



ANNUAL REPORT 2020

Sustainable
business models
delivering impact





idh the sustainable
trade initiative



**MINISTRY OF FOREIGN AFFAIRS
OF DENMARK**
Danida



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

Contents

Introduction from Daan Wensing	6
Introduction from Magdi Batato	8
Market transformation	10
Progress per program	13
How we are doing	27
Where we work	28
Executive summary	32
Smallholder inclusion	40
Living wage and improved working conditions	54
Mitigation of deforestation	66
Gender equality and empowerment	80
Responsible agrochemical management	92
Organizational development	100
Risk management	107
Outlook 2021	110
Summary financial statements	112





Introduction from Daan Wensing

CEO of IDH, the Sustainable Trade Initiative

2020 was a turning point for IDH. It marked the final year of our previous strategy to deliver the impact we set out to achieve. We've seen results from the private and public sectors on sustainable trade, production of commodities, and landscapes - but sustainability is not yet mainstream. If we, as a global community, want to deliver on the Sustainable Development Goals by 2030, we need to shift gears. We need to work together to build sustainable value chains at a faster pace.

IDH is ramping up to play its role. Our ambition is to become even more efficient at delivering impact by convening powerful private-public partnerships, changing business and governance models, and investing in data-driven solutions. To do this, we are growing our global talent base to challenge and solve the world's most pressing issues. We are scaling up and accelerating our investment and sustainability solutions for business, and taking operational excellence seriously as we shift from an organization with a global presence to being a truly international organization.

The crisis has hit the world, and especially the most vulnerable groups, hard. It affected health and incomes, and showed us even more how important it is to shift trade, markets and production to really benefit producers, workers and consumers, and to safeguard the environment. Despite the pandemic, we have been able to reinvent ourselves in terms of how we work, both internally and with our partners. I'm thankful to our entire team over the past year for their support and resilience during difficult times. It has been a challenging year for everyone, but we managed to keep spirits high and deliver, because of their efforts. In some ways, we have become an even more robust, inclusive organization.



“If there’s been any positive lesson from the pandemic, it’s a reminder of how interconnected we all are.”



In 2020, IDH also continued delivering impact with our partners. If there's been any positive lesson from the pandemic, it's a reminder of how interconnected we all are, and how vulnerable our supply chains are - that they need to be designed with resilience and sustainability at heart. We see that companies have responded by establishing funds to help secure supply and redesign their value chains. In time, this will also benefit farmers by, for example, opening access to supply chains of large international companies. We also see governments of producing countries more engaged in setting the agenda in the face of their vulnerabilities. Indonesia is a great example, not only for the efforts the country has made to limit deforestation but also for promoting food security.



In 2020, we were proud to have launched the Farmfit Fund under the wings of IDH Investment Management. A great accomplishment that builds on the foundations laid over the past years at IDH. It will serve to catalyze, scale up and accelerate new types of investment into smallholder farming. Combined with the growing investment team, we will work towards further crowding in the financial sector, leveraging its increasing environmental, social and governance (ESG) commitments.

In 2021, we will consolidate our impact into three areas - better jobs, better income, and better environment - with gender as a cross-cutting theme. This brings even more focus to increase our impact and better manage our work across all commodities and sourcing areas. It also means that 2020 was the last year we will report on the five impact areas featured in this report.

Finally, I'd like to thank our donors for their ongoing support as well as the people who added tremendously to the organization but decided after more than 10 years to part ways with it in 2020: Joost Oorthuizen, former CEO, and Andre Veneman, the Supervisory Board's former chair. Your commitment to developing the organization has made it a better place, more equipped to carry out our important work.



Introduction from Magdi Batato

Chair of the Supervisory Board

The year 2020 has been a remarkable one for IDH. First and foremost, due to the impact of COVID-19 that forced the IDH Executive Board (EB) to immediately shift its priorities to keeping IDH staff safe and healthy. Following national guidelines and keeping an eye on the social and psychological consequences of working from home, the EB managed to keep the organization operational throughout 2020, which speaks to the agility of the organization and its staff. Overseeing the external consequences of COVID-19 for IDH, we can conclude that much of IDH's work continued in 2020, thanks to the creativity of IDH staff and its implementing partners in finding remote and online opportunities to convene partners or serve farmers with training, inputs and finance. On top of that, extra and heartwarming initiatives by IDH and its partners were started to mitigate the direct consequences of COVID-19 for farmers and workers, of which you will find many examples in this annual report.

2020 was also a year of transitions for IDH. As 2020 was the last year of the current funding cycle, IDH entered into discussions with its core donors on the basis of a new Multi-Year Plan and its associated budgets. We had good discussions, which sharpened our mutual understanding of IDH's mission that resulted in a firm outlook towards renewing the funding cycle with our core donors DANIDA and SECO, and a 10-year strategic partnership with the Dutch Ministry of Foreign Affairs (BUZA). We feel humbled and privileged by the level of commitment and trust of our core donors that enable us to continue our important work.



“IDH sustainability solutions’ is an interesting area to explore as it may generate greater impact and create opportunities to leverage the high professionalism, competence, and credibility of the organization.”

Another transition was caused by the decision of Joost Oorthuizen, the founding CEO of IDH, to continue his career – after building IDH from scratch – elsewhere. On behalf of the Supervisory Board (SB) I want to wholeheartedly thank Joost for his invaluable guidance and many contributions to the growth, innovation and success of IDH, and his relentless belief that businesses can make the world a more sustainable place. We wish him all the success in his future career, and welcome Daan Wensing, the former Global Director Landscapes of IDH, as the new homebred CEO of the organization. Under Daan's leadership, IDH needs to adapt and cater to the future needs of society and the compelling challenges that are awaiting. Focusing on impact as always, and on providing solutions to the problems of today: climate change, rural poverty, and inequality.

To do so, Daan and the IDH team have put together a strategy plan for the coming years, which was discussed and approved at the SB in 2020. Part of this plan, “IDH sustainability solutions”, is an interesting area to explore as it may generate greater impact and create opportunities to leverage the high professionalism, competence, and credibility of the organization.

As we move into 2021 and beyond, the opportunities for the next 10 years are enormous. For example, SourceUp, the data-driven platform connecting landscape work to international commodity markets, is very promising. The growing momentum that IDH has helped to build among frontrunner businesses, to work towards living wages and incomes, creates ample opportunities to mitigate rural poverty in emerging economies. The expertise of IDH in analyzing service delivery models of companies, help improve their impact on smallholder farmers, and scale them up with de-risked finance deals, creates unprecedented sustainable business opportunities that were perceived as impossible only a few years ago.

Yet we see COVID-19 widening the gap between rich and poor hemispheres. In some African countries, the agricultural sector generates 35% of GDP, yet only receives 4% of the finance. With numbers like these, it's clear we need interventions to redress the balance. And WWF reports show us year-on-year how biodiversity loss is threatening the planet. This demands us to be ambitious for ourselves and the generations to come.

It is, as you can gather from the above, a very exciting journey ahead of all of us; a journey worth fighting for and winning! I rely on your full support.



Market transformation

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

These impact themes are:



Smallholder inclusion



Living wage and improved working conditions



Mitigation of deforestation



Gender equality and empowerment



Responsible agrochemical management

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



Improved Business Practices



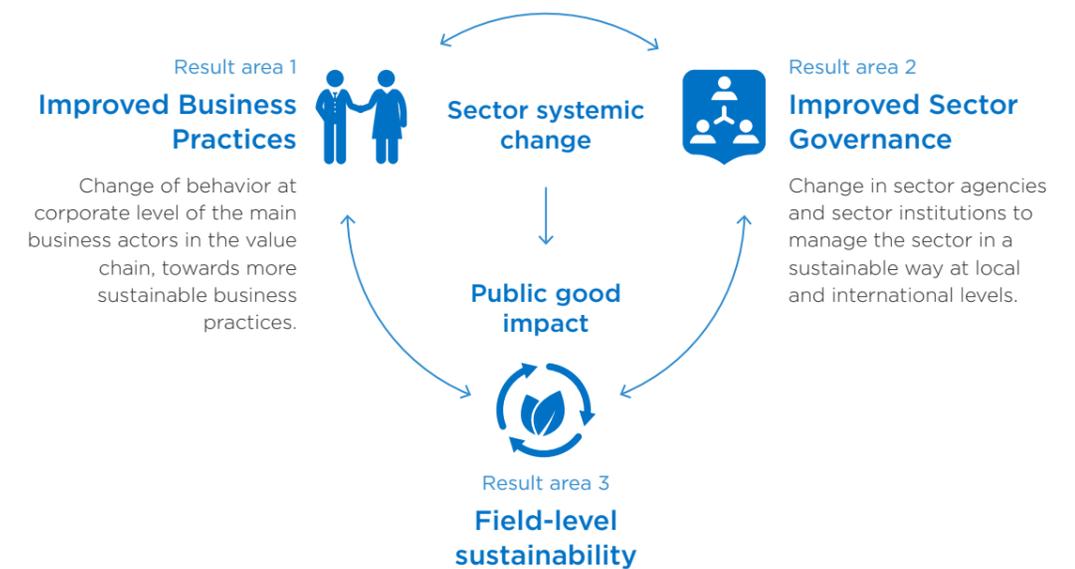
Improved Sector Governance



Field-level sustainability

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

IDH changes business practices of financial institutions, retailers, brands, manufacturers, traders, and producers in terms of sustainable sourcing, investments, monitoring, and offering services to farmers and workers. To secure effective and structural change, public and private strengths need to be aligned through sector and landscape governance. Part of IDH's exit strategy is to institutionalize sector governance and embed it within business strategy and practices. Only when these systemic changes are achieved is scalable and lasting impact on the SDGs possible.



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



Progress per program

This “traffic light assessment” has been made through a self-evaluation process by the program staff, based on outcomes data and taking the implications of COVID-19 into account. The third-party impact claim testing study will provide insights as to whether we reached our proof of concept (POC) targets by the end of 2020. The color coding per POC therefore reflects both the outcomes and the effects of COVID-19 on the impact delivered. The status of each POC is outlined on the following pages.

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

Commodity programs

Program	Overall status	Proof of concept	Explanation	Smallholder Inclusion	Living wage and working conditions	Mitigation of deforestation	Gender equality and empowerment	Responsible agrochemical use	Status per POC
Apparel	● ● ●	POC 1: Fostering worker-management dialogue and productivity in collaboration with industry, CSOs, and public partners. This empowers workers and creates worker panels (Improvement Circles) that serve to continuously improve working conditions.							● ● ●
		POC 2: The Life and Building Safety (LABS) program, based on a harmonized assessment method, strives to reduce safety risks in the apparel and footwear supply chain related to structural, electrical and fire safety, and to facilitate evacuation.							
Aquaculture	● ● ●	POC 1: By strengthening collaboration in the aquaculture industry at the zonal, national and global level, data can be analyzed to identify risks (e.g. on diseases and feed); agendas and priorities can be aligned; recommendations can be generated and disseminated; and risks can be mitigated. This leads to increased survival/productivity, decreased waste/improved feed efficiency, decreased agrochemical (e.g. antibiotics) use, increased market access, increased traceability and increased financial access.							● ● ●
Cassava	● ● ●	POC 1: By setting up efficient outgrower schemes, industrial cassava processors can secure supply to fully utilize their capacity. This will result in an attractive, inclusive investment proposition to financial institutions, investors and donors to unlock available sector financing, resulting in improved income and resilience of smallholder farmers.							● ● ●
Cocoa	● ● ●	POC 1 – Farm & Cooperative Investment Program (FCIP) Enabling the development of professional cooperatives/ entrepreneurial farmers and creating a sector-wide enabling environment for farmers and cooperatives, including engineering financial products to reach (cocoa) producers, will lead to empowerment of cooperatives and farmers in the financial space, and will improve their ability to access and use finance for investments in both farm and non-farm activities (e.g. health, education).							● ● ●
		POC 2 – Cocoa Nutrition Initiative Develop, validate and benchmark different models to be applied by the cocoa industry to effectively address underlying causes of malnutrition through gender-sensitive farm services leading to improved diets.							● ● ●
		POC 3 – Cocoa & Forests Initiative (CFI) The Cocoa & Forests Initiative is recognized as a leading action-oriented public-private-civil society partnership able to effectively end cocoa-related deforestation and to support forest restoration in key cocoa-producing countries, starting with Côte d'Ivoire and Ghana.	Dialogue and trust between CFI partners have increased substantially, allowing for advances on important issues such as exclusion of illegal cocoa farmed in protected areas from signatories' supply chains. However, 2020 deforestation figures from WRI demonstrate that more time is still needed for deforestation to be addressed. While primary forest loss remained stable in Côte d'Ivoire in 2020 vs 2019, with 13,000 hectares lost, the loss of primary forests more than doubled in Ghana, with 14,000 hectares lost in 2020. These figures are national level and would need to be further analyzed for a more granular understanding of deforestation drivers in cocoa-producing regions.					● ● ●	

Program	Overall status	Proof of concept	Explanation	Smallholder Inclusion	Living wage and working conditions	Mitigation of deforestation	Gender equality and empowerment	Responsible agrochemical use	Status per POC
Coffee	● ● ●	POC 1: Through innovative service delivery ecosystems, income resilience (diversification and productivity) and joint household/business decision-making (improved gender equality and youth engagement), smallholder household resilience will be strengthened, and the coffee supply base will be more stable and sustainable.	Above target on number of farmers trained and services delivered. SDMs are commonplace within the sector to diversify services and crops, and the overall sector is convinced of the concept of living income – although commitments remain a next step. Overall, most farmers have increased incomes from coffee, but the situation remains volatile due to climate change and price fluctuations.						● ● ●
		POC 2: Through policy dialogue, testing field-level innovations and innovative financial solutions, economically viable and water-efficient smallholder irrigation access will be rolled out at scale, leading to less water use (Vietnam) and more climate-smart production systems (Uganda and Tanzania).	We have proven there is no business case for farmers to invest in high-tech irrigation systems due to high costs and long repayment periods. A roadmap forward has been developed, in which both technology and training as well as a community-based approach are identified as interventions. Uptake of new simpler technologies is much higher, showing promising results. Due to this, we achieved less than 70% of our target for 2016-2020.						● ● ●
		POC 3: Through policy dialogue, innovative finance deals for input financing, and innovative SDM ecosystems, agro-input use is made economically viable and more environmentally responsible, leading to less pollution and increased income for smallholder farmers.	Above targets on training and service delivery. Most companies integrate inputs into their service delivery to smallholder farmers and, even though the economic viability remains unproven, many companies are exploring financial alternatives, recognizing their own role in moving this forward. Bloom is generally considered a very innovative program, and impact on farmer income is now assessed through impact evaluation study.						● ● ●
Cotton	● ● ●	POC 1: By partnering with the Better Cotton Initiative, we can achieve impact at scale for smallholder farmers and promote responsible agrochemical management. By training 3.5 million farmers on good agricultural practices, improved use of water, optimal use of chemical inputs, awareness of Decent Work conditions on farms and improved profitability, we can make one-third of global cotton production more sustainable.	90% of our work under the cotton program is linked to our engagement with BCI.						● ● ●
		POC 2.1: By establishing farming-related activities (beyond and related to the primary crop), additional revenue will be generated by farmers and related organizations, resulting in alternative incomes and increased climate resilience for smallholder farmers.							● ● ●
		POC 2.2: IDH will bring together representatives from the public sector, industry and civil society to collaborate with 2030 Water Resource Group, for program activities developed under the Maharashtra Cotton Water Platform which is chaired by the Department of Agriculture under the Maharashtra government. The platform will advise on prototypes and enabling initiatives that will accelerate partnership models for water-efficient and climate-resilient agriculture through promotion of sustainable commodity supply chains.							● ● ●
Fresh & Ingredients	● ● ●	POC 1: Commodity platforms and sustainable sourcing							● ● ●
		POC 2: Living wage and improved working conditions							● ● ●
		POC 3: Gender equality and empowerment							● ● ●
		POC 4: Smallholder inclusion							● ● ●
		POC 5: Responsible agrochemical management							● ● ●
		POC 6: Value chain development							● ● ●
Palm oil	● ● ●	POC 1: The palm oil program will achieve 100% sustainable and traceable palm oil in the EU, through: shared governance of targets driving public and private policy innovations; verified region sourcing providing clear market incentives; and supply chain convening for the verified sourcing areas.	The target of 100% sustainable and traceable palm oil imported in the EU could not be reached, and has stagnated at 86%. However, this was already foreseen in 2018 and we adjusted our targets and approach then.						● ● ●

Program	Overall status	Proof of concept	Explanation	Smallholder Inclusion	Living wage and working conditions	Mitigation of deforestation	Gender equality and empowerment	Responsible agrochemical use	Status per POC	
Soy		POC 1: The soy program will make sustainable soy mainstream through: shared governance of targets driving public and private policy innovations; verified region sourcing providing clear market incentives; and supply chain convening for the verified sourcing areas.								
Tea		POC 1: Through convening the Malawi Tea 2020 supply chain partnership (35 organizations), a roadmap is developed and implemented to: revitalize the Malawi tea industry; empower Malawi Tea workers and improve their livelihoods and create opportunities for women; improve buyer procurement practices to achieve a profitable, competitive Malawi tea industry where its workers earn a living wage by 2020.	This POC serves as a great example of how to work on living wage in the tea sector and beyond. Activities, KPIs and finances are on track. Since the start of the program in Malawi, the living wage gap has been closed by 33% compared to the October 2014 baseline. Different factors, such as poor tea prices and market conditions, are limiting the closing of the gap by 100%.							
		POC 2: By addressing gender-based violence (GBV) issues in the tea supply chain in Kenya through the platform, we aim to develop viable business solutions leading to a better gender balance and reduction of GBV in Kenya at two levels: 1. At tea plantations through capacity building on GBV and putting company policy and structures in place addressing GBV (prevention and response); 2. At smallholder level through addressing the root causes of GBV such as financial literacy.	On multiple elements of the POC, the program is showing good results. Field-level activities, although promising, were disrupted in 2020 due to COVID-19. All planned activities will be implemented in 2021. In addition, the safe space activity was discontinued in 2019 (elaborated in 2019 AR). Preliminary results of the impact evaluation conducted in 2020 show that, based on data provided by companies on GBV cases reported, the occurrence of GBV (at the participating companies under the GEP) decreased by 28% between 2016 and 2019.							
		POC 3: India is a key tea-producing country, where IDH engages in a number of different activities, including <i>trustea</i> , the Improving Lives program (see POC 2) focusing on vulnerable groups in tea communities (women, children, and dependents), and prototyping new smallholder interventions since 2019.	The <i>trustea</i> sustainable tea foundation and the <i>trustea</i> sustainable tea council (both formed in 2019) were further strengthened and operationalized. More than half (56%) of tea in India is now <i>trustea</i> verified and an evaluation was conducted of the programs' field-level impact.							
		POC 4: By strengthening the relationship between smallholders and an established tea value chain partner and creating a balanced power relationship, smallholders receive good-quality services and are therefore able to improve their production practices, resulting in resilient and empowered farmers (e.g. health, education).	Although disrupted by COVID-19 in Q2 2020, we have achieved our POC results - mainly on business practices and at field level. In 2020, we signed a contract with the EU and the government of Tanzania for implementation of a sector-wide program. This will scale up the lessons learned and activities from our earlier smallholder intervention.							
Tropical timber		POC 1: The tropical timber program reduces deforestation and forest degradation by strengthening the business case for sustainable forest management (SFM) and forestry business models. The program approach is based on three pillars: 1. European Sustainable Tropical Timber Coalition (STTC) partners implementing policy plans, action plans and market data-based approaches to accelerate European demand for verified sustainable tropical timber; 2. Co-funding innovation in sustainable forest management and forestry business models in selected landscapes; 3. Co-funding innovation in certification schemes, resulting in 2 million hectares of additional forest under SFM.								

Landscape programs

Program	Overall status	Proof of concept	Explanation	Smallholder Inclusion	Living wage and working conditions	Mitigation of deforestation	Gender equality and empowerment	Responsible agrochemical use	Status per POC
Brazil		<p>POC 1: Work towards de-linking agricultural growth from deforestation, reducing gross deforestation and eradicating illegal deforestation in Mato Grosso through a three-pillar approach:</p> <ol style="list-style-type: none"> 1. Governance: Shared governance of growth, deforestation and reforestation targets driving public and private policy innovations. To do this, we support the state's green growth plan (PCI) and PCI regional compacts. 2. Finance: Designing PCI pipelines of projects to create investable PCI deals, building innovative financing solutions to accelerate environmental returns. 3. Market: Supply chain convening and development of incentives to create a link with sustainable production. 							
Colombia			Given the impact of COVID-19, two of the Compacts that should have been signed in 2020 were postponed until Q2 2021.						
Côte d'Ivoire		<p>POC 1: In the Cavally region, we facilitate the design of a green growth plan, which is developed as part of a broader regional land-use plan (SRADT), and which will be owned by the regional council and a regional multi-stakeholder coalition. Through successfully prototyping green growth in the Cavally region, resulting in the preservation of the Cavally forest reserve (65,000 hectares) and the promotion of at least 10,000 hectares of sustainable agricultural production, we support partners to improve the formulation and implementation of the national policy framework, allowing for the upscaling of public-private landscape investments and the de-linking of cocoa production from deforestation.</p>	Several activities have been completed, including the successful implementation of pilot projects, the establishment of a regional coalition, and meetings. This has led to a Letter of Intent being signed. However, the PPI Compact has not yet been signed.						
Ethiopia		<p>POC 1: By establishing a coalition of public, private, and civil-society partners around Lake Ziway, with a clear vision and strategy and who are able to develop a financially viable governance model, private-sector resources are leveraged to catalyze landscape investments to ensure restoration of degraded land, improved water management, responsible agrochemical management, and improved livelihoods of communities around Lake Ziway (Central Rift Valley).</p>							
India		<p>POC 1: Develop sustainable market links and ensure social and economic inclusion of smallholders.</p>	Despite losing considerable program implementation time because of the COVID-19 pandemic in mid-2020, we are on track achieve our 2021 targets. The conversations with the public and private sectors have matured around the VSA landscape model and the PPI Compact.						
Indonesia (Aceh)		<p>POC 1: Achieving forest and peatland protection through establishing multi-stakeholder governance of shared targets and land-use plans, combined with driving innovations that provide business and policy incentives to land users to protect and restore forest, such as: the intensification of production on existing production and fallow land; inclusion of smallholders with sustainable practices in agricultural supply chains; supporting the livelihoods of rural and forest communities; providing (downstream) market incentives through verified sourcing; developing alternative income/business models for protection and restoration; and enabling policies and effective enforcement.</p>	More time is needed beyond 2020 to fully implement the POC and draw conclusions based on the results.						

Although most projects/activities required to prove the POC are under implementation, we are not on track with regard to KPIs and finance due to significant delays incurred at field-level during the "COVID year". NICFI support to the Aceh program includes 2021, however, which buys more time.

Program	Overall status	Proof of concept	Explanation	Smallholder Inclusion	Living wage and working conditions	Mitigation of deforestation	Gender equality and empowerment	Responsible agrochemical use	Status per POC
Indonesia (South Sumatra) Due to limited progress, results, and traction with stakeholders, we will phase out IDH support to the South Sumatra landscape after 2021.		POC 1: Achieving forest and peatland protection through establishing multi-stakeholder governance of shared targets and land-use plans, combined with driving innovations that provide business and policy incentives to land users to protect and restore forest, such as: the intensification of production on existing production and fallow land; inclusion of smallholders with sustainable practices in agricultural supply chains; supporting the livelihoods of rural and forest communities; providing (downstream) market incentives through verified sourcing; developing alternative income/business models for protection and restoration; and enabling policies and effective enforcement.	Projects are being implemented, but there are difficulties and delays experienced in PPI Compact development, as well as in implementation of the peatland and forest restoration project.						
Indonesia (Papua) Since the Papua program started in 2018, it has fulfilled key objectives including the development of the GGP and Green Investment Blueprint (GIBP) for the Papua region, and mainstreamed through their regulation and development planning documents.		POC 1: Achieving forest and peatland protection through establishing multi-stakeholder governance of shared targets and land-use plans, combined with driving innovations that provide business and policy incentives to land users to protect and restore forest, such as: the intensification of production on existing production and fallow land; inclusion of smallholders with sustainable practices in agricultural supply chains; supporting the livelihoods of rural and forest communities; providing (downstream) market incentives through verified sourcing; developing alternative income/business models for protection and restoration; and enabling policies and effective enforcement.	The Papua program only started in 2018, so it has had limited time to deliver the main proof of concept, which was the multi-stakeholder governance of shared targets and land-use plans, combined with driving innovations that provide business and policy incentives to land users to protect and restore forest. The program has just started to build the PPI Compact in Nabire, Papua.						
Indonesia (North Sumatra) Significant delays in program implementation.		POC 1: Achieving forest and peatland protection through establishing multi-stakeholder governance of shared targets and land-use plans, combined with driving innovations that provide business and policy incentives to land users to protect and restore forest, such as: the intensification of production on existing production and fallow land; inclusion of smallholders with sustainable practices in agricultural supply chains; supporting the livelihoods of rural and forest communities; providing (downstream) market incentives through verified sourcing; developing alternative income/business models for protection and restoration; and enabling policies and effective enforcement.	Significant delays in program implementation.						
Indonesia (Jambi) Major items in KPIs (policy change, hectares protected, and hectares with secured land rights) were not 100% achieved as the program started in the middle of IDH program cycle in Indonesia. But the program created the enabling condition for &Green Fund's first ever deal globally and managed to connect independent smallholders with important global palm oil markets.		POC 1: Achieving forest and peatland protection through establishing multi-stakeholder governance of shared targets and land-use plans, combined with driving innovations that provide business and policy incentives to land users to protect and restore forest, such as: the intensification of production on existing production and fallow land; inclusion of smallholders with sustainable practices in agricultural supply chains; supporting the livelihoods of rural and forest communities; providing (downstream) market incentives through verified sourcing; developing alternative income/business models for protection and restoration; and enabling policies and effective enforcement.	Since 2017, the program showed that achieving the POC is on the right track. On a limited scale, the program showed that transforming smallholders for better GAP and access to market and finance for committed concessions can be achieved.						
Indonesia (West Kalimantan)		POC 1: Achieving forest and peatland protection through establishing multi-stakeholder governance of shared targets and land-use plans, combined with driving innovations that provide business and policy incentives to land users to protect and restore forest, such as: the intensification of production on existing production and fallow land; inclusion of smallholders with sustainable practices in agricultural supply chains; supporting the livelihoods of rural and forest communities; providing (downstream) market incentives through verified sourcing; developing alternative income/business models for protection and restoration; and enabling policies and effective enforcement.							

