern

In 2020, IDH entered into a 10-year strategic partnership with the Dutch Ministry of Foreign Affairs (BUZA) for €150,000,000 in core funding.

In 2021, IDH reinforced the strategic partnership with SECO by working on stronger in-country collaboration, which resulted in contracting a 4-year partnership agreement with SECO.

IDH received bridge funding from DANIDA for 1 year and is in the process of discussing a long term partnership until 2025.

The Executive Board believes that IDH can continue a going concern basis, and the financial statements have been prepared on the going concern assumption.

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

These financial statements have been prepared on a going concern basis, which basis for valuation and determination of results assumes that the IDH Farmfit Fund (“the Fund”) will be able to realize its assets and discharge its liabilities in the normal course of business.

The equity of the Fund amounts to EUR 4,725,694 negative. The result of the year ended 31 December 2021 amounts to a loss of EUR 1,872,233. The Management Board of the Fund has assessed this situation and has a reasonable expectation that the Fund has adequate resources to continue in operational existence in the foreseeable future due to the committed size of the redeemable grant and profit sharing loans. The fund management team continued to built upon a strong transaction pipeline and the Management Board is confident that the Fund will achieve its target for 2022. The Management Board is of the opinion that sufficient income will be generated in 2022 and beyond to cover the cumulative losses. As the portfolio of the Fund grows, results will improve and it is expected that over the life of the Fund at least a break even result will be achieved.

Currently the world is facing a crisis as a result of the Covid-19 pandemic, an extremely concerning situation that will touch many people and businesses. For 2022 and beyond however, many new opportunities will arise, resulting from banks and other players withdrawing credit. In the post Covid-19 period the Fund will be more relevant than ever and will have ample investment opportunities with significant impact and with appropriate risk return profiles. The management does not identify any significant issues towards going concern as a result of Covid-19.

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 realized through transactions with third parties.

The accounting policies of group companies and other consolidated entities have been changed where necessary, 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 objective of the Stichting Life and Building Safety initiative (LABS) is to operate a scalable cooperation approach focusing on structural electrical, fire safety and evacuation that brings about a tangible improvement, with neutral and independent organization and governance.

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

LABS is a foundation under the laws of the Netherlands, registered with the Dutch Chamber of Commerce under number 70253811.

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

The objectives of IDH Sustainable Trade Initiative UK are to promote sustainability in the main international trade chains and to reinforce public-private consortiums that operate in international trade chains to achieve high impact and value creation (from an economic, social, and ecological perspective) in developing countries and emerging markets.

IDH Sustainable Trade Initiative UK Limited is registered with the Companies House under number 11378191.

- **IDH Sustainable Trade Initiative Kenya (100%)**

The objective of this entity is to promote and support long term economic, social, and environmental sustainability in international, regional, and local trade

chains in developing countries and emerging markets for the public benefit.

The board consist of two board members of which one is a Stichting IDH Sustainable Trade Initiative employee. All directors are appointed through the general meeting in which Stichting IDH Sustainable Trade Initiative is the sole founding member.

IDH Sustainable Trade Initiative Kenya is registered with the Register of Companies under number CLG-XXFBEY.

