



the sustainable trade initiative

Leveraging investments
creating impact

Annual report
2011

Report of the Executive Board

Due to the excellent collaboration with our key private and public partners, 2011 was a very successful and productive year for IDH. It was our first year of implementation of the five-year Action Plan for Sustainable Production and Trade which has been financially supported by Minister mr. Knapen, the Dutch Minister for European Affairs and International Cooperation.

Since our start in mid 2008, we have come a long way. What started off as a small PPP facility, is now increasingly recognized as an agile, resourceful and knowledgeable actor in the field of global sustainable production and trade, and seen as an example of modern, business-like international public-private cooperation and impact investing in the field of economic empowerment of the world's poor and in ecological sustainability.

At the core of our business are our sector programs for globally traded commodities. Our current portfolio comprises 16 commodity programs: 12 from the agro sector and 4 non-agro sector programs. We are now operating in over 50 countries, and are involving more than 200 internationally operating businesses, 35 civil society actors and many government agencies from both the developed and emerging economies.

We aim high. IDH does not engage in isolated 'classical' CSR- type projects but takes sector-wide impactful approaches. We aim for - what we call - market transformation that creates commercial solutions for public goods. By leveraging the combined powers of front-running multinational companies and SMEs, international foundations and civil society organizations and the Western and local governments, we believe that we are contributing to lasting change to some of the core sustainability problems on this planet. By integrating sustainability solutions into the rules of the marketplace with committed support of front running multinationals, things can change at a larger scale. This entails stimulating large, global market demand for sustainably produced products, as well as huge efforts to create such demand-driven supply through strong local private sector development. Our programs aim for such matches between demand and supply.

Our theory of change is based on willingness. We believe that there is sufficiently strong commercial and public interest in the world to allow for committed coalitions of strong public and private players to drive change for the better. In many industry sectors, sustainability is no longer about Corporate Social Responsibility and green washing. Sustainability is rapidly becoming a core interest in shared value creation by both multinational and SME companies.

Nevertheless, it has also become clear that these innovations do not always arise spontaneously. We still need other approaches such as watchdog fact-finding and aggressive campaigning of radical NGOs, authoritative reports of global institutions and government investments to incentivize and upscale sustainability solutions and regulation to put an end to market players that do not wish to follow. Driven by the challenges and needs to get the job done in specific sectors, IDH builds the most appropriate alliances and we feel that this has become an approach that deserves further up-scaling.

We have tested how the perception of our relevance develops through a third-party organized assessment of our attribution to the commodity programs, based on interviews of our program partners. It is reassuring to report that our stakeholders give us an overall score of 3.2 on a scale of 1 to 4. The report states that "IDH is very much appreciated. Its ability to bring relevant stakeholders to the table, its focus on tangible success in mainstreaming markets, and its match funding facilities are applauded. The notion that a sector initiative would not have

started, or would not have progressed as much without IDH, is expressed often.” After three years of operation, we can conclude that the IDH initiative is appreciated for various attributes. First, our effective convening powers. Competing companies need to cooperate for market transformation, but obviously find this difficult. IDH has managed to create a recognized neutral and safe platform for them to experiment with this (pre-competitive) collaboration. The same is true for the cooperation between companies and NGOs. Although the gap is closing, there still is and probably will remain a healthy tension between the two different species. And effective cooperation between governments and business and/or NGOs is clearly also not easy. Our neutrality, our agility and our strong mandate from government and civil society is therefore crucial to bringing parties together and aligning them around effective and ambitious programs.

Second, we have become a very knowledgeable actor. As we are involved in multiple commodities and transformative programs, the IDH team brings a lot of know-how to the table on best practices on complicated matters such as standards, traceability, roundtables and effective public-private cooperation.

Third, our investment capacity. The fact that we can match and spur private sector investments creates great leveraging power to unleashing private sector investments into promising but risky projects. Likewise, our budget for consultancy and learning is highly appreciated as it allows for effective reflection, identifying inefficiencies and disseminating best practices.

Finally, our managerial capacities to contract, monitor and if necessary correct implementing agencies helps to drive performance improvements of large, complex programs.

Results

We are obviously far too small to bring about such change on our own, however the committed coalitions of our commodity programs are coming a long way. It is too early to assess true impact through 3rd party impact studies. But here are some of the key results of our programs in 2011.

In the **cocoa program** we have trained and certified nearly 100,000 farmers; the number of private partners in the program almost doubled, and the volumes of sustainably produced cocoa exceeded our initial goals by almost 40%. On top, we managed to embed the program in local African government structures making the transformation in the sector itself more sustainable.

In **tea** we have built a program in India to help transform the domestic tea market and we are designing programs in three East African countries with multiple leading tea packers. In China we and our tea program partners have played a critical role in the development of ‘Sustainability Guidelines for Tea’ which has been included in China’s ‘12th Five Year Plan’ (2011-2015).

In our **cotton** program the first estimates in Mali and Pakistan indicate that the farmers participating in the Better Cotton program had a 20% higher profit/ha than control farmers in 2011. In India the average profitability of Better Cotton farmers is 40% to even 64% higher than control farmers, creating better incomes for cotton farmers.

To help increase the supply of certified responsible **soy** in Brazil and Argentina, the ‘Soy Fast Track Fund’ was built, an implementation and co-financing instrument. At the market end, IDH aligned with its NGO partners, the Dutch soy sector in a full chain transition plan towards 100% responsible soy sourcing in 2015 (1.8 million metric tons per year).

In December 2011, the Dutch retail publically committed to source 100% of ASC certified **aqua-culture** by 2016. At the same time, IDH built in Vietnam together with traders, and supported by WWF and the Vietnamese governments, the 'ASC Accelerator' that will help pangasius farmers to comply faster with the ASC standard for responsible pangasius production.

In 2011 **tropical timber** certification in the Amazon by The Amazon Alternative (TAA) and in Borneo by The Borneo Initiative (TBI) has gained momentum by certifying more than 800,000 ha. The same year, IDH initiated a PWC strategic review of the Tropical Timber program to answer the question: "What should we as a sector do to move to mainstream sustainability?"

In October 2011 IDH kicked off an innovative **electronics** program for sustainable manufacturing at over 100 suppliers in China by 2015 with 3 major electronics brands and influential civil society organizations on board. Through an innovative workers – management dialogue the programs aims to improve working conditions of over 500,000 workers.

In our **coffee** program IDH acted as convening platform for major coffee roasters Nestlé, Kraft Foods, Sara Lee and Tchibo. Together with KNVKT, ECF and GIZ, a long-term, innovative and ambitious up-scaling strategy (from 8 to 25% sustainable green coffee sales) has been developed.

IDH reinforced its **tourism** program in a new consortium with Travelife, CBI, MVO Nederland and the ANVR to reach 15% certified accommodations in 6 destinations by 2015. A pilot training for incoming tour operators in Kenya and Tanzania was organized together with CBI.

In 2011 over 20 importers, 23 processing companies and 16 quarries from China and India participated in the **natural stone** program lead by the WGDN. By the end of 2011 it was decided to partner with the UK quarry group and TFT and merge our activities.

McCormick, Nedspice and Unilever, joined and strengthened the Sustainable **spices** Initiative and Rainforest Alliance was selected to develop an international mainstream sustainability standard, for 7 spices in 4 main producing countries.

In other programs, such as **fruits & vegetables** and **flowers & plants** we worked towards sector wide MoU's for sustainable production and trade. In the case of palm oil, by the end of 2011 we were close to signing a MoU with the Indonesian government on including smallholders in the certification process.

Key insights

As a young organization in a rapidly developing and changing field, we are learning a great deal about what does, and does not work in creating meaningful change in commodity market transformation. Here are some of our key insights of 2011:

Limitations and strengths of certification and standards

This is a debated topic and rightly so. Fortunately, the debate is shifting from what used to be an ideological debate on the best standard to a more meaningful discussion of the limitations and strengths of certification per se. Also addressed now is how certification should be accompanied by other interventions (beyond certification) and solidified by more robust and process-based auditing. Interestingly, government regulation and voluntary market regulations seem to be going hand in hand. Rightfully the business of certification for the producers and the

producing nations is debated and the 'next phase' effectiveness as an instrument for mainstream market transformation. Many of the best practices and necessary innovations are known by now, and IDH will actively help to integrate these insights into practice over the coming years. We will further engage to help prototype innovations of the large terrain that is not yet known.

Beyond certification: input supply and agro-financing

In smallholder commodities such as cocoa and coffee, much emphasis has been given to farmer training and certification. This is very useful, but not enough. Without revitalizing input supply systems and integrating agro-financing into farming systems, farmers will not be able to move out of poverty. This also relates to enabling financial policy frameworks from local governments. We have started to integrate these dimensions into our cocoa program, and they will feature strongly in our coffee program.

Local ownership and government involvement

To a large extent, sustainability programs and voluntary standard systems of the past were driven by companies and Western NGO's. As sustainability demands become more commercial and large-scale, it is clear to us that local private sector players, institutions and governments need to be brought into the game. No donor- or company driven program can take care of boosting small-holder productivity of millions of farmers without serious engagements and investments of local governments. The answer lies in forging effective public-private collaboration and will often entail a form of 'rebuilding' effective government extension services. Our programs are being re-aligned and re-designed to allow for such government engagement. This puts a larger demand on our convening role in the countries of origin, and has strengthened our collaboration with local governments, local embassies and for instance the regional taskforces of the World Economic Forum.

The increasing significance of BRIC countries

The BRIC countries, followed by countries such as Indonesia, Nigeria and Vietnam, are the players of the future. For market transformation it means that focusing on trade between the developing world and Western markets does no longer suffice. African and Latin American farming is rapidly re-orienting itself on booming Asian demand. Brazilian logging mainly serves its own booming cities and middle-classes. This means that sustainability solutions can only become mainstream if BRIC brands and sourcing companies do become part of the committed coalitions. Likewise, the middle-classes of the BRIC countries will need to be served with their demand for sustainably produced products. IDH is entering into this space, for instance through a tea sustainability program for the Indian domestic consumers, and through a partnership with WWF on Chinese –African sourcing.

Financials

Our actual expenditure in 2011 was € 13.4 million (budget: € 17 million), of which € 9.9 million was spent on programs (budget € 12.8 million). This under-spending is caused by some programs emerging slower than expected, partly due to managerial delays and partly due to circumstances beyond our sphere of influence (e.g. civil war in Côte D'Ivoire). In 2011, we have judiciously moved most of our programs from development towards implementation. As a result of this, we have committed 75% of our total match funding budget for 2011-2015. We are therefore confident that in the period from 2012 to 2015 we will compensate for the backlog in spending that occurred in 2011.

IDH aims for a 1:1 match-funding of its 2011-2015 program budget with private sector investments. In 2011, the € 9.9 million total program expenditure was matched by € 6.8 million

audited contributions from private partners, which is a 1:0,7 relationship. Lower private sector contributions than budgeted reflect the complexity of creating separate, project-related and auditable cost-accounting within wider supply chain and farmers support sustainability investments of private companies. It also reflects the anticipated situation that private sector investments will increase over the course of a multi-year project, and IDH funds are primarily invested to kick-start new ways of working. We therefore expect that for the total period of our Match Funding Proposal contributions from private partners will be significantly more than our total core program spending of € 77.5 million.

Program spending of other partners reached € 3.9 million (budgeted € 5.4 million). As a percentage of other public spending versus IDH program spending, the realized ratio is 39% against a budgeted 42%. We trust that other public spending will remain healthy in the years to come.

As a side-effect of participation in our programs, we expect that our private partners will increase their general investments in sustainable supply chains. The predicted leverage by 2015 is that private partners invest five times more in supply chains than our total budget of € 105 million. In 2011, private partners that paid contributions to our programs, reported an aggregate total of € 81 million of additional investments in sustainable supply chains.

Operations and governance

In 2011, we further professionalized our own organization. The main improvements are:

- We changed our name into 'IDH-The sustainable Trade Initiative', to clarify our international role.
- IDH was formally established on September 7, 2011 as its own legal foundation by spin-off from Stichting Kenniscentrum Maatschappelijk Verantwoord Ondernemen, with its own executive board and supervisory board.
- We professionalized our pipeline program assessment and tracking system and improved the quality of our major processes and procedures on things such as HR, CRM and the like.
- We completed our team needed to meet the demands of our programs and mandate.
- As part of our own corporate CSR strategy we have started a voluntary carbon compensation travel scheme for our employees. For those employees who decide to participate, IDH will share the compensation costs.

IDH in 2012 and beyond

In 2012 and beyond IDH will work towards embedding its sector programs within national structures of countries of origin. We also see the need to cooperate more with companies in producing countries. We believe that including local companies and local governments in our programs will increase local support for sustainable production and trade, which will make it more effective and will help to make the sustainable change itself sustainable.

Alignment with European and US governments

IDH wants to align in the coming years more with European and US governments and institutions that are able to support global sustainable production and consumption. We have become an acknowledged global player working with multinational companies both in Europe and other parts of the world that source from numerous countries. Governments can create regulatory frameworks and legal playing fields that support front runners or motivate laggards to transform their supply chains towards sustainability.

Involvement of emerging economies

Major producers of agro commodities: China, Russia, Vietnam, India, Indonesia and Brazil have over the last ten years also developed into major consumers of commodities. China has become the largest importer of soy and the Chinese company Cofco has become the largest food industrialist in the world. India is the largest global producer *and* consumer of tea with Tata as one of the market leaders in tea. While Brazil is a large producer of coffee, sugar, soy and timber those commodities are for a great part processed and traded in the country itself. In order to mainstream sustainable market transformation, these large countries have a vital role to play. We are yet at the very beginning of involving governments and companies from emerging economies in our programs. In tea we are entering the Indian and Chinese tea markets, in soy and cotton we are actively cooperating with the Brazilian government to implement sustainable production. In Vietnam and Indonesia we are involving governmental institutions in the development of our coffee, tea and aquaculture programs. In the coming years IDH will increase its efforts to involve governments in its sector programs.

From grants to loans

To upscale and accelerate our programs we need to move from funds and grants towards soft and commercial loans from banks and other financial institutions. In programs such as cotton and cocoa IDH is prototyping new construction to deliver financial services to smallholders. To embed sustainability in the mainstream economy we will have to connect mainstream economic structures to our value chain approach.

Transparency and accountability

Until the spin-off from Stichting Kenniscentrum Maatschappelijk Verantwoord Ondernemen we adapted the Dutch governance 'Code Wiffels'. We are currently reconsidering the application of a new code that fits our organizational model and strategy and expect to report against it in our annual report 2012. From the perspective of 'good governance' IDH will also further professionalize its risk management system in 2012 and incorporate this in the planning and control cycle.

Thanks

We first would like to thank our staff for their great performance. IDH is a great place to be, first and foremost due to the energy, professionalism and drive of the IDH team. People realize that we have been given a great mandate, which puts high demands on quality, integrity and leadership. As a result, people work extremely hard and at the edges of their abilities and knowledge. We are very proud to be among such a powerful team.

Second, we would like to thank the former IDH council, the present IDH supervisory board members and the public servants and politicians in The Hague and other government capital cities for all their time and energy to keep us sharp and to play their role as ambassadors for this young organization.

Third, we would like to conclude by wholeheartedly thanking our business partners, civil society partners, and government partners for their high levels of energy and commitment of 2011. IDH itself is powerless. The beauty of the IDH concept is that its transformative powers crucially depend on the extent to which governments, multinational companies and international NGOs and unions wish to align with us, each other and our programs. So, in the end it is all about building on trust and collaboration. We are honored that we were given the trust needed to serve well in 2011, and we are looking forward to further improve our services to even better serve our customers and partners, in return for a more sustainable world.



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Program portfolio

Our programs follow a pipeline portfolio model. Analysis of the sector and research on a potential business case are done in the **scoping phase**. The **development phase** prepares programs for implementation. After an implementation plan is written and approved by the Executive Board, the program can start with the **implementation phase** in which the plans are executed. In this phase targets and key performance indicators (KPIs) are set and progress is closely monitored. In this annual report we will show KPI tables and barometers for pillar programs in implementation. Programs that were in still in development and/or were implemented in 2011 do not have tables and barometers yet.