Program	Overall status	Proof of concept	Explanation	Smallholder Inclusion	Living wage and working conditions	Mitigation of deforestation	Gender equality and empowerment	Responsible agrochemical use	Status per POC
Kenya By the end of 2020, the program had achieved most of its targets in terms of convening both private and public sectors, as well as developing and implementing appropriate solutions for restoration and protection of the South West Mau Forest block.		POC 1: The program aims to demonstrate that leveraging private-sector resources (finance, expertise, and leadership), as well as progressively aligning public- and private-sector interests, can catalyze landscape investments in forest and water conservation, and the improvement of smallholder livelihoods among surrounding communities. The tea, hydropower and timber industries work together with the public sector, civil society (including community) and knowledge partners to reduce deforestation, improve water flows and access to springs, and protect the South West Mau Forest. A coalition of these stakeholders is established with a clear vision, mission and strategy, led by the Stawisha Mau Charitable Trust.	All the projects planned and initiated within this phase of the program have been implemented successfully. A few of them have a no-cost extension period until June 2021, to account for the slow implementation of activities in 2020 and 2021 as a result of COVID-19.						
Liberia A lot of progress has been made since 2019. Through the implementation of Participatory Land Use Plan (PLUP) and Customary Land rights Formalization (CLF), IDH paved the way for investors and the achievements of the program's POC and KPIs.		POC 1: Southeastern and Western As part of a green growth plan, investment in community oil palm farms triggers a production-protection agreement, in which community, oil palm concession holders and the government of Liberia agree to set aside and conserve forest to achieve a zero-deforestation concession landscape. Meanwhile, other deforestation triggers are tackled through a green growth plan with government, communities, the private sector, and NGOs. Food security and income diversification activities are started to make the region more food-secure and less dependent on palm oil.	The CLF and PLUP processes for Sinoe made enormous progress in 2020 and will be completed in 2021. However, the private sector did not invest in the outgrower investment scheme, so there is no realistic outlook for the targeted private investments before the end of the program in 2021.						
		POC 2: Lofa Replanting the unnatural savannah land with tree crops will halt savannah expansion and restore the agro-ecological system in the Northwest of Liberia, in Foya district (Lofa county).	The PLUP and CLF have been completed and a business model and investment proposal are in place to scale up. The program has one more year of implementation to go, in which progress can be made with regard to the agroforestry investment and field-level projects.						
Malaysia		POC 1: The program has only just finalized its inception phase and is currently moving to implementation. This will include formulating the POCs the program aims to build.	NI-SCOPS Malaysia is not on track to meet its original targets given the COVID-19-related delays and reduction in funding. Revised targets are expected to be finalized and agreed by all key stakeholders including the donors (MoFA) in 2021.						
Nigeria		POC 1: The program has only just finalized its inception phase and is currently moving to implementation. This will include formulating the POCs the program aims to build, directed towards sustainable climate-smart palm oil production with benefits to smallholder farmers and their communities, shared governance of targets driving public and private policy innovations, and verified region sourcing providing clear market incentives for sustainable production.	The program started in 2019, to be completed in 2023. Most of the program activities are being implemented in 2021. Most field activities could not be achieved in 2020 due to the COVID-19 pandemic.						
Vietnam		POC 1: Central Highlands Developing and testing models of sustainable water management, agrochemical management, and agroforestry, to provide investment-ready prototypes that can be scaled up by larger public and private investment programs. In addition, in order to achieve impact at scale, we coordinate efforts by strengthening public-private governance and policies in the landscape.							



How we are doing

600+ PUBLIC AND PRIVATE PARTNERS



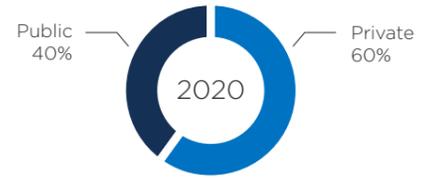
IMPROVED BUSINESS PRACTICES

Investments private sector/IDH

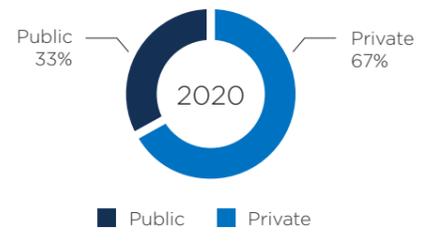
Total private sector investment:

50 million

IDH OVERALL PUBLIC TO PRIVATE CONTRIBUTION RATIO



IDH COMMODITY PROGRAMS PUBLIC TO PRIVATE RATIO



IMPROVED SECTOR GOVERNANCE



15

Green growth and other landscape management and investment plans developed

25

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

FIELD-LEVEL SUSTAINABILITY



7.1 million metric tons

Volume of sustainably produced commodity.



3.2 million

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



7.5 million hectares

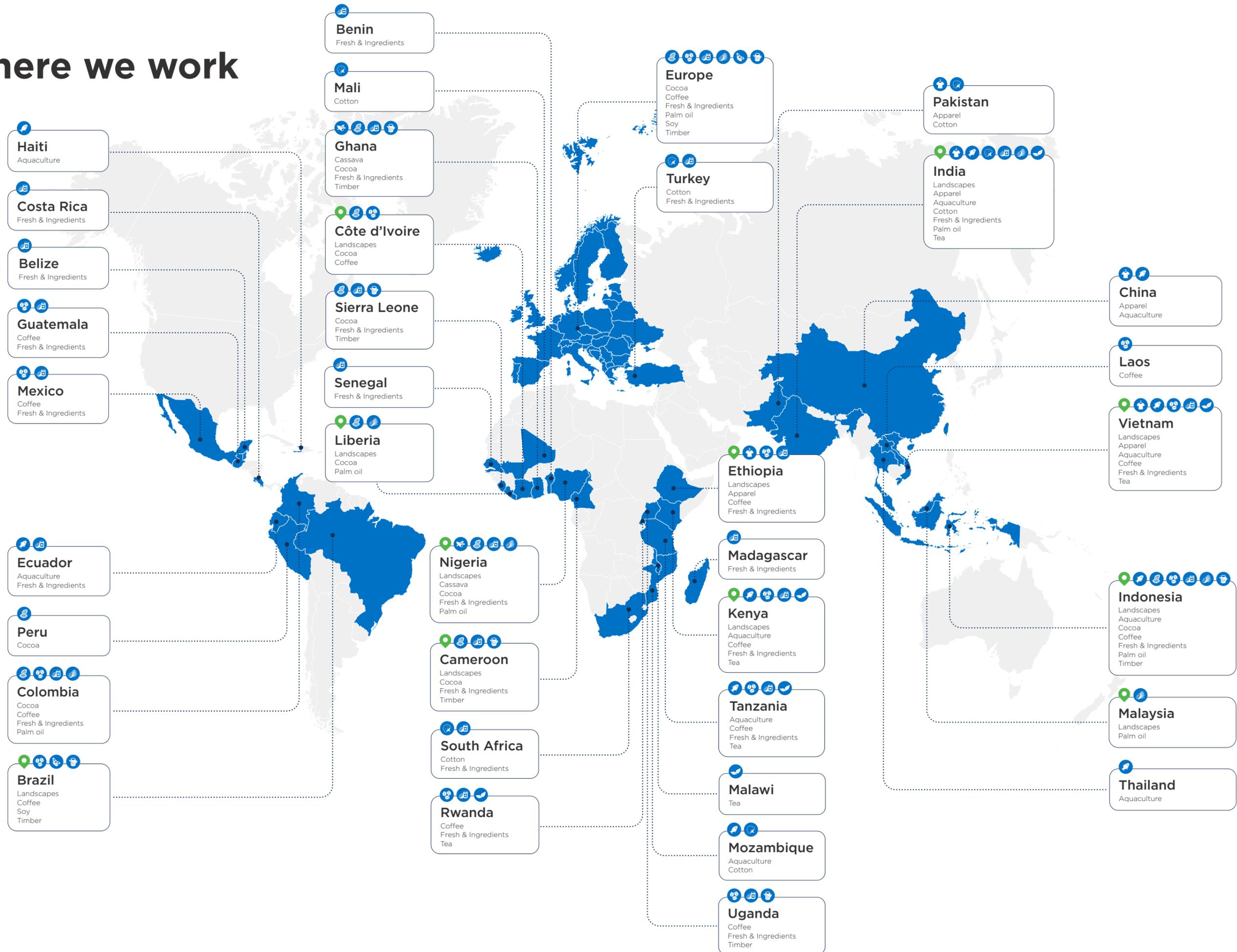
Number of hectares where sustainable production practices are applied. (cumulative 2016-2020)



2,504,662 hectares

Number of hectares where interventions are implemented that support protection, restoration and sustainable rehabilitation. (cumulative 2016-2020)

Where we work



Program delivery

IDH delivery dashboard	Key Performance Indicator (KPI)	Result 2016	Result 2017	Result 2018	Result 2019	Result 2020 ¹	Target 2020	Cumulative result (2016-2020) ²	Overall program target (2016-2020) ³	% Achieved to date
Impact	Percentage of proofs of concept on track	55%	60%	50%	62%	71%	67%	71%	67%	100%
Change in field-level sustainability	Number of people trained and services delivered (including farmers, workers, and community members)	1,827,000 (25% above annual target)	2,468,000 (30% above annual target)	2,778,458 (20% above annual target)	3,576,161 (2% below annual target)	3,240,182 (14% below annual target)	3,758,098	5,307,651	4,561,494	116%
	Area of sustainable production (hectares)	3,464,000 (38% above annual target)	5,585,137 (24% below annual target)	6,499,418 (40% above annual target)	7,228,449 (33% above annual target)	7,143,931 (21% above annual target)	5,898,102	7,520,525	8,977,765	84%
	Area of protection, restoration and/or sustainable rehabilitation (hectares) ⁴	416,000	194,000	150,018	272,217 (62% below annual target)	524,243 (28% below annual target)	731,280	2,504,662	3,360,869	75% ⁵
	Volume of sustainable production (metric tons)	3,268,000 (19% above annual target)	4,824,000 (56% above annual target)	5,554,730 (77% above annual target)	7,853,667 (19% above annual target)	7,142,091 (9% below annual target)	7,830,000	25,756,314	24,270,666	106%
Change in sector governance	Number of policy changes	8 (60% above annual target)	31 (55% above annual target)	25 (8% below annual target)	25 (19% below annual target)	27 (13% below annual target)	31	58	66	88%
	Number of green growth and other landscape management and investment plans	4 (40% below annual target)	12 (50% above annual target)	8 (56% below annual target)	15 (114% above annual target)	12 (25% below annual target)	16	45	45	100%
Change in business practices	Number of business cases	10 (40% above annual target)	22 (10% above annual target)	40 (74% above annual target)	31 (16% below annual target)	40 (5% above annual target)	38	124	98	127%
	Ratio of overall IDH contribution to private sector	1:2	1:2	1:2	1:1.6	1:1.5	1:1.4	1:1.8	1:2	90%
	Ratio of value chain program to private sector	1:2.4	1:3.0	1:2.8	1:2.2	1:2.1	1:1.4	1:2.1	1:2	125%
	Ratio of IDH landscape program to private sector	1:0.5	1:0.6	1:0.4	1:0.5	1:0.5	1:0.4	1:0.5	1:0.5	100%
Financials	IDH contribution	€26 million	€21 million	€20 million	€28.6 million	€35.3 million	€19 million	€130.9 million	€138 million	95%
	Private-sector contribution	€52 million	€44 million	€37 million	€46 million	€50.9 million	€36 million	€229.9 million	€276 million (target defined by ratio)	83%
	Organizational costs/total expenses	14%	15%	16%	16%	18%	12.0%	15.8%	13.0%	N/A
	Diversification from institutional funding	10%	20%	23%	31%	31%	40%	23%	31%	74%

1. Results and targets for 2020 have been introduced for Colombia, Papua in Indonesia, Malaysia, and Nigeria.

2. For all KPIs under Cumulative result (2016-2020), the results do not equal the sum of the annual results to-date because the cotton program's reporting method is different from the rest of the organization. However, cotton contributes to an average of 80% of the organization's total achievement for all field-level KPIs.

3. For all KPIs under both the overall program target (2016-2020) and the Target 2020, adjustments have been made to address various editing and calculation errors. These include recalculations for Brazil, cassava, cotton, South Sumatra in Indonesia, and timber, as well as the introduction of data for Colombia and Papua, Indonesia. No overall program targets have been set for North Sumatra in Indonesia, Malaysia, or Nigeria. These landscapes are part of the NI-SCOPS program, which started in 2020 and has a funding cycle that is different from the overall IDH programs.

4. Results and targets for this KPI relate to the direct impact through IDH co-funded field-level projects. The indirect impact on forest areas under improved governance through PPI Compacts signed between 2016 and 2020 in Indonesia, Vietnam, and Brazil is 6.5 million hectares. For the next program phase (2021-2025), KPIs will be designed to monitor and report on the indirect impact on forest protection as well.

5. There have been significant delays in program implementation in Indonesia, especially in South Sumatra, Jambi, and Papua (the latter being a new landscape since 2020). Also in Brazil and Liberia, the original forest protection targets could not be reached due to changes in program strategy and additional implementation time required. However, in all of these countries, (part of) our program funding runs until the end of 2021, so IDH may still increase results in the final implementation year.



Executive summary

The year 2020 has tested the resilience and flexibility of everyone around the globe, most notably that of vulnerable groups in emerging economies for whom COVID-19 had severe consequences, with poverty and inequality figures increasing enormously. For IDH and its partners, the COVID-19 pandemic added unexpected challenges while we were planning to deliver the final stage of our 2016-2020 strategy. Due to restrictions related to travel and public gathering, our deliverables – changes in sector governance, business practices, and field-level sustainability – became more complex. This was largely because the physical presence needed to execute analyses of business models, convene partners, perform due diligence of investees, and carry out field work by implementing partners became difficult, if not impossible.

In response, the majority of our work shifted to online webinars, training, convening and design sessions to keep engaging our partners, driving progress, and showing our continued commitment. For example, we organized the [European Palm Oil Dialogue](#) online in June 2020, with over 500 participants attending, and farmer trainings in Brazil, for example, were organized online. In addition, many initiatives were launched and/or supported by IDH to help mitigate the impact of COVID-19 on workers and smallholder farmers, such as arranging cargo flights to export Rwandan fruit and vegetables to Europe, helping textile manufacturing industry partners switch to the production of medical protection equipment, or enabling COVID-19-related insurance for millions of Indian cotton farmers.

Meanwhile, the IDH team remained fully operational, not allowing physical and social distancing to get in the way of our impact delivery. On the contrary: our online meetings are now also accessible to program partners who were previously harder to convene. And while farmers are still tending their fields, harvesting their crops, and trading and selling their produce, we found new ways to collaborate with them both on and offline, bringing intelligence, convening power, and investments into our programs.



We see positive evidence of impact in living wages, working conditions, farmer incomes, deforestation rates and pesticide use

Despite the challenges of COVID-19, our work continued and we saw impact emerging. In the Malawi Tea 2020 program, we narrowed the living wage gap for 50,000 tea workers by 30%, by carefully integrating interventions ranging from midday meal fortification to collective bargaining agreements (CBAs) and quality and productivity improvements. Our program to improve working conditions in Vietnamese apparel factories (Race to the Top) reached over 45,000 workers and decreased turnover rates by 40%, proving the business case for investing in better working conditions. Moreover, we see that the heart of the program – improvement circles in which management and workers jointly enhance working conditions – have continued in most factories without our support: we have contributed to systemic change.

We reached nearly 1.8 million smallholder cotton farmers in 2020. On average, pesticides and water use went down and the profitability of Better Cotton farmers in Pakistan was 38% higher than conventional cotton farmers. In Mali this figure was 14%. In coffee in Vietnam, despite the drop in prices of Robusta coffee, the incomes of Robusta coffee farmers have increased due to significantly lower input costs, resulting from better pesticide use.

Especially in regions where companies and governments align their actions

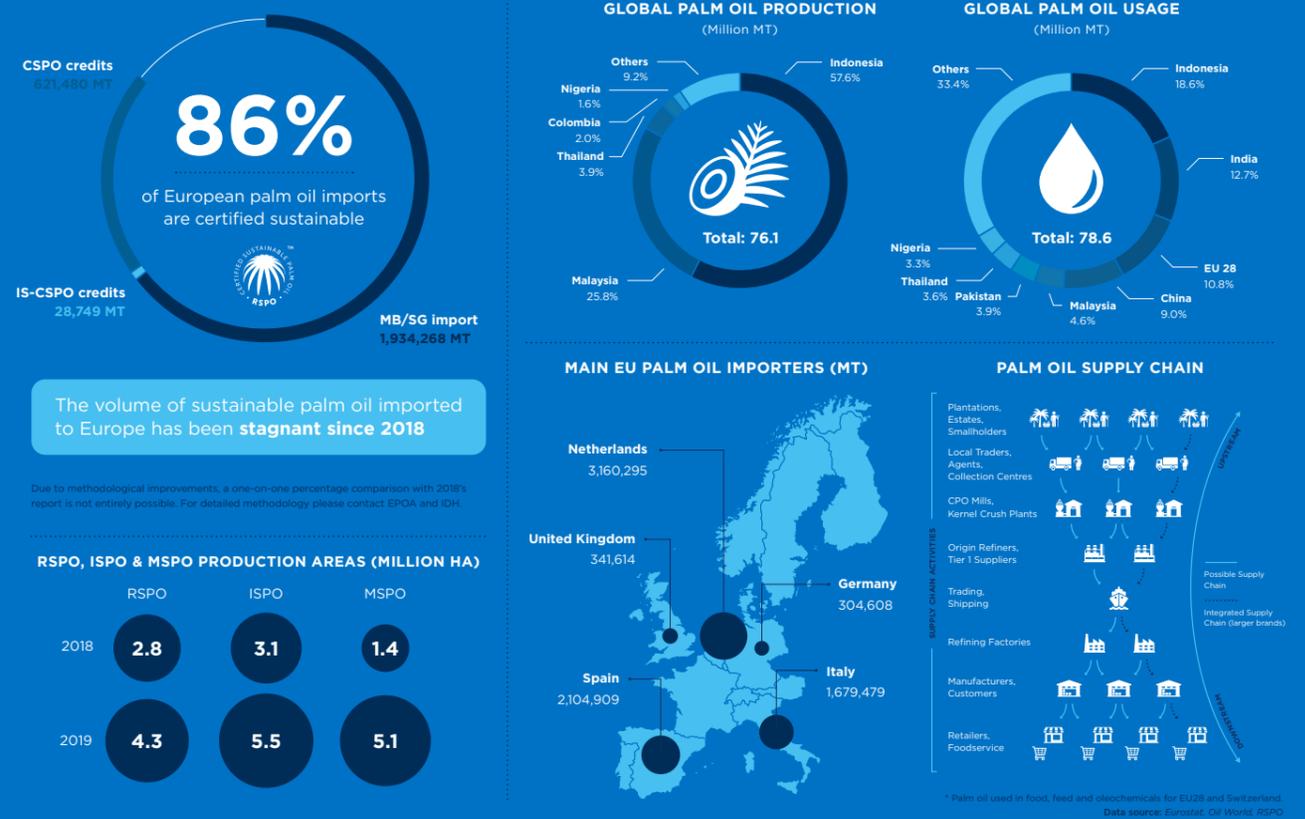
In Mato Grosso, where IDH works with partners to deliver a state-wide green growth plan, deforestation alerts declined by 13% in 2020. A combination of political leadership from successive state governors, strong enforcement of forest laws, and coordination of action with the private sector and civil society by the Produce, Conserve and Include (PCI) institute, are thought to be the main contributory factors. As part of a national trend in Indonesia, in most of our jurisdictions we saw decreasing deforestation rates in 2020: the combination of strong forest protection laws, better provincial enforcement, and the efforts of plantation companies, smallholders and international buyers helped deliver national commitments. In the South West Mau Forest (Kenya), support from government agencies and tea companies has contributed to reduced illegal grazing in the forest, diversified incomes of local farmers, and a boost to forest regeneration in one of the most important sources of fresh water in the country.

Tangible impact has been achieved in reducing agrochemical use. A coalition of flower producers in Ethiopia managed to reduce pesticide residues in waste water by 99.8%! And data transparency work in the flowers sector, combining pesticide data gathering with integrated pest management best practices, have led to an average reduction in pesticide use of 45%. In Vietnam, a coordinated effort between coffee traders and the Vietnamese government to reduce pesticide residues, led to coffee farmers becoming 100% compliant with the maximum residue level (MRL) requirements of the European market.





Sustainable palm oil for Europe



The volume of sustainable palm oil imported to Europe has been **stagnant since 2018**

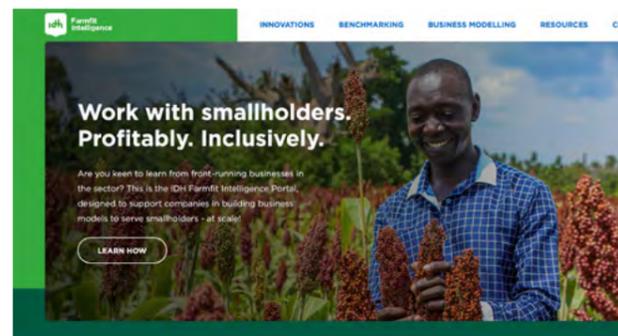
Due to methodological improvements, a one-on-one percentage comparison with 2019's report is not entirely possible. For detailed methodology please contact EPOA and IDH.

RSPO, ISPO & MSPO PRODUCTION AREAS (MILLION HA)

	RSPO	ISPO	MSPO
2018	2.8	3.1	1.4
2019	4.3	5.5	5.1

Data and technology play an increasingly important role in changing business practices

Shifting from increasing yields to targeting specific farmer needs, companies across value chains recognize the power of data and digital tools to improve their farmer engagement models. IDH significantly broadened its tools and technology portfolio to improve access to data, training, agro-input services, finance, and data for monitoring and evaluation. Combined with our convening power, in 2020 this resulted in a steep incline in the use of tools associated with the [Living Wages Roadmap](#) – our platform for frontrunning companies aiming to narrow the living wage gap. Driven by the Banana Retail covenant, signed in 2019, no less than 117 banana farms submitted a Salary Matrix in 2020, covering 42% of the total volume purchased by Dutch retailers. This provides clear baseline information to these supermarkets that can now further engage with their suppliers to close living wage gaps. In addition, IDH Farmfit completed 11 service delivery model (SDM) analyses in 2020, bringing the total number of analyses of business models to 90, while six improvement programs were started on the back of the analyses. Major findings were shared through the [intelligence portal](#).



Market share of sustainable imports, and amounts of sustainably produced commodities, are rising steadily

In 2020, we saw the market share of sustainably sourced tropical timber, palm oil and soy stabilizing or steadily increasing in European markets, although there are huge geographical differences (see palm oil figure above). The total amount of sustainably produced commodities in all our commodity programs went down from 7.9 million metric tons in 2019 to 7.1 million metric tons in 2020. Total private investments into our sector and landscape programs went up from €46 million to €50 million.



In our Value Chain Development program with Grown Sustainably in Africa, we were able to link the sourcing of large companies like Nestlé and Unilever to local production, and further developed our cassava programs.



Watch the video: "Nestlé partners with IDH's Grown Sustainably in Africa"



Investable interventions will need to go from niche to norm

At the World Economic Forum in Davos in January 2020, IDH kicked off the IDH Farmfit Fund, in the presence of Her Majesty Queen Máxima of the Netherlands in her role as United Nations Secretary-General's Special Advocate for Inclusive Finance for Development. Through the €100 million IDH Farmfit Fund, we opened a new chapter of catalyzing commercial investments in smallholder farmers. IDH Farmfit Fund's ambition is to build a sizeable portfolio to improve the lives of at least 3 million smallholder farmers in Africa by increasing their incomes by 50% by 2035.

The value proposition of the IDH Farmfit Fund proved itself with the Chicoa example: IDH Farmfit Business Support performed an analysis of the SDM of Chicoa, a tilapia farm in Mozambique that aims to start a tilapia smallholder farmer outreach program. IDH's aquaculture team supported Chicoa with implementing the recommendations of the analysis, based on which the IDH Farmfit Fund approved an intended investment into Chicoa's smallholder program. The aim of the investment is to help Chicoa to produce more tilapia for local African fish consumption while increasing the incomes of local smallholder tilapia farmers.

We increasingly design our landscape interventions to be investable. Testament to the success of this approach is the investment by the &Green Fund into our landscape program partners in Brazil and Indonesia. Plus the fact that IDH is the technical assistance partner of Agri3, Rabobank's new de-risking fund, and our continued work as the Technical Assistance Facility of the Land Degradation Neutrality Fund, resulting in [investment projects](#) in Ghana, Nicaragua and Sierra Leone.



Watch the video: "Launch of the IDH Farmfit Fund at WEF 2020"



Sector governance

Aligning public and private efforts, setting sustainability criteria, and sharing best practices per sector globally continue to be important pillars of our work, and are bearing fruit. In 2020, our sector platforms in flowers, apparel, fresh fruit and vegetables were both self-financing and producing impressive results. In horticulture, for example, data monitoring and sharing of best practices through the global sector platform resulted in an average reduction in agrochemical use of 45%.



Broadening our funding base

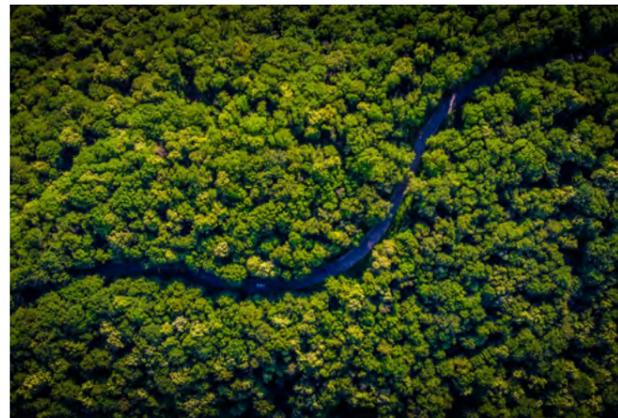
IDH feels privileged and humbled by the continued support of our core donors, DANIDA, SECO and the Dutch government. With the latter, we entered into a 10-year partnership stretching far beyond a donor and recipient relationship. We were also able to continue program donor relationships with large donors like NICFI, the Rockefeller Foundation, and USAID, both as program donor and second-loss guarantee facility for the IDH Farmfit Fund, Bill & Melinda Gates Foundation, FCDO, and many others. They allow us to be agile and innovative, exploring new opportunities to accelerate and scale up sustainable market transformation in emerging economies. In addition, we were able to attract new program donors, such as the IKEA Foundation in a regenerative agriculture program in coffee, and the European Union in a smallholder tea program in Tanzania. Last but not least, IDH continued or entered into new partnerships with investors like the World Bank and the African Development Bank and many others. We recognize that IDH derives its power from our donors and our growing network of public and private partners, who invest their time, people, finance, and other resources with us to help realize the Sustainable Development Goals.



Impact 2020

This is of course IDH's 2020 Annual Report. Nevertheless, we see that over the full funding period of 2016-2020, we delivered two-thirds of our highly innovative proofs of concept, resulting in narrowing the living wage gap for tea workers; improving profitability of millions of cotton farmers; improving working conditions for workers in the apparel sector; reducing pesticide use and improving working conditions in the fruit and vegetable (processing) sectors; accelerating sustainable production and trade of cocoa, palm oil, soy, timber and other commodities, and proving gender approaches as a business opportunity. Last but not least, in our Production-Protection-Inclusion (PPI) Compacts in over 20 landscapes in Asia, Africa and Latin America, we are starting to see tangible reductions in deforestation alarms, improvements in water resources, and increases in sustainable production and trade.