- **IDH Brazil Sustainable Trade Initiative (100%)**

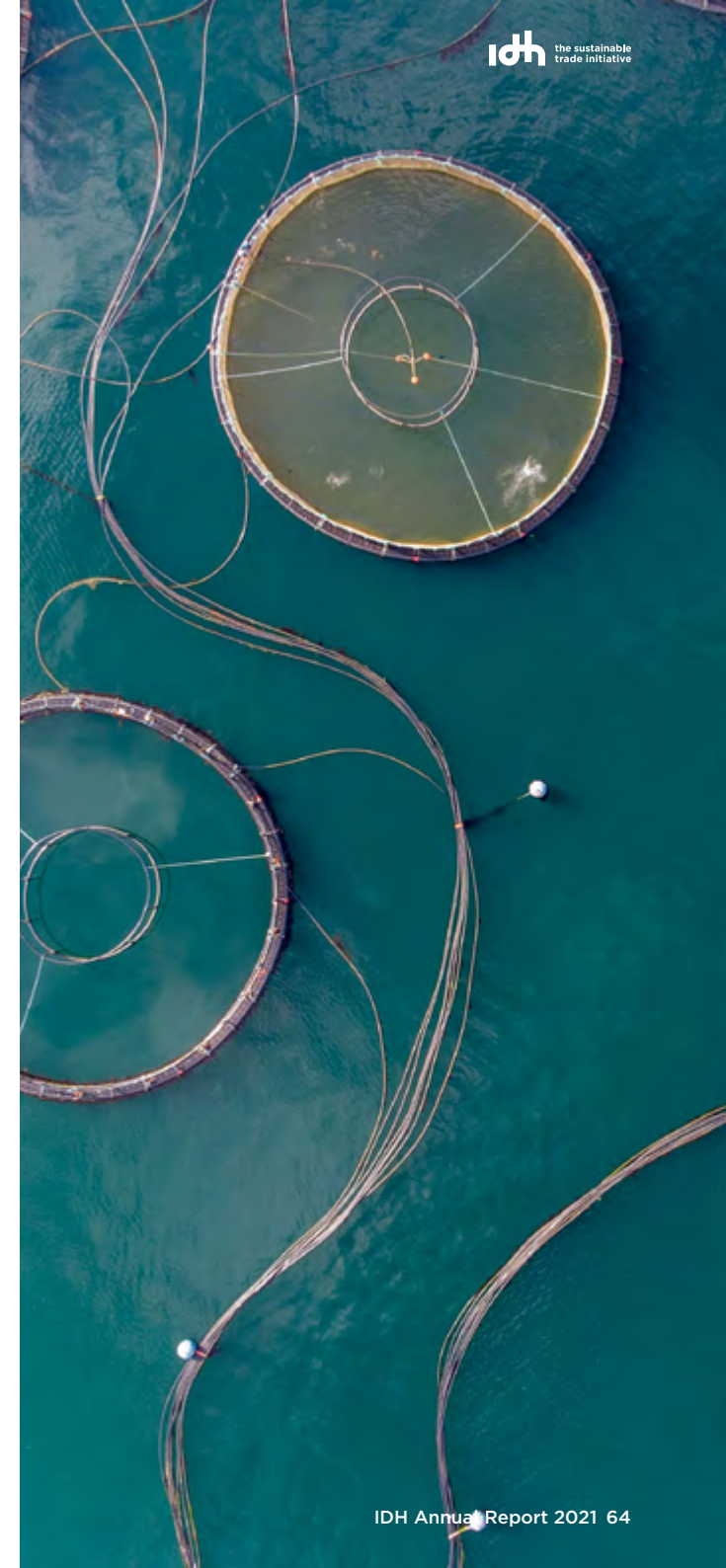
The objective of this entity is to promote the development of sustainable trade in all forms in Brazil, by promoting implementation of sustainability practices in the main commercial chains, to achieve high impact and create value (economic, social, and ecological), and support the adoption of public policies at the appropriate levels.

Stichting IDH Sustainable Trade Initiative is one of the two associate members of IDH Brazil. Stichting IDH Sustainable Trade Initiative is the Chair of the General Meeting and Stichting IDH Sustainable Trade Initiative holds a board position of a board that consist out of two directors.

IDH Brazil Sustainable Trade Initiative is registered with the National Register of Legal Entity under number 455.074.

- **IDH Sustainable Trade Initiative Tanzania INGO (100%)**

In 2021, IDH Tanzania Limited (Company Limited by Guarantee) was in the process of being dissolved and IDH registered in Tanzania as an I-NGO. The objective of IDH Sustainable Trade Initiative Tanzania INGO is to promote, coordinate, and accelerate sustainability within agricultural value chains and stimulate and coordinate programs aimed at promoting sustainable agricultural value chains.



The board of IDH Sustainable Trade Initiative Tanzania INGO consists of three directors, which are all appointed by the General Meeting. All members of IDH Sustainable Trade Initiative Tanzania INGO in the General Meeting and in the Board of Directors are directly or indirectly (through a contract) related to Stichting IDH Sustainable Trade Initiative and it can be concluded that Stichting IDH has an indirect influence on a majority of the votes in the general meeting.