PROGRAMS	PROJECTS	SCOPING	DEVELOPMENT	IMPLEMENTATION
Cocoa	CIP2 - CPQP		2011	Feb 2012
	CIP2 - Enabling Environment		2011	Feb 2012
	CIP I	2009	2009	2009 – June 2012
Tea	TIP	2009	2009	June 2009
	Tea India	2011	Oct 2011	Planned July 2012
	Tea East -Africa (up-scaling)	2011	Oct 2011	Planned July 2012
Cotton	BCFT		End 2009	Feb 2010
Soy	RTRS outreach program	2009	2009	2009
	Soy Fast Track Fund		2010	May 2011
Aquaculture	ASC Accelerator		2011	Jan 2012
	Pangasius SPSP	2009	2010	Jan 2011
	Shrimp	2010	2012	Planned 2012
Timber	Amazon Alternative			2009
	Borneo Initiative			2009
	Congo Basin	March 2010	Sept 2010	Feb 2011
	Linking Europe	Oct 2010	Feb 2011	Jan 2012
Electronics		2009	2010	May 2011
Natural Stone		2009	2009	2009
Tourism		2009	2009	2009
Spices	Sustainable Spices Initiative		May 2010	May 2011
Coffee		2011	May 2011	April 2012
Cashew		2010	March 2010	Planned June 2012
Fruit & Veggies		2010		Planned June 2012
Flowers & Plants		2011	Feb 2012	
Minerals & Metals	Tin	2010	April 2012	
Palm oil		2010	Planned 2012	

Programs in implementation: Pillar Programs

In 2011, IDH used the majority of its resources (finance and staff) for the seven pillar programs in implementation cocoa, tea, cotton, soy, aquaculture, tropical timber and electronics. These commodities have high impact on the global environment. And in these sectors, IDH and its public and private partners expect to realize a great impact through match funding, convening, learning and pushing for results. Electronics and Soy went into implementation in 2011 and do not have KPIs nor full private match funding yet.



Cocoa

Increased livelihoods for at least 300,000 farmers

The sustainability of the cocoa sector is under increasing pressure due to complex economic, social and environmental issues. The increasing demand is not fulfilled by the current trend of production and mainstream sustainable sourcing is crucial at all stages of the supply chain. IDH is providing tools to increase farmer profitability which will support social improvement, environmental preservation and long term profitable cocoa production.

The IDH Cocoa Program brings together over 40% of the worldwide cocoa processing industry and 30% of the chocolate manufacturing businesses. Together they agreed to upscale the cocoa certification model, train farmers to increase cocoa quality and productivity and raise livelihoods of cocoa farmers.

Main sustainability challenges

Increasing farmers' income, transparent cocoa trade, reducing environmental impact of cocoa farming, increasing productivity and quality of cocoa.

Focus countries

Brazil, Cameroon, Côte d'Ivoire, Ecuador, Ghana, Indonesia, Nigeria.

IDH program coalition

Private partners

ADM, Ahold, Armajaro, Barry-Callebaut, BT Cocoa, Cargill, Continaf, Ecom, Ferrero, Friesland-Campina, Kraft Mars, Heinz, Nestlé, Petra Foods (Delfi).

Governments

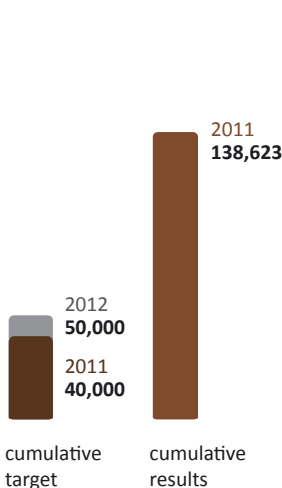
Cameroon, Côte d'Ivoire, Ghana, Indonesia, the Netherlands, Vietnam.

Other partners

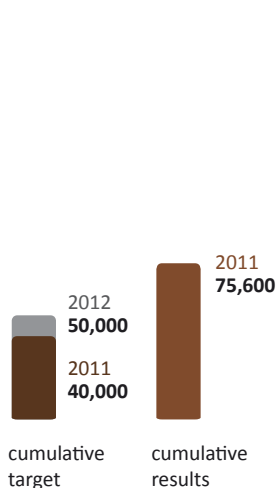
FLO, GIZ, ICCO, Oxfam Novib, Rainforest Alliance, Solidaridad, UNDP, UTZ Certified, WCF, WWF.

PROGRESS 2011 - KEY PERFORMANCE INDICATORS 2009 - 2012

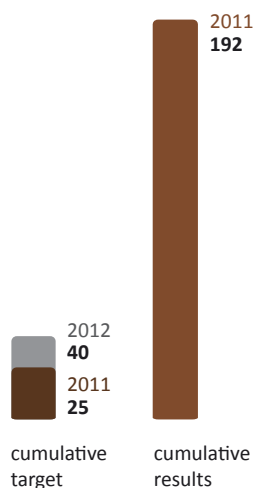
Number of producers in training



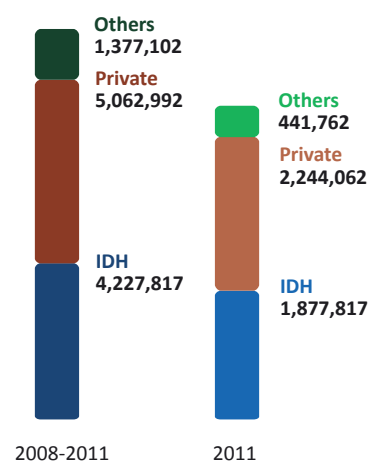
Purchases of certified cocoa (tons)



Number of company partners



Actual Public Private contributions



Achievements

For CIP1, 2011 was the year of mainstreaming activities. We increased certified cocoa production and trainings of producers on improved cocoa production techniques (biodiversity conserving production practices) and certification (UTZ Certified code). Companies picked up the business case for certification reaching mainstream objectives and embedding sustainable sourcing in their procurement strategies. Over 40,000 tons of certified cocoa in 2011 was available for 14 countries.

IDH aligned its objectives to the government strategies in countries of origin by participating in international sustainability efforts in the cocoa supply chain through WCF and UNDP. IDH has set up a PPP to build the Cocoa Sustainability Program (CSP) in Indonesia and a PPP in Vietnam.

In 2011, IDH organized the 1st cocoa fertilizer multi-stakeholder meeting to regroup the cocoa industry,

bringing together mining companies, banks, cooperatives and governments to mainstream input uses and delivery mechanisms for West African cocoa farmers as of 2012.

In collaboration with new private partners, IDH has launched the Cocoa Productivity and Quality Program (CPQP) increasing the outreach to new farmers aiming to increase their productivity from 400 to 1000kg/ha. From 2012 onwards, nine projects in 4 countries will be implemented by 7 partners.

Our key program partners evaluated the attribution of our program as positive, as they scored our overall attribution to the program with a 3.4 on a scale of 1 to 4. Their comment was that the Cocoa program seized the moment and provided the framework, funds, knowledge, and enthusiasm to enhance cocoa sustainability.

Lessons learned

In 2011, IDH led a business case study by KPMG to benchmark the added value of certification for companies and farmers. This study confirms IDH interest in certification and provides insights on how to make it even more meaningful by strengthening focus on productivity enhancement, professionalization of farmers and access to finance. Until now the various programs on sustainable cocoa reached only a 'limited' number of the 3 million cocoa farmers; there is still a need to mainstream certification.

A study on farmer finance models helped conclude that the finance model should focus on enabling services around farmers, rather than on farmers alone. IDH brought together various partners to provide access to fertilizer finance in order to re-establish a large scale fertilizer supply, enabling increased fertilizer use in the coming years.

KPI TABLE COCOA

Key Performance Indicator 2009 – 2012	Overall program target 2009 - 2012	Target for 2011 (Cumulative)	Results in 2011	Cumulative program results in 2011
Number of producers in training (f/m)	50,000	40,000	98,623	138,623
Volume of certified cocoa available (tons)	64,000	50,000	77,410	127,410
Increase in productivity (%)	Address bottlenecks in improving sustainable cocoa production	Maintain 25% increased yield per farmer	8.3	44
Purchases of certified cocoa (tons)	50,000	40,000	35,600	75,600
Number of company partners	25	40	152	192
Number of countries where consumers can buy (UTZ) certified cocoa and chocolate products	15	14	54	68
Quality collaboration with cocoa stakeholders and potential partners	TBD each year	Pilot training & standards (UTZ, The Rainforest Alliance, FLO), rolled out in Ghana, Ivory Coast, and Nigeria. Collaboration with government institutions in Ghana, Indonesia, Ivory Coast and Vietnam.	Relationship with COCOBOD enhanced; Partnership with CRIN Nigeria created; NRG Kakaolestari (Indonesia) formed.	



Tea

22% of tea exports certified in 2013

The IDH Tea Improvement Program (TIP) has been developed together with worldwide tea packers, civil society organizations and certification bodies. Over the years, investments in the tea industry and improvements in farming methods have both been undermined by commoditization, downward pressure on prices and upward pressure on primary production costs. As a result, poor yields and low quality of tea have threatened smallholders' livelihoods.

By contributing to a vibrant, socially just and environmentally sustainable tea economy, the TIP accelerates and catalyzes change in the sector. TIP attributes firsthand experience with an increase of large scale certification trainings and the farmer field school extension model. TIP investigate in solutions for the big Asian domestic markets.

Main sustainability challenges

Improving good agricultural practices of smallholders, reverse deforestation and forest degradation, decrease water usage, better working conditions, build good impact stories on certification, increase farmer net income and better use of agrochemicals.

Focus countries

China, Indonesia, India, Kenya, Malawi, Rwanda, Sri Lanka, Vietnam.

IDH program coalition

Private partners
Ethical Tea Partnership (ETP), KNVKT, Sara Lee, Twinings, Unilever, Kenyan Tea Development Agency (KTDA).

Government partners

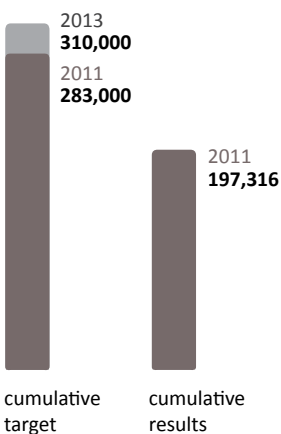
Kenya, China, Indonesia, Vietnam, India.

Other partners

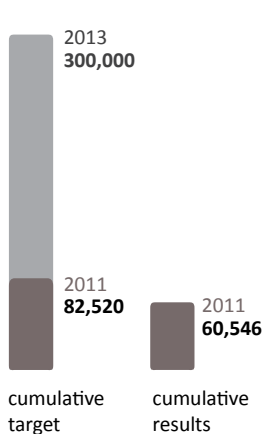
Oxfam Novib, Solidaridad, Rainforest Alliance, UTZ Certified.

PROGRESS 2011 - KEY PERFORMANCE INDICATORS 2009 - 2013

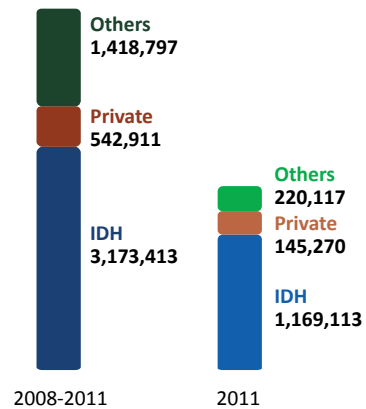
Number of smallholders adopting more sustainable practices and meeting the standards



Increase in volume of quality tea and certified tea from smallholders



Actual Public Private contributions*



*Reporting on private contribution in 2011 for tea was delayed. Due to this we could not include €1.5 M auditable investments.

Achievements

In 2011, the consortium of companies in TIP, certification bodies and other NGOs has greatly contributed to 10% of global production and to 16% of world exports that was produced sustainably. The TIP exceeded targets by training over 350,000 smallholders in sustainable practices. The program achieved Rain-forest Alliance certification of over 110,000 smallholder farms, while more than 20,000 smallholder farms have achieved UTZ certification. In Kenya, the certification roll-out was highly successful due to the strong relation with the Kenyan Tea Development Agency (KTDA) and the combination with their 430 Farmer Field Schools training farmers on good agricultural practices and various tea livelihood related topics. In Indonesia 9,200 farmers produce locally recognized sustainable tea “Lestari” increasing their yields up to 20%.

In addition, IDH in 2011 continued as planned with convening major industry players to scope an ambitious sustainability program targeting the domestic market of India. The program will be further developed in 2012 and aims to bring a further 25% of the

global black tea industry into the next phase of market transformation. In China, our partner Solidaridad played a critical role in the development of Sustainability Guidelines for Tea which have been included in China’s ‘12th Five Year Plan’ (2011-2015).

IDH also supported the development of the wage ladder for the tea industry, gathering objective information about wages in the tea industry with the aim to unlock the wage debate in the tea industry. IDH, Oxfam Novib, Oxfam GB, ETP, Unilever, together with the standard bodies FLO, UTZ and RA are all closely working together in this project.

Our key program partners evaluated the attribution of our program as positive, as they scored our overall attribution to the program with a 3.1 on a scale of 1 to 4. On average, respondents agree with IDH having made a difference in 2011. Both the platform that IDH provided for different stakeholders to cooperate and convene regularly, and the match funding model have accelerated the development of the coalition.

Lessons learned

The key lesson is that trainings on good agricultural practices, diversification on the farm and shorter and better supply chain relations have been crucial to the success of implementation of certification schemes in tea.

Another learning is that there’s a good opportunity to make use of the (group) certification structures to engage with farmers to improve significantly on more

complex issues, such as labor relations, sexual harassment and climate change resilience. Also results are seen to be much more significant if sustainability practices are embedded locally, with local producer organizations in the lead of implementation programs. It is clearly felt that more ownership is needed in producing countries.

KPI TABLE TEA

Key Performance Indicator 2009 – 2013 ¹	Overall program target 2009 - 2013	Target for 2011	Cumulative program results in 2011
Number of smallholders adopting more sustainable practices and meeting the standards (smallholders)	310,000	283,000 (225,000 RFA, 58,000 UTZ)	197,316 certified ² (155,440 RFA; 23,450 UTZ; 9,213 Lestari ³)
Increase in volume of quality tea and certified tea from smallholders (tons)	300,000	82,520	60,546
Companies start procuring certified tea	5 UTZ 2 RFA	5 UTZ 2 RFA	5 UTZ 7 RFA 4 Lestari
Increase volumes of certified tea in new markets China, India, and Indonesia (tons)	19,000	3,000	5,800 (5,700 Indonesia; 100 Vietnam)
Collaboration between standard setting bodies on pre-competitive issues	3 successful collaborations RFA/UTZ	Pilot with RFA, FLO and UTZ in Africa	Joint UTZ/RFA audits in Kenya and Malawi. Joint gender study in Kenya. Joint ETP/RFA/Solidaridad representative recruited in Malawi.

¹ From 2012 onwards the KPI table for the IDH Tea program has been improved according to program developments and will be reported on outcome indicators as the first data will be analyzed mid 2012.

² A total number of 356,273 smallholders and workers have been trained under the IDH Tea program (RFA: 265,106 and UTZ: 72,596 smallholders & 18,571 workers).

³ Lestari: National tea standard in Indonesia, launched in August 2011 under the IDH Tea program.



Cotton

1 million metric tons of Better Cotton in 2015

About 10% of all agricultural chemicals worldwide are processed by the cotton sector. Due to the environmental damage caused and issues of high costs and low incomes, the demand for responsibly produced cotton is growing fast. The Better Cotton Initiative (BCI) is the leading international roundtable to make global cotton production more responsible. Market transformation is its explicit goal.

To support the implementation of BCI, IDH is leading the BC Fast Track Program (BCFTP); a consortium founded by IDH, Rabobank Foundation, ICCO and a group of market leading private and public organizations. The program invests in farmer training projects and initiates the procurement of Better Cotton.