At the same time, we acknowledge and expect that many of the field-level results on poverty reduction are and will be significantly hampered by COVID-19, and the resulting losses in income and increases in inequality in supply chains. Prices of cocoa, tea and coffee, for example, have dropped steeply. Living income gaps in West Africa for cocoa, for instance, and in East Africa for tea and coffee, have grown as a consequence, reminding us of the vulnerability of those we target.



The year 2020 was exceptional for IDH. Partly because of COVID-19, and partly because Joost Oorthuizen - who built IDH from a small Dutch initiative to an internationally renowned agent for change - decided to continue his sustainability journey elsewhere. I, Daan Wensing, former director of the landscapes business unit, was appointed by IDH's Supervisory Board as the new CEO in October 2020. Together with IDH's Management Team, the broader IDH community, and our network of partners and donors, we are confident that IDH is in the right position to continue to deliver scale and deepen lasting impact on the Sustainable Development Goals in 2021 and beyond.

Daan Wensing,

Chair of the EB and CEO of IDH, the Sustainable Trade Initiative





Smallholder inclusion



7.1 million MT

Sustainably produced commodity



2.5 million+

Farmers reached



90

Service delivery models analyzed



Introduction from
Pramit Chanda
*Global Director Textiles
& Manufacturing*

An estimated 270 million smallholder farmers in Africa, Asia, and Latin America continue to be at the core of some of the key agricultural value chains that provide food and beverages to the world. Despite their crucial role in local and global food security, being a smallholder farmer continues to be a challenging proposition. The impact of climate change, access to quality input and finance, as well as alignment with market demand all make the opportunity to earn a living income and to reach sustainable production elusive goals for many smallholder farmers. Besides the immediate issue of rural poverty, the lack of perspective to earn a living income makes smallholder farming an unattractive career option for young people, and prevents farmers from investing in rejuvenation of their farms.

Through the provision of affordable services, including finance – as well as supporting local and regional value chains – smallholders can be empowered with economic opportunity and increased food security. However, the businesses providing services to smallholder farmers are often not yet commercially viable. Donor funding plays an important role in the establishment and early phases of these businesses (an average of 18% of the costs of service delivery to farmers). On average, only 25% of the total costs are recovered through farmer payments for the services provided. There is a need to further innovate and link service delivery for example to sourcing activities to make these businesses commercially viable.

Agri-commodities and smallholder farmers have been central to IDH's work on sustainable trade over the last five years. With outreach to over 2.5 million farmers in 2020 alone, IDH's focus has been on using innovative engagement and solutions to further deepen impact on the ground. Our interventions range from convening expert knowledge and best practices, to analyzing and implementing viable solutions and providing innovative finance to accelerate scale. This has allowed us to effectively mobilize outreach, even during the COVID-19 pandemic.

Increasing service supply to smallholder farmers with viable business models and innovative financing

Over recent years, IDH Farmfit has developed a methodology to analyze the economic viability of service delivery models (SDMs). Through this methodology, IDH Farmfit provides tailored advice, technical assistance and funds to businesses so they can increase impact on smallholder livelihoods on a financially sustainable basis. During 2020, IDH Farmfit modelled the impact and economic viability of 12 SDMs, taking the number of SDMs analyzed up to 90.

Launch of the IDH Farmfit Fund at WEF Davos

The IDH Farmfit Fund (the Fund) was established to play a transformational role and to develop viable business models for smallholder farmer financing that can be sustained in the long term without donor support. The Fund aims to be a catalyst for establishing farmer financing as an asset class, by building up a sizeable portfolio. It aims to improve the lives of more than 3 million farmers and increase their income by more than 50%.

To reach this goal, the Fund takes the highest risk position in farmer-related financing transactions, provided through either value chain actors or local financial institutions. A second-loss guarantee facility of up to US\$250 million from the US International Development Finance Corporation (DFC) supports the Fund. This guarantee provides a significant element of reassurance for senior lenders who co-invest with the Fund.

After starting operations in November 2019, the Fund was launched at the World Economic Forum in Davos in January 2020. In the presence of Her Majesty Queen Máxima of the Netherlands in her capacity as UN Secretary-General's Special Advocate for Inclusive Finance for Development, IDH organized the launch with investors, supporters and partners of the Fund. In the course of 2020, Unilever, Mondelēz and the Nederlandse Financierings-maatschappij voor Ontwikkelingslanden N.V. (the Dutch development bank FMO), committed investments into the Fund, reaching €87.5 million in total commitments, which allows the Fund to build a sizable farmer financing portfolio.



Listen to the podcast:

"Farmer finance as a new asset class"

The value proposition of Farmfit was proved through investment in Chicoa, a tilapia farm in Mozambique. IDH Farmfit Business Support performed an analysis of a Chicoa smallholder program. The IDH aquaculture team supported Chicoa to implement the recommendations from the analysis; IDH Farmfit Fund is now providing a convertible loan for building the smallholder program.



"Smallholders are stewards of the land, soil and forests. Integrating smallholders into the value chain is critical to sustainable land use and in protecting forests and biodiversity. Smallholders often face financial barriers, which is why public-private partnerships such as IDH Farmfit are essential. There is a clear business case to enable farmers to invest in their farms, thereby increasing their yields and profitability. The ultimate investment in feeding the world's growing population."

Marc Engel,
Chief Supply Chain Officer, Unilever

IDH Farmfit supports Chicoa fish farm to create employment opportunities for women, smallholder farmers and sustainable development in the region

The investment of the IDH Farmfit Fund will enable Chicoa to expand their business with a smallholder program. It will provide smallholders with services like loans, inputs and training, to help them start up their own tilapia farms.

The program is projected to include at least 450 smallholder farmers by 2025 and will create employment opportunities and sustainable development in the region. This will be the first smallholder program of its type (cage farming, tilapia aquaculture) in Mozambique, and the first of its kind to prioritise the role of women and understand what barriers they face to entering aquaculture. Support from IDH will enable Chicoa to deliver initial trainings and develop their understanding of how to design and implement this gender intentional smallholder program.



Scaling up service provision in Kenya

In Kenya, Smart Logistic Solutions has scaled up a service provision and sourcing system for 30,000 farmers, while Syngenta has improved service provision to potato and tomato farmers.

IDH Farmfit Business Support started a project with Smart Logistics Solutions Limited, Kenya, to improve and scale up a service provision and sourcing system for 30,000 farmers. By the end of 2020, 10,840 farmers (67% male and 33% female) were mobilized; 37% of the farmers have received access to inputs in the form of high-yielding, drought-resistant seeds provided on cash or credit. A digital Farmer Management System (FMS) was procured, and engagement with four financial institutions was initiated (SBM Bank, ABC Bank, Vision Fund, and UNAITAS Bank). With a capital expenditure investment of US\$250,000 by the company to scale up processing facilities, additional demand for sourcing from farmers will be created.

Meanwhile, IDH Farmfit is working with Syngenta to improve service provision to potato and tomato farmers in Kenya, with a vision to provide access to inputs and finance to 52,000 farmers by 2023. In 2020, a significant step was achieved, with Syngenta Kenya signing a tripartite agreement with Equity Bank and Twiga foods. A total of 2,063 new farmers were onboarded and trained, resulting in a cumulative total of 14,530 farmers reached through the SDM. A total of 1,500 farmers received inputs on a credit basis and 10 demonstration plots were set up, which provides a foundation to scale up farmers onboarding and training in 2021.

Coffee Farmer Income Resilience Program launched in East Africa with IKEA Foundation

In 2020, IDH engaged with coffee stakeholders in Kenya and Uganda to develop the Coffee Farmer Resilience Program in East Africa. The program will develop feasible and viable service delivery for coffee farmers' income diversification strategy, and smallholder farmer-led regenerative agriculture systems. Innovations should enable increased income stability for farmers and improved environmental outcomes, such as soil health.

Throughout 2020, IDH conducted research at field, market and sector level. The objective was to identify frontrunners in the private sector willing to co-invest and act. The research concluded with a robust, two-country proposal to the IKEA Foundation to launch the program late 2020. The IKEA Foundation's support for the program will enable IDH to test innovations within smallholder service delivery systems. This could result in improved income resilience for farmers and improved environmental outcomes, as well as influence changes in business practices. This would prove the business case for coffee (and more broadly, cash-crop) companies to diversify their service delivery beyond coffee, serving the long-term environmental needs in their sourcing areas.



Read the report:

"Service provision as a viable business"



Convening key market players to commit to living income

Living income took on a more prominent role in IDH's agenda in 2020. In some sectors, IDH is one of the frontrunners that focus on a continued shift away from narrow, single-crop, productivity-enhancing interventions to more robust "smart-mix solutions" that fit the needs of farmers and improve their livelihoods beyond yield improvements. This shift is significant in changing business practices.



Launch of the Dutch Initiative for Sustainable Cocoa

The Dutch Initiative on Sustainable Cocoa (DISCO), convened by IDH and the Dutch government, was officially launched in September 2020. DISCO is a multi-stakeholder initiative in which private and public actors are jointly responsible for reaching their shared vision for a sustainable cocoa sector.

DISCO's vision is that in cocoa-producing regions important to the Dutch cocoa industry, farming families with cocoa as their main source of livelihood will be able to earn a living income by 2030; cocoa-related deforestation and forest degradation in producing regions where the Dutch cocoa industry and their trade partners are sourcing from will have ended in their supply chains by 2025; and effective measures and necessary actions contributing to ending all forms of child labor will have been taken by 2025.



Belgian Beyond Chocolate partnership starts living income projects with private sector

As part of the multi-stakeholder Belgian Beyond Chocolate partnership convened by IDH since the end of 2018, a total of eight projects led by cocoa traders, chocolate brands and Belgian retailers have been approved by the Steering Committee to test a range of models aimed at getting farmers to reach a living income.

These models include integrated approaches combining different income drivers such as price, productivity improvements and alternative incomes, agroforestry models, and organic conversion. A key element in each of these projects is the alignment of activities between different stakeholders along the supply chain from the cooperatives at origin to the retailers in consuming countries. In addition to supporting the project development process, IDH has been working with partners to facilitate learning and capacity building opportunities on living income.



Purpose brand: Ben & Jerry's tests living income model

Ben & Jerry's (a Unilever purpose brand) has been investing in linked prosperity with cocoa farmers in Côte d'Ivoire since 2015, through Fairtrade buying and programs at origin. In 2020, Ben & Jerry's stepped into a full living income strategy that includes a commitment to a living income reference price, farm services to support productivity improvement, support for diversification at farm and group level, and strengthening of farmer cooperatives.

As part of its aim to identify high-impact models on living income that can benefit the broader cocoa sector, IDH partnered with Ben & Jerry's to test, assess, and improve impact. Success will be measured through the direct benefits to farmers and their households as well as through the sustainable business case for Ben & Jerry's and potentially for other Unilever brands. Purpose brands like Ben & Jerry's represent a unique opportunity for IDH to test and scale models that the sector can replicate and/or otherwise benefit from more broadly.

Supporting retailers to champion living income through embracing "open chain" principles

Through its [Cocoa Origins](#) program, IDH is working with one of the largest Dutch retailers, Albert Heijn, to produce chocolate bars from sourcing principles aimed at improving farmer incomes.

These sourcing principles are based on Tony Chocolonely's Open Chain Model, which encourages the broader chocolate industry to source its beans using the following principles: traceable beans, higher price, productivity and quality, strong farmers, the long term. The Cocoa Origins program has started to build a portfolio of projects to activate brands and retailers on the topic of living income. We now see more investment from retailers like Albert Heijn in the Netherlands on this topic.



Tools and data creating insights in income drivers

IDH invested in analysis and tools to demystify the living income gaps in cocoa and coffee and to identify data-driven, impactful action to close the gap. We are building on the experience in our living wage work, where change is driven by the Salary Matrix (see “Living wage and improved working conditions” chapter). The focus on the cocoa and coffee sectors is based on industry and stakeholder momentum, but more sectors will follow. Multiple analyses and tools have been developed to inform strategy within sectors and individual company actions beyond 2020.



Living income tools

To continue building momentum on living income, and to enable data-driven strategy and action on closing living income gaps, IDH developed two tools in 2020: the Income Measurement Survey (IMS) for cocoa and coffee, and the Income Driver Calculator (IDC). These tools enable calculation of living income gaps for cocoa and coffee farmers, insights into the most impactful components or “drivers” of farmer income, and modelling of the degree to which living income gaps can be closed for different farmer segments.

The IMS assesses actual income of farmers. While many companies collect information from farmers related to their priority crop (i.e., coffee or cocoa), they often exclude farming households’ other income-generating activities on- and off-farm, which limits companies’ – and the wider industry’s – ability to calculate total actual income and therefore the living income gap. Output from the IMS also helps companies and stakeholders compare data points for farming households’ most significant income drivers – yield, price, land size, cost of production from the primary crop, and other income. The IMS tool will be made public in 2021 for the cocoa and coffee sectors, and is replicable for other sectors.

To make income driver data from the IMS actionable, IDH built the IDC, a tool that models the potential for farmers to improve each income driver and the degree to which that improvement might close the living income gap. In 2021 and beyond, this tool will enable IDH to use data to influence companies to change their business practices and invest in a “smart-mix solution” that reaches beyond yield improvements for a single crop within a single company/supply-chain partnership, in addition to building the case for changes in sector governance.



Building smallholder-inclusive value chains, serving local, regional and global markets

In our value chain development program we work with SMEs and multinational end buyers to build inclusive supply chains, which provide better markets to farmers and support commercialization of SMEs and farmers.



Supporting cassava processors in Nigeria to reach capacity

IDH has supported the cassava sector in Nigeria, unlocking the potential of the industry, and solving the supply chain problems without any risk to food security by supporting industrial cassava processors to establish inclusive supply chains through block farming.

Through support to Pсалtry Nigeria Limited (PIL) and nine other companies, IDH has improved the capacity of 21,000 farmers through training in good agronomic practices and environmentally sustainable agriculture. IDH supported Pсалtry in setting up agricultural units consisting of crop researchers, extension officers, project coordinators, and monitoring and evaluation officers, who work closely to guide and support the farmers. By the end of 2020, Pсалtry had trained 8,173 farmers and guaranteed access to market for 1,500 farmers. This has increased farmers' yield by almost 60% and income by about 57%, thereby increasing cassava supply and capacity utilization of the processing plant to 100% by end of 2020.

Tata Trust, Syngenta Foundation India, and IDH to develop 100,000 Agri-Entrepreneurs to provide agriculture services

IDH joined Agri-Entrepreneur Growth Foundation (AEGF) in 2020 as a core partner, to support farmer livelihood through improved access to inputs and services. It aims to build on its outreach to over 2,500 villages through a program that has been designed as an alternate model for sustainable engagement with smallholder farmers at village level.

Under the Agri-Entrepreneur (AE) model, a rural youth is trained as an AE to assist 150-250 farmers in a cluster of four-five villages. They act as a one-stop resource provider for the agricultural needs of small and marginal farmers, including quality agricultural inputs, crop advisory, supporting market links and facilitating access to finance for farmers. The AE model is being integrated into existing programs in India across three commodities - cotton, spices, and tea, in Maharashtra, Assam, Andhra Pradesh, and Telangana, covering over 500 villages.

Overall, the program has over 3,000 AEs active across the country. The end goal is to develop a self-sustaining model for farmer capacity building. IDH will also build on this pilot engagement to develop a similar framework for rollout in key African markets.



HortInvest Rwanda creates European market opportunity

Through HortInvest's Innovation and Investment Fund, IDH supported Best in Rwanda Group (BRG) to develop the dry beans value chain for export from Rwanda to international markets. This project brought opportunities for inclusion of smallholder farmers in the value chain of dry beans, and infrastructure for processing the dry beans from the farm.

By the end of 2020, BRG had recruited 1,817 farmers, grouped into 17 cooperatives, improving their farming skills by implementing good agricultural practices, improving their post-harvest knowledge, practices and technologies, thereby leading to increased volumes of dry beans for export. Through this project, IDH has expanded the export crop portfolio of Rwanda, and expanded its client base from Oman to France and Belgium. Rwanda was exporting mainly French beans, chilies and avocado but has now started exporting dry beans.

Through IDH co-financing support from HortInvest, Garden Fresh has renewed its GLOBALG.A.P. and ETI/SMETA certifications for two of their farms in Rwanda. With this certification, Garden Fresh has started the process of certifying 1,058 smallholder farmer cooperatives. Through this sourcing partnership, farmers are able to increase quality production as well as their income. Thanks to IDH's support for market links, Garden Fresh is supplying the retail market through Van Oers United, which has contributed to improving and maintaining the quality of produce exported to Europe.

Creating sustainable value chains for staple crops in Nigeria

In November 2020, Nestlé, IDH, and TechnoServe launched the Developing Inclusive Grain Value Chains project. In its first phase, the initiative will help 5,000 smallholder farmers earn better livelihoods by supplying high-quality maize, soybeans, millet, and sorghum to Nestlé.

Over the last few years, Nestlé has worked with smallholder farmers and aggregators in Kaduna State, Nigeria, to improve crop quality, significantly reducing rejection rates from over 30% to 4%. Abnormal rainfall patterns caused by climate change make it difficult for farmers to properly dry their grain, and it's therefore difficult to build and maintain crop quality.

In 2020, the project engaged with six small- and medium-sized enterprises (SMEs) that aggregate crops and supply them to Nestlé factories, local aggregators, and logistics partners. The initiative is building the capacity of businesses along the grain value chain through training on proper grain handling, storage, and testing, as well as entrepreneurial and financial skills. The initiative is working with extension agents from the aggregators to provide agronomy training to farmers, with a focus on good agricultural practices and post-harvest handling.

The project has established a traceability system by working with aggregators to improve recordkeeping and by using testing kits to track the quality of grains provided by individual farmers. To address the challenges posed by climate change, the project is working with the aggregators to provide accurate weather forecasts to farmers, helping them to make better decisions about when to dry their grains. The initiative is also engaging stakeholders to pilot new, low-cost technological innovations like solar dryers.



Listen to the podcast:

"Closing the living wage gap: the 'banana retail commitment'"

Responding to COVID-19

The COVID-19 pandemic has had an adverse impact on everyone, with economically weaker sections of society being the most vulnerable. And smallholders are already the most vulnerable to changing market dynamics. IDH has been involved in several projects to mitigate the impact of the pandemic as far as possible for smallholder farmers.

Better Cotton Growth and Innovation Fund ensures capacity building and training to deal with impact of pandemic

Initially, 2020 saw a reduced demand for more sustainably produced cotton as a direct result of the COVID-19 pandemic. The apparel sector was severely impacted due to store and factory closures, cancellation of orders placed with suppliers, and worker redundancies. The reduced need for new products had a domino effect on the need for raw materials such as Better Cotton. The threat of a significantly lower financial contribution by private-sector partners, from a projected €11 million to €10 million, had the potential to compromise the level of investment in smallholder capacity building.

IDH supported BCI in convening leading retailers and brands to illustrate the potential negative impact of reduced financial contributions at field level, and on smallholder farmers. Reduced contributions would have resulted in project closures, thereby removing the ability of farmers to learn about best practices in agrochemical use, water use, and Decent Work in particular. By analyzing historical and projected cotton sourcing volumes, IDH demonstrated the value of maintaining investment in capacity building. Retailers and brands understood that a drop in investment would result in a drop in volumes of Better Cotton produced. Therefore, partners maintained their investment levels to ensure a steady supply of Better Cotton into their supply chains.

As a result of IDH's engagement, in 2020, the Better Cotton Growth and Innovation Fund reached 1.8 million smallholder farmers, across 3.3 million hectares, and producing 2.6 metric tons of cotton lint. The total investment was €12.9 million, including a financial contribution of €1 million by IDH directly.

In addition to standard capacity-building projects, IDH also invested in and rolled out an online training platform for Field Facilitator (FF) capacity building in India to ensure they could receive information when physical training was not possible. FFs were then able to pass this learning and knowledge on to smallholder farmers, as in a normal year. The platform was used by 2,100 FFs across seven states and translated into six languages. The training covered soil health, BCI recordkeeping, safe use of pesticides, pest management, and the cotton growth cycle.

IDH provides COVID-19 insurance to smallholder farmers

IDH facilitated and funded COVID-19 insurance to provide income security to 180,000 smallholder cotton and tea farmers in India. The insurance cover will provide a one-time lump sum payout to the insured farmers if they are infected with COVID-19.

In India, many low-income households are employed in the agricultural sector, which accounts for almost 50% of jobs, and has been hit with disruptions in the supply chain as well as an extended lockdown on markets. There are more than 145 million farmers in India, out of which as many as 82% are smallholders, owning less than two hectares of land each, and with an average monthly income of about INR9,000 (€109). Farmer livelihoods and well-being are directly threatened by the impacts of the pandemic.

In response to the situation, IDH has facilitated and funded a COVID-19 insurance plan for 180,000 farmers under its cotton and tea programs in the country. This has been rolled out through our implementing partners, including Lupin Foundation, Ambuja Cement Foundation, AFPRO, Cotton Connect, Deshpande Foundation, Arvind Limited, STAC, and Spectrum International in the cotton sector, and AFPRO, TRA, and RGRC in the tea sector. The insurance eases the financial burden of unplanned hospitalization, and compensates for the loss of income farmer families may experience if they are infected. IDH has also extended the insurance to all field managers and facilitators engaged by the implementing partners for program delivery of the cotton and tea programs. Executed through two insurance providers in the country - Reliance General Insurance and Chola MS General Insurance - the policy will provide a one-time lump sum payout of between INR20,000 (€242) and INR25,000 (€302) to the insured individual. The policy is valid for a period of one year from the date of issue.



IDH and JALA repurpose app to help smallholder farmers sell shrimp to local markets, retailers and online

Around 400 shrimp farmers, half of which are smallholders, participate in IDH's Banyuwangi (East Java) sustainable shrimp project. During the COVID-19 pandemic, their export markets collapsed. Most of these farmers do not have direct contracts with cold storage plants but sell their shrimp to middlemen. Shrimp is perishable and therefore highly dependent on cold storage.

To fill the gap left by disruption to the market, IDH and Indonesian start-up JALA have repurposed a shrimp epidemiology app so that smallholders can sell their shrimp directly. JALA activated a trading feature on the app to help semi-intensive and traditional smallholders sell their shrimp to the local markets, retailers and online when export markets collapsed. JALA purchased the shrimps at a slightly higher price than the cold storage was offering. During the height of the pandemic in Indonesia, JALA was purchasing 1-2 tons per week directly from the shrimp smallholders who used their app.





Living wage and improved working conditions



150

Businesses used living wage Salary Matrix



30%

Of the living wage gap has been closed for 50,000 Malawian tea workers



+240,000

Workers experienced improved working conditions in factories in India and Vietnam



Introduction from
Jordy van Honk
Global Director Agricultural Commodities

Our vision is a world where workers are valued and living wages are an integral part of a sustainable, resilient economy. We believe that the living wage journey is a critical investment in the future of business. Which is why living wage is a key component of IDH's 2030 strategy. We have recently seen positive developments related to living wage, ranging from increased company commitments to more involvement from investors and the public sector, as well as greater alignment on living wage data and tools. At the same time, much more will be required to move to a living wage economy. IDH facilitates discussions between the various stakeholders and embeds living wage and improved working conditions throughout its commodity portfolio. We convene companies on this topic across the agriculture, manufacturing and services sectors to inspire and foster learning and action. We are building on our concrete experiences in implementing living wages - for example, through our Malawi Tea 2020 work and the Dutch retailers' Commitment to Living Wages in the banana sector.

Gaining momentum for data-driven business solutions

Old and current business models look to low wages as a profitability driver. New and needed models see well-paid and satisfied workers as an integral part of a profitable, sustainable, resilient business. Paying a living wage provides a decent standard of living for workers and their families. It reduces turnover and improves motivation, creating a virtuous economic growth cycle. Data on the living wage gap provides insights into living wages per country, which helps prove the business case for living wages and how sourcing policies, production improvements, and cash and in-kind benefits can help close the gap. In 2020, IDH built momentum through a set of integrated measurement tools as part of the Roadmap on Living Wages to share best practices and drive progress.

Roadmap on Living Wages

IDH is working to secure living wages in supply chains through convening and driving the Roadmap on Living Wages. This Roadmap works to strengthen international alignment and build tangible solutions regarding living wages. To act, companies need reliable living wage benchmarks for every region they source from; an understanding of workers' current earnings and how these compare to living wage benchmarks; uniformity in how remuneration and living wage gaps are verified; practical solutions to remove barriers and close living wage gaps; and access to best practices and learning on how the gaps can be reduced over time.

IDH supports companies with all these steps through the Roadmap on Living Wages and the open source tools it has developed. In 2020, all the instruments of the Roadmap on Living Wages became actionable with the launch of several tools:

- **Recognizing living wage benchmark methodologies:** helping companies better understand and select benchmark tools that comply with the Roadmap's criteria.
- **Living Wage Benchmark Finder tool:** helping companies find recognized benchmarks from every country.
- **Living Wage Benchmark Series:** helping companies understand recognized benchmark tools.
- **IDH Salary Matrix in digital format:** helping companies evaluate how the total remuneration (including wages, bonuses, cash and in-kind benefits) compare to the relevant living wage benchmarks.
- **Guidelines for verification:** helping verify living wage gaps through third-party auditing and the corresponding base report.

“IDH’s tools and guidance have helped develop a consistent approach to measuring living wage gaps in supply chains. At Tesco, we are using the Salary Matrix with our banana producers to understand current remuneration levels and initiate open dialogue to discuss the challenges they face and potential ways to close living wage gaps identified.”

Laura Kent,
Responsible Sourcing Manager Tesco



Partners in the Roadmap on Living Wages



Embracing transparency: Dutch retailers commit to living wage in bananas

In 2019, Dutch supermarkets Albert Heijn, Boni, Boon, Coop, Deen, Hoogvliet, Jan Linders, Jumbo, Plus, Poiesz, Sligro, Spar, Superunie, Vomar, and the Dutch Food Retail Association (CBL) [made a commitment](#) to work with IDH towards living wages for banana workers in their international supply chains. In 2020, some 117 farms from five countries submitted their information in the Salary Matrix. These farms produce a total of 830,943 metric tons of bananas for their entire customer base.

In total, Dutch retailers in the program purchase 7.6% of all bananas produced by the reporting farms. These farms represent 42% of the bananas purchased by participating retailers in 2019. With the living wage gap for this portion of the banana supply chain determined, the group will take several steps, including rollout of the Salary Matrix to cover 100% of the banana assortment sold in the Dutch market, and further cooperation among retailers and supply chain partners to identify root causes and solutions to close the living wage gaps.



Listen to the podcast:

“Closing the living wage gap: the ‘banana retail commitment’”



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 learnings

Aligning commitment, translating into action, getting results

Ending poverty is impossible until workers are paid sufficient wages to meet their basic needs. The private sector is looking for best practices and solutions to make steps to understand this complex issue. Over the years, IDH has worked with many partners to improve working conditions and close living wage gaps in several supply chains, such as tea, bananas and flowers. Once there is clarity on the living wage gap, companies can implement practical and effective solutions to close gaps in supply chains.



