



AGRI3
FUND
FOREST FARMERS FOOD

Impact monitoring: Summary 2021

As of July 2022

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1. Fund Profile – AGRI3

The fund

The AGRI3 fund (the “AGRI3 Fund” or the “Fund”), has the mission to mobilise USD 1 billion of public and private finance to accelerate forest protection and reforestation and the implementation of sustainable agricultural solutions, whilst improving farmers’ livelihoods.

The key objectives of the Fund are:

- To contribute to sustainable land use practices at scale, which means balancing enhanced sustainable agricultural output with forest protection, reforestation as well as improving rural livelihoods;
- To provide credit enhancement tools (such as guarantees) to catalyse private funding from commercial banks and their eligible partners to qualified initiatives;
- To stimulate initiatives that contribute to existing and innovative best practices in order to lower agriculture’s footprint and restore land use for agriculture and forest protection;
- To reach farmers as priority beneficiaries / target group; each investment should improve rural livelihoods and on top of that focus on at least one of the two following objectives: (i) sustainable land use and (ii) forest protection and reforestation;
- To generate substantial, measurable environmental and social (‘E&S’) impact by meeting the key performance targets.

To support the establishment of the Fund, the Dutch Government (Ministry of Foreign Affairs (MFA)) provided the Fund with a grant of USD 40 million, of which USD 5 million is designated for TA. Rabobank, as a cornerstone investor, has also committed to match the equity made available to the Fund by investors by providing debt facility up to a maximum of USD 50 million.

Key facts on the fund

Target size: 300 million of guarantees to mobilise USD

Fund Life: Evergreen fund

Geographies: Middle income and lower income countries

Targeted SDGs: SDG #15 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. In addition, AGRI3 will contribute to the following SDGs: #1 end poverty in all its forms; #8 promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all; #13 Take urgent action to combat climate change and all its impacts.

2. AGRI3 impact – progress in 2021

In 2021, the fund scaled up its pipeline building activities, working together with the fund’s initial origination partner, Rabobank, to identify and close new pipeline opportunities, whilst monitoring the existing portfolio.

The fund continued to focus efforts on building up pipeline and portfolio in Brazil, where the fund’s products and impact objectives align well with the rural portfolio of Rabobank. Despite covid, which curtailed travel and restricted the market, the fund evaluated a large range of deals which included transactions focused on regenerative agriculture, renovation of degraded pastureland, integrated crop – livestock models and forest restoration and conservation.

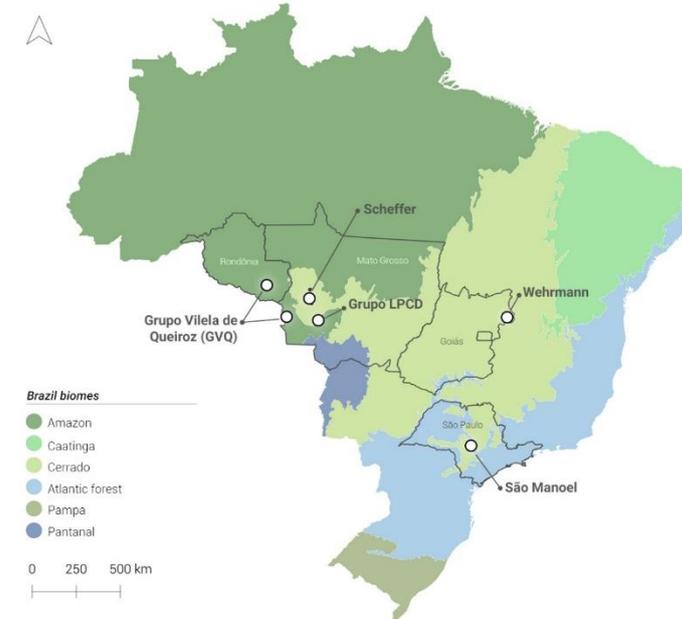
Overall, the fund was able to finalise and close three additional transactions with a total guarantee exposure of USD 14.1mn in Brazil (Pastureland renovation USD 6.5mn; Sustainable sugar USD 5.2mn;

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and Cattle intensification USD 2.4mln). This was on top of the transactions completed in 2020. In addition, a USD 5mn transaction on sustainable soy was finalized in 2021 though due to administrative delays it was not closed until 2022. Impact data from this transaction is included in this report. At the end of 2021, the fund had a guarantee exposure of USD 21.6mln (and end of Q1 2022 was USD 23.6) on loans of over USD 50 mn.

Location of the Agri3Fund transactions in Brazil



Impact themes and KPIs

AGRI3 uses a suit of KPIs, split across three thematic areas to demonstrate the impacts of the projects in the portfolio:

- **Prevent deforestation and stimulate reforestation**
- **Contribute to sustainable and efficient agricultural production**
- **Improve rural livelihoods**

During 2021, the fund (in collaboration with UNEP) updated the previous E&S and Impact Framework to produce the fund's new AGRI3 E&S and Impact Policy. This included revised KPIs, which maintain the fund's thematic areas, but which further clarify and simplify the individual KPIs to ensure more efficient and accurate reporting. These KPIs are included in a separate annex.

Understanding the potential impact performance and additionality of a project within each theme and for selected KPIs is a part of our deal assessment process in order to identify and maximize the potential impacts of an investment. For each of these KPIs the fund has developed a common assessment methodology. This can be adapted from transaction to transaction based on the context, and additional KPIs may also be considered for each project. Prior to closing a transaction, AGRI3 sets KPIs and monitoring approaches for each transaction, and the clients and banks provide monitoring data on an annual basis.