Main sustainability challenges

Reduced water and pesticide use, improve soil quality, improve biodiversity, social and economic conditions, increase farmer net income.

Focus countries

Brazil, China, India, Mali, Mozambique, Pakistan.

IDH program coalition

Private partners

Abishek, ACF, adidas, AFPRO, Arvind Mills, Cotton Connect, IKEA, H&M, Levi Strauss & Co, Marks & Spencers, Rabobank Foundation.

Government partners

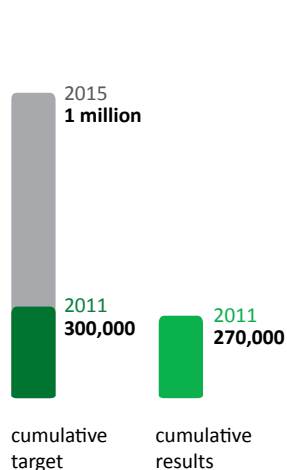
Mozambique.

Other partners

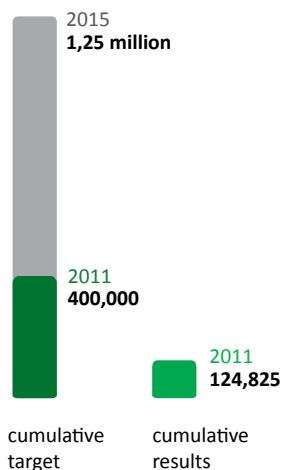
BCI, ICCO, Solidaridad, WWF India, WWF Pakistan.

PROGRESS 2011 - KEY PERFORMANCE INDICATORS 2010 - 2015

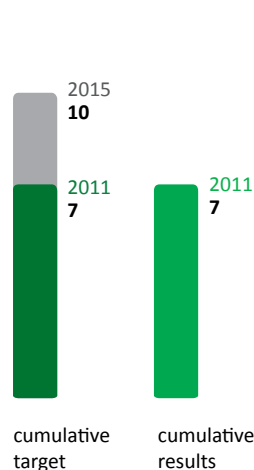
Volume (tons) of Verified Better Cotton licensed



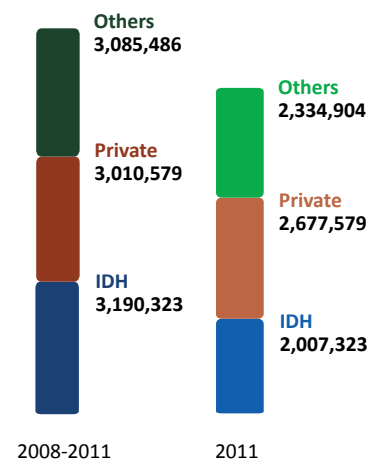
Number of producers in BCFT projects



Number of private partners



Actual Public Private contributions



Achievements

2011 was a very encouraging year for the BCFTP. € 4.5 million was invested in training more than 110,000 farmers in the BCI principles, leading to the production of more than 200,000 tons of Better Cotton lint. The number of farmers trained did not meet the target due to overly optimistic planning. Still, the results achieved in such a short time span are very impressive and probably never attained in any other voluntary standard cotton scheme. It reflects the huge business power behind this consortium, the strengths of the implementing partners and the feasibility of the BCI standard.

Existing projects in Pakistan and India were extended, and new projects were implemented in Brazil and Mali. In China pilot projects were started. The groundwork for a partnership with the Mozambique government has been laid out in 2011, leading to a project proposal from one of Africa's largest cotton supply chain manager, OLAM, for 2012. IDH enabled the industry (OLAM)/Mozambique Government (IAM) coalition to initiate BCI trials to be set up in 2012 to demonstrate the system's ability to alleviate poverty in Mozambique.

Two global brands, Walmart and Nike, joined the BCFTP citing the opportunity to collaborate with competitors in a dynamic and game-changing platform to transform the cotton supply chain. Both will be investors from 2012 onwards. As Walmart is the biggest 'consumer' of cotton worldwide, its participation is expected to further empower the consortium.

In April 2011, retailers invited over 100 key supply chain partners to a BCI Supply Chain Conference in Sri Lanka to communicate the demand for Better Cotton and to identify the challenges and solutions. In addition, retailers have publicly committed to buying Better Cotton; adidas published a press release stating that Better Cotton is now part of their main strategy.

Our key program partners evaluated the attribution of our program as very positive, as they scored our overall attribution to the program with a 3.6 on a scale of 1 to 4. Respondents share a general agreement that IDH is making a difference in the cotton sector. They acknowledge that IDH facilitates and funds the program effectively, supports and enables dialogue, increases awareness, and inspires local partners.

Lessons learned

For the strategic development of the program, IDH organized an innovative research project to understand the key parameters for cost-effective implementation of the BC system that clearly showed projections of high costs if the program continues as it was originally set up. As a result, BCFTP has reviewed the long term strategy, professionalized the project approval process and created awareness of strategic investment policy decisions to reach the targets in an efficient manner. A project selection tool was developed that gives an

overview of key metrics regarding (e.g.) growth potential of a project and cost efficiency, aligning investors and giving an objective and transparent platform to base decision making. Project targets are now set to challenge projects to be as cost efficient as possible, and to work on embedding and exit strategies.

KPI TABLE COTTON

Key Performance Indicator 2010-2015 ⁴	Overall program target 2010 – 2015	Target for 2011	Results in 2011	Cumulative program results in 2011
Volume of Verified Better Cotton (ton)	1,000,000	300,000	India, Mali and Pakistan (2 nd season, 2011-12) 192,331 metric tons lint cotton licensed as Better Cotton lint equivalent. Brazil, (1 st season, 2010-11): 42,533 metric tons lint cotton	270,000 metric tons of Cotton licensed.
Number of producers	1,250,000	400,000 ⁵ (BCI target: 100,000)	Total number of farmers involved with BCFTF projects in Brazil, India, Mali and Pakistan in 2011-12: 124,825 farmers. Number of farmers (excluding Brazil) licensed to produce Better Cotton in 2011-12: 89,959	Most BCFT farmers continued participating in 2011-12 season.
Increase of income	Increased by 40 to 50%		1 st estimates in Mali and Pakistan: 20% higher profit/ha than control farmers. India: 40% higher	N.A.
Brands commit to purchase 50% production cured and traded	500,000 metric tons procured and traded	150,000 metric tons procured and traded	IKEA and H&M procured 11,193 metric tons of BC lint. March 2012: 60,538 metric ton of 2011-12 cotton procured as BC.	N.A.
BCI is model of choice	15% of production represented by BCI members	5% of production represented by BCI members	All BCI members represent 5.2% of world's cotton consumption.	N.A.

⁴The 2011-12 cotton season is not over in Brazil, with harvests starting in April-June 2012. In the Northern hemisphere, in India, Mali and Pakistan, the season is coming to an end but not all cotton has yet been harvested nor commercialized. As a result, the figures presented in the 'results in 2011' are not final.

⁵Cotton KPI Targets were being developed in 2010, the target number for farmers for 2011 was set based on long term projections. The targets for 2012 are revised following information that shows that the original target was unrealistic.



Soy

10 to 15 % of EU soy imports RTRS certified in 2015

Soy is one of the world's most important agricultural commodities as a major protein ingredient in animal feed, food and one of the world's largest sources of biofuel. The scale of production in Latin America and its expected expansion are associated with deforestation and biodiversity loss, labor issues and land rights conflicts, as well as water, soil and crop protection issues. In 2010, key actors from industry, retail, finance and producers formulated standards for responsible soy: the RTRS (Round Table for Responsible Soy). IDH worked in 2011 toward the creation of an RTRS flow and in June 2011, the 1st RTRS soy was produced, bought and shipped by the feed industry. In December 2011 the Dutch soy sector publicly committed to source 100% RTRS soy by 2015.

Main sustainability challenges

Stop deforestation, better use of agrochemicals, stop water pollution, soil erosion and loss of biodiversity. Better working conditions, improve agricultural practices, community relations and conservation of High Conservation Value Areas (HCVA).

Focus countries

Argentina, Brazil, Bolivia, Europe and Paraguay.

IDH program coalition

Private partners

ADM, Agrifirm, Amaggi, Ahold, Cargill, Cefetra, FrieslandCampina, Lantmännen, Nutreco, Vion, Unilever, Storteboom, Gebr. Van Beek, Bemefa, Nevedi.

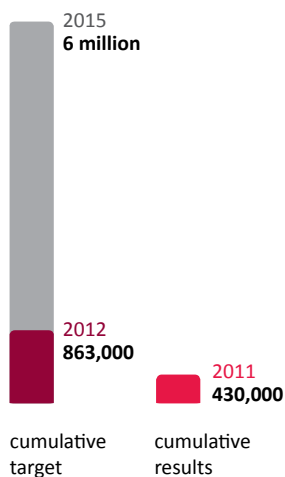
Other partners

Natuur & Milieu, Product Board MVO, RTRS, Solidaridad, WWF.

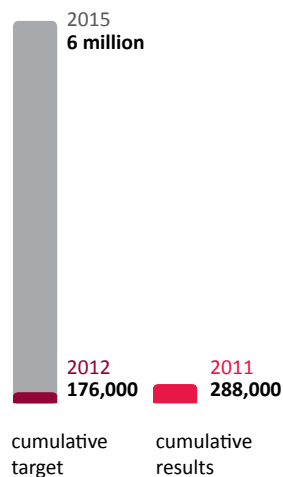
PROGRESS - KEY PERFORMANCE INDICATORS 2011

Initially there were no RTRS volume targets for 2011. But because of faster progress than expected, we can present 2011 results, against 2012 targets.

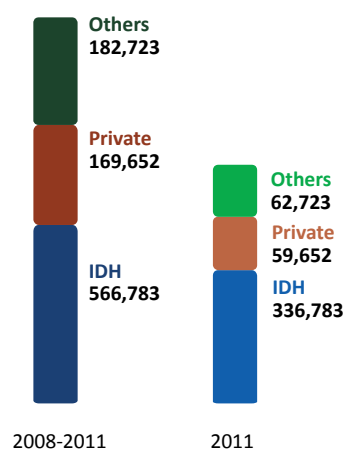
Metric tons of certified soy produced



Metric tons of certified soy purchased



Actual Public Private contributions*



* Private contributions were low in 2011 because the program started implementation. Private contributions will increase significantly in 2012.

Achievements

IDH developed an implementation plan and a co-financing structure through the creation of the Soy Fast Track Fund - SFTF - a fund that co-finances field projects that support producers to achieve RTRS certification in key sourcing areas for the suppliers to the North West European markets. During 2011, partners submitted projects for co-financing by the SFTF. Max 10% of the SFTF resources are reserved to fund projects for support of RTRS outreach and the High Value Conservation Areas mapping in Brazil and Argentina. At the end of the year SFTF was operational and offering first support to producers and RTRS.

At the market end, IDH invested in building commitment, focusing on the strategic feed supply chain in Europe. In November 2011, IDH reached an agreement with the Belgian feed industry on a transition plan toward full responsible soy sourcing in 2015 (600,000 tons per year). In December, IDH - supported

by major NGOs - succeeded in aligning Dutch retail, animal processing industry, farmers and feed industry actors on a concrete full chain transition plan toward 100% responsible soy sourcing in 2015 (1,800,000 metric tons per year). Finally, also dominant Scandinavian players with market impact in Sweden, Denmark, Germany and the United Kingdom aligned with IDH to develop a transition plan toward 100% responsible soy in 2015.

Our key program partners evaluated the attribution of our program as positive, as they scored our overall attribution to the program with a 3.2 on a scale of 1 to 4. Respondents recognize IDH for its ability to bring stakeholders around the table, its knowledge and its dedication. Without IDH the transformation would not be as well under way as it currently is, several of the respondents said.

Lessons learned

As planned, in 2011 IDH published a strategic gap analysis together with IFC, identifying the key gaps and bottlenecks for production and supply of responsible RTRS certified soy in Brazil and Argentina. Results indicate that most farmers face challenges to certify. These challenges are related to legal compliance to forest or labor laws, as well as to crop protection management. Lack of awareness on RTRS and experience with certification is very common, and producers miss incentives to move farmers toward certification.

Other strategic insights relate to the role of traders which first thought to be the major change agents. In a 'producers market' traders are afraid of missing sup-

ply when pressing farmers to certify. Therefore they avoid investing in upgrading farmers that might be selling to a competitor. Traders are however crucial to developing 'mass balance' soy flows. Based on these insights, IDH decided that the SFTF should not only provide producer support through committed buyers and hence their supplying traders, but include a fair number of projects that are producer or producer-group driven and co-financed at that level. These projects should be based in key sourcing areas for the European market helping to raise the concentration of RTRS supply around key crushers and traders or be based in risk prone areas, creating good examples and relevant impact on the ground.

KPI TABLE SOY

Plans 2011	Results 2011
<p>Market</p> <ul style="list-style-type: none"> Forming first coalitions in the Netherlands and Belgium. Getting public commitment. Support the development of specific offer of non-GM RTRS supply for Scandinavian market. Development of co-finance structure (possibly a fund). 	<ul style="list-style-type: none"> Lol signed with Dutch, Belgium and Scandinavian soy sector on 100% responsible sourcing in 2015. Committed publicly on December 15. Development of specific of non-GM RTRS supply for Scandinavian market started. Development of Soy Fast Track Fund.
<p>Production</p> <ul style="list-style-type: none"> Multi-stakeholder workshop for a joint analysis of gaps and needs in producer support, creating a support framework and program alignment with donors, traders, producers and NGOs. IDH will develop producer support programs, collaborating and liaising with donors and partners. Continued support for RTRS outreach-communication and awareness raising program, with a focus on markets and producers, instrumental to IDH main program targets and approach. 	<ul style="list-style-type: none"> Multi-stakeholder workshop organized and framework and program alignment with donors, traders, producers and NGOs created. IDH started Soy Fast Track Fund. Support for RTRS outreach-communication and awareness raising program continued.



Aquaculture

15% of EU import of tilapia, shrimp and pangasius ASC certified in 2015

Nearly half of all fish we consume is farmed fish. As aquaculture rapidly expands, so does its sustainability impact on wastewater management, protection of coastal areas, the use of antibiotics, feed and social issues. In 2009, WWF and IDH founded the Aquaculture Stewardship Council (ASC), to increase both supply and demand for responsibly farmed fish through an aquaculture label.

Main sustainability challenges

Improve water management, waste disposal, protect ecosystems, work towards responsible feed ingredients, responsible working conditions and good relations with local communities.

Focus countries

China, India, Indonesia, Thailand, Vietnam.

IDH program coalition

Private partners

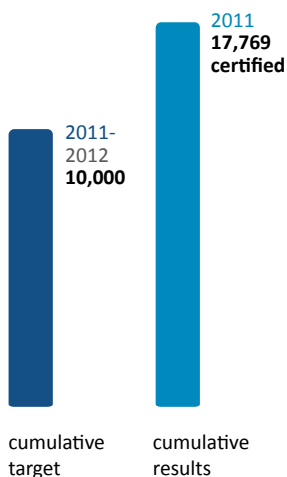
Ahold/AH, Anova, Binca, CAMIMEX, Culimer, DKSH, Docfish, Edeka, FEMEG, Foppen, Heiploeg, Hlep Thanh, Marine Harvest, Mayonna, Metro, Queens, Regal Springs, Seafood Connection, Seafresh Industry Ltd, Superunie, Vinh Huan.

Other partners

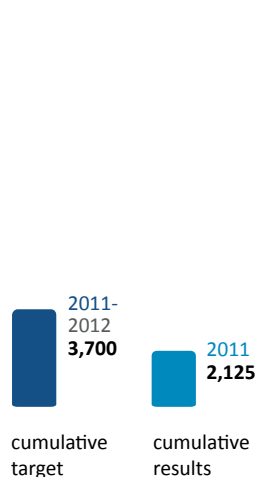
ASC, ASI, GIZ, Rabobank Foundation, VINAFIS, ICAFIS, WWF.