33% of living wage gap closed for 50,000 tea workers in Malawi

In Malawi, unprecedented collaboration between key players from the tea supply chain aimed to revitalize the Malawian tea industry and improve the lives of its workers and farmers. Over the course of five years, the Malawi Tea 2020 program has generated greater investments in the Malawian tea sector, improving the industry's economic outlook and workers' well-being, bolstering the economic position of smallholder farmers. It has also taken steps to mitigate the harmful impact of climate change. As the program concludes, Malawi Tea 2020 looks back on its achievements to date.



Watch the video: "Malawi Tea 2020 Achievements"



33%
OF THE LIVING WAGE GAP HAS BEEN CLOSED
for 50,000 tea workers

66%
MORE TEA VOLUME
sourced from Malawi by coalition buyers

1st SUSTAINABLE PROCUREMENT MODEL
tool to facilitate buyers' contribution and commitment towards closing the living wage gap

\$14.1M
INVESTED BY PRODUCERS
for productivity, quality, replanting, factories, irrigation, diversification

1st COLLECTIVE BARGAINING AGREEMENT
between PAWU and TAML

64%
OF TEA FARMERS ATTENDED FARMER FIELD SCHOOLS
good agricultural practices, increased yields, higher quality for 10,564 farmers (81% women)

350,000 TREES GROWN
to mitigate deforestation

925,880 TEA SEEDLINGS GROWN
for planting in smallholder farms

9,931 FUEL-EFFICIENT COOKSTOVES PRODUCED
80,000 ton CO2

1st GENDER EQUALITY, SEXUAL HARASSMENT, AND DISCRIMINATION POLICY
implemented across all tea estates through 144 Women's Welfare Committees and 147 Gender Committees & introducing reporting mechanisms at all estates

80%
of workers receive fortified meals (40,175 workers), More vegetables for all tea workers

12,500 FARMERS AND WORKERS PARTICIPATE IN VILLAGE SAVINGS AND LOANS ASSOCIATIONS
increasing financial security

Unions in Malawi were forbidden until 1994. With the support of Oxfam, Rainforest Alliance and IDH, the Malawi Tea 2020 program focused on building the capacity of union representatives to engage effectively with employers. Key results include the development, negotiation, and signing of a recognition agreement between the Tea Association of Malawi (TAML) and the Plantation and Agriculture Workers Union (PAWU), as well as the signing of the first-ever tea industry Collective Bargaining Agreement (CBA) in 2016.



According to the CBA, workers' representatives can negotiate their wages through PAWU with their employers' organization TAML. Since the CBA's launch, the two have agreed to meet at least every two years, to negotiate wage increments and other issues affecting workers' well-being. Workers in the bargaining union have reported positive impacts already. The CBA has also reduced the number of strikes among workers, largely because participating in the negotiations helped workers understand other costs that employers are making to sustain the industry, besides wages.

Negotiations for the last CBA have resulted in a 2% increase, effective 1 October 2020. Both PAWU and TAML have successfully been building capacity as both parties are realizing the benefits of the CBA. CBA negotiations will extend beyond 2020, continuing to bring important and sustained wage growth to tea workers as part of Malawi Tea 2020. During the latest negotiations, the two parties agreed to meet again in July 2021 for more negotiation depending on the prevailing economic situation.

[Read more](#)

“Joining the Roadmap on Living Wages puts us in the front line of tackling this important issue. IDH is an important driver in the process towards credible and effective mechanisms to determine living wage gaps in fresh supply chains. This is an important step towards fair pricing and value sharing in fresh produce value chains.”

Gert-Jan Lieffering,
Quality Development Manager Eosta

Eosta joins Roadmap on Living Wages and sells first living wage mangoes

In June 2020, Eosta joined IDH's Roadmap on Living Wages. A leading importer, packer, and distributor of organically grown fresh produce, Eosta regards living wage as the most social important topic of the future.

Eosta took a seat in the steering committee of the Roadmap, next to Axfood, Sainsbury's, Rewe Group, Tesco, Metro, Aldi North, Aldi South, and companies such as Fyffes, Dole, Unilever, Afriflora and others.

In 2020, Eosta sold more than 100 metric tons of organic living wage mangoes through only a few points of sale in Germany and Austria. The amount raised now closes 40% of the wage gap of Zongo Adama's warehouse workers in Burkina Faso. In order to be able to supply living wage mangoes, Eosta carried out research at its mango supplier Fruiteq in Burkina Faso, which employs approximately 100 warehouse workers and a varying number of harvesters. The study showed that around €0.10 per kilo of mangoes was needed to close the living wage gap for all employees, if the entire export to Europe can be sold as such. Eosta now has plans for living wage avocados, too.

Eosta has been part of IDH's Sustainability Initiative Fruit & Vegetables (SIFAV) from the start, and has been very active in the smallholder working group as well as setting up and executing innovative projects. They were the first SIFAV partner to calculate living wage and living income gaps outside the banana sector, first in Kenya and now in Burkina Faso.

Researching the living wage gap in the Brazilian orange juice sector

In 2020, IDH and a group of fruit juice companies and associations commissioned a benchmark study into workers' wages in orange juice production in the São Paulo state of Brazil. The study calculated the living wage using the internationally renowned Anker methodology. It was coordinated by the European Fruit Juice Association (AIJN), and co-financed by IDH, the German Partnership for Sustainable Orange Juice (PANA), and a group of private-sector partners.

Orange juice is the largest globally traded juice commodity by volume, of which the majority is produced and processed in São Paulo state. Around 60% of global exports come from the state; the principal markets are the EU (66%) and USA (27%).

The research is an important first step in closing the potential living wage gaps. The study indicated the living wage for workers in the non-metropolitan region of São Paulo is R\$2,551 (US\$567) per month, or R\$98 (US\$22) per day. The research estimated the gross living wage gap for the region at 24% to 84%. We are working to establish the real gap through using the Salary Matrix methodology. The findings inform discussions with companies, producers and processors on how to measure current remuneration, compare it with the living wage benchmark, and close potential living wage gaps.

Social dialogue, improving working conditions, and safe workspaces

Dialogue is critical for upholding labor rights, wage-setting, improving working conditions, and promoting sustainable businesses. The process of employers, workers, and their representatives discussing the conditions of work is referred to as social dialogue. For a living wage approach to be effective and sustainable over time, wage-setting must be locally owned. This means promoting and respecting freedom of association, collective bargaining, and social dialogue in the workplace. This ensures that any value created through the adoption of sustainable practices or co-investments with supply chain partners is passed on to workers in the form of higher wages. Local ownership is also important for ensuring good health and safety conditions in the workplace.

LABS onboards 140 factories in India and Vietnam in 2020

Though COVID-19 initially brought the Life and Building Safety (LABS) program to a halt, it has seen considerable progress over the last quarter. LABS Vietnam achieved the milestone of onboarding 100 factories, further strengthening our belief in the scalability of the LABS program.

LABS onboarded over 140 factories in India and Vietnam during the reporting year. Assessments have been completed at 77% of the onboarded factories so far, and safety training has been delivered at 78% of the factories assessed. This safety training now addresses new topics, including COVID-19-related safety precautions and awareness, as well as good practices in health and hygiene.

The factories that enter the program are taken through a multi-year improvement plan to mitigate risks. A few highlights include: 96% of the factories removed temporary obstacles on the evacuation pathways; 90% of the factories removed lint and dust from electrical panels and distribution boards; and 48% of the factories solved issues relating to their vertical structural systems.



“Through the LABS assessment, the factory maintenance team has learned a lot of safety knowledge. It has helped us to increase awareness of safety in our factory related to electrical, fire, and structural risks. In addition, the safety training firm has provided us a session on three disciplines. These have been very helpful for us to remediate the issues in our factory in a sustainable way, and improve our capacity to check the safety issues regularly, such as the thermographic scanning that is now carried out by the maintenance team monthly.”

Tran Duc Nhan,
HSE dept employee at Poong In Vina factory, Vietnam

Vietnam's Ministry of Construction adopts Guideline for Fire Safety based on the LABS methodology and standards

With its coalition of international brands, LABS continues to create a direct impact on Decent Work by providing a platform for transparent assessment, remediation, and monitoring of factory conditions, supported by worker-safety training and a national LABS Helpline. Through its national stakeholder committees, LABS will exchange insights and learnings obtained via the program with key stakeholders, steering companies and governments, with a data-driven, continuous improvement approach. LABS also aims to expand its reach to Cambodia in 2021.

In mid-2020, Vietnam's Ministry of Construction developed and adopted the Guideline for Fire Safety based on the LABS methodology and standards, bringing public-private harmonization around the LABS standard. The program has initiated work towards channeling the abundant data on structural, fire, and electrical safety parameters in assessed factories across wide geographies and timelines, which strengthens the program while also providing greater insights to the brands and participants.

Race to the Top Vietnam: 45,000 workers (74% female) experience better working conditions and Improvement Circles continue after program closure

Between 2016 and mid-2020, the Race to the Top initiative promoted and integrated sustainable manufacturing practices and better working conditions in the Vietnamese apparel and footwear sector. The program's partners included brands and technical experts, such as GAP, Levi's, United States Agency for International Development (USAID), Better Work, and the Sustainable Apparel Coalition.

Through facilitation by IDH, Race to the Top developed a program to support factories by providing training and systems for structural worker-management engagement. A collaboration process called Improvement Circles (ICs) was developed and embedded within the factories' structures.

ICs provide space for workers and managers to discuss and solve workplace-related problems and find opportunities for better collaboration and productivity. The training for management, supervisors, and workers helps to develop soft skills, builds trust, and teaches dialogue skills to engage on improvements. The factories that concluded the Race to the Top's worker engagement program all showed improved productivity, worker well-being and satisfaction. Reduced absence and turnover confirm this trend. Years after the conclusion of the final training from the first factories that joined, over 85% of workers still use the ICs to resolve issues and discuss improvement opportunities.

Over the lifetime of the program, IDH's Race to the Top initiative had a direct reach to around 45,000 workers, 74% of them female. Through dissemination and online tools, a wider audience has been reached indirectly. In addition, during the COVID-19 pandemic, a Worker Voice app was provided with online communication tools and e-learning.

Alongside this, IDH created a public-private platform (PPP) to disseminate the Race to the Top results to additional brands, sector associations, and public partners. Together with the Ministry of Labor (MOLISA), IDH organized events to inform partners about the new labor code and prepare for the ratification of key International Labor Organization (ILO) conventions.

In late 2020, IDH started a pilot for worker engagement through a partnership with CNV International, the Vietnam General Confederation of Labor, Vietnam's employers' associations and industrial parks, to support effective social dialogue in the garment sector in Vietnam. The aim is to scale up the Race to the Top approach further through its PPP relationships, brand partners, and other stakeholder engagements, to support a drive for wider sector transformation.

RACE TO THE
TOP
catalyzing sustainable growth



Responding to COVID-19

The COVID-19 pandemic is estimated to have increased extreme poverty by between 88 million (baseline estimate) and 93 million (downside estimate) in 2020. Considering those who would have otherwise escaped extreme poverty but will not due to the pandemic (i.e., 31 million in 2020), the total COVID-19-induced new poor in 2020 is estimated by the World Bank to be between 119 and 124 million. The COVID-19 pandemic taught us the importance of decent jobs. Many workers lost their incomes and were almost instantly put into precarious situations. During the crisis, IDH started several initiatives with partners to help workers, companies, and supply chains.



Read more

Helping apparel factories to produce personal protective equipment

The COVID-19 crisis has taken a huge toll on the apparel sector, and continues to do so. Factories struggle as orders are halted and cancelled, while cashflow is impacted as payment terms are worsening. All of this continues to hit workers the hardest, who are losing their jobs and livelihoods.

In response to this situation, IDH designed a number of [interventions](#) to support worker safety, and production and supply of personal protective equipment (PPE):

1. Boosting productivity in PPE producing factories;
2. Connecting PPE suppliers with buyers;
3. Launching a worker health, safety, and well-being free mobile app, related to COVID-19, called Atun;
4. Guiding workers to welfare packages through public-private partnerships and awareness-raising campaigns;
5. Providing health and safety guidance for factories through the LABS program;
6. Convening and supporting global and national platforms, to organize mitigative actions and draft/support joint statements and calls to action.



Due to the sudden nature of the pandemic, there was a massive shortage of PPE, such as face masks, gloves, gowns, and so on, endangering health workers and patients worldwide. IDH has long supported the apparel industry with productivity improvement services, and was able to quickly tailor the interventions to guide factories on how to increase PPE production. Together with local sector associations and public partners in Vietnam, trainings and webinars were conducted on how to ramp up PPE production – both for factories that already produced PPE as well as factories that recently switched to PPE production. The latter had the added benefit of becoming a vital industry, which secured business continuity and avoided furlough or laying off the workforce.

Nevertheless, many challenges for connecting production to the global market remained. To support this, IDH set up a PPE Dashboard as an open-source platform, where buyers and suppliers could indicate their needs/offering and could connect directly with information on the manufacturing and sourcing of PPE. The dashboard lists operations in 50 countries, with close to 700 factories and 200 buyers registered.



Visit the dashboard

Providing COVID-19 protection to 800 local vanilla markets in Madagascar

IDH convened a consortium of local and international vanilla stakeholders to purchase PPE and materials for distribution across the Sava region in Madagascar, to save vanilla markets.

Sava is Madagascar's main vanilla-producing area, and selling vanilla at the markets is the primary source of income for up to 80,000 vanilla-farming families in the region. Around €80,000 was crowdfunded from members of the Sustainable Vanilla Initiative (SVI – initiated and co-hosted by IDH) and from two donors. In just a few weeks, 100,000 masks, 2,500 washing stations with soap, and 5,000 orange vests were distributed to village security committees. Public service posters were produced and distributed to the 800 isolated vanilla village markets in the Sava region.



“The vanilla importers and exporters have not hesitated to make this a sectoral response in which each has made its contribution with enthusiasm. We all hope that this will protect the health of the population there.”

Georges Geeraerts,
Director-General of Madagascar-based food exporting company SOPRAL, and president of Madagascar Vanilla Exporters Group (GEVM)



COVID-19 response in the Malawi tea industry

The peak seasons for tea plucking and production in Malawi is from March to September, presenting a high risk of COVID-19 transmission on crowded estates and in tea factories.

IDH, Oxfam Malawi, and the Tea Association of Malawi (TAML) are coordinating efforts to provide all workers at tea estates with materials to promote hygiene practices coupled with an awareness campaign. With the Ethical Tea Partnership, we distributed PPE and sanitation items, and awareness of COVID-19 through posters and radio campaigns, so training to smallholder farmers could continue safely in small groups. The partners made additional investments in kitchen gardens to enhance food security for over 4,000 smallholders and their families.

Field-level responses in India's tea sector

Strict lockdowns closed down production of all agricultural industries in March and April 2020, which impacted tea producers and smallholder livelihoods significantly. IDH set up field-level responses as part of the Agri-Entrepreneurs (AE) program for small tea growers in Assam.

As part of that, AEs in Golghar are subsidizing transport for people in small tea grower communities with suspected cases of COVID-19, so that testing by a registered medical practitioner or local healthcare/ASA worker can be provided. AEs are also holding awareness calls with their network of small tea farmers. To support small tea farmers during the pandemic, we linked the AEs with the District Agriculture Department of the Assam state government. The AEs received vegetable seeds for their kitchen gardens for distribution to tea growers. Furthermore *trustea* (the sustainability code for the Indian domestic tea market that IDH co-founded) provided awareness posters, guides and 500 murals in tea gardens across the county. And *trustea* has reached out to over 4,500 small tea growers through text messaging via the “tracetea” app, regarding protective measures and post-lockdown care of tea plants.



Mitigation of deforestation



30

Landscapes in which IDH delivered PPI Compacts



13%

Drop in deforestation alerts in 2020 for Mato Grosso, Brazil



2,504,662

Hectares of forest area governed under PPI Compacts



Introduction from
Matthew Spencer
Global Director Landscapes

It became clear in 2020 that the world is not on track to end tropical deforestation. And that even in countries that have excelled at creating successful forest protection frameworks like Brazil, it's even possible to go backwards.

However, the reporting year was also one of new and refreshed commitment from large commodity companies to invest in nature and climate-positive outcomes in their supply chains. Our own work in Mato Grosso, Brazil's agricultural powerhouse, demonstrated that progress is still possible when jurisdictional partnerships maintain strong forest law enforcement and create new incentives for forest-positive investment by farmers and soy and beef traders. Similarly, in West Kalimantan in Indonesia, we were able to ensure that a combination of stronger government policy and committed private-sector palm buyers and producers resulted in forest being protected from mining encroachment. In both jurisdictions, strong private, public, and community agreement has closed the gap between good intentions and real-world practice. Most importantly, they led to a decline in deforestation or the protection of biodiversity hotspots, and an increase in sustainable commodity production.

IDH and its partners are also learning how to make sure that our collective investment in sustainable landscapes helps close the equity gap and really does benefit small farmers. In one remote region of Liberia, we have secured formal tenure of ancestral land for six communities, and they have chosen to zone their landscape to protect the remaining forest. In West Kalimantan, we have secured new investment for communities seeking to expand their sustainable village forest enterprise.

In the coming year, IDH will expand its work to support inclusive solutions to deforestation, as we develop new partnerships to support the upfront financing needs of small farmers, and as we grow SourceUp, the new matchmaking platform that allows commodity buyers to find sustainable landscape producers. We know how to close the delivery gaps that have beset deforestation efforts for decades, and now it's vital that we work with our partners to scale them up.

Good governance leads to impact on deforestation rates

Governing areas at risk of deforestation requires robust environmental laws, a stakeholder community informed and empowered to act in accordance with those laws, and private-sector efforts to complement good governance. IDH's Production-Protection-Inclusion (PPI) approach supports adherence to environmental laws and has led to a drop in deforestation in most of the jurisdictions in which we work.

PCI strategy in Brazil creates enabling environment to reduce deforestation

A suite of strategies to contain deforestation in Brazil's agricultural powerhouse led to a 13% drop in deforestation alerts in 2020, as documented by the Real Time Deforestation Detection System (DETER). Mato Grosso's Produce, Conserve and Include (PCI) Strategy supports monitoring and compliance, ensures that farmers and businesses can benefit from forest protection, and lays a foundation for progress on forest protection to be maintained and enhanced over time.

In 2016, IDH became the first organization to invest in the governance model for implementing the PCI Strategy. IDH also has a technical cooperation agreement with Mato Grosso's Secretary of State for the Environment to support the Forest Code. Working in tandem with the PCI Strategy are Mato Grosso's Plan for the Prevention and Control of Deforestation and Forest Fires and Strategic Committee to Combat Illegal Deforestation, Illegal Forest Exploitation and Forest Fires.

In 2017, the governments of Germany and the United Kingdom invested in the state through the REDD Early Movers Program (REM-MT). With the REM funding, Mato Grosso acquired a monitoring platform with satellite images to detect deforestation outbreaks in real time and enable a faster response, including seizing machinery and issuing fines. In 2020, the state obtained a loan of US\$250 million from the World Bank, facilitating investments needed to progress on its goals.



Multi-stakeholder recognition of biodiversity value protects ecological corridors in Indonesia

Mining development in West Kalimantan's Essential Ecosystem Zone has been blocked through support for provincial ecosystem regulations, facilitated by IDH.

The Indonesian regencies of Ketapang, Kubu Raya, and Kayong Utara are characterized by valuable but often disconnected patches of forest. IDH aims to reconnect these different forest areas and thereby improve biodiversity in the landscape. But ecological corridors often cross palm oil and forestry concessions, requiring companies to set aside instead of develop part of their land.

IDH tries to pre-empt this with business cases for conserving rather than developing land for agriculture, forestry, or mining. However, a robust framework is needed to govern competing claims on areas that are especially important to the ecosystem, but that are not part of official nature conservation areas. Without this framework in place, companies can legally develop forested areas inside their concessions and plant crops or start mining operations.

One of the solutions is to designate these areas as Essential Ecosystem Areas (Kawasan Ekosistem Essensial, or KEE). IDH has been supporting the province of West Kalimantan and its three focus districts since 2017 to issue and implement the KEE regulations. IDH also mobilized plantation companies and civil society to commit to protecting the areas delineated as KEE. Together with the government they are represented in KEE platforms at regency level.



In 2020, the KEE partnerships in Kayong Utara and Ketapang withstood pressure from mining companies that wanted to start mining operations in the areas declared as KEE. Supported by IDH's partners from civil society as well as palm oil companies working with IDH on forest protection inside their concessions, the government requested that the mining companies obey the land's KEE status. This is seen as a major achievement in the field of multi-stakeholder agreements for enforcement of forest protection policies that was unique in Indonesia.

The provincial government of West Kalimantan has set a target to reduce greenhouse gas emissions by 60% by 2030 compared to the Forest Reference Emission Level, and has introduced several policies and regulations to support achieving this target. The province of West Kalimantan has a remaining forest cover of 5,590,800 hectares (Ministry of Environment and Forestry, 2019). Approximately 2,100,000 hectares of this remaining forest area are located on concession land (forestry, timber, palm oil, mining) or on community-owned land.

Surveillance flights help law enforcement in South West Mau Forest

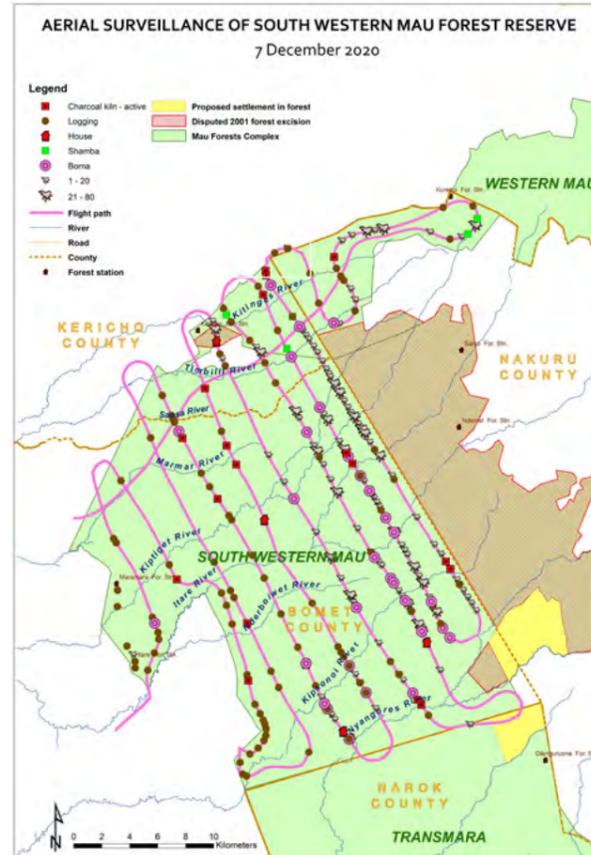
Joint Initiative for Sustainable Landscapes (ISLA) program partner flights have revealed the locations and perpetrators of illegal activities.

The South West Mau Forest in Kenya is threatened by illegal activity, such as poaching, fires and forest encroachment, which can be penalized according to environmental protection laws. However, law enforcement authorities did not always have the capacity or resources to properly monitor the extent of illegal activities in the forest or obtain reliable information to identify the hotspots.

In 2020, IDH invited Kenya Forest Service (KFS) and the judiciary on two aerial surveillance flights to see the extent of the encroachments and where to intervene. After the flights, the participants met to establish how to respond to the newfound evidence.

IDH, Rhino Ark, KFS, and KWS organized law enforcement training, forest monitoring, and reinforcement of the cutline with more outposts as part of ISLA, through which IDH aims to restore and conserve 60,000 hectares of the South West Mau Forest by 2030.

Our support to smallholder dairy farmers reduced their reliance on the forest for grazing and increased forest regeneration. Cattle grazing in the forest reduced by 30% and the rate of forest regeneration increased by over 20%. Effective law enforcement activities are essential to ensure progress achieved so far under the ISLA program is upheld. ISLA is supported by the Inclusive Growth Department of the Ministry of Foreign Affairs of the Netherlands.



Helping to increase investment in mitigating deforestation

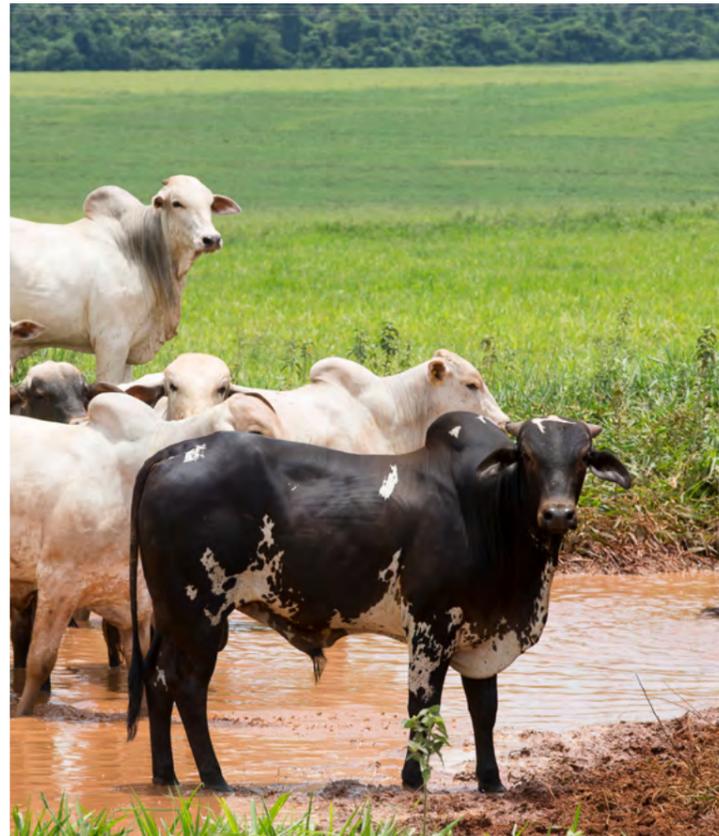
Despite increasing awareness of the value of mitigating deforestation, we still operate in a context in which, on the whole, deforesting is more profitable than protecting forests. Through our Technical Assistance Facility and PPI approach, we are increasing investment in mitigating deforestation.

Marfrig strategy to tackle deforestation includes smallholder calf producers, backed up with €82m investment

Marfrig, one of the global leaders in the beef market and the world's largest hamburger producer, launched the Marfrig Verde+ Plan in 2020 to ensure that 100% of the company's production chain is sustainable and deforestation-free by 2030. Developed in partnership with IDH, the plan innovates on the PCI approach to meet its ambition of transformation. One of these innovations is the Sustainable Production of Calves Program, implemented by IDH and Carrefour Foundation in the [Jurueña Valley in Mato Grosso state in Brazil](#).

Despite public commitments, solid investments and increasing yields per hectare, the Brazilian beef sector still faces challenges connected to deforestation at the level of indirect suppliers. For 11 years, the largest Brazilian meatpackers have been excluding direct suppliers based on non-deforestation criteria, which goes beyond the legal requirements of the Forest Code. This resulted in the exclusion of more than 20,000 farmers and the conservation of millions of hectares of Amazon Forest beyond legal compliance. However, this exclusion approach has proven to be insufficient to mitigate the livestock chain's deforestation risks. If a strategy is to change the game, then indirect suppliers, most of them smallholders, cannot be ignored.

As part of this program, the calves are tracked using ear-tags and blockchain technology from birth. One of the main objectives of the cooperation with Marfrig is to develop a business model to expand the program to other regions with higher deforestation risk.