IDH Sustainable Trade Initiative Tanzania is registered with the Registrar of Companies under number I-NGO/R/1617.

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

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

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

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

IDH Investment Management B.V. is registered at the Dutch Chamber of Commerce under number 74983393.

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

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

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

IDH Farmfit Fund B.V. derives its funding from the Dutch Ministry of Foreign Affairs as well as private sector.

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

IDH Farmfit Fund B.V. is registered at the Dutch Chamber of Commerce under number 74985310.

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

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

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

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

Farmfit Guarantee Facility B.V. is registered at the Dutch Chamber of Commerce under number 74985329.

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 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 investments in trade and other receivables, cash items, loans, redeemable grants, derivative financial instruments, trade payables and other amounts payable.

Financial instruments also include derivative financial instruments embedded in contracts. Derivatives embedded in contracts are separated from the host contract and accounted for as a separate financial instrument if:

- the economic characteristics and risks of the host contract and the embedded derivative are not closely related;
- a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative; and

- the combined instrument is not measured at fair value with changes in fair value recognised through profit and loss.
- In this respect, the following derivatives have been separated from the host contract:
- The options included in loan agreements with LendXS B.V. and Mvuvi Holdings to convert the loans in to shares.

The above-mentioned derivatives are, in accordance with the measurement policy for derivatives for which no cost price hedge accounting is applied, measured at cost.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value. Cash and cash equivalents consist of cash at banks, except for the bank guarantee for IDH's office space of EUR 42.252.

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.

Financial instruments

Financial instruments include both primary and secondary financial instruments, such as receivables and liabilities. Reference is made to the recognition per balance sheet item for the principles of primary and secondary financial instruments. Financial instruments are valued at amortized cost unless explained otherwise in the notes.



Financial assets

Financial instruments are initially stated at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognised in the profit and loss account. For the initial recognition it is considered that the fair value of investments in the first year after investment equals the cost.

The IDH Farmfit Fund (“the Fund”) operates in areas where there is often no active market for the investments made. For the determination of the pricing for the investee of an investment instrument, the Fund takes the following into account: recent pricing of similar transactions, pricing of existing financing to the investee and pricing negotiations with co-investors of the same instrument to the investee. Furthermore a state aid test is carried out when applicable. This ensures that all investments up to the balance sheet date have been done at arm’s length conditions.

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

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

Investments in unlisted shares are classified as other capital and not as a participating interest because of the fact that there is no lasting connection between the investee and the Funds own activities. Dividends are recorded in the profit and loss account at the time when are declared.

Impairment of financial assets

A financial asset that is not stated at fair value with value changes reflected in the profit and loss account. 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.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy.

The Fund considers evidence of impairment for financial assets measured at amortised cost (loan and receivables and financial assets that are held to maturity) at a specific asset. All individually significant assets are assessed for specific impairment.

An impairment loss in respect of a financial asset stated at amortised 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 recognised in the profit and loss account and reflected in an allowance account against loans and receivables or investment securities held to maturity. Interest on the impaired asset continues to be recognised by using the asset’s original effective interest rate.

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 recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

Intangible fixed assets

Development costs

Expenditure on development projects is capitalized 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 realized) 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. The financial statements 2021 do not contain development costs.

Impairment

For (in)angible fixed assets an assessment is made for each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, then the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realizable value. If it is not possible to estimate the recoverable value of an individual asset, then the recoverable value of the cash flow generating unit to which the asset belongs is estimated.

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

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

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

Financial fixed assets (participations)

Participations over which significant influence can be exercised, are valued according to the net asset value

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

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

Receivables

Receivables are initially valued at the fair value of the consideration to be received, including transaction costs if material. Receivables are subsequently valued at the amortised cost price. If there is no premium or discount and there are no transaction costs, the amortised cost price equals the nominal value of the accounts receivable. Provisions for bad debts are deducted from the carrying amount of the receivable.