PROGRESS 2011 - KEY PERFORMANCE INDICATORS 2009 - 2012

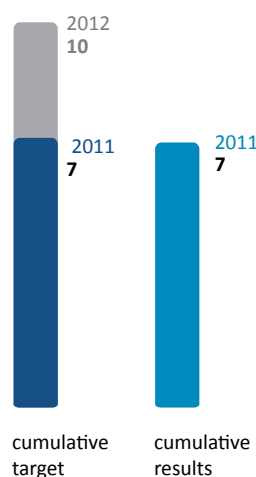
Volume (tons) GlobalGAP and ASC certified Pangasius



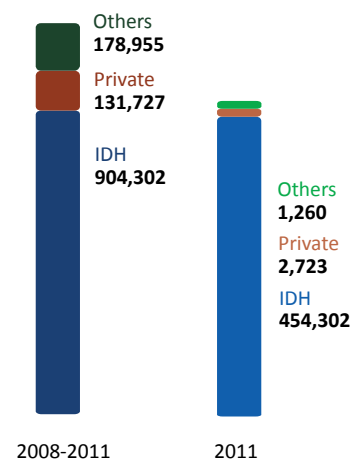
Volume (tons) of GG and ASC certified fish on European market (fillets)



Number of traders involved



Actual Public Private contributions *



* Reporting on private contribution in 2011 for Aquaculture was delayed.

Achievements

On the producer side the program developed well, supported by pangasius producers. Due to a delay in ASC accreditation it was impossible to achieve ASC compliant production, but the results for GlobalGap compliance exceeded targets, providing an excellent stepping stone for achieving ASC compliant production in 2012. The targeted volumes of GlobalGap uptake were not fully met in 2011. However, we successfully convened EU retail in close cooperation with ASC and WWF, leading in December 2011 to a public commitment from Dutch Retail (CBL) to source 100% of ASC certified fish by 2016. News that was well covered by the press.

On the institutional level, IDH supported ASC with financial contributions, interim management, communication and fundraising in a critical transition period, to establish new leadership and keep developments up to speed. In 2011, ASC took over the standards for pangasius, tilapia, bivalves and abalone, developed audit guidelines and the accreditation rules, while 14 certification body trainees passed their auditors exams. IDH also helped to create further retail commitment to ASC.

Above all, IDH built structures in Vietnam (representing 85% of pangasius export) to give producer support to comply faster with the ASC standard and leverage private sector contributions in building a global international multi-donor fund for aquaculture producer support. The 'ASC Accelerator' is co-financed by seven Dutch, German, Swiss and Danish fish traders, and managed by SNV-VN. It is the largest producer support instrument in Vietnam.

Key element of institutionalization was intensive engagement with the Vietnamese government and local institutions such as the main seafood sector associations, with robust support of the Netherlands embassy, as well as WWF. Our key program partners evaluated the attribution of our program as very positive, as they scored our overall attribution to the program with a 3.9 on a scale of 1 to 4. Respondents unanimously agree with the added value of IDH for this program in 2011. Its facilitating and convening capabilities, as well as the ways in which IDH boosts the process, are appreciated.

Lessons learned

The aquaculture program experienced significant setbacks that we can learn from. The pangasius pilot project (SPSP) which was started in 2010, could not generate a great deal of enthusiasm with producers due to inadequate local project management, reconfirming that implementing partner selection is key to program success. The ASC experienced drawbacks last year. Delays in the launch of the ASC label resulted in significant disappointments at sector level. Expectations, partly raised by IDH to gain market interest, were high, whereas the workload at ASC level

to prepare rulings, standards and instruction were often underestimated. ASC's delay to launch created irritation amongst committed front running partners. It stressed the need to balance raising demand interest with the ability to secure supply. For shrimp, representing the largest challenge for the aquaculture program, the scoping phase was started in 2011 with local workshops, gap analysis and desk research. By the end of 2011, IDH hired a regional IDH manager, based in Vietnam, to especially support the roll out of this program.

KPI TABLE AQUACULTURE

Key Performance Indicator for the period 2011-2012		Overall program target 2011 – 2012	Target for 2011	Results in 2011	Cumulative program results in 2011
Volume of GlobalGAP and ASC certified Pangasius (wholefish) (tons)		10,000	10,000 GlobalGap	12,200 GlobalGap	17,769 GlobalGap
Number of farms certified according to ASC		3 medium and large scale and 10 small scale farms comply and are GG and ASC certified by April 2012.	3 medium and large scale farms GG certified, pre-assessment ASC certification for 3 large farms and 10 small scale farms. 3 large and 15 smallholder farms implement management- and veterinary health plans, quality manuals and stock management reports.	3 large farms extended GG certification, 2 feed mills GG certified. 3 ASC gap analyses in large farms and 3 satellite farms, and 1 for 33 small farms jointly.	3 large farms GG certified, 2 feed mills GG certified. 0 certified for ASC.
Volume of GG and ASC certified fish on European market (fillets) (tons)		3,700	3,700	2,125	2,600
Number of local certification bodies identified, capacity and training needs assessed, training manuals developed		Potential local certification bodies identified and accredited	Potential local certification bodies identified and accredited	14 auditors of 8 certification bodies trained by ASC. Small holders received specific GG training. 2 training of trainers for 27 trainees farmer support by Icafis and WWF.	14 ASC auditors, 8 certification bodies. 1 draft audit manual and 1 Better Management Practices Manual produced and distributed. GG training manual translated into Vietnamese. Small holders received GG training. 27 potential trainers trained on ASC.
Number of contracts between farms and processors and volume (metric tons) of Pangasius (whole fish) are signed.		Contracts with 3 medium scale farms and processors, or 1,500 metric tons of Pangasius (whole fish) are signed by April 2012. At least 10 small scale farms have contracts in Tra Vinh province.	Collaboration agreement between 2 independent farms with processors in place. Identification of potentials and bottlenecks for small scale farmers in contracting with processors.	0 contracts signed. Gap analysis with small holders conducted. 1 large farm withdrew project in 2011.	3 contracts on GG, 0 contracts signed on ASC.



Tropical Timber

13 million hectares of forest sustainably managed in 2013

The IDH Tropical Timber Program accelerates sustainable forest management through five programs, which nearly doubled demand and supply for sustainable tropical timber. Through three supply side programs, concession holders in the Amazon, Borneo and the Congo Basin are supported on their way toward certified sustainable forest management.

In the Netherlands and Europe, demand for sustainable timber increased further e.g. building coalitions of large private sector players choosing for sustainable timber. How the momentum on legality in Europe can be used to accelerate sustainable forest management in the tropics will be further researched in the strategic review IDH is currently undertaking.

Main sustainability issues targeted

Increase sustainable forest management, improve biodiversity, indigenous rights, increase incomes, overcome trade barriers, lack of access to finance, unsustainable tropical timber on EU market.

Focus countries

Amazon (Brazil, Peru, Bolivia), Borneo (Indonesia), Congo (Cameroon, Gabon, DRC, Congo Brazzaville), Netherlands and the EU.

IDH program coalition

Private partners

Over 50 private forest companies and specific program partners of TBI, TAA and CBP.

Government partners

The Netherlands.

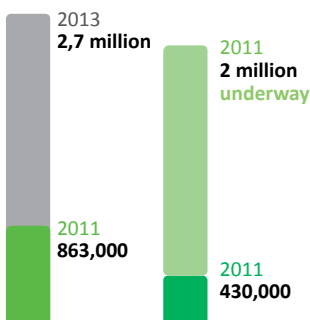
Other partners

FSC Netherlands, ICCO, WWF, GFTN.

PROGRESS 2011 - KEY PERFORMANCE INDICATORS 2009 - 2013

of ha increase in FSC certified forest in Brazil, Peru, Bolivia and Indonesia

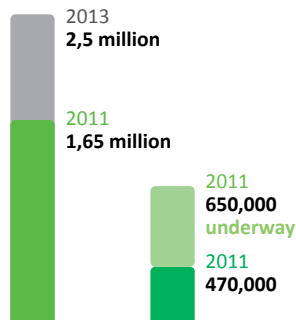
Borneo Initiative



cumulative target

cumulative results

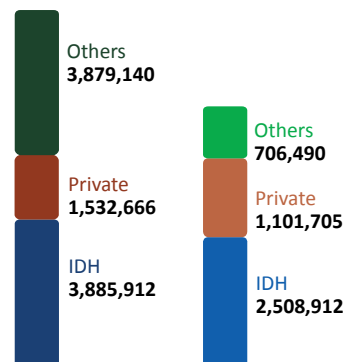
Amazone Initiative



cumulative target

cumulative results

Actual Public Private contributions *



2008-2011

2011

* Private contributions will increase significantly in 2012 because the Congo Basin Program started implementation 2011.

Achievements

The tropical timber sector is suffering from the crisis in the construction markets in the EU and in the United States. Trade flows from the Amazon to Europe are shifting due to the strong growth of local markets, favoring Asian and African timber. As a consequence, the overall objective for TAA has been reduced to 2.5 million hectares. Certification within the programs, in the Amazon by TAA and especially in Borneo by TBI gained momentum by certifying more than 800,000 ha. By TBI, 429,460 ha were certified, and via TAA, 382,060 ha was certified by the end of 2011. To professionalize program management and progress visibility, a pipeline reporting was installed. To capture the potential in Indonesia phase 2 of The Borneo Initiative was approved, which works toward an additional 10 million ha of certified forest in Indonesia.

To support certified Sustainable Forest Management in the 3rd large tropical timber arsenal in the world, the Congo Basin Program was started and letters of intent were signed with 8 companies. To address the challenging stakeholder nature in that region, supporting partnerships were signed with WWF and ICCO, and cooperation with other donors (KfW and AfD) in the region was established.

FSC Netherlands significantly improved their approach to move 'from intentions to compliance' in FSC sourcing of partners adverse market developments. By FSC

NL, a good start has been made toward large sector covenants with retail, construction and traders to make sustainable timber the norm. To ensure more sustainable demand in a weak market, a breakthrough approach in other large European countries was developed under the Linking Europe approach.

On the institutional side it should be noted, without judging related beliefs, that the international NGO arena around sustainable forest management has become less effective in supporting mainstream market transformation. This also affects the role of IDH as neutral convener and accelerator for this transformation.

To capture the learning insights in this sector a start was made with the Tropical Timber Strategic Review. The core question of this review is 'what almost 20 years of certification have brought us and what should we as a sector do to move to mainstream sustainability?' which will be concluded in 2012.

Our key program partners evaluated the attribution of our program as positive, as they scored our overall attribution to the program with a 2.6 on a scale of 1 to 4. The complexity and variety of the timber sector result in mixed opinions on whether IDH made a difference in this program. Still there is agreement that IDH's business model is strong, that it has the power to convene, facilitate dialogue, and provide funds.

Lessons learned

2011 has shown that it is difficult to realize efficient collaboration between the various actors in the sector, especially on the demand side. Main reasons for this are individual agendas which overshadow com-

mon ambitions, and disagreement on the definition of sustainable timber. The Tropical Timber Strategic Review aims to guide us out of this situation.

KPI TABLES TROPICAL TIMBER

Amazon Alternative⁶

Key Performance Indicator 2009 – 2013	Overall program target 2010 - 2013	Target for 2011	Result in 2011	Cumulative results
Number of ha increase in FSC certified forest in Brazil, Bolivia, Peru with companies	1,000,000 + 300,000 under way	490,000 + 115,000 under way	270,000 + 600,000 under way	270,000
Number of communities access to timber market, and number of ha increase in FSC certified forest	20 communities / 600,000 ha + 120,000 ha under way	8 communities / 126,000 ha + 430,000 ha under way	8 communities / 200,000 ha + 30,000 ha under way	200,000
Number of ha increase of FSC certified forest management of state government	486,000	486,000 under way	16,000 under way	0
Additional m3 of FSC certified sawn timber from Amazon to Amazon and NL/Eur/domestic market	20,000 / 20,000 / 50,000	5,000 / 0 / 16,000	900 / 0 / 21,000	900 / 0 / 21,000
Number of partners within TAA and # sponsoring contracts	15 / 10	8 / 3	3 / 1	3 / 1
3 financial institutions (Amazon/Europe) offering financial products for FSC certification	3	1	In progress	0

The Borneo Initiative

Key Performance Indicator 2009 - 2012	Overall program target 2010-2013	Target for 2011	Result in 2011	Cumulative program results in 2011
Number of ha of forest FSC certified in Borneo-Indonesia	2,700,000	862,650 + 1,600,000 under way	430,000 + 2,000,000 under way	430,000
Additional m3 used in construction FSC certified in NL	80,000	80,000 under way	0	0
Additional m3 used in construction FSC certified in EU	120,000	120,000 under way	0	0
Full and formal cooperation FSC international – LEI	1	0	0	0
Set up fundraising entity with IDH, FSC, TAA	1	1	Cancelled	

⁶ A new set of targets were set in agreement with IDH Executive Board and Tropical Timber Steering Committee - adjusted early 2011.



Electronics

More sustainable manufacturing in 100 factories in 2015

IDH's Electronics program has been developed by front-runner electronics companies and civil society organizations, such as Philips, Hewlett-Packard, Dell, the Dutch trade union federation (FNV), Somo, and GoodElectronics – and in close collaboration with local Chinese stakeholders. The program's main objective is to improve the working conditions and environmental performance of electronics factories in China, covering 500,000 workers.

Current realities in manufacturing regions in China are presenting companies with challenges for years to come. The electronics industry urgently needs to invest in the enhancement of constructive working conditions and environmental performance, resulting in stronger business competitiveness. The IDH Electronics Program, currently the largest precompetitive business improvement oriented initiative in the industry, addresses these issues and aims to target over 100 suppliers, by employing an innovative multi-stakeholder approach.

Main sustainability challenges

Improve working conditions, and health and safety of workers. Reduce energy and improve efficiency.

Focus countries

China.

IDH program coalition

Private partners

Dell, HP, Philips.

Government partners

China.

Other partners

Dutch Federation of Trade Unions, Infact, GoodElectronics, Somo, Sustainability Agents.

PROGRESS 2011

The program has started its implementation phase in 2011, so there are no KPI's yet to report progress upon. Private contributions will be reported as from 2012.

Achievements

The Electronics program was only launched in Q4 2011 and as result no achievements can be claimed at this stage on the manufacturing side. But progress is underway and next to the committed 'launching brands' (Philips, HP and Dell) already 9 contributing suppliers had signed up for the program at the end of 2011. All planned preparatory activities were finished in time.

On the demand side, a steep increase in public awareness of labor related issues in the electronics supply chain in China created significant support for this largest precompetitive program in the industry. The impressive number of (> 60) suppliers and international brands attending the launch of the program in October 2011 illustrated this.

This program, due to its sensitive government environment and the significant reputational risks for the

industry, has taken a very pro-active approach toward stakeholder engagement. High level support and follow up contacts have been established with provincial Chinese authorities. And by engaging and signing a memorandum of understanding with the Electronics Industry Citizen Coalition (EICC), IDH was successful in laying the foundation for broader industry cooperation, sharing and learning.

Our key program partners evaluated the attribution of our program as positive, as they scored our overall attribution to the program with a 2.6 on a scale of 1 to 4. Although the program has started only recently, participants in the program have high expectations about the success of the multi-stakeholder approach and are positive about the convening role of IDH. It is appreciated that the producing companies and their governments were included in the dialogue. The program still has to deliver results.

Lessons learned

We are proud that in 2011, through intensive dialogue and best practice research, we have successfully aligned 3 major electronics brands and influential civil society organizations on an innovative implementation strategy toward more sustainable manufacturing. To carry this forward in the regional implementation, IDH gave form to a multi-stakeholder steering committee representing various important, mainly China based, constituencies in the sector that did not work together on this level before. This was clearly appreciated in the attribution survey with 3.4 score. First concrete steps that were taken included the development of a supplier assessment methodology, the building of the execution infrastructure (management and workers' surveys, escalation procedure, website, KPI collection infrastructure), partnering with local

training organizations and NGOs and the start of the first supplier assessments with 4 suppliers.

One major lesson includes the challenge of defining a compelling and quantifiable business case for the suppliers behind the program, essential for gaining their commitment as contributing partners.