Over the next 10 years, Marfrig will invest R\$500 million (approx. €82 million) in sustainability. By 2025, the goal is to achieve full traceability of Marfrig's supply chain in the Amazon. In the next 10 years, the company will do the same with the Cerrado and other biomes, thus achieving zero deforestation by 2030. The action plan anticipates inclusion of indirect suppliers, traceability of cattle and mitigation of deforestation risks in the Amazon and Cerrado. In 2020, IDH convened Marfrig and the &Green Fund to prepare a US\$30 million 10-year sustainability-linked loan facility to scale up a deforestation-free cattle supply chain in the Amazon and Cerrado. This was signed in January 2021.

Linking markets to landscapes

IDH creates positive feedback loops in landscapes, aligning market connections to maintain the financial sustainability of producing areas that protect and regenerate forests alongside agri-commodity production.

Online platform launched for SourceUp partners and compacts

In 2020, IDH and partners built on the Verified Sourcing Area concept to develop SourceUp, to meet the need for a landscape approach to sustainable sourcing. Rather than brands focusing solely on the producers and regions in their own supply chains, this collective approach aims to improve the sustainability of entire sourcing regions.

In October 2020, IDH launched a beta version of the SourceUp online platform, powered by IDH, for key partners, members of the SourceUp Global Steering Committee such as Mars, PepsiCo and Unilever, signatories of PPI Compacts with ambitions to become Verified Sourcing Areas, and companies already active as committed buyers to one of the Compacts. SourceUp links buyers to coalitions of farmers, producers, government and civil society in a certain region. These coalitions decide on shared sustainability targets and make a long-term agreement, called a Compact. Each Compact has the power to transform agricultural production systems far beyond what individual producers, local governments, civil society organizations or traders can do alone.

Rather than focusing on the sustainability performance of a landscape alone, the SourceUp brand emphasizes the importance of a two-way partnership between Compacts and producers. The new name has created clarity and a way to distinguish the model, methodology, secretariat and collaborative online platform (SourceUp), from those landscapes that have been successful in completing the process, achieving the maximum status and undergoing verification by a panel (Verified Sourcing Area). By the end of 2020, 11 sourcing regions were actively using SourceUp, in Brazil, India, Indonesia, Liberia, and Vietnam. Commodities covered by the end of 2020 were soy, avocado, livestock, cotton, and timber.



The process and basis for designation as a Verified Sourcing Area was enhanced and defined during 2020, and a Blueprint and Compact Manual were finalized. IDH and the SourceUp team engaged with partner organizations, including ISEAL, to define common principles for company engagement in landscape approaches. With IDH network partners including the Tropical Forest Alliance and CDP, robust indicators and reporting standards have been developed.

SourceUp has been developed in partnership with Conservation International, the Consumer Goods Forum, Grupo Amaggi, ISEAL Alliance, Jacobs Douwe Egberts, LKTL, Mars Wrigley, PCI, Mato Grosso, Pepsico, Proforest, the Stockholm Environment Institute, the Tropical Forest Alliance, Unilever, the US Department of State, the World Bank, and the World Resources Institute.

 [Read more](#)

SourceUp[®]



MITIGATION OF DEFORESTATION

PepsiCo and others commit to IDH landscape in Aceh

In 2020, a coalition of local stakeholders and palm oil buyers joined forces to protect the Leuser Ecosystem and improve sustainable palm oil production.

Deforestation in the Leuser Ecosystem is a major concern for local and international civil society, commodity buyers, and governments. While most international companies sourcing from the district have existing No Deforestation, Peatland Expansion or Social Exploitation (NDPE) policies in place, the traceability required to verify delivery of these commitments at field level has not yet been achieved in Aceh Tamiang. As a result, it is difficult for government and supply chain actors to take action against specific parties.

IDH convened local stakeholders and the World Resources Institute (WRI) to develop a landscape-level monitoring system that will improve efficiency and maximize potential for impact and scalability, as compared to individual monitoring initiatives. In 2020, PepsiCo and Unilever each committed to co-funding the establishment of verification teams, training, special products, and analysis and rollout of the verification process. WRI will lead the development and rollout of the verification process for the first year, and under the leadership of district government through the Center of Excellence, the verification team will continue the monthly alert verification and deforestation report. This collaboration will be the first joint effort and landscape monitoring system in Aceh Tamiang and Aceh Timur.

As part of the Verified Sourcing Area program, IDH also kick-started the smallholders' program targeting 2,000 oil palm smallholders in Aceh Tamiang in 2020. The series of activities included training of trainers (ToT), establishment of farmer groups, good agricultural practices (GAP) training and sustainability standard (ISPO/RSPO) training, which will prepare smallholders for necessary certification, hence improving access to market. This program is also in collaboration with Musim Mas, which has resulted in Aceh Tamiang becoming the first smallholders' hub supported by the company.

 [Read more](#)

Brazil launches PPI Compact in critical Balsas region during pandemic

In 2020, IDH and FAPCEN launched the Balsas PPI Compact as a collaboration between more than 50 representatives to improve the sustainability of soy production. The Compact will apply a landscape approach and link to markets through the SourceUp platform.

The Balsas region is located in one of the largest national agricultural frontiers of our time. The MATOPIBA in the Cerrado biome comprises the states of Maranhão, Tocantins, Piauí and Bahia, and accounts for much of Brazil's grain and fiber production. As a global power in soy production, the way in which the region is developed will have a disproportionate impact on the environment and the local population, for better or worse. The municipalities included in the initiative comprise an area of over 5.6 million hectares, 1.2 million of which are home to soybeans, cotton, and corn crops, which yields about 4 million tons of grain. The native vegetation in the region exceeds 2.2 million hectares.

Despite the challenges of convening during a global pandemic, this crucial region and its link to the international soy markets made a landscape approach underwritten by a PPI Compact a priority. The Balsas PPI Compact is planned to link directly to markets with transparent reporting through IDH's SouceUp platform. Information from the region will be uploaded to the platform soon and will be visible to committed final buyers: their engagement will be intensified throughout 2021.

On 27 November 2020, IDH and FAPCEN launched the Balsas PPI Compact at an online event. FAPCEN, which is directly financed by IDH, built the Balsas region PCI Compact strategy collaboratively with more than 50 representatives (local and international) of rural producers, businesses, communities, associations, governments and civil society. Goals include promoting a crop-livestock-forest integration system, supporting actions that promote the reduction of illegal deforestation in the region, supporting the effective implementation of the Forest Code, and encouraging payment for environmental services.

MITIGATION OF DEFORESTATION



IMPORT DEPENDENCE

In 2017, India consumed 10.80 million tons of palm oil of which 10.36 million tons was imported from Indonesia and Malaysia

Improving sector governance, linking markets to landscapes

Palm oil markets shape how palm oil is produced, and therefore its impact on palm oil-producing landscapes. As oil palm grows in tropical climates, it competes for space with tropical rainforests that are high in biodiversity and ecological value. Environmental concerns trigger tensions between exporting and importing countries. But not only are oil palm plantations exceptionally productive; they provide livelihoods to millions of smallholders and workers. Three billion people in developing contexts including in India, sub-Saharan Africa, and South-East Asia, consume palm oil due to relatively low prices and the neutral taste and odor profile.

IDH and Solidaridad are working in Indonesia, Malaysia, and Nigeria. These are producers and exporters of palm oil and key consumer markets (currently Europe and India, with the intention to extend to China) through the National Initiatives for Sustainable & Climate-smart Oil Palm Smallholders (NI-SCOPS) program. NI-SCOPS focuses on landscapes with large numbers of independent smallholders and mills, which have proven to be difficult to certify, and where most sustainability problems currently persist. To strive for continuous and measurable improvement, metrics on the sustainability of palm oil across three dimensions of climate-smart agriculture (livelihoods, climate change adaptation, and mitigation) need to be comparable and easily aggregated at national level.

In 2020, together with knowledge partners, IDH finalized the triangulation of indicators, providing a technical basis for more transparent palm oil sustainability assessment. Two green growth plans have already been developed for Ondo and Edo states in Nigeria, to set targets on sustainable production, inclusion of smallholders and communities, and protection of natural resources such as water, forest, and soil. At the same time, one green growth plan has been developed for North Sumatra in Indonesia.

Through market engagement in India, in 2020 NI-SCOPS convened large palm oil buyers operating in India to build better reporting and disclosure systems, and underscored this with policy engagement. IDH carried out the first ever baseline, triangulated on figures reported to and by the government of India, private companies, and voluntary standards. The program is currently focused on influencing demand in the short term, and encouraging responsibly sourced supply in the long term. The work in India paves the way for greater regional collaboration (South Indonesia, Malaysia, and India) and for strategic discussions in China.





Linking sustainable local production in India with international markets

IDH initiated a landscape-based program for sustainable sourcing at scale – Giri Pragati – in Andhra Pradesh, designed to become a SourceUp Compact and eventually a Verified Sourcing Area. The program is working with 10,000 farmers across four commodities, including coffee, turmeric, black pepper and ginger. It creates a pre-competitive space for buyers and adopts an inclusive, multi-commodity sustainability model with strong local government involvement.

In 2020, under the program, discussions were initiated with public- and private-sector partners, including off-takers. This program is in the context of IDH's work with smallholder tribal farmers in Paderu jurisdiction in Visakhapatnam district of Andhra Pradesh, India, to increase and improve the adoption of sustainable agriculture practices, preserve agroforestry, enhance yield quality, and increase market access.

Community-level engagement helps regenerate and protect forests

IDH engages communities to unlock local potential and set a new course for nature-positive prosperity and innovation in areas at risk of degeneration and deforestation.

Replanting and intensification of livestock protects and regenerates South West Mau Forest

As livestock grazing in the South West Mau Forest was one major factor preventing seedlings from growing into mature trees, IDH partnered with KFS and livestock product off-takers to create an economic incentive for farmers to graze and feed their cattle close to home.

Community members received training on dairy intensification at 25 demonstration farms, and visited farmers who have successfully intensified their dairy production – for example, by learning to produce and preserve fodder. Of the 1,000 farmers participating in the project, 244 have taken up the practice of artificial insemination to improve their cow breeds. In 2020, farmers preserved excess grass; 418 tons of maize silage were preserved; and 93 acres of grass was top-dressed for improved production.

To safeguard against the risk that other farmers and livestock would move in to occupy the forest space freed up, IDH partnered with Rhino Ark, KFS, and others to create a forest buffer with regulated access to the forest for communities and livestock. Community scouts and micro-fencing have resulted in a documented increase in the regeneration rate of bamboo in the fenced areas.

Local chiefs championed the potential for conservation as a future career path for the youth of their communities. 30 young community members participated in training in fodder establishment and other dairy intensification skills aimed at enhancing conservation, allowing them to continue training their neighbors beyond the end of the project. Implementing partner Rhino Ark engaged communities for forest patrols, engaged 10 churches, trained 16 herbalists on herbal product business potential, and engaged beekeepers with 210 hives from 10 farmers.

In some areas, the forest can regenerate on its own with the right protection, but in degraded forest blocks, it needed some help to return to life. With the support of IDH, SNV, and partners such as Safaricom Foundation, community members produced and planted seedlings, and Rhino Ark set up eight tree nurseries with two more in progress.



To date, 706,200 trees have been planted on 642 hectares. Overall, the tree survival rate stands at 85-90%. This has been attributed to the integrated approach, including surveillance flights, as well as the use of indigenous species. As it was an outdoor activity, planting was possible during 2020 while adhering to COVID-19 restrictions. The completed planting projects have been handed over to KFS for further protection. Planting for another 75 hectares is contracted between UTK and IDH.

This work was undertaken as part of a public-private coalition, including tea companies, civil society and knowledge partners, modeling innovative and scalable joint interventions, to develop a financially viable governance system led by the Stawisha Mau Charitable Trust for the protection and conservation of 60,000 hectares of the South West Mau Forest.



Watch the video: "Reforestation in the South West Mau Forest, Kenya"



Liberia Land Authority grants communities full ownership of ancestral land in Northwest Liberia

In 2018, a ground-breaking new Land Rights Act in Liberia laid the basis for communities to become legal owners of their ancestral land by formalizing their land claims and developing a Participatory Land Use Plan (PLUP) that accounts for the interests of all members of society. On 23 July 2020, the Liberia Land Authority officially certified six communities in Northwest Liberia as land-owning communities, a major milestone in the implementation of the Land Rights Act.



The communities can now govern and manage their land collectively, according to their own by-laws administered by a representative local committee elected during the customary land formalization process. The six communities together occupy more than 55,000 hectares in Foya district, Lofa county, bordering Guinea and Sierra Leone. This improved form of inclusive land governance creates an enabling environment for future investments in Foya. Land tenure has been formalized and the land-use plan appoints 11,259 hectares of forestland for conservation and protection, and 22,510 hectares of degraded land to be restored through tree cover. During 2020, IDH and Theobroma convened possible investors towards a final investment structure for community-owned cocoa-agroforestry based on a successful pilot on 40 hectares in Foya during 2019, and presented the evaluation of this pilot at the end of 2020.

Together with a rice producer AIIC, IDH launched a project to increase sustainable rice and pea production, following on from lowland rice-farming opportunities in Foya and keen interest among communities in rice cultivation that arose during the land-use planning process.

To date, IDH has initiated the customary land formalization and participatory land-use planning on 927,000 hectares of land over the Northwest, West and Southeast landscapes. IDH continues to prepare a conducive environment where future investments are likely to happen through a bottom-up approach, ensuring inclusiveness and sustainability in its program. With their land-use plans in place and land rights recognized, the communities can now directly engage with the government, private sector and civil society to facilitate investment in their area.



Community-based partnership in village forest provides investable landscape and positive progress towards reduction of deforestation in Indonesia

In Kubu Raya, using the PPI approach, IDH continues to develop a community-based business model with the local NGO Sampan Kalimantan under the village forest scheme. Community members in 10 villages are given access to manage approximately 70,000 hectares of mangrove and peat forests, in return getting economic benefits by improving their livelihoods. Through our co-funding, we have been providing technical assistance on the non-forestry commodities such as honey, crab, and coconut charcoal for the community members since 2017.

Recognizing the success of this pilot, the Ministry of Environment and Forestry's Public Business Unit (BLU-KLHK) is currently supporting the farmers' groups within the village forest to scale up and strengthen their business model with a committed soft loan of €6 million. This low-interest loan will help the farmers further develop their businesses sustainably.

The strong community-based partnership has signaled an investable ecosystem for the village forest, resulting in more investment opportunities while protecting the forest. In 2020 alone, an innovative loan of at least €19,000 was committed by BRI Agro and DigiAsia Bios, a fintech company, to the farmer groups. Towards the end of 2020, IDH facilitated the process of mobilizing potential investment on sustainable coconut sugar via the Tropical Landscape Finance Facility (TLFF). This project aims to transform and integrate coconut sugar production to be more sustainable by introducing a new business model and processing technology. TLFF has signed an agreement with the local government and NGO to provide support on project documentation. Further steps will be carried out in 2021. This positive progress has contributed to a reduction in deforestation from 2,493 hectares in 2017 to 17 hectares as per June 2020.

Farmers contribute data to Cocoa Management System in Ghana, contributing to 100% traceable cocoa supply chain

Signatories of the [Cocoa & Forests Initiative \(CFI\)](#) Framework for Action, facilitated by IDH and the World Cocoa Foundation (WCF), believe that farm-level traceability is essential to tackle key issues in the sector, such as deforestation in cocoa-growing areas.

Currently, purchased cocoa can be traced to community level in Ghana. Purchasing clerks are able to identify and tie a specific bag of cocoa to a cocoa-growing community in the country. However, this traceability system does not start at farm level, which can prevent cocoa companies or other sector stakeholders from verifying whether the cocoa they are purchasing meets their sustainability criteria.

To respond to this need, the Cocoa Board of Ghana (COCOBOD) is developing a comprehensive Cocoa Management System (CMS) as a database of all cocoa farmers in Ghana and all cocoa transactions, with in-depth socio-economic data on cocoa farmers and their communities. Authorized cocoa industry entities and their transactions in real time will be made visible on the system. The vision is that traders and consumers will be able to choose cocoa that is sourced from areas with no deforestation.

In November 2020, CFI signatories agreed to set up a CFI Taskforce on collaboration for cocoa traceability, consisting of representatives and companies from COCOBOD, and members of the CFI National Secretariat. COCOBOD completed the first pilot of the CMS in 2020.



Watch the video: "Overview of the Cocoa & Forests Initiative's pilot in Côte d'Ivoire"



Gender equality and empowerment



€850,000

Mobilized in private-sector funding to improve safety for 200,000 female tea workers in Assam, India



2,800

Field-level staff from 17 implementing partners trained in our cotton, tea, and spices programs in India to recognize gender-based violence and drive behavioral change at community level



58 SDMs

Analyzed in-depth to establish the business case for gender-inclusive approaches



Introduction from
Iris van der Velden
Global Director Innovation and Insights

When working on gender, it's helpful to understand how programs/projects are shaping their gender interventions, by being either intentional or transformative:

- **Gender intentional:** the program/project has taken steps to understand the different needs and constraints of women and men in its internal process, strategy or service design, with the goal of ensuring both women and men have access to resources.
- **Gender transformative:** the program/project takes a data-driven approach to understand the diverse needs and constraints of women and men, tailoring services to ensure that they both have equitable access to, and control of, resources, and the service provider encourages an inclusive workplace.

In 2020, the impact of the pandemic coupled with increased attention for the #metoo and Black Lives Matter movements put gender and wider inequality under a glaring spotlight. COVID-19 is forecast to disproportionately affect women, with a projected 12% increase in poverty by 2030, while multiple countries all over the world reported an increase in domestic violence against women. This is in addition to the status quo, in which women have fewer opportunities and are more vulnerable to exploitation. The private sector increasingly shares a feeling of urgency, from both a social responsibility perspective and a business perspective.

IDH is supporting the private sector to use a gender lens in their business operations, and become aware of the risks and opportunities. We started understanding the situation by applying IDH's Gender Toolkit and using a data-driven approach to identify the most effective interventions to bring about equality and empowerment. The toolkit showed us that some of our partners are not even aware that they are unintentionally excluding women – for example, through the way they are offering their services – and that cost efficiency can be increased by being gender intentional. Based on this assessment, gender intentional interventions are being designed both within companies and in their way of working with (smallholder) farmers. Such interventions have a positive impact on gender equality as well as on the business models of companies.

Gender equality is not an easy or straightforward topic. The challenges that 2020 brought confirmed that we are taking the right approach to encourage reflection and openness in companies. It also showed that a few frontrunners are ready to bring this topic to the next level – by taking a gender transformative approach.

Raising awareness through data-driven insights

Women are key drivers for growth and sustainability, and play a critical role in many agricultural value chains. 80% of the world's food is produced by small-scale farming, and women make up an average of between 40% and 50% of the on-farm work in developing countries. However, women have fewer economic opportunities and are more vulnerable to exploitation. If women had similar access to resources as men, yields of female farmers could increase by 20% to 30%.⁶ Companies can benefit from reduced business risk, access to new market segments, increased productivity levels, improved revenues, and enhanced farmer loyalty. Through our "Optimizing Farm Systems through Gender Inclusion" report, we collected key data insights that highlight the business case for a gender-intentional approach.

 [Read the report](#)



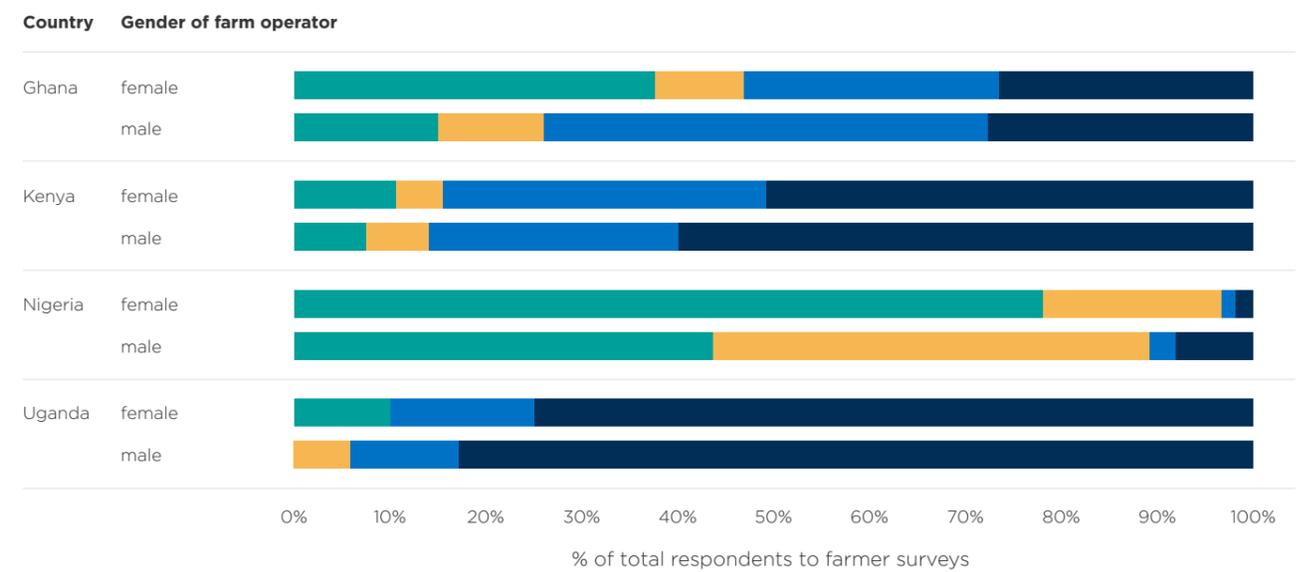
Understanding the gender data gap and benefits of improving financial access for women

Mobile money provides women with easier access to, and control of, finances - without needing to access traditional banks. This is crucial, as women's mobility often tends to be restricted by social norms and expectations, such as household responsibilities, making it difficult for them to travel to physical banking locations. Access to mobile money can be linked to increased financial inclusion.

Access to both mobile and traditional finance differs significantly by country, with certain markets having much higher penetration of mobile money for both men and women. In all cases, female-operated farms are less likely than male-operated farms to have access to a bank account or mobile money. Lack of access to an account for females is particularly severe in Ghana and Nigeria, and in all case studies for which we collected data, significantly lower than for males.



Financial access is a key productivity driver for agricultural value chains. When women are financially empowered and have control over their finances, they are more likely to re-invest their finances in their families, increasing the well-being of their families. Women play a critical role in "reproductive labor" in terms of nurturing future workers and taking care of the current workforce in the household.⁷ IDH Farmfit (Intelligence, Business Support and Fund) works with service providers to co-create interventions that do not just enhance women's access to finance, but also allow them decision-making power and autonomy over their finances to foster sustainable value chains. IDH Farmfit promotes mobile finance because this not only allows women to access and control their finances, but also frees up much-needed time to engage in productive farm activities.



Household access to banking and/or mobile money

■ Neither ■ Mobile money only
■ Bank account only ■ Both

6. Preliminary framing of women's market inclusion, Bill and Melinda Gates Foundation 2018.

7. Exploring Economics. 2016. Reproductive Labor and Care (<https://www.exploring-economics.org/en/discover/reproductive-labour-and-care/>)

Analysis of 58 SDMs shows majority take gender-unintentional approach and provides recommendations for improvement

Many companies lack insights into how to provide or improve services to female smallholder farmers, and do not respond to the gender dynamics of the ecosystem in which they operate. IDH Farmfit is addressing the gender gaps inherent in agricultural value chains, thereby strengthening business and social outcomes for companies, smallholder farmers, communities, and the broader value chain. IDH analyzed 58 SDMs in 2020.

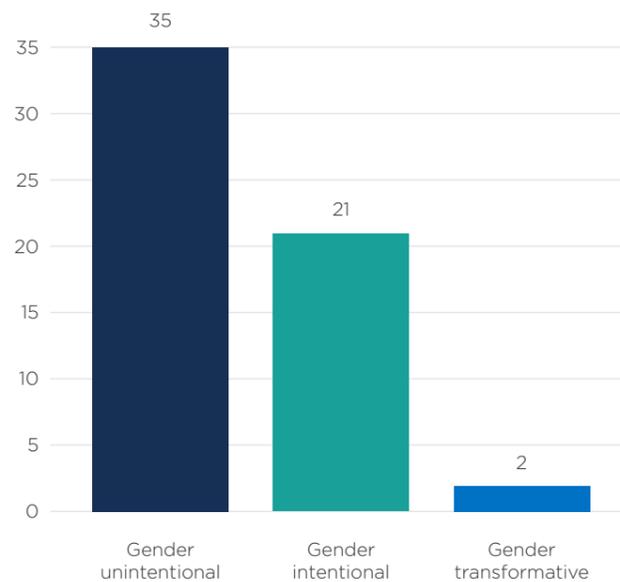
Since 2018, IDH Farmfit has incorporated a dedicated gender module into its SDM methodology. This has allowed IDH to assess to which degree SDMs incorporate gender into their service offerings and decision-making. It captures the outcomes, and differences in outcomes, for male and female farmers. And it generates data that can be compared across models and aggregated to generate overarching insights and best practices. IDH analyzed 58 SDMs in 2020.



From the data gathered so far, IDH Farmfit has aggregated insights and success factors that companies can apply to take a gender-transformative approach. For example:

- Fostering women in leadership positions both in service providers and in farmer groups;
- Enhancing skills of female farmers in expanding their livelihood options;
- Strengthening women's self-help collectives, increasing their individual and collective agency.

Learnings show that gender intentional and transformative approaches may have additional design and operational costs. But they can often be recouped in the medium-to-longer term because of more sustainable value chains, increased productivity levels, improved revenues, and enhanced farmer loyalty. Donors and investors can play a key role by adding requirements to their investees on gender intentional and transformative approaches.



Gender unintentional:

The service provider does not take steps to understand or address the different needs and constraints of women and men in its internal processes, strategy, or service design.

Gender intentional:

The service provider has taken steps to at least understand the different needs and constraints of women and men in its internal process, strategy, or service design, with the goal of ensuring both women and men have access to resources.

Gender transformative:

The service provider takes a data-driven approach to understand the different needs and constraints of women and men, tailoring services to ensure that they both have equitable access to and control of resources, and the service provider encourages an inclusive workplace.



Increased awareness leads to being gender intentional

Only a few years ago, typical cocoa farmer training would be held at the cocoa plot of one of the trained farmers. Men would sit in a circle around a teacher who would train them on pruning, fertilizer application, rejuvenation, and other sustainable agriculture practices. Adoption rates of this training were notoriously low for years, until a gender lens was applied. This revealed that it was mostly male landowners who participated in the training sessions, while the women who performed most of the actual labor were excluded. This was shown to be a key cause of low adoption rates. Since companies, NGOs and IDH applied a gender lens, women have been incentivized to attend trainings, generating a rise in adoption rates when women were included. This presents a clear business case for improved inclusion.



Listen to the podcast:

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

Gender empowerment towards a better income for cocoa

In the fall of 2020, Cargill, PUR Project and Empow'Her started the implementation of the "Beyond Trees Towards Better Incomes for Cocoa Farmers" project, co-financed under the Beyond Chocolate program. In line with Beyond Chocolate's goals, the project seeks to halt deforestation and improve rural livelihoods of cocoa farmers and their families.