Equity

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

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

Non-current liabilities

On initial recognition long-term debts are recognized at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognised at the amortised cost price, being the amount received taking into account premiums or discounts and minus transaction costs.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the long-term debts. The effective interest rate takes into account the expected future cash flows. If the expected cash flows change, then the carrying amount is adjusted to reflect the actual cash flows and the revised estimated cash flows. The carrying amount is calculated by discounting the revised estimated cash flows with the adjusted effective interest rate, if there is a change because of changes in market interest rates or, if this is not the case, the original effective interest rate. The adjustment is recognised as income or expense in the profit and loss account.

Profit sharing loan

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

Redeemable grant

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

Provisions

Provisions are included in accordance with the nominal value of the expenditure which is expected to be necessary to settle the obligation. A provision for a long-term bonus scheme

from IDH Investment Management B.V. is included in 2021. Long-term provisions should be stated at the discounted value of the expenditures that are expected to be required to settle the liabilities and losses. Non-discounted value is permitted for a provision with an immaterial effect.

Appropriated funds

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

Trade and other payables

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

Contingent liability

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

Revenue recognition

Government grants

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

Other income

Other income consists of earmarked contributions from private and other donors and investment fees. Other income from private and other donors is initially recognized in the balance sheet as appropriated funds if there is reasonable assurance that they will be received and that the foundation

will comply with the conditions associated with the earmarked income. Income related to 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.

Income from different types of investment related fees like draw down fees and monitoring fees are recognised in the profit and loss account on a straight-line basis over the period they relate to. Dividends are recorded in the profit and loss account at the time when are declared.

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. IDH strives to apply a general average contribution of >50% co-financing by private (and other) parties into our programs'. Co-funding is considered private when it comes from private sector companies that have their main source of income from the specific commodity supply chain or landscape of a program. All other funding from NGOs or governments is considered other funding. Based on the grant conditions of IDH's institutional donors this should be measured cumulative and over the entire grant period. IDH's convening role in bringing together supply chain partners is one of its core activities and it is therefore key to report on this not only to its donors but also to the public.

Program expenditures

Program expenditures

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

- The contracts include the provision that the parties (including IDH) reserve the right to terminate the agreement and/or the project with immediate effect and without the risk of incurring liability for damages or compensation, in the event IDH's 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 with and approved by IDH's institutional donors each year.

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 and deducted from the program expenditures in the same 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, deducted from the related expenses.

Employee benefits/pensions

Pension insurance

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

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

Leasing

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

Operating leases

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

Taxes

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

IDH Sustainable Trade Initiative Tanzania and IDH Brazil Sustainable Trade Initiative do not perform any entrepreneurial activities and are exempt from VAT and from Corporate Income Tax. IDH Sustainable Trade Initiative Kenya is a for profit organization and subject to VAT and Corporate Income tax, but did not pass the annual VAT threshold and was not required to register for VAT in 2021.

IDH Investment Management B.V. is registered as VAT entrepreneur, tax on the result is calculated based on the result before tax in the profit and loss account, taking account of the losses available for set-off from previous financial years and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

Upon recommendation from the IDH Farmfit Fund's tax advisor the Fund entered in 2021 into a tax ruling with the tax authorities. Within the Fund's mission of enabling smallholder farmer finance and provide highrisk instruments that lead to smallholder farmer impact, the aim is that the Fund over the tenor of the Fund will reach breakeven. In the coming years, the activities will consist of making investments that are expected to generate profit and that make up for the cumulative losses in the first years of existence of the Fund. It is currently not possible for the management to make a reliable estimate to what extent positive taxable results will already be realized in the coming years to offset the current tax losses. Therefore, no deferred tax asset has been recognized in the balance sheet as at 31 December 2021.

Farmfit Guarantee Facility B.V. is exempt for corporate income tax.

Determination of fair value

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

Subsequent events

There were no material events subsequent to the end of the year.