A second lesson relates to finding the right implementers for the innovative worker-management dialogue methodology. During the process of identifying dialogue trainers, it became clear that the number of qualified, experienced trainers on this issue is limited. In 2012 a pool of qualified trainers will be built through more intensive recruitment and training activities.

Programs in implementation: Light Programs

Natural Stone, Tourism and Spices are important programs for IDH.

In 2011, the implementation phase of the Spices Program started. After beginning with a core group of four Dutch spices importers, the program managed to include one of the largest spice importers in the world and managed to take one of Europe's largest food processor aboard. Now one of the biggest challenges facing the Spices Program will be formulating one generic sustainability standard that is applicable to several spices.

Natural stone is one of our programs that typically have many SME partners - small and medium sized enterprises that import, process and trade natural stone. To establish a cost efficient and credible verification system, the program will link up with existing verification/certification systems.

The Tourism Program will be split into a Dutch and a European part. The Dutch part will be handed over to MVO Nederland. The European part, which will aim for sustainable market transformation, will stay with IDH.



Spices

20% of EU imports of pepper sustainable in 2015

The spices sector is characterized by its wide variety of products: more than 30 spices, in which both small and large companies are active, and in which mainstream sustainability standards and certification programs are lacking. There is an urge to address sustainability issues such as overuse of chemicals and pesticides, water use and labor conditions. In addition, the demand for sustainable spices in end-markets is growing. The IDH Sustainable Spices Initiative was launched in 2011 aiming to ensure the supply and to improve farmers' livelihoods.

Main sustainability challenges

Maintain biodiversity, reduce pesticides and chemicals, improve economic position of smallholders.

Focus countries

India, Indonesia, Madagascar, Vietnam.

IDH Program Coalition

Private partners

Euroma, Intertaste, McCormick, Nedspice, Unilever, Unispices, Verstegen.

Other partners

Both Ends, Cordaid, KIT, SNV Asia, Rainforest Alliance.

PROGRESS 2011

The program has started its implementation phase in 2011, so there are no KPI's yet to report progress upon.

Achievements

In 2011, the Sustainable Spices Initiative extended the existing coalition of Verstegen, Intertaste, Euroma and Unispices. The partners defined the focus of the spices program and the strategy for a mainstream sustainability standard. McCormick and Unilever, two major leaders in the sector, joined and strengthened the coalition. Nedspice followed, providing to the coalition producer country processing experience (Vietnam and India).

A shared ambition and a strategy for the period of 2011 to 2015 was agreed upon, including setting up a Spices Producer Support Investment Fund. Six private sector partners committed to each invest in at least 1 impactful Producer Support Project in 2012. Rainforest Alliance was selected and contracted to develop an internationally accepted mainstream sustainability standard, for 7 spices in 4 main producing countries.

An in-depth sustainability study for pepper in Vietnam and nutmeg in Indonesia was carried out by local research and development organizations. An implementation plan was approved by the IDH Council in May 2011 and the program was taken into the implementation phase. The Sustainable Spices Initiative was officially launched in May 2011.

Our key program partners evaluated the attribution of our program as positive, as they scored our overall attribution to the program with a 3.3 on a scale of 1 to 4. Respondents state that even though there is no tangible success in the sector yet, IDH has been valuable in the preparatory phase. It managed the planning of the scheme, put the people together, facilitated dialogue, and provided valuable guidance.

Lessons learned

Facing the limited knowledge available on sustainability issues in spices we had to start the discussion on sustainability from the beginning. The spices sector is characterized by a broad range of products, which are not strategic for the food industry and are pre-dominantly B2B. There are two main strategic

directions for the sustainability standard: either opt for developing a baseline spices standard or opt for a spice specific standard. The Steering Committee agreed that with respect to the diversity of the sector, spice-specific standards would be more meaningful.



Natural Stone

Improved working conditions for 100,000 workers in 2015

Until the 1990s, natural stone was mainly obtained from EU countries. However, Brazil, China, India, South Africa and Turkey are becoming increasingly important suppliers of natural stone to the Netherlands. Natural stone imported from emerging economies currently represents 65% of the Dutch market and 50% of the EU market. This shift comes with social and environmental issues, such as low wages, excessive overtime, child labor, dangerous working conditions and water pollution.

Main sustainability challenges
Improve health & safety, eradicate child labor and improve migrant labor conditions.

Focus countries
India, China.

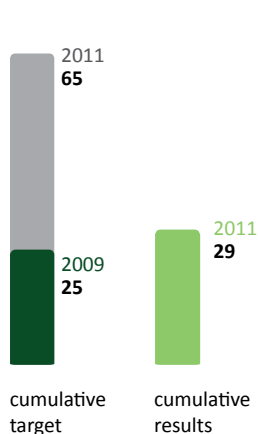
IDH Program coalition

Private sector:
Over 40 private companies from the Netherlands, Belgium, Norway, Denmark, the UK and Switzerland.

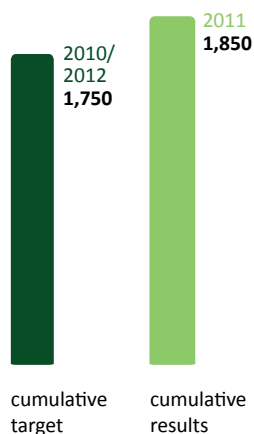
Other partners
COS, LIW, FNV Bouw.

PROGRESS 2011 - KEY PERFORMANCE INDICATORS 2009-2011

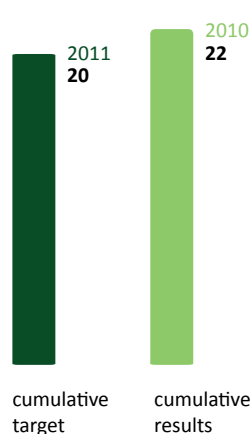
Number of suppliers



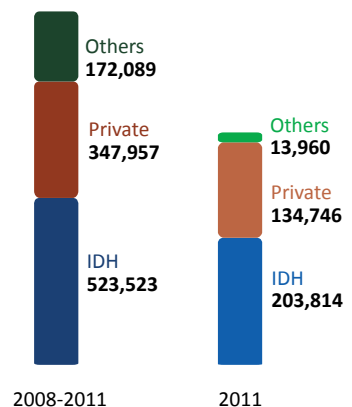
Number of workers involved



Number of EU importers



Actual Public Private contributions



Achievements

On the supply side, we have made considerable progress. Although the number of participating quarries is behind schedule, no less than 23 processing companies and 16 quarries in China and India participated, covering nearly 2,000 workers. We have also operationalized effective local support structures to factories and quarries.

On the demand side, things are also going in the right direction. Over 20 importers in the Netherlands and Belgium participated in the program, as well as participation and strong interest from other North West EU countries. Here, the program created critical mass and for further cooperation between key stakeholders and initiatives to establish a truly international program. Cooperation was sought with existing and new partners, such as ETI UK, ETI Norway, ETI Denmark, the UK quarry Group, TFT, Max Havelaar Switzerland and BSCI. By the end of 2011, it was decided to further upscale and institutionalize the initiative and collaborate/merge with the initiative of the UK quarry group and TFT. Due to their experience in the sector and the strong synergy in approach, focus and network, the two initiatives can be easily merged.

As for result area 3, the development of a verification system or label made considerable progress and will be finalized as part of the international up/scaling of the program in 2012. We decided to postpone the application for becoming a Dutch 'Erkend Keteninitiatief', as we prioritized the international ambitions. The current activities and results of the improvement program (audit, work plan, training) will serve as the basis for a cost-efficient verification claim for producers and will be continued as part of the international program. The terms of cooperation will be finalized at the beginning of 2012.

Our key program partners evaluated the attribution of our program as very positive, as they scored our overall attribution to the program with a 3.5 on a scale of 1 to 4. This coalition of stakeholders does not believe that the program would have existed at the current level if it was not for IDH. Next to funding, IDH offers a lot of knowledge and experience from other sectors where they have convened different stakeholders.

Lessons learned

One of the major challenges is to organize a meaningful cost-effective mechanism for sustainability, as this is a sector run by mostly SME companies with many different product lines. In 2011, we came to the conclusion that a (national) certificate/label is too costly and partly not realistic for the primary production sites (quarries). Instead, we chose to explore cooperation with existing verification systems and organizations such as BSCI and TFT. With TFT, cooperation in the field was already established and it proved to be a promising partner that could provide second party verification based on the current improvement program.

Another challenge is the engagement of quarries that are mostly small and not transparent business belonging to the informal sector. The first tier suppliers are the key to reaching the sub suppliers and quarries. Through the cooperation with the UK quarry group and TFT, we trust that the program will gain additional know-how and critical mass to upscale activities in production countries and to create more leverage in quarries.

Key Performance Indicator 2009-2011	Overall program target 2009 – 2011	Target for 2011	Cumulative program results in 2011
Implementation of Code of Conduct at quarries/ processing companies in India/China	20 processors 45 quarries	20 processors 45 quarries	23 processors 16 quarries
Improvement in working conditions at quarries/ processing in India/China	1,750 workers	1,750 workers	1,850 workers
Adaptation and implementation of Code of Conduct by European importers	20 importers	20 importers	22 importers
Recognition of Dutch government of SSL as 'Erkend Keteninitiatief' within procurement	1	1	postponed
European MSI verification system (including label) on Sustainable Stone Label (SSL)	1	1	Well under way
Label recognized by relevant stakeholders in other EU countries/initiatives	6 countries	6 countries	Well under way



Tourism

15% of accommodations certified in 2015

Tourism is one of the fastest growing sectors globally. The number of international arrivals for tourism and business is expected to grow to 1.6 billion in 2020. In recent years, British and Dutch tour operators have taken steps to address sustainability in their supply chains. Implementation of the Travelife standard, a certification system for sustainability of accommodations, is one of those steps. The IDH Tourism Program aims to speed up the implementation of Travelife standards at accommodations in six destinations in cooperation with the (ANVR).

Travelife training and certification of accommodations has not met the growth target in 2011. The planned EU roll-out has not shown tangible results yet. It has become evident that other partners need to be involved. To approach new Dutch tour operators, a CEO event was organized in December. In the second half of 2011, new partners have been identified to further upscale. Besides ANVR, now also MVO Netherlands, Travelife, ABTA and CBI will cooperate in the program.

Main sustainability challenges

Improve sustainability of accommodations of 12 tour operators in terms of energy use, waste disposal, labor conditions and relations with local communities.

Focus countries

Brazil, Egypt, Kenya, Tanzania, Thailand and Turkey.

IDH Program coalitions

Private partners

KLM, TUI Nederland, Kuoni Nederland, Oad Group, Terra Travel (Baobab), De Reisspecialisten Groep, Sawadee Reizen, SNP Naturreizen, Fox vakanties, ANWB, Corendon.

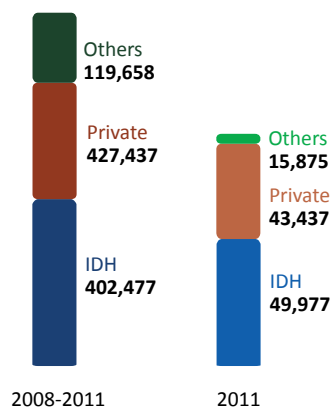
Other partners

Travellife, MVO Netherlands, Apta, ANVR CBI.

PROGRESS 2011

The Tourism Program was adjusted in 2011 so new KPI's are formulated.

Actual Public Private contributions



Achievements

In 2011, ANVR has continued giving support to Dutch tour operators regarding the roll-out of Travelife in their supply chains. ANVR also participated in the INTOUR project. This EU project uses the EU Eco-Management and Audit Scheme EMAS and the EU Eco-label to increase credibility and give direction to the efforts regarding social and environmental performance, thus building alliances with existing initiatives on the rolling out of Travelife.

According to plan, ANVR has supported individual Dutch tour operators to define a step by step approach to reach the overall goal of 15% certified accommodations in six destinations. This included a target on self assessments and audits of accommodations, as well as training of incoming tour operators. In this light, the pilot training for incoming tour opera-

tors in Kenya and Tanzania took place together with CBI. In addition, ANVR reached out to other EU tour operators to involve them in the Travelife program. This resulted in The EU Travel Agents and Tour Operators Association (ECTAA) agreeing to recommend Travelife to its members. Discussions with the German association ASR and other European key players have started.

As planned, a pilot was developed on implementing sustainable packages with airline KLM and a number of tour operators, to combine sustainable accommodation with CO2 neutral transport. By the end of 2011, this pilot was called off because of a lack of commitment from tour operators. Important element in the pilot was marketing of the sustainable package, in which tour operators were not willing to cooperate.

Lessons learned

It has become clear that in the tourism sector it is very difficult to get the required match funding and to create cooperation between tour operators on a pre-competitive basis. Tour operator involvement in the program has therefore been limited, while cooperation on the sustainable tourism package pilot was called off for the same reasons. In 2012, the program will use the new structure to work with the leading tour operators as well as other partners who play a key role in market transformation in the tourism sector.

Involvement of incoming tour operators has been identified as an important strategy for training and

certification of accommodations. Therefore the cooperation with CBI on trainings for incoming tour operators in four of the six long haul destinations in the program will be intensified.

Discussions have taken place with Travelife, to identify key interventions to increase the use of the Travelife system by European tour operators. Important conclusions included a need to align the Travelife system within the EU and international standards such as EU Ecolabel and the Global Sustainable Tourism Council (GSTC) criteria. To facilitate this, IDH will strengthen its financial and managerial support to the Travelife organization.

Programs in development and scoping

IDH is currently developing four implementation programs, for cashew, coffee, fruits & vegetables and flowers & plants. Cashew and coffee are potential pillar programs.

IDH managed to convene the major companies in the cashew trade to together account for over 70% of global trade. In 2012 the program will kick-start into the implementation phase.

The ambitious development program for the coffee sector (aiming for 25% sustainable sales of green coffee globally by 2015) will be finalized in Q2 of 2012. After that, major coffee companies and the ECF and KNVKT will start the implementation program.

In the fruits & vegetables and flowers & plants programs, fast progress is made and letters of intent approach finalization.



Cashew

In terms of sustainability the cashew market is lagging behind other sectors. The market is asking for traceability, transparency and good agricultural practices at farmer level, but there are no certification standards for cashew yet.

IDH is designing an approach that should lead to better livelihoods for smallholders, better working conditions at processing level and more security of supply for western cashew roasters. A supply chain management information system will be developed and introduced, which will strengthen market linkages between smallholder groups and retailers.

Activities and achievements

In 2011 Intersnack, Ahold, Trade & Development Group, OLAM, FairMatch Support (FMS), IDH and others, will launch a 1-year pilot project to test the theory of change in 2012. Alongside, a multi-year implementation plan will be further developed and in November 2011 in Accra, a MoU on collaboration with the African Cashew Initiative (ACi) was signed.

A FairMatch Support study on processors and smallholders in Côte d'Ivoire and Burkina Faso identified key

indicators for a sustainable cashew supply chain. This was used as input for the development of two pilots on farmer aggregation and implementation of sustainability practices. The result was a clear framework for sustainable cashew production and trade which was accepted by the coalition partners, and two in-country pilot projects in which the private sector players have invested. These projects will build on the training of farmers conducted by ACi, providing market access and better remuneration of farmers for their work.

Lessons learned

If the business case will be clear in due time, organizing farmers could be the right next step in developing and implementing meaningful sustainable certification for farmer groups. There are great donor interests in this smallholder African sector, challenging IDH

to get the private sector to invest in IDH's 50% match funding principle. However, with the private sector now clearly aware of the benefits of the strategy which they co-developed, IDH is confident that investments will follow in 2012.

Steps forward

In 2012, a pilot phase will start with two processing facilities, one in Burkina Faso and one in Côte d'Ivoire. Opportunities to work in Mozambique will be explored. Alongside these pilot projects, the develop-

ment and implementation of a supply chain management information system will be carried out. By the end of 2012 the implementation program will have to be approved for a period of up to 2015.