Through this project, three activities ensure women's increased independence and control over resources:

- Developing support programs targeting entrepreneurship and leadership;
- Facilitating gender awareness within communities to ensure women's empowerment;
- Bridging the gap for women to reach productive resources and other opportunities.

The project aims to launch and successfully scale up to 20 women-led micro-enterprises, and encourage 100 women from community associations and women's groups to try innovative and inclusive approaches to agroforestry activities. Empow'Her conducts ideation exercises followed by a double incubation program to help women to develop project ideas and coach them to develop their businesses.



To ensure support by local communities, Empow'Her raises gender awareness among community leaders, cooperatives' boards, and husbands. During these workshops, it is emphasized that when women earn and control the family income, it has a positive impact on the household and allows more money to be spent on food, health, and education. Healthier and better educated families are good for the community.

Strengthening the participation of women co-farmers in Quality Assurance Program of Better Cotton Initiative in Maharashtra

A study commissioned by IDH found that female cultivators are instrumental in driving environmental, economic, and social outcomes in cotton cultivation. Based on this business case, IDH and the Better Cotton Initiative (BCI) piloted a project with 2,000 women co-farmers in Maharashtra in May 2020.

India is the largest cotton-producing country in the world, producing 26% of cotton globally. Gujarat and Maharashtra are the largest producer states, contributing more than 50% of the country's total production. 60 million people in India depend on cotton cultivation, marketing, processing, and exports for their livelihoods. Women are a key stakeholder, as they comprise the largest percentage of the workforce in cotton cultivation. According to the International Trade Center, female cotton farmers account for 90% of cotton-picking labor in India. Given the critical nature of the production-related tasks that women perform, female farmers directly impact the quantity and quality of cotton produced. However, gender-blind approaches in agricultural programs have often overlooked the specific needs and opportunities for female farmers.

This project aims to strengthen the participation of women co-farmers within BCI's Quality Assurance Program to drive outcomes at three levels:

- Creating a solid foundation by positively influencing gender norms through integrating gender-based planning and gender awareness training for the implementing partners and community;
- Enabling capacity-building programs for women co-farmers through agronomic and life-skill training;
- Driving learning and continuous improvement through forming women's learning groups and participation in demonstration plots.

The project will be concluded in March 2021. We can demonstrate proof of concept and create a scalable model that can be adjusted and replicated across implementing partners and geographies, strengthening the gender-inclusive planning and implementation processes in the BCI.



Banana sector in Ghana adds gender-specific module to occupational health and safety guidelines

IDH, Solidaridad, Banana Link, and the World Banana Forum developed a train-the-trainer model to support occupational health and safety (OHS) improvements in the banana sector.

Following the formal ratification of the manual by the Ecuadorian government in 2018, training and implementation of the Banana Occupational Health and Safety Initiative (BOHESI) manual in Ecuador was far-reaching and successful. By the end of 2018, 55,000 farm workers had been trained in the country.

Parallel to training activities in Ecuador, BOHESI activities were also initiated in Ghana and Cameroon to support adoption of health and safety practices in the key West African banana-producing countries. With co-financing from IDH, BOHESI Ghana was launched in April 2019 by Banana Link and the Banana Producers Association (BPA) followed by training workshops with producers, unions, and the Ghanaian government. The training was recently extended with a huge gender-transformative module, addressing pregnancy, breastfeeding, menopause, and many other gender-specific topics. BOHESI activities have received active support from the three banana exporters in Ghana: Golden Exotics, Volta River Estates, and Musah Mahat Farms.

The findings from the BOHESI train-the-trainer in Ghana and the new gender guidelines will inform similar activities in Cameroon in 2021, and further afield in Africa and Latin America as the initiative develops in other countries.



Mobilizing the private sector to improve women's safety shows the business case for gender-transformative approaches

Gender-based violence (GBV) is unacceptable in domestic situations and at the workplace. It is common that employees both work and live on large tea estates that are often in remote areas, far from cities. In addition, when workers both work and live on tea estates, the lines between domestic and workplace safety are blurred. This makes access to support even more challenging. IDH has gained experience in addressing women's safety in the tea sector in both Kenya and India. In Kenya, IDH convened producers, technical experts, and civil society organizations under the Gender Empowerment Platform (GEP). UN Women provided technical support to the GEP. Representing most of the companies in the Kenyan tea industry, the GEP's aim was to significantly reduce the occurrence of GBV, as well as to increase women's empowerment in the Kenyan tea industry. Building on the learnings from the gender work in Kenya and India, IDH has extended its work to address GBV in more sectors and geographies, leveraging the intrinsic link between women's safety and well-being, and a more sustainable and responsible supply chain. We collaborate with industry stakeholders, emphasizing the business case in ending GBV.

Innovative fish feed producer to have 70:30 ratio of female and male trainers

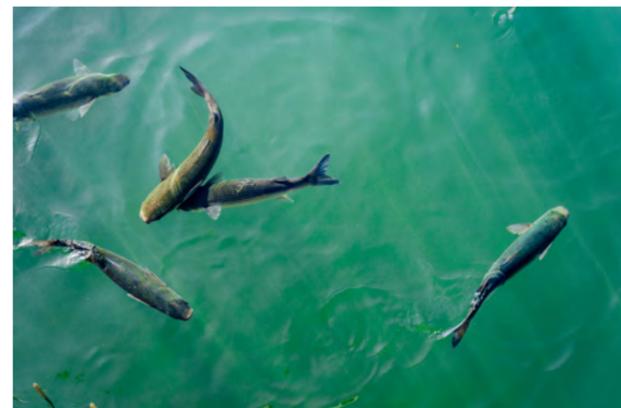
The insect larvae of the black soldier fly can turn organic waste and manure into high protein fish feed. The insects' larvae production is cheap, can help improve fish productivity and lead to higher incomes, while causing zero waste and creating ample job opportunities for African women.

[InsectiPro](#) is an innovative African business that produces black soldier fly larvae as an alternative high-quality protein source for aquafeed. IDH will help scale up the larvae production as a sustainable means to boost fish farming and female employment in Africa.

The aquaculture sector in Kenya is growing rapidly in response to declining capture fisheries and increasing national demand. The gap between fish demand and production is projected to increase to 360,000 metric tons per year by 2025. This deficit is partially met by fish imports that come with inherent quality, food safety, and supply security challenges. Currently, feed makes up as much as 70% of the production costs, as farmers rely heavily on imported feed. Replacing feed imports with larvae, and replacing fish imports with locally farmed fish, will help Africa produce its own food in a more sustainable way.

The project requires rapid transformation of fish-feeding practices. Although aquaculture is male-dominated in Africa, women play a significant role in farming, feeding fish and marketing. IDH and InsectiPro have therefore decided on a 70:30 female to male ratio of trainers in order to deliberately train more female farmers in growing insects as fish feed.

IDH supports InsectiPro to organize the training of female fish farmers to grow their own black soldier fly larvae for fish feed, and sell their surplus back to InsectiPro. IDH will also support InsectiPro in attracting additional investors to reach scale faster.

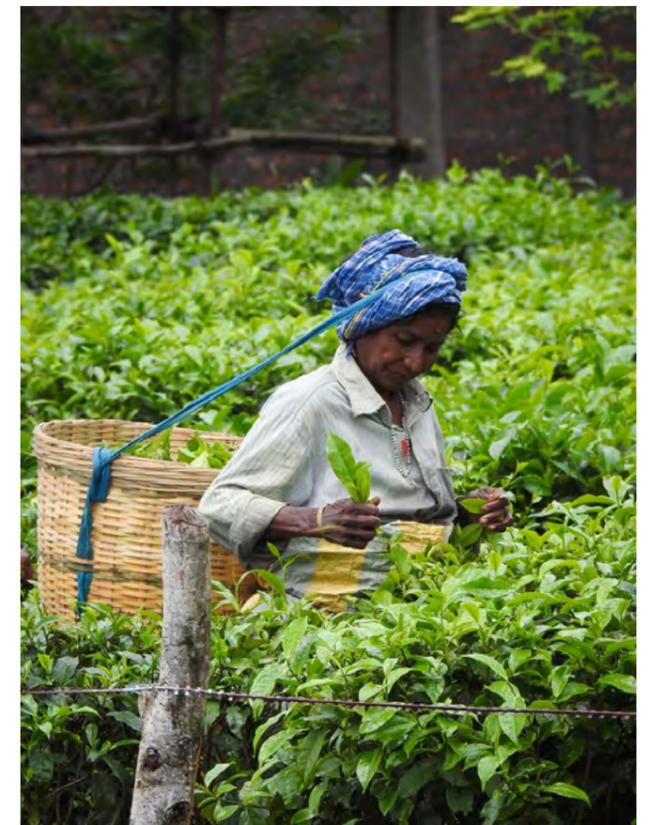


Investing in women's safety in the tea sector in India by creating a Fund to reach 200,000 female tea workers

Around one million women work in the tea gardens of Assam, and produce more than 50% of tea in India, the second largest tea producer in the world. Their living and working conditions have been a concern for human rights indicators for years. Women also work in the lowest-paid jobs, such as plucking and pruning, which are physically demanding. Tea plantations are both workplace and home for many workers. Female workers often experience domestic violence and harassment in public places inside and outside the tea gardens.

To address the complex and sensitive issue of GBV, IDH has formed several programs with our partners, including the GEP in Kenya and the "[Improving the lives of women and children in Assam's tea communities](#)" program. The latter engages with tea plantations in Assam to address, promote and integrate human rights and mechanisms to address GBV within the business practices of the tea sector.

In partnership with Unilever, IDH has established the Women Safety Accelerator Fund (WSAF). The WSAF will support tea producers to address GBV and empower women's safety in Assam's tea gardens, inspired by our work in Kenya. The WSAF aims to support producers to implement the UN Women's Global Women Safety Framework and will work with local NGOs to build local capacity and knowledge. By 2023, the WSAF aims to reach 200,000 workers across 300 tea gardens in Assam, with an ambition to replicate in other regions and sectors.



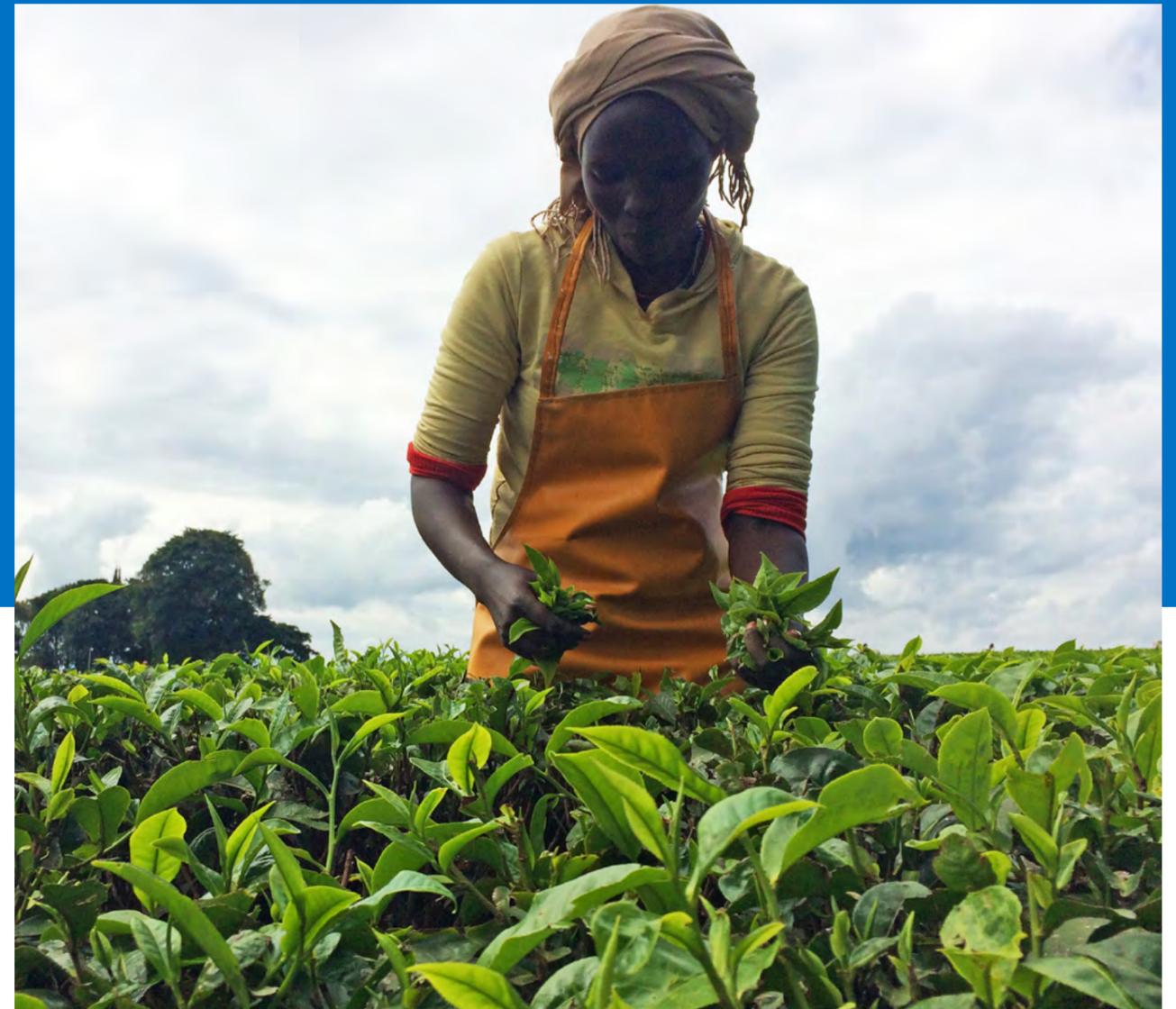
“The case studies presented in the training reflected how gender-based violence also impacts the mental health of women. It helped in improving the understanding of these issues, which is important for the field staff as being directly connected to the community, we can create greater awareness at the community level.”

Manisha Karwa,
Field Facilitator at Ambuja Cement Foundation

Creating awareness of gender-based violence in India through training 2,800 field-level staff

Gender-based discrimination and violence is a significant barrier for women at home, in the workplace, and within their communities, which requires a substantial commitment by both public and private sectors to invest in prevention and intervention. IDH, with technical expertise from [Breakthrough India](#), has conducted training on GBV for around 2,800 field-level staff from 17 implementing partners from its cotton, tea, and spices programs in India.

The participants were the project managers and field extension staff at the implementing partners. A needs analysis carried out prior to designing the training modules revealed that some participants were unsure about the forms of GBV, including domestic violence and sexual harassment in public spaces and workplaces. Through the training, the participants were made aware of gender, gender-based discrimination and gender-based violence, including domestic violence and sexual harassment faced by the women at home and work. They were also informed about identifying strategies and tools within their scope, context, and spheres of influence that they can use or access to address, prevent, and intervene in incidences of domestic violence and sexual harassment that people they work with may witness or experience. The trainings were conducted on an online platform in seven regional languages for improved understanding and effective engagement: Hindi, Gujarati, Marathi, Punjabi, Kannada, Telugu, and Assamese.



Response to domestic violence and GBV in Kenya due to COVID-19 lockdowns

Because of lockdowns imposed by many countries, an increase in cases of domestic violence and GBV has been reported globally. In Kenya, IDH is working with Kenyan tea producers on gender and GBV as part of the Gender Empowerment Platform.

Together with ETP and the KTDA Foundation, IDH has set up activities to respond to the suspected increase in domestic violence in Kenya. Radio campaigns on COVID-19 and GBV awareness were developed and broadcast through local radio across all tea-growing regions, to reach all 600,000 smallholders who work with KTDA. In addition, awareness posters – including a toll-free phone number – were put up at tea-buying centers.





Responsible agrochemical management



2.8M

Cotton farmers received training, resulting in up to 38% less pesticides use in Mali



45%

Decrease of volumes of agrochemical use among FSI partners



60%

Fewer GHG emissions from 2016-2020 due to reduction in chemical fertilizer use in the PPI Compacts in the Central Highlands of Vietnam



Introduction from
Tony Bruggink
Global Director Food
Crops & Ingredients

Agrochemicals are a key input for farmers and producers in virtually all of the sectors IDH is active in, affecting the planet, its people and businesses' profits alike. When safeguarding the health of crops and productivity of farms through judicious use of agrochemicals, we must be mindful of negative impacts such as soil and water contamination, herbicide resistance, loss of biodiversity, user-related health hazards, and build-up of residues on consumer products. This is why responsible agrochemical management (RAM) is a key focus area for IDH.

Through a combination of improving sector governance and changing business practices, our work in 2020 demonstrated clear impact. As a case in point, the Sustainability Initiative Fruit and Vegetables (SIFAV) and Floriculture Sustainability Initiative (FSI) platforms improved sector governance through development of an ambitious sector agenda to reduce the environmental footprint of their industry members, focusing on agrochemical use, soil health improvement and greenhouse gas (GHG) emissions. Such sectoral agendas require alignment on data-driven decisions, which in the case of FSI has been achieved by benchmarking sustainability standards against requirements on reliable recordkeeping and data collection. This has led to an environmental scope for the FSI basket of standards, for which the first standards have been admitted. This enables certified growers and traders to set up data-driven best practices and to measure performance over time. Needless to say, changing business practices is an indispensable impact pathway, demonstrated by activities in sectors such as cotton, where the setup of the Better Cotton Standard has supported 2.8 million farmers in cotton-producing countries for a crop that is both better for people and the environment and more profitable.

Our 2020 activities on agrochemical management provide a sound basis to continue our work on improvements in sectors. In the coming five years, RAM work will be reported in the "better environment" impact chapter, combined with other topics such as GHG emissions reduction, food loss reduction, water management, and soil health improvements.

Data transparency

There is a growing demand for better informed agrochemical management through higher quality data. As part of a consortium of industry partners, CSOs and governments, IDH supports pesticide impact indicators. These clearly describe the impact of plant protection products on the environment and biodiversity. Through multiple food crops & ingredients programs, IDH connects this to international market requirements and industry needs. Coupled with sharing knowledge and best practices on integrated pest management, this leads to significant drops in agrochemical use. In 2020, IDH prepared the ground for international pilots to test the tool for both flower production in East Africa and banana production in Central America. The pilots involve farmers, traders, retailers and standards. By facilitating the pesticide impact indicators and connecting them to international markets, IDH drives environmental sustainability and supports the 2025 targets for IDH-convened programs such as SIFAV and FSI.

Increased transparency and sharing best practice reduces agrochemical use in the flower supply chain by 45%

To increase transparency on the use of agrochemicals throughout the floriculture supply chain, IDH initiated the Chain Transparency 2.0 project. Through data collection and sharing best practices, the project resulted in substantial reductions in agrochemical volume, with an average reduction of 45%, as well as a 64% reduction for a group of agrochemical active ingredients with a high potential risk for the environment. The average reduction in agrochemical volume translates to an environmental impact reduction of 47% per hectare on which the agrochemicals were used.

Between 2016 and 2020, members of [FSI](#) collaborated on this project, which was funded by IDH, to increase transparency on the use of agrochemicals throughout the floriculture supply chain. The participating companies shared insights on how to reduce agrochemical use and apply integrated pest management insights, allowing them to make better informed pest management decisions.

The Chain Transparency project led to several long-term benefits, including healthier working conditions, improved soil quality, reduced input costs and environmental impact. The insights from the project will be translated into RAM strategies that can be used by the entire floriculture sector, and potentially other sectors, to reduce the environmental impact of agrochemical use.



Read the case study:

"Increased transparency on agrochemical use for a lower environmental impact of the flower industry"

Increasing traceability of shrimp by launching blockchain platform and QR code-based system

IDH supported the Sustainable Shrimp Partnership (SSP), a group of leading companies in Ecuador dedicated to transforming shrimp farming sustainably, in a project focusing on increasing traceability, installing a health management platform, and supporting small- and medium-sized farmers in an improvement program. IDH supports SSP and is an advisory board member.

In 2020, the SSP launched the IBM Food Trust ecosystem, a platform that uses blockchain, and developed a traceability application. Targeted at consumers, the app enables them to access information on the product and its journey to their plate by scanning a QR code, ensuring transparent data about the origin and quality for every piece of SSP's premium shrimp. A milestone for SSP and the shrimp industry, for being the first shrimp product on IBM's ecosystem and for encouraging other seafood industries to meet this level of transparency. IDH initiated and co-financed this move to traceability.

In 2020, the SSP reached a new market in Chile, and has started developing a health management platform to analyze disease data. The health management platform, as well as the engagement of a Chinese health expert on a particular shrimp disease, increased awareness of diseases in the country and helped bring down antibiotic use.



PPI Compact in Vietnam leads to 100% compliance with maximum residue levels (MRLs), while international pepper exports from Vietnam double due to reduced MRLs

The year 2020 was marked by turbulence in the coffee and pepper sectors regarding compliance with EU and US maximum residue levels. IDH convened public and private partners in a common effort to address this issue, with tangible outcomes seen in our PPI Compact area.

IDH worked with the Ministry of Agriculture via the Plant Protection Department, National Agriculture Extension Center, coffee and spices companies and agro-input providers to update market requirements and agree on a joint action plan to strengthen RAM, to which nature-based solutions and forest-based coffee and pepper ecosystems are central.

This action plan was translated into local interventions, in which provincial and district authorities send warnings and recommendations to agrochemical shops, coffee companies and farmers about promoting sustainable weed management practices. This was followed up by the authority's regular visits to agrochemical shops, and extensionists' visits to farms identifying irresponsible use of agrochemicals, as well as daily communication via public speakers in all villages. Furthermore, over 300 commune and village meetings were conducted between July and December 2020. These activities were implemented at district-wide level, covering 71,000 hectares of coffee and pepper in Di Linh and Krong Nang districts.

IDH piloted an SDM approach with coffee traders SIMEXCO and ACOM, directly reaching 6,000 farmers with services like crop doctor, agri-teams, access to finance, and planting materials. More than 44% of coffee was produced in the project area, equivalent to 22,000 tons green-bean coffee, under differen-

tiated sourcing schemes by SIMEXCO, INTIMEX and others. The combination of a value chain and jurisdictional approach resulted in 100% compliance with required maximum residue levels of all 60 government-IDH random field tests in the Compact areas.

IDH field-level interventions delivered training to around 20,000 coffee and pepper farmers on sustainable farming practices, including pesticides and better inputs usage. An estimated 80,000 farmers were reached via official letters from the district government. In the latest farmer field book report, a significant 87% reduction in Environment Impact Quotient (EIQ) was recorded over 2016-2020, thanks to the ceasing of biocide spraying. The volume of certified and compliant pepper sourced by a private partner (international end buyer) doubled from 2019 to 2020.

Despite the downward trend of Robusta coffee prices in 2020, the net farm profit in the PPI Compact areas continued to increase up to 37%, partly due to the reduction of input costs. According to the AgriLogic's report on 15,000 farmers across the Central Highlands of Vietnam, the chemical fertilizer cost in the PPI Compact areas have declined by one-third over the 2016-2020 period.

Over the last five years, carbon emissions went down by over 60%, and 83% of this reduction was thanks to lower chemical fertilizer application in the PPI Compact areas in the Central Highlands. International pepper exports from Vietnam doubled in 2020 due to reduced residue levels.



Online monitoring of disease risks and applying Good Agricultural Practices (GAP) leads to 50% less chemicals used in shrimp and pangasius farming in the Mekong Delta in Vietnam

The Mekong project developed an online database for monitoring aquatic diseases. This platform allows the private and public sectors to share information on water quality and fish disease in Vietnam.

Developed with support from IDH, the database was handed over to the Directorate of Fisheries in 2020, and was shared with the Department of Animal Health. The database has now been visited and used by 24,000 people to date. The GAP cover guidelines on farm preparation, stocking density, feeding practices, bio-security risk and prevention, and environmental monitoring. The GAP for shrimp and pangasius have been endorsed by the Directorate of Fisheries and delivered to local farmers.

BCI cotton farmers use less pesticides than conventional cotton farmers

Cotton covers 3% of the world's cultivated land, yet it accounts for 24% of the global insecticide use. It is also one of the most water intensive crops, with 9,000 liters of water being used to produce 1 kg cotton. Since 2009, IDH and BCI have been strategic partners to accelerate the implementation of the Better Cotton Standard. In 2016, we established the Better Cotton Growth and Innovation Fund. By the end of the reporting year, we had supported 2.8 million farmers in key cotton-producing countries to produce cotton that is better for people, the environment, and farming communities, while Better Cotton accounted for 22% of global cotton production in 2020.

As of the 2018-19 cotton-growing season, field-level data shows that BCI farmers (in comparison with non-BCI farmers) used less water for irrigation, pesticides, and synthetic fertilizers, instead applying biopesticides and organic fertilizers more often. The data also demonstrates that BCI farmers in key countries like India, Pakistan, Turkey and Mali experienced higher yields, with an increase of 4-11%, as well as higher profits, with an observed increase of 14-38%.

Field-level sustainability and business transformation

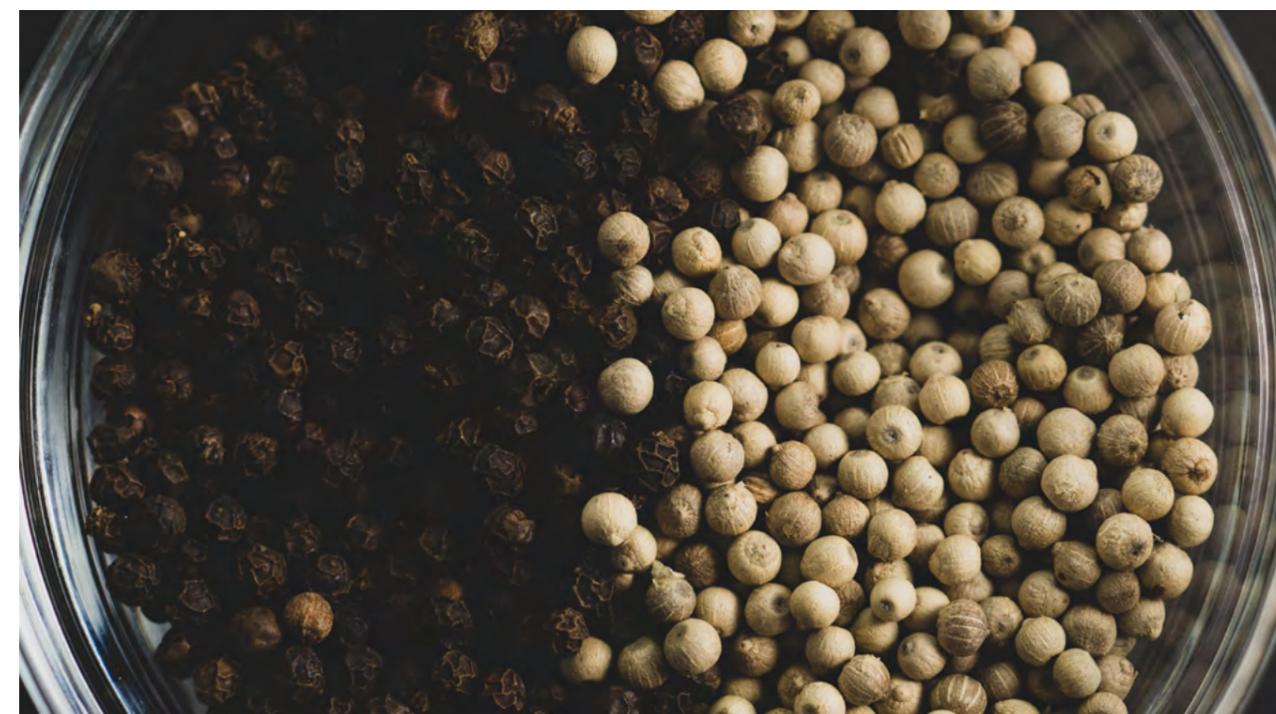
PPI Compacts have proven to be effective in reducing deforestation rates and protecting valuable ecosystems. In Vietnam, IDH helped reduce pesticide use and maximum residue levels by combining a value chain approach with large coffee traders and the legislative and norm-setting power of the Vietnamese government. All driven by the business case of cost reduction and access to profitable international markets. Despite the low Robusta coffee prices caused by COVID-19, the average farmer income increased by more than 30%. The long-standing efforts of flower companies to reduce pesticide use led to a sensational 99.8% reduction in pesticide residue in waste water, according to a 2020 report.