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	C. Bouquet	D. Wensing	E.W. Friesen-Leibbrandt
Position	Chairman of the Executive Board	Member of the Executive Board	Chairman of the Executive Board	Member of the Executive Board
Employment agreement	Yes	Yes	Yes	Yes
Type	Indefinite period	Indefinite period	Indefinite period	Indefinite period
Hours per week	40	40	40	40
Part-time percentage	100%	100%	100%	100%
Details 2021				
Period	-	1 Jan - 31 May 2021	1 Jan - 31 Dec 2021	1 Oct - 31 Dec 2021
Remuneration and allowances	-	€ 68,010	€ 144,257	€ 33,751
Future benefits	-	€ 6,843	€ 14,104	€ 4,106
Total remuneration 2021	-	€ 74,853	€ 158,361	€ 37,857
Maximum allowable WNT	-	€ 78,493	€ 191,000	€ 47,619
Details 2020				
Period	1 Jan - 18 Oct 2020	1 Jan - 31 Dec 2020	19 Oct - 31 Dec 2020	
Remuneration and allowances	€ 129,809	€ 134,969	€ 34,377	-
Future benefits	€ 17,080	€ 11,831	€ 1,989	-
Total remuneration 2020	€ 146,889	€ 146,799	€ 36,366	-
Maximum allowable WNT	€ 150,270	€ 189,000	€ 37,697	-

The table below shows the benefits due to termination of employment to senior executives:

Name	C. Bouquet
Position at termination of employment	Member of the executive board
Size Employment agreement (in FTE)	1,0
Year in which employment was terminated	2021
Transitional payment based on Settlement agreement	€ 20,461
Maximum allowable	€ 75,000
Paid in 2021	€ 20,461

For information regarding ancillary positions please refer to Annex 4.

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

Name	Function	Appointed	Retired
Mr M. Batato	Chair	May 20, 2020	
Ms K.D. Schuijt	Member	February 23, 2017	March 31, 2021
Mr I. Gavilan	Member	February 23, 2017	
Mr S.E. de Cleene	Member	June 1, 2017	
Mr L. Bolander	Member	November 27, 2017	
Mr R. Goldstein	Member	June 1, 2018	
Ms C.M. Konst	Member	May 20, 2020	
Mr J.W.M. Engel	Member	May 20, 2020	
Mr K. Rudischhauser	Member	May 20, 2020	

The Supervisory Board did not receive any remuneration.



Annex 4 Ancillary positions

Executive Board

Mr. D. A. Wensing (appointed as a member of the Executive Board on 19 October 2020)

- Chairman of the Supervisory Board IDH Investment Management B.V.
- Director of IDH Sustainable Trade Initiative UK Limited
- Director of Stichting Agri 3 Technical Assistance Facility

Mrs. E.W. Friesen-Leibbrandt (appointed as a member of the Executive Board on 4 October 2021)

- Member of the Supervisory Board of the Coöperatie Koninklijke Agrifirm U.A
- Member of the Supervisory Board of Stichting Macheo
- Director of IDH Sustainable Trade Initiative UK Limited
- Member of the supervisory board of IDH Investment Management B.V.

Mrs. C. Bouquet (appointed as a member of the Executive Board on 19 August 2019 till 30 January 2021)

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

* Mrs. C. Bouquet resigned as Chair of the Executive Board per 30 January 2021. She also cancelled the marked ancillary positions by that date.

Supervisory Board members

Mr. M. Batato (appointed as Chair of the Supervisory Board of IDH on 20 May 2020)

- Member of the Supervisory Board of Carlsberg A/S
- Member of the executive committee of the World Business Council for Sustainable Development (WBCSD)
- Member of Advisory Board Zero100

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

- Chairman of the board of Coop amba
- Member of the Board 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 Dagbladet Information a/s
- Chairman of the board of KHR Architecture a/s
- Member of the board of Einar Willumsen a/s
- Member of the board of AP Pension fmba
- Chairman of Din Familiejurist ApS

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

- Trustee of The Partnering Initiative
- Director of Grow Asia

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

- Director of sustainability of the consumer goods forum

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

- Public Sector Industry leader, partner audit, PwC Netherlands
- Chair of the Supervisory Board of PwC EEIG EESV Brussels
- Member of the Supervisory Corona Crisis Committee – Dutch Safety Board (till Feb 2022)

Ms. C.M. Konst (appointed as a member of the Supervisory Board on 20 May 2020)

- Member of the Managing Board of Rabobank
- Member of daily and general board of Dutch employers' organization VNO-NCW

Mr. J.W.M. Engel (appointed as member of the Supervisory Board on 20 May 2020)