Coffee

Global coffee consumption continues to grow, particularly in emerging markets. At the same time, production has suffered from under-investment, poor agricultural production practices yielding limited economic improvements for farmers, harming ecosystems and changing climatic conditions. As a result, sustainable production volumes do not meet demand and need to quadruple (from 8% to 25% sold as certified/verified) in the next four years. As a consequence, one local economic development objective of the IDH Coffee Program is to make coffee farmers more resilient in an ever-changing market. Approximately 4.3 million farming families will be reached and supported in generating better livelihoods with sustainable coffee farming linked with international trade, ensuring that coffee farming will again become a viable career option.

In 2011, IDH acted as convening platform for the biggest coffee producers in the world, including Nestlé, Kraft Foods, Sara Lee and Tchibo. Together with KNVKT, ECF, GIZ and TCC and under the leadership of IDH, a long-term, innovative and ambitious upscaling strategy for sustainable production has been developed which involves the coffee industry, trade and export partners, governments, NGO's and standard setting organizations. The four 'launching' roasters represent annual coffee purchases of 36 million bags and 30% of global production.

Lessons learned

As the IDH Coffee Program developed, there were several discussions which could have benefited from more clarity earlier. How precisely do we define the precompetitive boundaries of this program collectively and what are the implications of this for the program? Managing proactively widening circles of stakeholders (4C platform, standards, traders, implementing partners) beyond the initial launching partners is both vital, sensitive and requires a lot of program manage-

ment attention. To avoid 'creating our own resistance' in delaying engagement with other stakeholders, we have to adopt an active communication approach even if the program still has more question marks than answers;

Harnessing commitment from all partners on senior levels going forward on a gradually unfolding agenda with increased transparency of the involved financial implications.

Steps forward

In 2012, the IDH Coffee Program will move from development to implementation. We will gain agreement on the strategies in each of our first focus countries and begin contracting implementing partners to carry out

the activities. We will also begin our outreach to other donors, roasters and traders to engage them in the program. Towards the end of 2012, we will begin work in the second wave of countries.



Fruits & Vegetables

The IDH Fresh Fruits and Vegetables (FFV) development program aims to create mutual commitment of Dutch retail and traders to make fresh fruits and vegetables from Africa, Asia and Latin America 100% sustainably sourced by 2020. The FFV sector greatly varies, dealing with different sustainability issues, in different producing countries. The

potential impact of the program is substantial due to its labor intensive character. IDH wants to use the equivalence tool of the 'Global Social Compliance Program' (GSCP) for benchmarking existing standards. Producer support projects will address bottlenecks for specific product-country combinations.

Activities and achievements

In 2011, the IDH FFV program moved from scoping to the development phase. The first concrete steps toward a sector-wide implementation program were made. Stakeholders such as ICCO and Solidaridad were involved, and a first mapping of the product/ issues/country combination was done. Opportunities were assessed and the potential impact of an FFV program explored. This has resulted in the formulation of a threefold strategy to develop an implementation program in 2012.

Convening a public statement of the mutual commitment of the Dutch FFV sector ('covenant'); Benchmarking existing and used standards according to the GSCP equivalence tool; and developing producer support programs to address specific sustainability bottlenecks for product-country combinations.

Lessons learned

During the development phase of the program a start was made to assess which issue/product/country combinations retailers and traders most urgently need to address. The goal is to create a number of producer support programs. One lesson learned so far is that there seem to be especially relevant and urgent issues in the production of grapes, bobby beans and pineapple.

In December 2011, IDH tried to accelerate the process for retail and traders to make a public statement about shared ambitions, but the sector was not ready for such a 'pressure cooker' approach. In 2012, IDH will play a stronger convening role and intensify the dialogue with individual companies, as well as facilitate discussion and information sharing among partners. We are planning to issue a public statement by June.

Steps forward

Mid-2012 an implementation plan will be ready for approval by the IDH Board of Directors. In June the 'covenant' is expected to go public and several producer support projects will start implementation in the

second half of 2012. IDH is planning to start including international retailers and traders in the program in the course of 2012.



Flowers & Plants

In the flowers sector, the most persistent barriers to mainstreaming sustainability are an excessive fragmentation of standards, a lack of overarching framework and lack of a sector-wide vision on sustainability. This results in an ineffective approach

characterized by inefficiencies and slow market uptake. The scoping program Flowers explores the development of an international base line practice and the establishment of an international round table on sustainable production of flowers.

Activities & Achievements

In the first half of 2011, sector analyses on the current status of sustainability were carried out. Next step was a meeting in July with flower industries representatives from the Netherlands, the United Kingdom and Germany. In the second half of the year, a draft vision document (including broader stakeholder consultation) was written and discussed with Dutch sector representatives and international stakeholders in the flower sector.

By December 2011 a broad range of international stakeholders collectively supported and mandated

IDH to initiate the scoping and development of an international program called the Floriculture Sustainability Initiative (FSI). The main purpose of the program is to convene, align and mobilize key players in order to mainstream sustainability in the sector. The following organizations expressed their support: WWF Kenya, IUF, MPS, EHPEA, KFC, LTO Noord Glaskracht, Flora Holland, UnionFleurs, BRO, FFP, BGI, Edeka, Kölle-Gartencentre, Dutch Horticulture Marketing Board, Omniflora, VGB, Dutch Flower Group, ANCEF, Ahold, and a principle support of the UK retail.

Lessons learned

To obtain international scale and a truly international set-up with strong buy-in from non-EU stakeholders, it was important to reach out beyond the dominant position of the Dutch players. This goal proved challenging and will continue to be pursued in 2012. Moreover, the alignment of project driven initiatives with a structural

long term approach, such as the current development program, proved to be challenging. Due to the different drivers and objectives of the initiatives involved, it was important to define mutual gains, both in the short term and in the long run.

Steps forward

The program has moved to development phase in February 2012. The first half of 2012 will be used to finalize the program design, including a sound business plan for the period of 2012 to 2015. Mid 2012, the 'launch' of the implementation program is planned to take place.



Palm oil

The palm oil market is slowly making steps toward sustainability. The mainstream standard for sustainable palm oil is the Round Table for Sustainable Palm Oil (RSPO). RSPO certification is accelerating and buyer participation in certificate trading

is upscaling. Still, it remains difficult to make the transformation from certificate trade toward segregated sourcing. In this landscape, it is especially difficult for small-holder producers to enter the certification process.

Activities and achievements

In 2011, a clear role for IDH became visible; supporting an increase of demand for sustainable palm oil in Europe and supporting the certification of smallholder producers in Indonesia. This was due to a fact finding mission in October in Indonesia. Also, in 2011 the foundation was laid for a Memorandum of Under-

standing with an Indonesian state owned palm oil estate (PTPN III) on the inclusion of small holders in the certification process. In addition, investigation for potential support for a sector wide initiative for small holder support – SHARP – was started.

Lessons learned

Discussions in the sector about moving from certificate trading toward segregated sourcing continued in 2011. Crude palm oil is processed in a multitude of (semi-) end products before entering the food supply chain, making segregation a costly process. During the scop-

ing phase the most appropriate role of IDH has not yet been found in this debate. It has therefore been decided to extend the scoping phase of the program until Q3 2012.

Steps forward

The role of IDH in activities with Indonesian smallholders, in cooperation with PTPN III and/or SHARP, will be further developed. In addition, opportunities for IDH to play a role in market development for sustainable

palm oil will be further explored. In Q3 of 2012, a decision will be made about moving toward development and implementation or further extending the scoping phase.



Mining & Minerals

In line with the justified concerns of companies such as Tata and Philips regarding responsible practices in (especially artisanal) mining, we have researched the opportunities for IDH intervention

related to so-called 'conflict minerals'. This was done mostly because their current legal framework and public pressure creates opportunities for tackling the relevant sustainability issues.

Activities and achievements

In order to explore the need for and feasibility of a Minerals & Metals Program, IDH consulted various private and public stakeholders and contracted Resource Consulting Services (RCS) to conduct research. RCS is a leading consultancy in advising companies and governments about issues of (conflict) resources, supply chain management and due diligence. The objective of this research was to gain better understanding of the characteristics and dynamics of the

sector, and explore potential opportunities for IDH to intervene. This interim scoping report was delivered in September. Gold and tin were identified as the two minerals with the highest potential and urgency for market transformation. On tin, IDH decided to support acceleration of a pilot program supporting the introduction of sustainability standards of the ITRI (Tin Industry platform) program, together with Tata Steel. On gold, further scoping is still taking place.

Lessons learned

In 2012, the IDH Coffee Program will move from development to implementation. We will gain agreement on the strategies in each of our first focus countries and begin contracting implementing partners to carry out

the activities. We will also begin our outreach to other donors, roasters and traders to engage them in the program. Towards the end of 2012, we will begin work in the second wave of countries.

Steps forward

With the scope narrowed down to gold and tin, and Peru, DRC and Indonesia as strategic sourcing countries, the potential for a program can be explored with more focus. Depending on the outcome of the further scoping, we will be moving to development phase in

the second half of 2012. Additionally, with IDH supporting a pilot to introduce sustainability standards in mines in the Congo (DRC) through the ITRI program, in 2012 we are targeting to move directly from scoping to implementation level on 'conflict tin'.

Other activities

Communication

In 2011, the focus in our communication has been twofold. We have worked on supporting the acceleration and up-scaling of IDH programs through joint communication efforts with partners, creating presence in (international) press and orchestrating joint communication materials and activities. Next to that we have focused on corporate communication, changing our emphasis from what we aim for, to what we do.

Program communication

In 2011, about 80% of our time was spent on IDH program communication efforts that help accelerate and upscale sustainable trade in pillar programs. Program communication was fully integrated into the overall sector program strategy, aligned with sector program partners and program learning and systematically strategized in bi-monthly program reviews.

In general for every pillar a 'two pager' with basic information was provided; all program website pages were updated; basic but specific, separate websites were produced for the programs: BCFT, Sustainable Spices, Electronics, Congo Basin Timber Program. For every program that is organized through a fund, a prospectus was produced. Most of the specific program communication activities and results are described in the program reports. In this chapter we mention the most significant highlights that have attributed to the corporate image of IDH.

Corporate communication

Website

To serve as a transparent and up-to-date source of information for stakeholders and a platform for program partners, the communication team updated the content of the website, updated the program pages and produced an average of 1 news item a week. On average we attracted over 550 unique visitors per week to our website, much more than the planned 200 per week.

PR

Communication co-organized promotional events and orchestrated PR in national and international media. Some major highlights in 2011:

- The 1st market take-up of the 1st RTRS soy in June. With RTRS, Amaggi, WWF, Ahold and Solidaridad. Coverage in Trouw and Volkskrant; RTL News (tv); and international trade media.
- Press conference of the Strategy Group with 15 CEOs, who affirmed commitments to source 100% sustainable soy in 2015. And retail commitment to offer ASC certified farmed fish as of 2016. Massive media attention in most national newspapers and international trade media.
- The International Supply Management Congress, with (e.g.) Michael Porter which created lots of attention in Dutch press. The congress partners jointly hired an agency specialized in international PR which did not deliver the expected results.

- Throughout the year some dedicated interviews with Joost Oorthuizen (CEO) in national newspapers Volkskrant, Trouw and Telegraaf and in special media: SER magazine, Forum and Vice Versa.
- Numerous articles on IDH and/or its sector programs in Trouw, the Guardian, NRC, Volkskrant and many international trade media.
- Advertisement campaign in major Dutch newspapers, aligning all major public and private cocoa program partners. The campaign was mainly financed by the private sector.

Communication on learning

IDH captured learning in mainstream market transformation in Tea and Cotton. In 2011, IDH published three learning publications. Two publications elaborated on the Unilever and KTDA case in leapfrogging to sustainability, and on including tea smallholders in Kenya and Argentina. And one publication demonstrated the IKEA case of moving Better Cotton into their international supply chain.

Lessons learned

As IDH is becoming a more established agency, communication faces more challenges. Our programs and IDH itself receive increasingly more attention. With major multinational partners aboard, program communication becomes more strategic, issue management becomes vital, counter criticism by critical NGOs has become more important and IDH will have to stand tall in a critical international arena. In 2011, we made steps in strategic communication planning and we have handled upcoming issues in our cocoa, cotton, timber and soy sectors effectively.

Learning and Innovation

In 2011 we gained insight into how the learning agenda can contribute its added value to the commodity coalitions. The design, execution and feedback of findings were integrated in the commodity programs.

The 2011 plan focused on two levels:

- A dedicated research and development agenda for our key commodity programs;
- Proliferation of inter-sector themes for research, capacity building and institutionalization.

Results Indicator	Planned for 2011	Realized in 2011
Strategic studies	4	9
Inter-sector platforms	6	4

Pillar program strategic studies

Research Publications 2011

Cocoa	Assessing the business case for certification in sustainable cocoa (by KPMG) Access to finance study for the cocoa sector (by IFC) Fertilizer application study in West Africa (by CIRAD)
Tea	Revitalizing Lipton's Tea Supply Chain (IMD business case) Unilever tea: going beyond the low hanging fruit (IMD business case) Reaching out to smallholders part I & II (IMD) for MBA program
Soy	Gap analysis (by Icone)
Cotton	The IKEA experience in moving towards a Better Cotton supply chain BCI as the mainstream cotton sector standard – a learning study for the Better Cotton Investment Fund (by PWC)

Inter-sector learning

Carbon Bundling Approaches for Certified Commodities

Phase 1 of this project by IDH and WWF-USA delivered a joint analysis of 10 sectors; Cocoa, Coffee, Cashew, Soy, Beef, Cotton, Palm oil, Timber, Sugarcane and Dairy, and a business plan for a further roll-out of the project for piloting and prototyping. In the next phase, 3 models for conducting carbon transactions will be evaluated and tested.

Minimum Wage project

The aim of the project is to create a fairer and more transparent wage structure for workers in the tea sector and to identify and overcome obstacles. The project is a collaboration between Oxfam Novib, ETP, Unilever, and IDH. A first report 'Understanding wages in the Tea industry' by the consultant Ergon was published in the last quarter of 2011.

Value chain finance

The value chain finance initiative continued its innovative work in the cocoa sector and strengthened the linkage with the 100M USD initiative by the International Finance Corporation. The collaboration with FMO in regard to value chain finance led to a MoU between IDH and FMO which was signed in December 2011. This aims to explore expansion into cotton, aquaculture and tropical timber.

Other learning activities

Sustainable Supply Chain Academy

In 2011, IDH made major adjustments in its plans to set up a Sustainability Supply Chain Academy. While fine-tuning the curriculum with potential private partners, it became clear that the demand for a generic cross-sector academy was smaller than anticipated. Companies really need a tailor-made program that addresses specific thematic needs. Secondly, the format of the academy program needed to be re-designed into a strategic issue forum which enables key-decision makers to formulate strategic next steps followed up by in-company implementation activities.

International supply chain congress

Learning contributed to The International Supply Management Congress. A partnership with AkzoNobel, Rabobank, Unilever, NEVI, and AlfaDeltaCompendium drew a record of over 1200 leaders and managers from around the world by organizing 11 workshops (out of 23) that were evaluated positively by the participants.

Lessons learned since the start of the program

Focusing on deeper learning and un-locking mechanisms

IDH has succeeded in articulating key-questions, such as ‘what is the business case for certification’ from a sector perspective, which have been translated in substantial investment commitments from both private and public sector agents.

Learning & Innovation team as embedded service provide

By focusing on 9 pillar programs and jointly working with program managers and coalition partners the learning products (i.e. technical strategy papers) have become much more embedded in the program implementation processes.

Knowledge for impact

The strategy for the dissemination of learning results internally and externally has been strengthened by organizing feedback loops in program reviews and by becoming involved in the baseline and impact evaluation studies that started in 2011 in partnership with ODI and LEI-Wageningen University. Besides contributing to the evidence base and accountability of the IDH program, these studies will increase our understanding of which interventions work, why they work and under which circumstances these work.