International pepper exports from Vietnam double in 2020 due to reduced MRLs

The spices program in Vietnam has been promoting sustainable production and trade of Vietnamese pepper in accordance with USA and EU food safety regulations. On the one hand, the program has been enhancing the capacity of pepper farmers and cooperatives in adopting sustainable farming practices and maximum residue level compliance in alignment with USA and EU markets. On the other hand, the program has been working with private companies, including exporters and input providers, to strengthen their supply chains through their improved services and intercropping models, aiming to reduce their production costs and increase farmer income.

At country level, with IDH's facilitation, regular meetings with key stakeholders were organized to update market requirements and discuss the joint intervention and collaboration on maximum residue level compliance to assure both food safety and market access. As a result, in 2020, the number of farmers trained and coached on sustainable farming practices increased by 2,700 farmers (added to 12,000 farmers trained in 2019).

As an example of RAM impact, the volume of certified and compliant pepper sourced by a private partner (international end buyer) doubled from 2019 to 2020, which is considered a showcase for a comprehensive approach ranging from demo farms and testing tools to supply chain analysis for improved services, innovative training and farmer partnership.





Environmental projects in cut-rose sector on wetlands in Ethiopia lead to reduction in pesticides in waste water of up to 99.98%

The Ethiopian flower sector has become one of the country's key industries, with export earnings having grown from US\$65 million in 2006 to US\$261 million in 2016. There are now over 100 flower farms in the country, covering more than 1,700 hectares and producing more than 2.1 billion flower stems.

In line with the sector's growth, there is an increasing need and demand for sustainably produced flowers, with minimum impact on the environment and human health. IDH, the Floriculture Sustainability Initiative (FSI), Sher Ethiopia Plc (Afriflora), Koppert, and Ecofynt joined forces in several projects implemented from 2014 onwards near Lake Ziway in Ethiopia to improve the environmental sustainability of Ethiopian cut-rose production.

IDH commissioned a pesticide expert to analyze the projects' interventions. The resulting study showed that the system of constructed wetlands reduced the total amount of pesticides in waste water from the farm by up to 99.98%. This allowed the recycling of the waste water from the farm, resulting in a saving of 500 cubic meters per hectare per year. Furthermore, the water proved to be purer than that of Lake Ziway itself, even allowing the water basins of the constructed wetlands to sustain a population of tilapia.

The introduction of biocontrol agents for control of red spider mite and mealy bug has been successful, and resulted in an estimated 80% reduction in insecticide use. There currently are no effective biocontrol agents for control of thrips and aphids under Ethiopian conditions, meaning these still need to be controlled by judicious use of pesticides – preferably products of low toxicity. Sher Ethiopia Plc (Afriflora) has assisted in the training of personnel on other farms in the region to facilitate the adoption of integrated pest management.

Antibiotic use in fish production decreased by 82% due to vaccination in Haiti

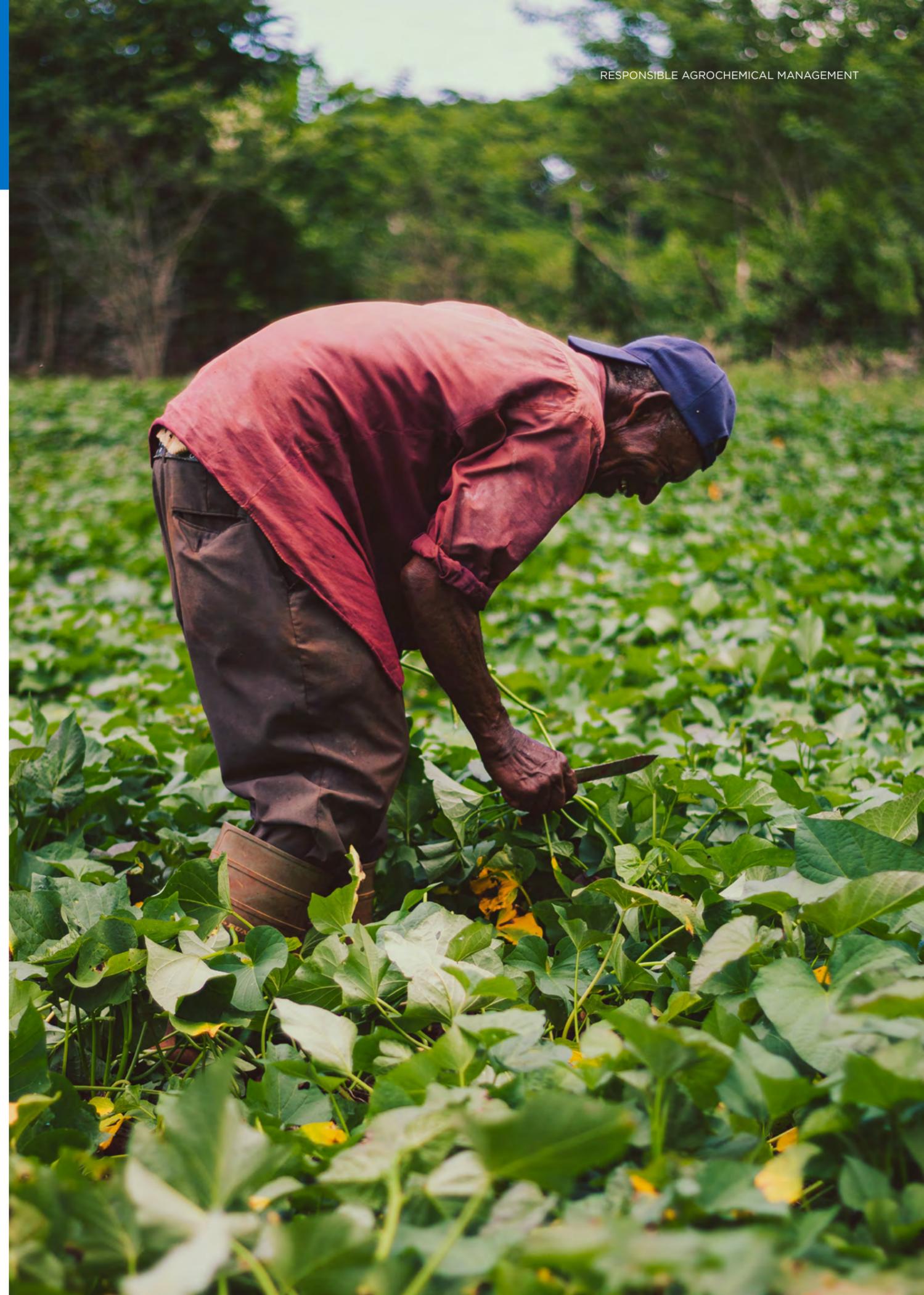
In Haiti, IDH partners with Taino Aqua Ferme (TAF) to mitigate fish health and market challenges. In 2019, a vaccination program was launched, with the aim of reducing antibiotic use, as well as reducing fish mortality. The project – which also introduced better management, training, and updated procedures – has achieved an 81% reduction in the use of antibiotics in 2020 compared with 2019. As new local markets in Haiti were explored with support from IDH, the total sales increased by 26%.



Floriculture Sustainability Initiative: data-driven best practices and measurement of performance over time

Following the creation of the environmental basket of standards in 2019, the FSI has benchmarked four standards to the new requirements, with a view to formally accepting them as compliant. The Kenya Flower Council Flowers and Ornamentals Sustainability Standard, MPS-ABC, and Florverde® Sustainable Flowers were the first standards to be recognized as compliant with the environmental criteria of the FSI basket of standards.

In collaboration with IDH, FSI has developed its basket of standards to help private partners responsibly source their products. The FSI basket of standards acknowledges the great variety of standards and certifications contributing to higher levels of sustainability, while avoiding unnecessary audit duplication, confusion for market players, and increased costs.



Organizational development

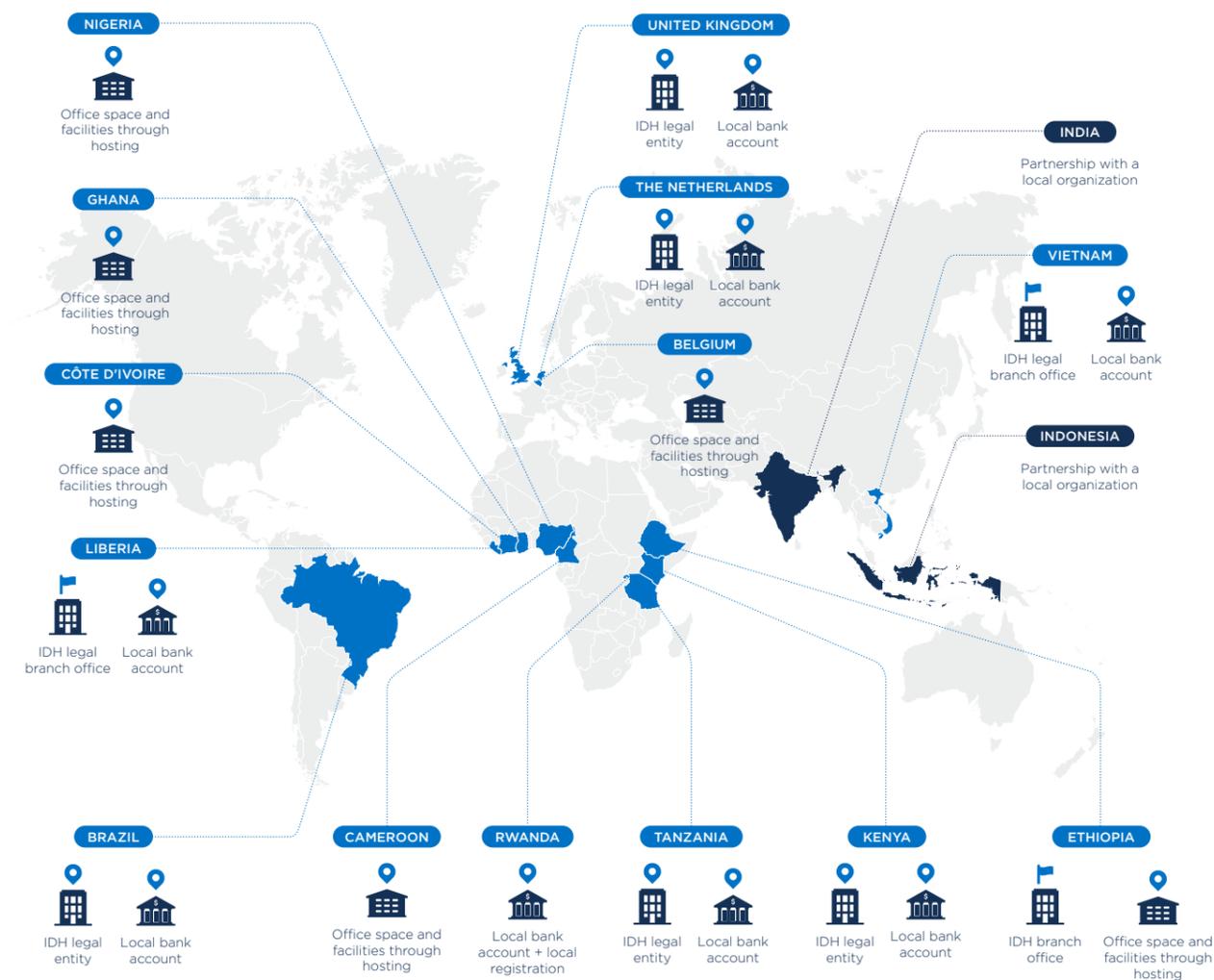
The reporting year was the culmination of our 2016-2020 strategy, and the delivery against the targets we had committed to. The COVID-19 pandemic and the related lockdowns and travel restrictions drastically impacted our field operations and convening efforts, forcing us to change our way of working. All staff members started working from home, visits to projects (insofar as they continued) were replaced with (video) calls to implementing partners, and all convening work was organized through calls and online conferences. Even with these challenges, our organization managed to continue to reach most targets.

In addition, IDH's new ambitions – as formulated in the Multi-Year Plan 2021-2025 – were unexpectedly hit by the pandemic, which hampered our fundraising efforts as much as our field operations. IDH's core donors provided much-needed stability, and 2020 was a pivotal year for renewing our collaboration with the Dutch (DDE), Swiss (SECO), and Danish (DANIDA) governments. In addition to their valuable support, IDH secured a 10-year strategic partnership with the Ministry of Foreign Affairs in the Netherlands.

People

IDH's growth levelled off in 2020, with the global team growing by 5%. In our Utrecht office in the Netherlands, we currently employ 98.75 FTEs, as well as 141 contracted team members in the 24 countries in which we operate. This staff comprises of 25 different nationalities of which 65% women and 35% men, with Dutch (66) Indian (24) and Indonesian (22) nationals as the top 3. As IDH grew rapidly over recent years, we invested in improving our HR processes and systems. In 2020, IDH implemented job families to create more clarity on job descriptions per function and the opportunities to grow in our organization. To create more efficiency in the HR team, initial steps were taken to implement a new HR IT system, which links employee data to financial administration.

2020 was also the year in which the COVID-19 pandemic greatly affected our way of working. Due to our staff working from offices all around the world, we were already used to working remotely and communicating through online systems. However, with all IDH offices closed due to the lockdowns in most countries, employees had to adopt a different way of working. IDH provided a one-off payment for setting up a home office, to enable employees to work from home in a responsible manner. Efforts were made by the management team and individual employees to keep spirits up in difficult times. The fact that all meetings took place online did not only have negative impacts: it also meant that all participants had equal opportunity to provide input, making the meetings more inclusive and accessible for employees working outside the Netherlands. We aim to retain these benefits of online working when our offices can reopen fully.



Global network

Our Country Operations Framework, and the underlying vision that we establish legal presence only in countries where IDH has a long-term strategy to develop and manage locally funded programs, or where this is required based on local laws, remains at the core of our operations when it comes to incorporating offices in the countries where IDH works. In 2020, we incorporated a legal entity in Tanzania, as this was required by local law to be able to implement our program. We also organized hosting services in Nigeria, giving our growing team the possibility to rent office space and increase our local presence, before we further develop our long-term strategy and consider incorporating a legal entity in the country.

Systems

Over the years, we realized that our IT systems did not facilitate our growing organization and diverse donor base, leading to a high administrative workload and inefficiencies in our systems and teams. In 2020, we therefore invested considerable time in the development and implementation of a new IT strategy. At the end of 2020, the first steps were made to redesign our financial accounting system, develop reporting functionality in our project management system, develop a fully functioning intranet for internal alignment, and implement an HR system and an expenses-claim system. In 2021, we expect to be able to fully implement these new and improved systems, leading to a more efficient way of working, better management reporting, and fewer errors.

ORGANIZATIONAL KPIS 2020

KPI	Target 2020	Delivery
Delivery of 2016-2020 program implementation on track	<ul style="list-style-type: none"> 65% of POCs effective 90% of 2016-2020 budget allocation contracted At least 25 SDM analyses completed 6 investment agreements signed by the IDH Farmfit Fund, representing an investment of €12 million 	<ul style="list-style-type: none"> 71% of POCs effective 91% of 2016-2020 budget allocation contracted The target was amended during 2020 to 3 investment agreements signed if travelling would be possible in the second half of the year. As the travel restrictions continued, it was not possible to reach the original or adjusted target in 2020
Safeguarding local delivery on current strategy	<ul style="list-style-type: none"> 2 legal entities scoped and incorporated with solid basic internal control procedures and processes in Côte d'Ivoire and Nigeria Entities that were established before 2020 moved to next internal control maturity level fit for fund management: Indonesia, Liberia, United Kingdom Strategic partnerships formed with key implementing partners 	<ul style="list-style-type: none"> The incorporation of a legal entity in Côte d'Ivoire was delayed due to the pandemic-related lockdowns. The decision was made to first organize hosting services in Nigeria, in order to further develop the long-term strategy to incorporate the correct type of legal entity for our operations Improvements were made to the operational processes of our existing country offices. However, travel limitations delayed implementation of control mechanisms to ensure fund management and the execution of strategic partnerships with key implementing partners
Ensuring staff capacity	<ul style="list-style-type: none"> Salary and reward benchmark executed and adjusted where needed and possible (to remain an attractive employer) Onboarding of new staff further improved by implementing an advanced induction program Staff training program (including e-learning and webinars) for crucial processes (project management, cyber security, integrity and SDM) rolled out for relevant employees 	<ul style="list-style-type: none"> Before a salary and reward benchmark could be carried out, the job families and descriptions had to be developed/improved. This was organized in 2020; with all relevant stakeholders involved in the process, the salary and reward benchmark can be carried out in 2021 The outline of an induction program has been finalized, and a learning management system is ready to be implemented Training on these topics was organized in 2020; when integrated in the learning management system, it will be part of a training program

KPI	Target 2020	Delivery
Effective structures, procedures and controls	<ul style="list-style-type: none"> Robust and clear procedures, supported through globally accessible and safe (ICT) systems to support the global IDH team IDH Farmfit Fund effectively integrated for maximum impact, structured and governed to meet the needs of investors, without liabilities to IDH grant donors IDH technical assistance roles to various funds effectively (mutual benefit, no conflict of interest) integrated into IDH Liabilities and fiscal risk well managed through structure that enables service contracts from companies and funders Increased maturity of internal controls, through periodic reviewing and reporting on effectiveness and rollout of the control framework to country offices 	<ul style="list-style-type: none"> The main contracting procedure was documented in one concise overview to create more clarity for all teams on the mandatory steps, controls and approvals before implementing a project The Farmfit Fund was operationalized and, through its setup as a separate legal entity, no additional liabilities were caused for IDH grant donors IDH's technical assistance roles have been effectively integrated, while preventing any conflict of interest IDH has incorporated a for-profit entity in Kenya to facilitate service contracts from companies in light of the SDM analyses. The need to add another structure for IDH in the Netherlands will be assessed in 2021 IDH maintained its level of internal control within the financial processes. The country operations framework remained at the core of the country offices
Effective fundraising	<ul style="list-style-type: none"> Action and staffing plan developed to strategically fundraise in line with strategy for funding in 2021-2025 	<ul style="list-style-type: none"> Initial steps were taken to develop a fundraising strategy per business unit. This strategy will be finalized in 2021, and will support the adjusted targets set in the 2021-2025 strategy
Learning and innovation that supports future market uptake of POCs, improving quality, and building strong value propositions for future funding	<ul style="list-style-type: none"> Monitoring & Evaluation (M&E) (including corporate impact evaluation by KPMG) helped steer towards impact and generate track record data, also on results of convening IDH core innovations systemized into clear and strong value propositions and business cases 	<ul style="list-style-type: none"> The M&E team supported the business units in the development of their theories of change in light of the 2021-2025 strategy. An improved Result Measurement Framework was developed to be able to capture IDH's results The impact evaluation researching the impact POCs started in 2020 IDH implemented an intranet as a platform for internal knowledge-sharing The Farmfit Intelligence portal was launched to collate, analyze and share innovations from the organizations IDH works with
Learning and innovation that further professionalizes its knowledge sharing, both internally and externally, through the setup of interactive platforms (initially a platform on service delivery models)	<ul style="list-style-type: none"> POCs that have the best chance for future market uptake (impact POCs) researched and reported Web-based platform further developed with online tools, insights and exchange between practitioners for SDMs Internal knowledge repository tested for landscapes and, if successful, will form the basis for an organization-wide knowledge platform Events and publications reached stakeholders with effect of learnings 	
Communication of fundraising and scalability of POCs	<ul style="list-style-type: none"> IDH value propositions and track record clear to prospective funders Market uptake of impact POCs promoted IDH well-positioned through communications 	<ul style="list-style-type: none"> The 2021-2025 strategy is key to approaching prospective funders, complemented by the mid-term impact evaluation. The expanding donor base (program funding) proves our ability to deliver impact in line with value chain-driven solutions



International partnerships and fundraising

Diversification and deepening of our funding base beyond our IDH's new ambitions in the Multi-Year Plan 2021-2025 were unexpectedly hit by COVID-19, which shook our field operations as much as our fundraising efforts. The pandemic revealed a very tangible risk to our partnerships and fundraising work, demonstrating the importance of securing a diverse funding base and deepening our relationship with our existing core and strategic program donors. This new reality also forced us to re-prioritize our work to focus on achieving impact at scale.

Our core donors provided the stability to weather the storm, and 2020 was a pivotal year for renewing our collaboration with the Dutch (DDE), Swiss (SECO), and Danish (DANIDA) governments. In addition to their valuable support, IDH secured a 10-year strategic partnership with the Ministry of Foreign Affairs in the Netherlands. This will enable us to work together more deeply to drive market transformations, such as expanding the adoption of living wage and living income agendas in Africa and beyond. We are also committed to achieving ambitious targets to further strengthen our funding base and strategically grow our group of core and strategic program donors by 2030.

IDH strengthened its collaboration with the European Union by concluding new funding agreements for a spices program in Vietnam and a coffee program in Tanzania, as well as intensifying our dialogue with the EU at different levels. In support of our ambition to become a pan-European convener, IDH reinforced its representation in Belgium and the UK, unlocking opportunities for Belgian retailers such as Delhaize and Colruyt to join the Sustainability Initiative Fruit and Vegetables (SIFAV) and to

achieve greater impacts in sourcing countries. In the UK, IDH supported 22 major companies, including Unilever and Nestlé, with a response to proposed UK legislation for due diligence requirements for forest risk commodities. The main conclusion was that the proposed laws do not go far enough. The letter was delivered to the UK government, following an open consultation by the Department for Environment, Food and Rural Affairs (DEFRA).

Our teams also strengthened their collaboration with private European foundations, including the IKEA Foundation that's supporting a coffee program in Uganda and Kenya, and the Laudes Foundation that's supporting a landscape program in India. The renewed collaboration with the Dutch department for Inclusive Green Growth (IGG) around our sustainable landscape approach lays strong foundations for the IDH landscape work over the next few years.

2020 also saw the global emergence of the Build Back Better and Greener agenda, with a strong focus on Africa. This will enhance our fundraising pipeline for 2021, focused on Value Chain Development via our new Grown Sustainably in Africa (GSA) initiative.

Lastly, IDH has further professionalized its fundraising ambitions by allocating fundraising capacity at business unit level and by building the capacity at headquarter level, to facilitate a more strategic fundraising direction in the runup to achieving our 2025 and 2030 goals.

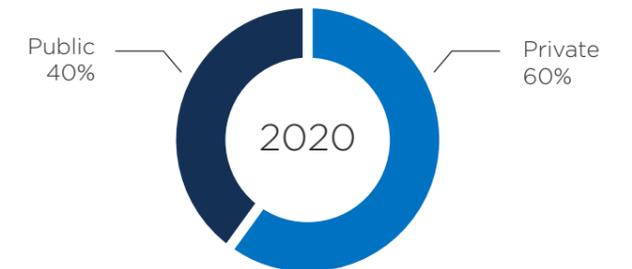
Financials

Mainly as a result of COVID-19, overall program contribution ended €4.6 million below budget, still significantly higher than last year (€4.8 million). Despite COVID-19, we delivered on the bulk of our programs and KPIs according to plan, and are confident we can demonstrate proof of concept in accordance with our donor commitments by the end of the subsidy. To mitigate the impact caused by COVID-19 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 BUZAll subsidy for an amount of €9.0 million. All committed funding needs to be spent before July 1, 2021.

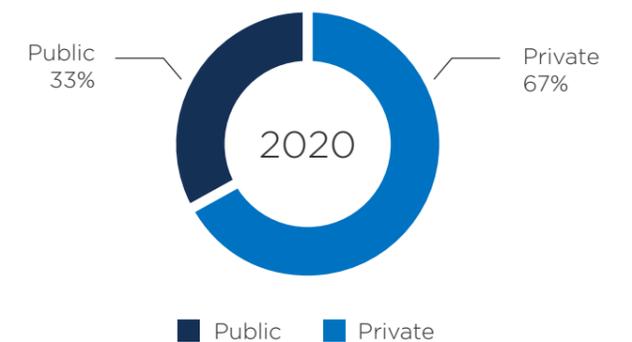
In 2020, we continued to leverage our publicly financed budgets with a 1.5 private-sector ratio. This is fractionally below 2019 (1.6). These private-sector investments into our projects are audited. Public-private funding ratios vary per project, depending on the degree of convergence between the public good and the private interest, and how much market finance can be leveraged in the case of innovative finance projects.

As the graph below indicates, our organizational costs increased slightly faster than our program spending, resulting in an increase in the overhead ratio from 16% in 2019 to 18% in 2020. The main reason for the increase is the ramp up in spending of the Farmfit Fund. Excluding the consolidation of the Farmfit Fund, the overhead ratio would have ended at 15%, slightly below 2019. We have guaranteed that the core donors do not subsidize costs related to programs we implement with other funders through full cost-recovery models.

IDH OVERALL PUBLIC TO PRIVATE CONTRIBUTION RATIO



IDH COMMODITY PROGRAMS PUBLIC TO PRIVATE RATIO



In accordance with the grant from the Ministry of Foreign Affairs, IDH has not created a provision for continuity. To flag the related risk, IDH reports to the Ministry of Foreign Affairs on an annual basis its liabilities regarding personnel and short-term liabilities when ending the grant. This should safeguard future liabilities that might result from IDH not being allowed to form equity. Consequently, solvency is not a relevant financial KPI for IDH. Based on contracts with institutional donors, cash flow is secured and aligned with expenditures. Total donor funding unspent yet secured is over €240 million. At year-end 2020, the current ratio (currents assets: short-term liabilities excluding appropriated funds) was 3.9 (2019: 4.0). After the consolidation of the Stichting Life and Building Safety Initiative, IDH Investment Management BV and IDH Farmfit Fund BV, the consolidated result in 2020 was -/- €1,956,000 (2019: -/- €464,000).