- Chief Supply Chain Officer and member of the Executive Leadership team, Unilever
- Member of the Supervisory Board of AP Moller-Maersk
- Advisory Group Member of McLaren Racing Ltd
- Advisory Board Member at the AndGreen Fund
- Advisory Board Member SCM World (Gartner)

Mr. K.D. Rudischhauser (appointed as member of the Supervisory Board on 20 May 2020)

- Director 'Tesoros de Mexico'
- Senior Adviser to the Director General of UNIDO

Ms. K.D. Schuijt (appointed as a member of the Supervisory Board on 23 February 2017 until 31 March 2021)

- Chief executive officer WWF
- Member of the Supervisory Board of PWN Drinkwaterbedrijf
- Member of the Advisory Board of Nederlands Instituut voor Onderzoek op Zee (NIOZ)

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

The audit committee:

- Mr. R. Goldstein
- Ms. C.M. Konst

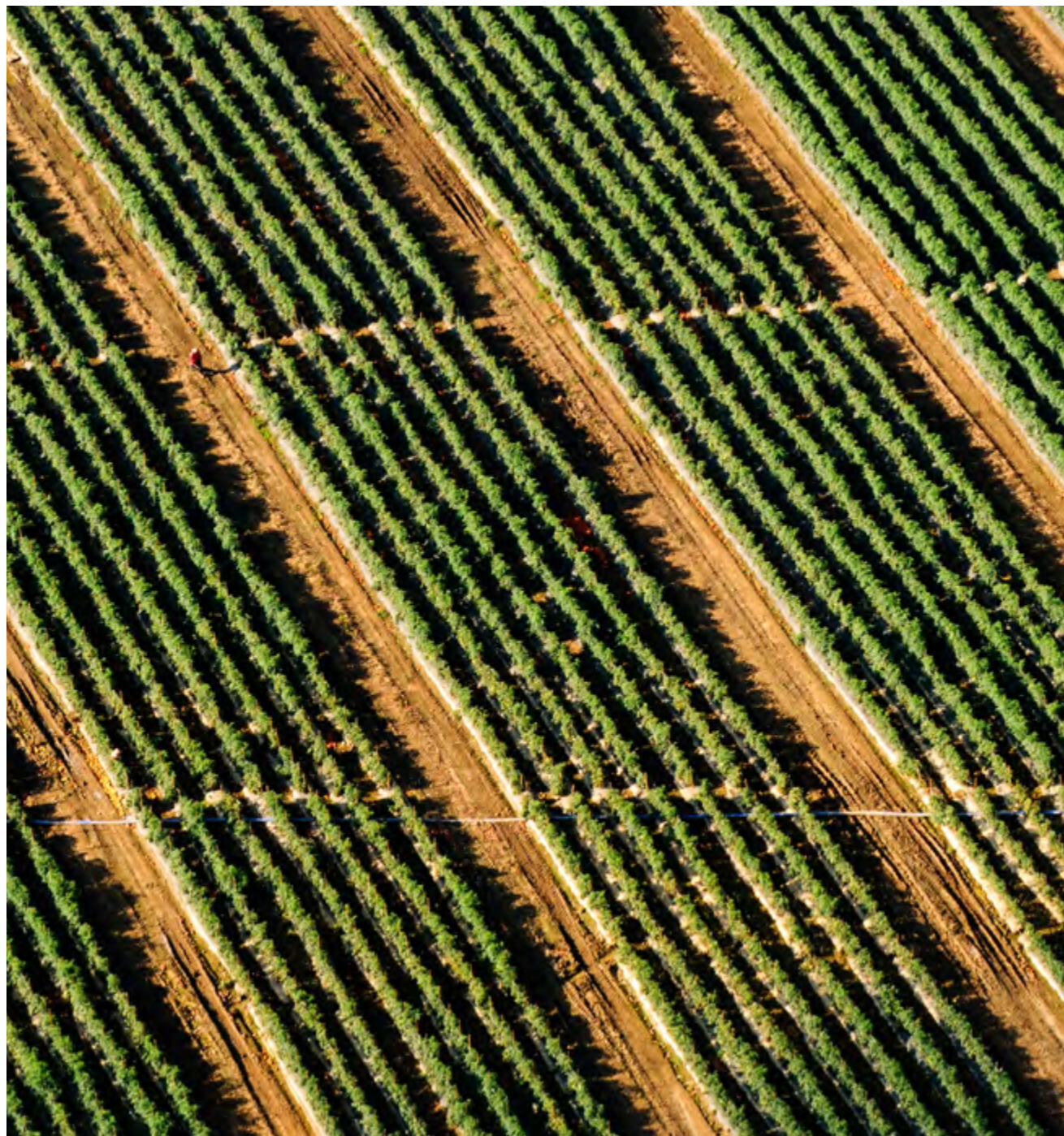
The impact committee:

The impact committee now consists of the following members:

- Mr. I. Gavilan (chair) (SB member)
- Mr. K.D. Rudischhauser (SB member)
- Ms. V. Wilde
- Mr. D. Giovanucci
- Ms. A. Rossi

Remuneration and Nominations Committee:

- Mr. M. Batato
- Mr. L. Bolander



Report of the independent auditor

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2021 INCLUDED IN THE ANNUAL ACCOUNTS

OUR OPINION

We have audited the financial statements 2021 of Stichting IDH Sustainable Trade Initiative, based in Utrecht. The financial statements include the consolidated financial statements and the foundation financial statements.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting IDH Sustainable Trade Initiative as at December 31, 2021 and of its result for 2021 in accordance with the Guideline for annual reporting 640 “Not-for-profit organisations” of the Dutch Accounting Standards Board and with the requirements of the “Wet normering bezoldiging topfunctionarissen (semi)publieke sector (WNT)”.

Furthermore, in our opinion, the financial statements are in all material respects, in accordance with relevant laws and regulations as stipulated in the audit protocol of the Dutch Ministry of Foreign Affairs.

The financial statements comprise:

1. the consolidated and foundation balance sheet as at December 31, 2021;
2. the consolidated and foundation statement of income and expenditure 2021;
3. the accounting principles;
4. the explanatory notes to the consolidated and foundation financial statements 2021;
5. annex – Consolidation sheet as at December 31, 2021;

6. annex – Consolidation sheet of the statement of income and expenditure 2021;
7. annex - Funding outlook;
8. annex - Ancillary positions Executive Board and Supervisory Board.

BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the audit protocol WNT and the audit protocol of the Dutch Ministry of Foreign Affairs. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Stichting IDH Sustainable Trade Initiative in accordance with the *Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten* (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the *Verordening gedrags- en beroepsregels accountants* (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

COMPLIANCE WITH ANTI-ACCUMULATION PROVISIONS WNT NOT AUDITED

In accordance with the Audit protocol WNT 2021 we have not audited the anti-accumulation provisions of article 1.6a WNT and article 5, paragraph 1 (j) Uitvoeringsregeling WNT. This means we have not audited whether or not there is a breach of anti-accumulation remuneration standards resulting from remuneration for a possible employment as a high-ranking official of other WNT-entities, nor have we audited if any related disclosure requirement are correct and complete.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor’s report thereon, the annual accounts contain other information that consists of:

- the report of the Executive Board;
- the report of the Supervisory Board;
- other information as required by the Guideline for annual reporting 640 “Not-for-profit organisations”.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by the Guideline for annual reporting 640 “Not-for-profit organisations”.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the board’s report in accordance with the Guideline for annual reporting 640 “Not-for-profit organisations” and other information as required by the Guideline for annual reporting 640 “Not-for-profit organisations”.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

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

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with the Guideline for annual reporting 640 “Not-for-profit organisations” and with the policy rules application “Wet normering bezoldiging topfunctionarissen (semi)publieke sector (WNT)” and the audit protocol of the Dutch Ministry of Foreign Affairs. Furthermore, the Executive Board is responsible for such internal control as the board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the organization's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

The Executive Board should disclose events and circumstances that may cast significant doubt on the organization's ability to continue as a going concern in the financial statements.

The Supervisory board is responsible for overseeing the company's financial reporting process.

OUR RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a foundation to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Amsterdam, 31st of May 2022

MAZARS N.V.

Original was signed by drs. R.C.H.M. Horsmans RA



IDH - the Sustainable Trade Initiative

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