Strategy Group Sustainable Production and Trade

In 2010, over seventy companies and civil society organizations shared a sustainability agenda and developed the Sustainable Trade Action Plan 2011-2015. To realize the ambitions in the Action Plan, strong coordination is needed between the stakeholders involved: business, civil society and government. There are many connections between the commodities in the Action Plan. Several companies, NGOs and ministries are active in the same commodities. This is especially the case for the agro-commodities in the Action Plan. Therefore an action-oriented bi-annual meeting on agro-commodities was set up by IDH in 2011 in close collaboration with the Ministry of Foreign Affairs (BZ) and the Ministry of Economic Affairs, Agriculture and Innovation (EL&I).

The bi-annual meeting is the **Strategy Group Sustainable Production and Trade**. The purpose of this group is to ensure an effective dialogue and strategic alignment between business, civil society and government for a number of selected agricultural commodities out of the Action Plan. The Strategy Group Sustainable Trade will convene once a year on CPO-level and once a year on CEO level in the presence of the Minister(s) of the Ministries involved.

The first CPO meeting of the Strategy Group Sustainable Trade was held on March 10, 2011. The first CEO meeting was held before the start of the International Supply Management Congress in December. The participation exceeded expectations with over 20 organizations represented by either the CPO or CEO, the directors of the involved NGO's and the Minister or Director General level from the ministries⁷.

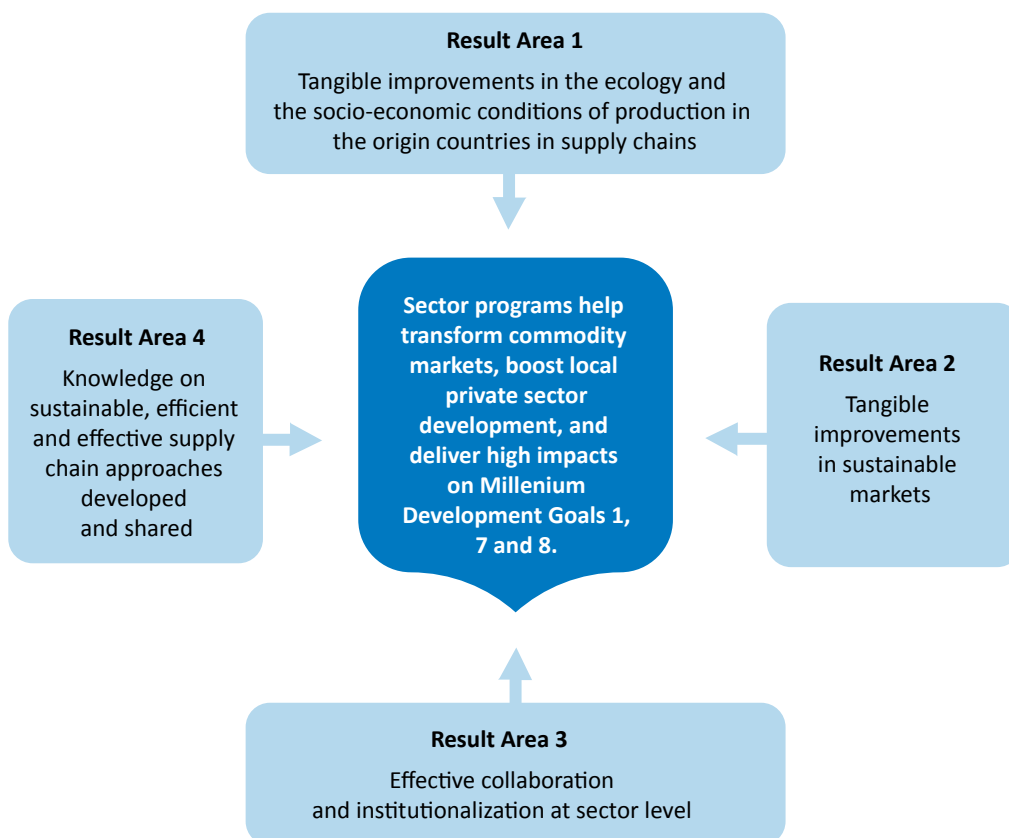
The meetings proved effective in triggering the dialogue between the different actors about the state of sustainability in the different sectors and defining action points to unlock the potential in certain sectors. IDH prepared progress reports for both meetings which were used intensively throughout. Initial trust is created in the meetings allowing IDH, in partnership with the Ministry of Foreign Affairs and the Ministry of Economic Affairs, Agriculture and Innovation, to move the agenda towards more in depth discussion in the next meetings.

⁷ Participants Strategy Group Sustainable Production and Trade: Heiploeg, Unilever, Anova, ICCO, Sara Lee, The Greenery, Ahold, Superunie, Solidaridad, C1000, Rabobank, Wageningen UR, Cargill, Mars, FrieslandCampina, VION, Agrifirm, Cefetra, WWF, Ministerie van Buitenlandse Zaken, Ministerie van Economie, Landbouw en Innovatie en Ministerie van Infrastructuur en Milieu, Oxfam Novib. IDH.

Planning, Monitoring & Evaluation

IDH and its partners are working together to accelerate commodity market transformation, boost local private sector development, and deliver high impact on Millennium Development Goals 1, 7 and 8. Quality and accountability are vital to our operations. Through our planning, monitoring and evaluation processes, we plan and measure the progress on our programs targets. The IDH planning, monitoring and evaluation system is result-based and consists of two major elements: the four result areas and key performance indicators.

The four result areas reflect a balanced picture of the changes IDH envisions and that lead towards the sustainability of international commodity chains. The result areas are:



All implementation programs define Key Performance Indicators (KPI's) for each of the four results areas. The KPI's reflect the most important output and outcomes each program delivers. IDH distinguishes between progress indicators (at output level) and change indicators (at outcome level).

Improvements in 2011

In 2011, IDH worked on the further improvement of its existing framework for PME. Together with two external experts, IDH thoroughly evaluated the quality and effectiveness of its existing overall framework for planning, monitoring and evaluation, leading to the implementation of several major improvements. Our experiences in creating programs and monitoring outcomes as a result-driven investor and our continuous learning and improvement processes have been used as input to improve the PME system.

- The efficiency of the overall program cycle was improved. All internal and external processes for planning, monitoring, reviewing and reporting are linked, forming a coherent system.
- Key Performance Indicators (KPI's) of our implementation programs were reformulated into outcome level indicators on our four result areas. Furthermore, in several pillar programs new strategic approaches were included into program design, leading to new indicators on for example access to finance and government involvement.
- Program Managers were trained to formulate output and outcome indicators, enabling them to instruct our implementing partners.
- IDH developed an overall intervention logic that follows the DCED Standard for Measuring Results in Private Sector Development.

External evaluation and validation

A thorough external impact evaluation process was started in 2011. IDH contracted an independent third party to evaluate the outcomes of 3 pillar programs against longer term organization and intervention objectives and targets. The programs involved are Tea, Cotton and Cocoa. IDH is also keen on understanding and reporting the multiplier effects that can be attributed to IDH. The study involves interviews with various key stakeholders along the value chain, investigating both field level change and change at the market end of the sectors. The impact assessment will comprise of in-depth quantitative household surveys with value chain analyses to capture changes in the focal sectors and to analyze the contribution of IDH to these changes. LEI-Wageningen University and Research Centers and the Overseas Development Institute (ODI) have been appointed as independent knowledge partners for this assignment. The first results of this work are expected in 2012.

Social Issues

The main objective of IDH is to deliver impact on Millennium Development Goals 1, 7 and 8 through convening public and private interests in committed coalitions in 16 sector programs. As IDH programs use tailor-made strategies to realize their impact, in each of them different social issues are being addressed. This can be either directly (program targets) or indirectly (social impact as an assumed effect of targets). In addition, in 2011 IDH paid special attention to child labor through a cross sector learning initiative.

The type of social issues addressed and the strategy developed, depends in each sector program on:

- the relevance in relation to other sustainability objectives;
- the possibility to achieve sustainable market transformation on these issues in that specific sector; and
- the importance of social issues for realizing impact on MDG 1, 7 and 8 and the opportunities to build a committed coalition around these social issues.

These considerations are made during the scoping and development phase of programs and are part of the regular monitoring and evaluation processes of a typical IDH program. In the scoping and development phase stakeholders from the private, public and semi-public sector are involved in these considerations. Based on this input the Executive Board evaluates and approves the design and strategy of a program before it moves to the next phase of our program flow.

In several programs, concrete social objectives have been defined as main objectives. In the Electronics program for example, the aim is to improve working conditions in over 100 manufacturing factories in China, including improvements on precarious work, overtime, wages and, as a core focus, worker-management dialogue. These all relate directly to relevant ILO conventions and the decent work agenda.

In the Natural Stone program, the objective is to improve labor condition for 10,000 workers. Focus is on training of local businesses to comply with social criteria of their European suppliers, including the prohibition of child and forced labor.

In the agricultural programs, poverty reduction through increased income and productivity is the main social program objective. As a side effect, because of the increase of the income and strengthening of the position of the farmer, other social issues can be impacted such as reduction of child labor and access to social services. In the Cocoa program this will be monitored from 2012 onwards in the new 'Cocoa Productivity and Quality Program' by integrating school attendance within the key performance indicators. In addition the program strategies take into account sensitivities to the social context in a sector. An example here is the coffee sector in which 80% of farmers are women. When training farmers on any sustainability issue (including productivity growth) it is important to make sure that 80% of participants are women. KPI's in the Coffee program will therefore be specified on gender division. For specific KPI's and achievements, we refer to the program reports.

Social issues are furthermore addressed in IDH programs through the use of certification. This is an important vehicle towards sustainability, including improvements on social issues. Our approach is supported by the fourth Annual Report from Tulane University on the worst forms of child labor in the cocoa sector in Côte d'Ivoire and Ghana. The report states that product certification provides credible assurance that cocoa is produced in line with ILO convention 182. As such, increasing farmer income would in the long term lead to eradication of poverty and consequently, of child labor. The study states that the most effective tool to eradicate child labor is certification. In addition, the integration of social issues in a broader sustainability agenda for the farmer increases the chance of compliance.

At the request of the Dutch Government, IDH coordinated the setting up and the first year of 'the Child Labour Platform' (CLP). During this first year, about 30 companies participated in the working group of the CLP. Among these companies were frontrunners with extensive experience in combating child labor as well as companies that were developing their first activities on the topic. Nine good practices have been identified and described. They will be published as a good practice note on the UN Global Compact website, after endorsement by the UNGC Labour Working Group. Furthermore, a booklet was developed which contains business practices and the main lessons learned within the CLP during its first year. Finally, a paper on the relevance of the lessons learned for investment has been developed in close cooperation with APG and a set of recommendations for public procurements have been developed in close cooperation with the Stop Child Labour Campaign. All activities have been inspired by the UN Guiding Principles on Business and Human Rights. As of 2012, the CLP is taken over by the Labour Working Group of the UN Global Compact and ILO.

Accountability & transparency

IDH is very keen to show maximum accountability and transparency about its operations and progress in terms of output, outcomes and impact. Because the impact of our work results from joint efforts of IDH and our partners, we are very interested in receiving intermediate feedback from our public and private partners about our perceived attribution. To objectify these statements, IDH asked consultancy firm Steward Redqueen to test the validity of 'attribution claims' on specific activities of IDH in 2011.

The objective of this quick-scan is to receive stakeholder feedback with respect to 10 of our sixteen programs. As part of our M&E approach, the quick-scan research was executed in February and March 2012. We will use the results of the quick scan to improve our transparency and accountability.

Methodology

For every program, 3 to 5 attribution claims were formulated by our program managers. Together with a list of stakeholders, these were provided to Steward Redqueen. They consequently tested if the group reflected a fair and balanced sample of the wide range of stakeholders of IDH. Besides specific attribution claims on program achievements, respondents were asked to reply to the claim 'For this program, in 2011, IDH really made a difference'.

65 interviews were conducted over the telephone. The attribution statements were sent to respondents prior to the interview. Respondents scored their level of agreement, ranging from one (strongly disagree) to four (strongly agree). Respondents were asked to provide clarifications and comments on their scores. The results have been presented to IDH in a report which is available on the IDH website. This independent statement is not an executive summary but provides a reflection of the overall findings.

Observations

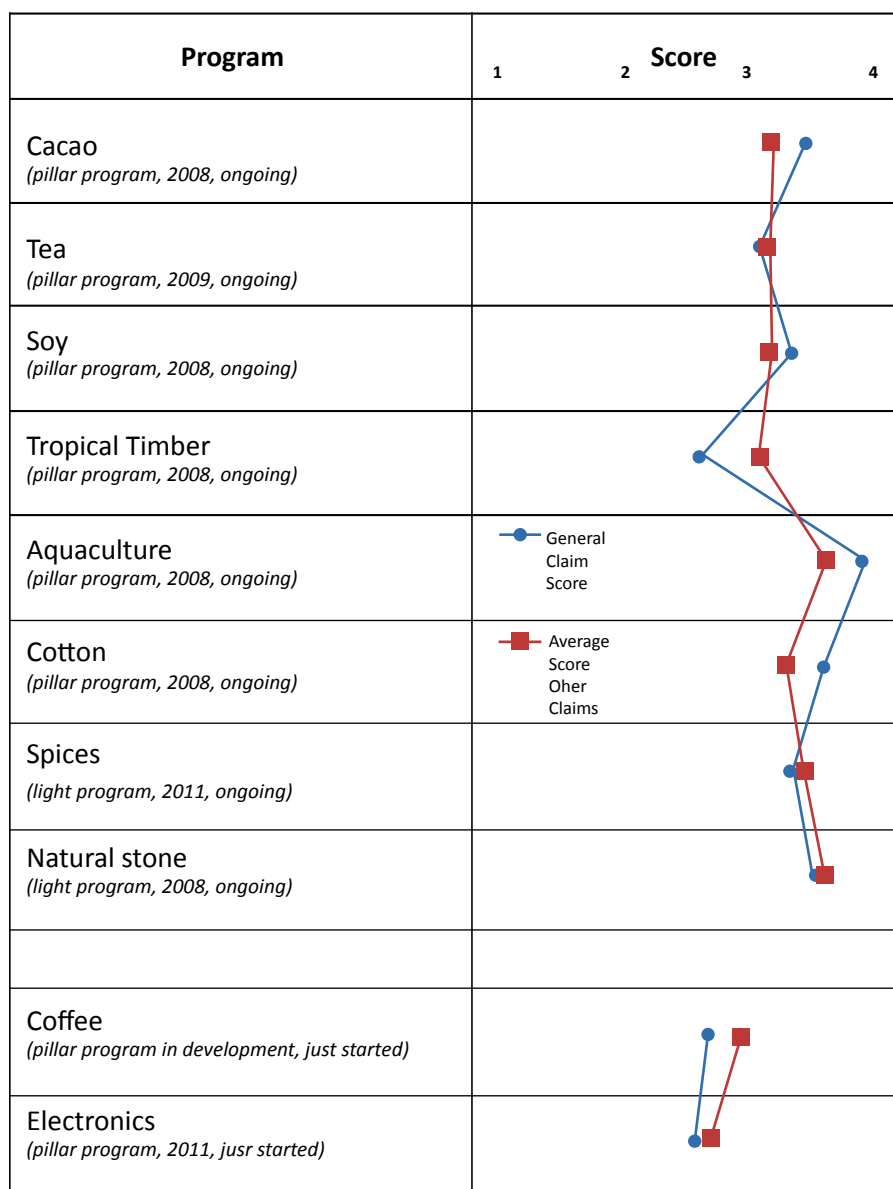
The blue line reflects the score on the statement: 'For this program, in 2011, IDH really made the difference'. The red line reflects the average scoring on the program specific attribution claims. In view of the similar patterns of the blue and the red line, Steward Redqueen concluded that the general perception of the difference IDH has made to the programs in 2011 is supported by the response to the specific claims. Overall, the work and dedication of IDH is very much appreciated. The notion that a sector initiative would not have started, or would not have accelerated without IDH, is expressed often.

Learning points

The quick-scan has brought two main learning points to our attention. The first is timing. Although IDH is keen to be transparent on its impact, it should be careful in claiming attributions too soon. We risk program partners feeling neglected. Giving program partners a podium remains an important contribution to the success of the various initiatives and IDH itself. The second lesson learned is that IDH should always be aware of its specific role. Respondents recognize IDH for the various roles it plays in the programs. These include: taking leadership

and setting the agenda, getting stakeholders around the table, facilitation dialogue and match-funding of programs.