The negative result of the IDH Farmfit Fund ("Fund") consists of formation expenditures for the establishment of the Fund and the operational expenditures in 2020. The formation and operational expenditures in 2020 are not yet covered by income generated through the investments that the Fund will make. The cash flow required for the Fund's expenditures, not yet covered by income generated from the investments, is covered through the facility agreements the Fund has with its corporate investors and the redeemable grant ruling issued by the Dutch Ministry of Foreign Affairs. The result of IDH (before share in profit/loss of participations) itself was nil, as in 2019, due to the fact that income is matched with expenditures during the year. As in previous year for 2020, the auditor has expressed an unqualified audit opinion on the 2020 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. IDH risk management is currently performed at corporate, project and partner level. In 2020 we have further improved our risk framework and organized risk sessions to identify risks at business-unit level. Risk analysis and planned mitigation measures are continuously updated based on ongoing new insights, testing of these measures, or materialization of specific risks. It goes without saying that risks related to COVID-19 play an imminent role in the risks foreseen.

Anticipated risks	Probability	Impact	Occurrence in 2020	Mitigating actions undertaken
PREVENTABLE				
The continuous growth and decentralization of IDH may lead to inefficiency and non-compliance with procedures and legal/donor requirements, damaging our reputation.	Medium	High	No	IDH's grow stabilized in 2020. To ensure that our systems are suitable for the size of the organization, IDH worked on: improving the main contracting procedure; starting to improve IT systems; developing an intranet to improve internal communications; and developing a learning management system. Quarterly training sessions on key legal topics and procedures were organized, ensuring that procedures and donor requirements were met.
IDH is not allowed to build a continuity reserve from its current institutional funding. Continuity for IDH to carry out its mission and vision for 2030 is at risk if institutional donors do not continue their funding after 2020.	Medium	High	No	IDH minimized financial commitments relating to current institutional funding beyond 2020 and, where possible, retained the right to terminate financial commitments if institutional funding materially changes or is terminated. Over 240 million of funding secured.
Financial risk on staff and rent expenditures (program-related commitments include a clause to retain the right to terminate financial commitment if institutional funding materially changes or is terminated).				
The need to secure funds beyond 2020 to enable IDH to carry out its mission and vision for 2030 may result in unfocused fundraising that burdens the organization and blurs its value proposition.	Medium	Medium	No	IDH only invested time in fundraising efforts that were of strategic importance for the organization. This focused approach prevented a lot of time being invested in opportunities that would not add value for IDH. In addition, the conversations with core donors and the development of the Multi-Year Plan were coordinated by a small group of employees, only involving others when required for specific input, ensuring that sufficient time could be dedicated to delivery of our 2016-2020 strategy.

Anticipated risks	Probability	Impact	Occurrence in 2020	Mitigating actions undertaken
Labor market not in our favor, making IDH unable to attract competent staff in relevant fields (finance, data, senior management), leading to IDH being unable to deliver sufficiently and in compliance with donors.	High	Medium	No	<p>IDH continued the assignment of a recruiter to further improve and strengthen the recruitment process. Recruitment processes were outsourced where we were unable to recruit qualified staff for senior positions ourselves.</p> <p>Work to prevent staff turnover continued (making IDH a great place to work), based on input from an employee survey.</p>
Lack of integration of the Farmfit Program with other sustainability solutions (especially when working with other donors).	Low	Low	No	<p>The Global Director of Farmfit Business Support and the CEO of IDH Investment Management B.V. (managing the Farmfit Fund) are part of IDH's Management Team, to ensure alignment at management level.</p> <p>Furthermore, an aligned way of working (procedures/structures applied in a similar manner) is ensured through support staff working for the Farmfit team and other business units.</p> <p>Clear internal communication and alignment through governance structures and alignment of policies (as far as possible).</p>
STRATEGIC				
Cyber security breach through criminals penetrating IDH data, financial and management systems leads to liability in terms of (confidential) data protection and/or financial losses. Financial risk on all expenditures.	Medium	High	No	<p>Safeguard measures (hard and soft controls) are implemented to minimize the risk of access through phishing; IT architecture is outsourced to reputable companies, ensuring up-to-date IT systems; regular external IT audits are organized; and cyber security awareness is promoted through staff training.</p>
Output targets have been achieved but this did not lead to the expected impact by the end of the reporting year.	Medium	Medium	No	<p>IDH used the lessons learned from the mid-term evaluation and invested in program-level impact evaluations to provide evidence for impact.</p>
IDH's role as technical assistance facility leads to reputational risk and conflict of interest with impact investment funds where IDH plays role of technical assistance provider.	Medium	Medium	No	<p>IDH and the Farmfit Fund implemented conflict of interest policies, and specific measures were implemented through a cooperation agreement between both parties.</p>

Anticipated risks	Probability	Impact	Occurrence in 2020	Mitigating actions undertaken
EXTERNAL				
Sudden undesirable political decisions, changes in legislation and unreliable governments in the countries in which IDH operates require IDH's approach to be revised, affecting our ability to deliver on the targets set.	Medium	High	Yes	<p>The main unforeseen circumstance in 2020 was the COVID-19 pandemic, which led to our adopting new ways of working.</p> <p>An assessment was made of which activities could be conducted and how the situation affected projects in each country. Projects and timelines were adjusted in consultation with partners to facilitate the situation locally.</p> <p>Lockdowns and travel restrictions affected IDH's ability to deliver on targets, but steps were taken to keep projects going and minimize impact.</p>
The volatility of commodity market prices and sudden inflation or deflation may affect IDH's approach or cause our business partners to be unable to participate, resulting in the need to revise our intervention or targets.	Medium	Medium	Yes	<p>We focused on keeping companies engaged in sustainability, despite market price changes, by showing the business case and focusing on the fact that loyalty, quality and efficiency increase through interventions.</p> <p>At farmer level, IDH worked to diversify incomes, making farmers less vulnerable to volatility in commodity market prices.</p>

Outlook 2021

With 2020 behind us, we look forward to **2021 as a fresh start**, while acknowledging the substantial setbacks 2020 caused in terms of fighting poverty, food insecurity, loss of jobs, domestic violence, and deforestation – to mention just a few. With IDH's mandate and financial continuity secured, we will be able to focus on the heart of our mission: change in business practices, sector governance and field-level impact on **better jobs, better incomes, and a better environment, with a gender transformative approach embedded in all our work.**

We are also opening a new chapter of IDH's history: 2021 is the first year of our 2021-2025 Multi-Year Plan. We will increasingly engage with businesses, banks, experts, governments, civil society, and donors to analyze, improve, build, and scale up sustainable business solutions that deliver impact on the SDGs and Paris agreement. There is no time to lose: if we want to reach these targets, it will not be enough to continue what has been done. We need to accelerate, scale up and re-design systems to address barriers and find new forms of collaboration. **We need to re-imagine how business, investment, governance and trade is conducted.**

Current silos between the public- and private-sector mandates are still hampering the creation of transformative partnerships. We need those partnerships for the delivery of globally and locally set ambitious targets, large-scale investments, and changes in business and government policies. Our role will be focused ever more on driving **systemic change in sector governance, business practices, and field-level sustainability.**

The one cannot do without the other, and the social and environmental pillars of sustainability need to meet, merge, and strengthen one another. To that end, 2021 is a year that holds promise with key partners lining up to invest, important international conferences on food, climate and biodiversity, and **IDH fully motivated and mandated** to play its role as change agent to its full capacity.



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 on an aggregated level. The auditor's report at the end of this section ensures consistency with IDH's annual accounts. IDH's annual accounts are available on request. Both the annual accounts and 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 therefore is not a substitute for reading the audited financial statements of Stichting IDH Sustainable Trade Initiative.

The following table indicates the key financial figures over 2020 and 2019.

Amounts in millions of Euros	Actual 2020	Actual 2019
Program Contributions:		
Private partners - via IDH	1.72	1.73
Private partners - directly to project	49.13	44.43
Total private partners	50.86	46.16
Other donors - via IDH	0.16	0.19
Other donors - directly to project	7.96	5.44
Total other donors	8.13	5.63
IDH	33.42	28.60
Total Program Contributions	92.40	80.39
Expenditures:		
IDH Program Contributions	33.42	28.60
IDH contribution on behalf of private partners	1.72	1.73
IDH contribution on behalf of other donors	0.16	0.19
Total IDH Program Contributions	35.30	30.52
Learning, Innovation and Impact	2.52	1.66
Support and outreach	0.80	0.93
Total Program Related Costs	3.32	2.59
Congress and communication	0.40	0.36
Personnel	5.85	4.37
Organization	2.34	1.56
Total IDH organizational expenditures	8.59	6.29
Financial income & expenses and taxes	0.21	-0.02
Total Fin income/expenses	0.21	-0.02
Total IDH Expenditures (incl. contributions via IDH)	47.42	39.37
Total incl. Partner Contributions	104.5	89.2
Ratio program contributions IDH: private	1:1.5	1:1.6
Percentage IDH organizational Expenditures: Total IDH	18.1%	16.0%
Percentage IDH organizational Expenditures: Total incl. Partner contributions	8.2%	7.0%

Consolidated balance sheet

As at December 31, 2020 (after appropriation of result).

	December 31, 2020		December 31, 2019	
	€	€	€	€
ASSETS:				
<i>Intangible Fixed Assets</i>		84,329		54,744
<i>Tangible Fixed Assets</i>		86,144		116,172
<i>Current Assets</i>		38,716,268		36,562,336
Accounts receivable	856,043		821,220	
Deferred program contributions	4,189,695		4,531,061	
Other receivables and prepaid expenses	2,379,301		2,738,571	
Cash at bank	31,291,229		28,471,484	
TOTAL ASSETS		38,886,741		36,733,253
LIABILITIES & EQUITY:				
Equity		-2,281,354		-324,918
Other Reserve LABS	225,902		126,088	
Other Reserve IDH Investment Management BV	346,305		109,261	
Other Reserve IDH Farmit Fund BV	-2,853,561		-560,267	
Other Reserve Farmfit Guarantee Facility BV	-		-	
Other Reserve IDH	-		-	
<i>Long-term liabilities</i>		5,427,208		5,027,700
Profit sharing loan	869,450		500,000	
Redeemable grant	4,527,700		4,527,700	
Provisions	30,058		-	
<i>Short-term liabilities</i>				
Appropriated funds		25,846,565		22,942,792
Institutional funding	12,262,000		10,349,082	
Earmarked funds	13,584,565		12,593,710	
Trade and other payables		9,894,322		9,087,678
Accounts payable	2,918,823		3,601,697	
Accrued expenses	179,442		190,447	
Program commitments	4,882,137		3,664,022	
Program payables	333,686		365,980	
Other liabilities	1,580,234		1,265,533	
TOTAL LIABILITIES & EQUITY		38,886,741		36,733,253

Consolidated statement of income and expenditure

	Actuals 2020	Budget 2020	Actuals 2019
	€	€	€
INCOME:			
Subsidies from governments	41,153,006	43,810,876	35,110,700
Other income	4,313,138	5,967,585	3,798,586
<i>Total income</i>	<i>45,466,144</i>	<i>49,778,461</i>	<i>38,909,286</i>
EXPENDITURES:			
Program Contributions	35,300,314	39,897,371	30,517,662
Learning and Innovation	2,181,735	2,307,050	1,366,242
Impact assessments and evaluations	337,745	302,000	294,001
Programs - travel and other program costs	167,984	604,000	542,188
Programs - country offices	610,901	650,000	356,134
Outreach - external advisory	22,607	25,000	30,463
<i>Total program expenditures</i>	<i>38,621,286</i>	<i>43,785,421</i>	<i>33,106,692</i>
Program communication costs	27,655	20,000	13,539
Corporate communication costs	371,004	398,150	342,063
Wages and salaries	6,780,053	7,767,000	5,300,385
Social security charges	1,072,752	910,000	757,673
Pension contribution (defined contribution)	506,689	520,000	398,827
Other personnel costs	1,426,804	775,000	960,598
Attribution of personnel costs to programs	-3,938,506	-4,330,000	-3,046,833
Office costs (housing and IT)	974,422	905,000	889,496
Other organizational costs	1,366,559	1,629,100	674,683
<i>Total organizational expenditures</i>	<i>8,587,432</i>	<i>8,594,250</i>	<i>6,290,431</i>
<i>Operating result</i>	<i>-1,742,574</i>	<i>-2,601,211</i>	<i>-487,837</i>
Interest income	-34,877	-	1,932
Foreign exchange result	-84,797	-	78,303
Bank charges	-37,159	-25,000	-31,171
Result before taxation	-1,899,407	-2,626,211	-438,772
Corporate Income Tax IDH Investment Management BV	-57,029	-	-25,629
Result after taxation	-1,956,436	-2,626,211	-464,402
Appropriation of funds			
Transferred to/from			
Other Reserve LABS	99,814	18,589	-13,396
Other Reserve IDH Investment Management BV	237,044	-106,500	109,261
Other Reserve IDH Farmit Fund BV	-2,293,294	-2,538,300	-560,267
Result	-1,956,436	-2,626,211	-464,402

Program contributions 2020

Sector	2020				2020
	Total	IDH	Private managed by IDH	Other managed by IDH	Annual plan
Apparel	1,362,582	585,157	681,268	96,156	2,365,185
Aquaculture	1,854,108	1,682,262	171,846	-	2,200,000
Cocoa	3,579,768	3,503,817	27,676	48,275	4,034,974
Coffee	2,059,919	2,059,919	-	-	2,607,133
Cotton	3,418,625	3,418,625	-	-	3,375,600
Farmfit	1,889,875	1,889,875	-	-	4,770,901
Fresh & Ingredients *	3,934,739	3,696,617	238,122	-	3,830,924
Grow Africa (Cassava)	667,640	650,665	-	16,975	1,000,000
Landscapes	12,483,766	12,106,384	377,382	-	10,726,843
Innovative Finance	104,253	104,253	-	-	465,706
Palm Oil	399,488	399,488	-	-	522,500
Soy	914,996	914,996	-	-	640,665
Tea	2,113,276	1,915,984	197,292	-	2,700,000
Tropical Timber	517,278	487,878	29,400	-	656,941
Total programs	35,300,314	33,415,922	1,722,986	161,406	39,897,371

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

Program contributions 2008 - 2020

2008 - 2020										
Sector	Total	IDH institutional donors	IDH program donors	IDH total	Private institutional donors	Private program donors	Private total	Other institutional donors	Other program donors	Other total
Apparel	13,661,580	3,156,932	-	3,156,932	8,304,514	-	8,304,514	2,200,134	-	2,200,134
Aquaculture	37,667,713	9,607,196	-	9,607,196	25,398,722	-	25,398,722	2,661,795	-	2,661,795
Cocoa	118,306,456	28,072,702	2,211,830	30,284,532	71,807,986	2,251,136	74,059,122	13,820,954	141,849	13,962,803
Coffee	74,753,125	22,341,594	309,808	22,651,402	49,190,143	-	49,190,143	2,911,580	-	2,911,580
Cotton	128,319,492	27,769,600	724,692	28,494,292	88,119,453	308,173	88,427,626	11,397,574	-	11,397,574
Electronics	13,825,947	2,036,411	-	2,036,411	11,789,535	-	11,789,535	-	-	-
Farmfit	5,351,129	-	5,140,443	5,140,443	-	210,686	210,686	-	-	-
Fresh & Ingredients	48,785,532	17,719,455	2,340,717	20,060,172	26,329,302	363,570	26,692,872	2,032,487	-	2,032,487
Grow Africa (Cassava)	4,135,557	2,551,525	1,098,455	3,649,980	36,397	397,053	433,450	33,025	19,102	52,127
Landscapes	73,425,033	6,102,438	38,000,746	44,103,184	5,640,816	14,621,239	20,262,055	338,715	8,721,079	9,059,794
Innovative Finance	1,479,997	1,239,728	-	1,239,728	48,370	-	48,370	191,899	-	191,899
Mining & Minerals	903,979	422,532	-	422,532	481,447	-	481,447	-	-	-
Natural Stone	1,528,379	762,354	-	762,354	591,714	-	591,714	174,311	-	174,311
Palm Oil	14,329,750	3,951,463	-	3,951,463	10,364,041	-	10,364,041	14,246	-	14,246
Pulp & Paper	882,573	790,030	-	790,030	46,961	-	46,961	45,582	-	45,582
Soy	41,209,201	12,882,114	-	12,882,114	27,968,008	-	27,968,008	359,078	-	359,078
Tea	52,584,533	18,453,588	86,990	18,540,578	30,543,695	197,292	30,740,987	3,302,968	-	3,302,968
Tourism	2,524,083	794,720	-	794,720	1,560,023	-	1,560,023	169,340	-	169,340
Tropical Timber	32,875,215	13,479,313	-	13,479,313	14,265,169	-	14,265,169	5,130,733	-	5,130,733
Sub-total programs	666,549,273	172,133,696	49,913,681	222,047,377	372,486,298	18,349,149	390,835,447	44,784,420	8,882,030	53,666,450
Learning	13,294,492	12,346,357	-	12,346,357	199,148	-	199,148	748,987	-	748,987
Comms. & congress	5,429,748	4,264,253	-	4,264,253	1,072,382	-	1,072,382	93,113	-	93,113
Total	685,273,514	188,744,306	49,913,681	238,657,987	373,757,828	18,349,149	392,106,977	45,626,521	8,882,030	54,508,550

Accounting Principles

General

Principal activities

IDH – the Sustainable Trade Initiative (CC reg. 53521129), is a foundation under Dutch law, and has its legal address at Arthur van Schendelstraat 500 in Utrecht, the Netherlands. The organization is primarily involved in promotion of sustainability within the main international trade chains. It wishes to reinforce public-private consortiums that operate in those international trade chains in order to achieve high impact and value creation (from an economic, social and ecological perspective) in developing countries and emerging markets.

Financial reporting period

The financial year coincides with the calendar year.

Basis of preparation

These financial statements have been prepared in accordance with the guidelines for annual reporting 640 ‘Not for-profit organizations’ of the Dutch Accounting Standards Board and in accordance with relevant laws and regulations as stipulated in the audit protocol of the Dutch Ministry of Foreign Affairs. These guidelines are endorsed by the core donors of IDH. The accounting policies applied are based on the historical cost convention.

IDH has chosen a categorical classification of the statement of income and expenditure. The organizational costs include the congress and communication costs, the personnel costs and the organizational costs. In the notes to the statement of income and expenditure a further breakdown of these cost categories is included.

For the 2020 valuation of the redeemable grant and the profit-sharing loan of the consolidated company IDH Farmfit Fund B.V., IDH deviates from the Dutch Accounting Standards. For further explanation of this deviation see notes 8 and 9 of the consolidated statements.

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

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

Going concern

These financial statements have been prepared on a going concern basis. 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 2020, IDH reinforced the strategic partnership with SECO by working on stronger in-country collaboration, which will result in contracting a 4-year partnership agreement with SECO in 2021. 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 basis its liabilities regarding personnel and short-term liabilities when ending the grant.

Consolidation

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

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

Intercompany transactions, profits and balances among consolidated entities are eliminated, unless these results are 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. New consolidated companies in 2020 include IDH Sustainable Trade Initiative Kenya, IDH Brazil Sustainable Trade Initiative, and IDH Sustainable Trade Initiative Tanzania.

- **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 Kenya Limited by Guarantee (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 members of which one is an IDH NL employee. All directors are appointed through the general meeting in which IDH NL is the sole founding member.

- **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 (100%)**

IDH Tanzania Limited is a Company Limited by Guarantee. In 2021, the Company Limited by Guarantee is in the process of being dissolved and IDH registered in Tanzania as an I-NGO.

The objective of this entity is to promote, coordinate, and accelerate sustainability within agricultural value chains, and stimulate and coordinate programs aimed at promoting sustainable agricultural value chains.

Stichting IDH Sustainable Trade Initiative is one of the five members of the Company Limited by Guarantee. Two other members are related to Stichting IDH Sustainable Trade Initiative, which result in majority control, and the latter two are independent members. These five members together form the General Meeting. The board of IDH Tanzania Limited consists of three directors, which are all appointed by the General Meeting.

IDH Sustainable Trade Initiative Tanzania is registered with the Registrar of Companies under number 141498371.

- **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;
- Incorporate, manage, supervise, and participate or take any other financial interest in (other) legal entities, partnerships and/or enterprises;
- 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:

- to provide financing in the form of, predominantly, junior loans and guarantees to eligible parties in smallholder farming, related services, and the financial 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.

The IDH Farmfit Fund B.V. derives its funding from the Dutch Ministry of Foreign Affairs as well as the 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 Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) List of Official Development Assistance (ODA) Recipients;
- Incorporate, supervise, conduct the management in (other) legal entities, partnerships and/or enterprises;
- Render administrative, technical, financial, economic or managerial service to (other) legal entities, partnership, persons and/or enterprises;
- 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 in 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 in 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 underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

Transactions in foreign currencies

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

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

Financial instruments

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

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.

Derivatives

IDH does not hold any derivatives.

Impairment of financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

An impairment loss in respect of a financial asset stated at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in the statement of income and expenditure and reflected in an allowance account against loans and receivables.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through the statement of income and expenditure (up to the amount of the original cost).

Intangible fixed assets

Development costs

Expenditure on development projects is 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 three years. Amortization takes place on a straight-line basis.

The costs of research are charged to the result in the period during which they are incurred.

Impairment

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

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

Receivables

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

Equity

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

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

Profit sharing loan

IDH Farmfit Fund B.V. has attracted and will attract some additional corporate investors in the near future that either have made a commitment or are requested to make 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 2020.

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'.

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. Due to the short-term nature of the financial instruments included in these financial statements, the estimated fair value for these financial instruments approximates the book value. This also applies to the long-term loans payable, as terms and conditions are variable.

Contingent liability

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

Revenue recognition

Government grants

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

Other income

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

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 cumulatively and over the entire grant period. IDH's convening role in bringing together supply chain partners is one of its core activities and it is therefore key to report on this not only to its donors but also to the public.

Program expenditures

Program expenditures

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

- The contracts include the provision that the parties (including IDH) reserve the right to terminate the agreement and/or the project with immediate effect and without the risk of incurring liability for damages or compensation, in the event that 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 cease 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 corporate income tax.

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.

For IDH Farmfit Fund B.V., the cumulative losses can be offset against positive taxable results in the next six fiscal years. IDH Farmfit Fund B.V. was established in 2019, and 2020 is the first year of its operations. IDH Farmfit Fund B.V. aims to break even. Investments in the coming years will generate profit that makes up for the cumulative losses made in the first years of operation. It is not possible for the management to reliably estimate the positive taxable results for the coming years that will offset the current tax losses. Therefore, no deferred tax asset has been recognized in the balance sheet as of December 31, 2020.

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

Determination of fair value

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

Subsequent events

With the outbreak of COVID-19 in 2020 and preventive measures taken by governments, there is still high economic uncertainty in the short term, and most likely in the long term as well. For IDH, the main risks relate to delays in our field work, as our implementing partners can currently not implement all activities due to travel restrictions. Another risk is that some of our partners may be focusing on maintaining their business, instead of continuing their sustainability efforts.

On the funding/income side, the main risk is that some of our donors may amend their funding to IDH. Our current contract/grant with BUZA was extended in 2020 until 2030. In 2020, IDH reinforced the strategic partnership with SECO by working on stronger in-country collaboration, which will result in contracting a four year partnership agreement with SECO in 2021. IDH received bridge funding from DANIDA for one 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. We are positive about the future and IDH's continuity at this stage and have mitigation actions underway to minimize the disruption for our organization.

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 into force with which IDH is fully compliant, including the transitional regulation of the WNT that was applicable until January 1, 2017. Based on these criteria, the table below shows the remuneration of the employees who qualify, in accordance with the WNT, as senior executives:

Name	H.J.M. Oorthuizen	C. Bouquet	D. Wensing	S. Collet
Position	Chair of the Executive Board	Member of the Executive Board	Chair 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 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	€ -

Details 2019

Period	1 Jan - 31 Dec 2019	19 Aug - 31 Dec 2019		1 Jan - 18 Aug 2019
Remuneration and allowances	€ 143,285	€ 49,629	€ -	€ 83,714
Future benefits	€ 16,158	€ 4,179	€ -	€ 7,520
Total remuneration 2019	€ 159,443	€ 53,808	€ -	€ 91,234
Maximum allowable WNT	€ 171,950	€ 67,875	€ -	€ 120,667

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 A.H.J. Veneman	Chair	September 7, 2011	May 5, 2020
Mr M. Batato	Chair	May 20, 2020	
Mr B. Marttin	Member	May 16, 2012	May 5, 2020
Ms K.D. Schuijt	Member	February 23, 2017	
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.

Ancillary positions

Executive Board

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

- 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

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

Mr. H.J.M. Oorthuizen (appointed as Chair of the Executive Board on September 7, 2011 until October 19, 2020)

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

*Mr. H.J.M. Oorthuizen resigned as Chair of the Executive Board per October 19, 2020. He also cancelled the marked ancillary positions by that date.

Supervisory Board

Mr. A.H.J. Veneman (appointed as Chair of the Supervisory Board on September 7, 2011 until May 5, 2020)

- Member of Dutch Supervisory Board Slum Dwellers International/Human Cities Coalition
- Member of Committee on development and cooperation of the Advisory Council on International Affairs of Dutch Ministry of Foreign Affairs
- Member of the Supervisory Board Stichting SPARK

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

- Trustee of The Partnering Initiative

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

- None

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

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

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

Mr. B.J. Marttin (appointed as a member of the Supervisory Board on May 16, 2021 until May 5, 2020)

- Member of the Managing Board of Rabobank
- Chairman of the Shareholders Council of Rabobank Partnerships
- Chairman of the Supervisory Board of De Lage Landen International BV
- Member of the Internationaal Strategisch Overleg
- Member of the Board of Trustees of Hanns R. Neumann Stiftung
- Member of the Supervisory Board of ARISE BV
- Vice-chairman of the Board of Directors American Chamber of Commerce
- President of the European Association of the Co-operative Banks (EACB)

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

- Public Sector Industry leader, partner audit, PwC Netherlands
- Chair of the Supervisory Board of PwC EEIG EESV Brussels

Ms. C.M. Konst (appointed as a member of the Supervisory Board and audit committee on May 20, 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 May 20, 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 of the &Green Fund
- Advisory Board Member SCM World (Gartner)

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

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

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

- Senior Advisor to the German Minister for Economic Cooperation during the German Presidency of the EU

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:

- Prof. Dr. P. Knorringa (Chair of the impact committee) – Professor of Private Sector & Development, International Institute of Social Studies (ISS), Erasmus University Rotterdam
- Mr. J. Vis – Global Director Sustainable Sourcing Development, Unilever
- Mr. I. Gavilan
- Ms. K.D. Schuijt
- Mr. K.D. Rudischhauser
- Ms. A. Rossi

The nomination and remuneration committee:

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

REPORT OF THE INDEPENDENT AUDITOR

To: the Supervisory Board of Stichting IDH Sustainable Trade Initiative

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL ACCOUNTS

OUR OPINION

We have audited the financial statements 2020 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, 2020 and of its result for 2020 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, 2020;
2. the consolidated and foundation statement of income and expenditure 2020;
3. the accounting principles;
4. the explanatory notes to the consolidated and foundation financial statements 2020;
5. annex – Consolidation sheet as at December 31, 2020;
6. annex – Consolidation sheet of the statement of income and expenditure 2020;
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 2020 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 contains 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:

- 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 based 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 we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Amsterdam, May 27, 2021

MAZARS N.V.

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