Steward Redqueen concluded from the research that IDH can improve effectiveness if it communicates and discusses the (perceived) role of IDH with stakeholders in a program.



Finance

BALANCE SHEET AS AT 31 DECEMBER 2011 (after appropriation of result)

	31 december 2011		31 december 2010	
	€	€	€	€
ASSETS				
<i>Current Assets</i>				
Accounts receivable	104.818		12.939	
Advance payments and accrued income	1.025.928		355.398	
Cash at bank	7.802.254		6.063.761	
Total Current Assets		8.933.000		6.432.098
TOTAL ASSETS		8.933.000		6.432.098
LIABILITIES				
<i>Own reserves</i>				
Continuity reserve *)	-		-	
<i>Total Reserves</i>		-		-
<i>Short-term Liabilities</i>				
Appropriated funds	7.702.484		4.992.173	
Creditors	808.038		466.176	
Taxes and social security charges	56.036		-	
Other accruals	366.442		973.749	
<i>Total Short-term Liabilities</i>		8.933.000		6.432.098
TOTAL LIABILITIES		8.933.000		6.432.098

*) = comparative figures have been reclassified to conform with current year's presentation

STATEMENT OF INCOME AND EXPENDITURE

	2011 €	budget 2011 €	2010 €
INCOME			
Subsidies from governments *)	13.195.748	16.957.000	8.275.516
Other income	160.196	-	
<i>total income</i>	<i>13.355.944</i>	<i>16.957.000</i>	<i>8.275.516</i>
EXPENDITURES			
Programs and Projects	9.895.103	12.750.000	6.154.653
Learning and Innovation	304.047	500.000	102.033
Congress and communication cost	326.139	350.000	195.947
Other outreach cost	96.333	-	-
<i>total program expenditures</i>	<i>10.621.622</i>	<i>13.600.000</i>	<i>6.452.633</i>
Personnel cost	2.012.862	2.635.000	1.423.654
Organizational cost	770.275	722.000	431.158
<i>total organizational expenditures</i>	<i>2.783.137</i>	<i>3.357.000</i>	<i>1.854.812</i>
<i>Operating result</i>	<i>-48.815</i>	<i>-</i>	<i>-31.929</i>
Financial income and expenses	48.815	-	31.929
Result	-	-	-

*) = comparative figures have been reclassified to conform with current year's presentation

For a complete understanding of the balance sheet, the statement of income and expenditure and the explanatory notes, we refer to the Financial Accounts 2011.

Accounting principles

Relationship with other legal entities

The Financial Statements relate to all activities of IDH Sustainable Trade Initiative (IDH) for 2011.

The formal spin-off from Stichting Kenniscentrum Maatschappelijk Verantwoord Ondernemen (MVO Nederland) was registered on September 7, 2011.

From the start of IDH in 2008 the financial administration and the financial flows were separated from those of MVO Nederland. Even though IDH was established as its own legal entity from September 7, 2011 on, these Financial Statements cover the full calendar year.

Taxes

IDH does not perform any entrepreneurial activities. The Dutch tax authorities have ruled that IDH is exempted for VAT and for Corporate Income Tax.

Basis for preparation

These financial statements have been prepared in accordance with the Guide line for annual reporting 640 'Not for-profit organizations' of the Dutch Accounting Standards Board'.

The financial year coincides with the calendar year.

The applied accounting policies are based on the historical cost convention.

General

The figures for 2010 have been reclassified to conform with current year's presentation. Unless stated otherwise, assets and liabilities are shown at nominal value.

An asset is disclosed in the balance sheet when 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 when 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 when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognized when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating 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 company's functional currency. All financial information in euros has been rounded to the nearest thousand.

Use of estimates

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

Transactions in foreign currencies

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

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

Financial instruments

Financial instruments include trade and other receivables, 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.

Trade and other receivables

Trade and other 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 .

Revenue recognition

Government grants

Government grants are initially recognized in the balance sheet as deferred income when there is reasonable assurance that they will be received and the foundation will comply with the conditions associated with the grant. Grants that compensate the foundation for expenses incurred are recognized in the profit and loss on a systematic basis in the same period in which the expenses are recognized.

Employee benefits/pensions

Pension plans

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 fund 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 fund or settlement with contributions payable in future.

In addition, a provision is included as at balance sheet date for existing additional commitments to the fund and the employees, provided that it is likely that there will be an outflow of funds for the settlement of the commitments and 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 fund, 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.

For any surplus at the pension fund as at balance sheet date, a receivable is recognized if the company has the power to withdraw this surplus, if it is likely that the surplus will flow to the company and if the receivable can be reliably determined.

PROGRAM OVERVIEW - 2011

	2011			
	Actuals			
	Total Program Cost	IDH	Private	Other donors
Tea *)	996.645	1.169.113	145.270	220.117
Cotton	6.348.892	2.007.323	2.677.579	2.334.904
Cocoa	3.888.826	1.877.817	2.244.062	441.762
Soy	459.158	336.783	59.652	62.723
Aquaculture	84.820	454.302	2.723	1.260
Timber	3.170.563	2.508.912	1.101.705	706.490
Electronics	296.251	326.251	-	-
subtotal Pillar Programs	15.245.155	8.680.501	6.230.991	3.767.256
Tourism	188.982	49.977	43.437	15.875
Natural Stone	352.520	203.814	134.746	13.960
Spices	71.207	66.707	4.500	-
subtotal Light Programs	612.709	320.498	182.683	29.835
Coffee	198.414	111.239	40.250	46.925
Cashew	107.878	107.878	-	-
Palm Oil	36.533	36.533	-	-
Fruit & Vegetables	34.749	34.749	-	-
Flowers & Plants	66.924	66.924	-	-
Paper & Pulp	6.533	6.533	-	-
Mining	50.794	50.794	-	-
SAC	3.241	3.241	-	-
subtotal Scoping and Development Programs	505.066	417.891	40.250	46.925
Academy	6.940	6.940	-	-
Learning	342.047	304.047	-	38.000
Strategy Group	89.393	89.393	-	-
Communication	709.673	326.138	358.137	25.398
subtotal outreach and learning	1.148.053	726.518	358.137	63.398
Total Programs	17.510.983	10.145.408	6.812.061	3.907.414

- Tea – the financial report from one of the tea projects has not been received on time to include it in this financial report. It is estimated that the contribution from the private partners in this project is € 1.500.000.
- In 2011 the new match funding criteria in which private sector contribution is a minimum of 50%, entered into force for those programs that started implementation in 2011. Programs that started in 2010 or earlier were approved following the former match funding criteria in which private sector contribution was a minimum of 25%. Approximately 45% (€ 4.617.026) of IDH's total program expenditures (€ 10.145.408) is match funding according to the former match funding criteria of a minimum of 25% of private sector contribution.

PROGRAM OVERVIEW – 2008 - 2011

CUMULATIVE 2008 - 2011					
Actuals					
	Total program cost	total income	IDH	Private	Other donors
Tea	4.165.397	5.135.121	3.173.413	542.911	1.418.797
Cotton	8.300.367	9.286.388	3.190.323	3.010.579	3.085.486
Cocoa	9.761.793	10.667.911	4.227.817	5.062.992	1.377.102
Soy	913.671	919.158	566.783	169.652	182.723
Aquaculture	835.770	1.214.984	904.302	131.727	178.955
Timber	5.371.403	9.297.718	3.885.912	1.532.666	3.879.140
Electronics	296.251	326.251	326.251	0	0
subtotal Pillar Programs	29.644.652	36.847.531	16.274.801	10.450.527	10.122.203
Tourism	949.572	949.572	402.477	427.437	119.658
Natural Stone	1.033.657	1.043.569	523.523	347.957	172.089
Spices	71.207	71.207	66.707	4.500	0
subtotal Light Programs	2.054.436	2.064.348	992.707	779.894	291.747
Coffee	198.414	198.414	111.239	40.250	46.925
Cashew	107.878	107.878	107.878	0	0
Palm Oil	36.533	36.533	36.533	0	0
Fruit & Vegetables	34.749	34.749	34.749	0	0
Flowers & Plants	66.924	66.924	66.924	0	0
Paper & Pulp	6.533	6.533	6.533	0	0
Mining	50.794	50.794	50.794	0	0
SAC	3.241	3.241	3.241	0	0
subtotal Scoping and Development Programs	505.066	505.066	417.891	40.250	46.925
Academy	6.940	6.940	6.940	0	0
Learning	342.047	342.047	304.047	0	38.000
Strategy Group	89.393	89.393	89.393	0	0
Communication	709.673	709.673	326.138	358.137	25.398
subtotal outreach and learning	1.148.053	1.148.053	726.518	358.137	63.398
Total Programs	33.352.207	40.564.998	18.411.917	11.628.808	10.524.273

Remuneration of the Executive Board

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

The total remuneration of the two members of the Executive Board was in 2011 € 277.000, including bonus, holiday allowance, pension scheme and other fringe benefits.

Additional investments

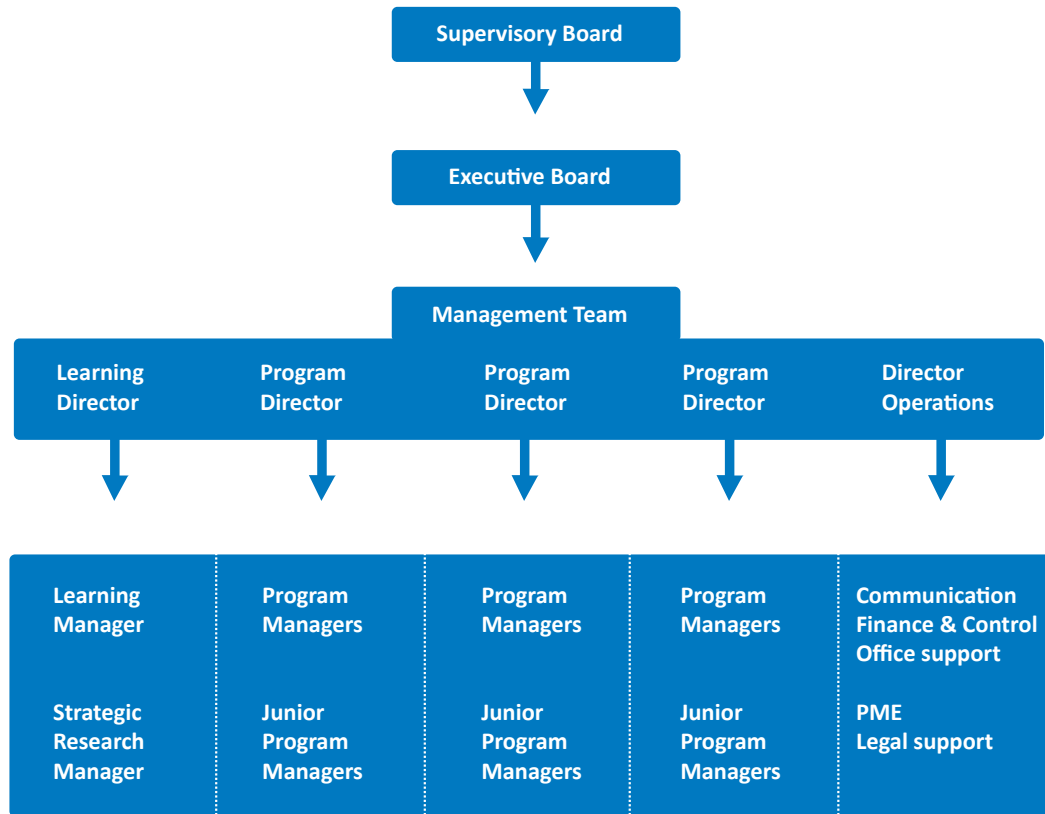
IDH has investigated to which extent our investments are leveraging private sector investments in sustainable supply chains. In our Action Plan 2011-2015 we have claimed that by 2015, every Euro spent by IDH would leverage 5 Euro extra private investments in sustainable production and trade.

The following investments have been identified as additional private sector investments:

- Specific Project costs in countries of origin (capital costs, project activities and expenses, other implementation costs);
- Collaboration sector initiatives (membership fees);
- Certification (premium costs to farmers – paid by the first buyer- and certification expenses);
- Verification and/or chain of custody expenses (paid by the first buyer);
- Communication expenses and Research & Development expenses

The private investments that the contribution of IDH leveraged, add up to € 81.M (17 companies).

Annex 1 - IDH Governance structure



Annex 2 - Ancillary Positions

Executive Board

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

- No ancillary positions

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

- Observer Supervisory Board of Foundation Stichting Goed Hout & Goed Papier! (FSC Netherlands)
- Member of the Supervisory Board of Aquaculture Stewardship Council Foundation

Supervisory Board

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

- Corporate Director Sustainability at AkzoNobel
- Chairmain Supervisory Board Foundation 'Milieukeur'
- Member Executive Advisory Board of the Europe - China Institute Nyenrode University
- Member Sustainability Advisory Board COFRA
- Ambassador Amsterdam Climate Initiative
- Member of Worldconnectors

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

- CEO WWF Netherlands
- Member Editorial Board "The Broker"
- Member of Round Table for international cooperation "Worldconnectors"
- Member of Policy Advisory Committee of NWO-WOTRO (Netherlands Organisation for Scientific Research - Netherlands Foundation for the Advancement of Tropical Research)
- Member Policy Advisory Committee nature activity centre Oostvaardersplassen of 'Staatsbosbeheer'
- Juryman Edgar Doncker Price for nature conservation in the Netherlands
- Member of Advisory Board for Faculty of Humanities at the University of Leiden
- Member of the Rotterdam Climate Council
- Member of Societal Advisory Board of the Adaptive Capacity of Life – research program of the Faculty of Mathematics and Natural Sciences at the University of Groningen.

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

- Member Social and Economic Council of the Netherlands (SER)
- Member of the Labour Foundation
- Board member Foundation The Burcht
- Treasurer and Secretary of Foundation The Volkskrant
- Chairman Supervisory Board FNV
- Board member Foundation 'Cultuurlab' (Pakhuis De Zwijger)
- Chairman FNV Mondiaal

Mw. F. Karimi (installed as a member of the Supervisory Board on October 13, 2011)

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

*The board of Oxfam International is formed by individual Oxfams (legal entities). Farah is the natural person in this board who represents Oxfam Novib legal entity.

Mr. J. Smit (installed as a member of the Supervisory Board on October 13, 2011)

- President CNV-vakcentrale

- Board member of Social and Economic Council of the Netherlands (SER)
- Treasurer of Board of Labour Foundation
- Member of Bank Council of De Nederlandsche Bank
- Chairman of Board of Directors and member of Foundation Board of the 'Slotemaker de Bruïne Instituut' (SBI)
- Chairman of the Foundation ' Draagt Elkanders Lasten'
- Chairman of the Foundation of ' Vakbondsfunctionarissen in nood'
- Chairman of the Foundation CNV Rechtshulp
- Member of the Board of the Foundation 'Christelijke Pers'
- Member of the Board of the Foundation 'Christelijk-Sociaal Congres'
- Member of the Board of the 'Verbond van Katholieke Maatschappelijke Organisaties (VKMO)'
- Member of the Advisory Committee Foundation 'Instituut GAK'
- Member General Council ITUC – International Trade Union Confederation
- Member Supervisory Board of Van der Hoevenstichting, Utrecht
- Member Sounding Board Commission Deetman (sexual abuse in the Catholic Church)
- Member Supervisory Board Dutch Ballet- and Symphony Orchestra 'Holland Symfonia', Haarlem

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

- Chief Procurement Officer Unilever

Mw. C.A.A. Stiemer-Hermus (installed as a member of the Supervisory Board on October 13, 2011)

- Senior Vice President Ahold European Sourcing

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

- Member Board of Directors Rabobank Netherlands
- Member of the Steering Committee of the Unico Banking Group
- Member of the Board of Directors of the American Chamber of Commerce
- Member of the Supervisory Board of the Wageningen University
- Member of the Dutch Trade Board