In addition to the impact KPIs, most transactions include an Environmental and Social Action Plan (ESAP). This sets out actions that the client commits to undertake within a defined timescale to address gaps in information, e.g. a farm plan or audit report, or achieve improvements in environmental and social management, e.g. incorporate sustainability elements into the cultivation plan or develop a

grievance mechanism. ESAP are transaction specific and implementation is monitored by AGRI3 through regular reporting by the Partnerbank.

Methodologies

At the beginning of 2022, the fund started to collect the initial monitoring data. The fund (through the TA facility) has also worked with a remote sensing and impact measurement adviser (Impact52) to monitor, verify and validate the results.

The fund has used a combination of data reported by clients/bank, remote sensing and proxy tools (e.g. for CO₂) to identify or validate baselines and impacts achieved to date. In Brazil, where there is a wealth of satellite data and interpretative tools remote sensing technology has been used in certain instances to validate results. For the CACC project, impact data is as reported by the client supported by an independent sample survey of farmers to assess livelihood benefits and adoption of the sustainable agriculture techniques promoted by the project.

As a result of the ongoing work with Impact 52, the fund is also developing a full impact measurement manual to be utilized in assessing transactions going forward. Further details on the results of the impact assessment are also contained in the annexes to this report.

Structure of the report

This report provides an overview of the quantitative and qualitative impacts of the transactions supported by AGRI3, including the targets and the impacts achieved to date. The report starts with a summary of the impacts achieved (Section 2), complemented by an overview of the lessons learnt, challenges and potential updates to be made in future impact reporting (Section 3). The annexes provide a detailed overview of the projects themselves, including an overview of the companies and the activities supported through AGRI3 transactions (Annex 1), as well as more detail on the outcomes of the initial impact monitoring reporting and assessment (Annex 2).

3. Summary of impacts

The aggregated impact from AGRI3 transactions are measured by 9 KPIs, for each impact category. In Table 1 the results per KPI are presented. For all the indicators, we provide the overall target expected from the project transaction as well the progress based on the report from the client (as of June 2022). In a separate annex we provide the targets of each KPI disaggregated per project.

Table 1 Core Aggregated KPI results from AGRI3 transactions

KPI	Target	Status/Achieved (June 2022)
Forest restoration		
Protection of natural ecosystem ¹² (direct and indirect)	10,338 ha Number of hectares of natural ecosystem under management for protection directly protected	10,338 ha and 46,021 ha³
	46,021 ha Number of hectares of natural ecosystem under management for protection indirectly protected	

¹ Natural ecosystem is defined as forest and non-forest vegetation. This includes the tropical savanna from the Cerrado biome.

² The protection and restoration of natural ecosystem in a farm can be from Legal Reserve, Areas of Permanent Preservation or additional natural ecosystem present in the farm.

³ Deforestation alerts are checked for all farms from MapBiomass Alert System (www.alerta.mapbiomas.org/en). Since no deforestation has been detected within the farms, it is considered that all the target area under protection is protected.

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KPI	Target	Status/Achieved (June 2022)
Restoration of natural ecosystem	1,551 ha Number of hectares of natural ecosystem under management for restoration	50 ha ⁴
GHG sequestered through protection or restoration of natural ecosystems ⁵	-596,238 tCO₂-e⁶ Number of GHG emissions sequestered through the protection and restoration of natural ecosystem	-
Sustainable agriculture		
Degraded land rehabilitated	14,336 ha Number of hectares of degraded pasture and agricultural land	600 ha ⁷
Increase in agricultural yield through sustainable intensification	Cattle +87.5% yield Cattle intensification from 4 heads to 8 heads / ha (LPCD) and from 1.6 animal units / ha to 2.8 (GVQ)	+25% yield For LPCD, increase from 4 to 5 heads/ha. For GVQ, First impact report due – January 2023
	Crops +15% yield Increase for soy, cotton and corn (Scheffer)	+1.04% yield Average yield increase between 2019-2021 comparing subsoiled and non-subsoiled fields
Agricultural area under sustainable management (direct and indirect)	15,626 ha 1200 ha of pasture under sustainable management (LPCD), 10,000 ha of subsoiling practices (Scheffer), and 4,187 ha conversion of degraded pasture into high yield crops (Wehrmann) and 239 ha, 2021 target of area under sustainable pest management (CACC). 52,000 ha Sustainable practices (São Manoel) indirectly influenced	6,206 ha 600 ha rehabilitated pasture (LPCD), 5,367 total subsoiled area between 2019-2022 (Scheffer), and 239 ha chili planting area in 2021 (CACC) 52,000 ha Sustainable practices (São Manoel),
GHG emissions reduced from changes to farm practices ⁸	-593,205 tCO₂-e⁹ Number of GHG emissions sequestered through farm practices	-
Rural livelihoods		

⁴ Total number of hectares restored reported by clients: 50 ha in LPCD. São Manoel reports 11.25 ha restored in the farm but are not included in this KPI because they are incorporated under the KPI 1 Protection of Natural Ecosystem.

⁵ The GHG emissions are calculated as the product between the area of forest protected/restored and Tier 1 parameters of biomass growth. This is done through the FAO Ex-Act v9.3.1 Carbon Tool. For the protection estimate, we assume that if no protection occurs, degradation would occur (conservative value of 10% biomass loss). For the restoration estimates, emissions are calculated under the assumption that, due to the project, there will be a conversion from 'degraded land' to 'forest'.

⁶ GHG are calculated as projected emissions from protection and restoration activities. The reported estimates are expected sequestered emissions to be reached by the end of the project duration.

⁷ Number of hectares rehabilitated are reported from LPCD.

⁸ GHG emissions sequestered by farm practices are estimated using the FAO Ex-Act v9.3.1 Carbon Tool and are calculated for several 3) activities: rehabilitation of degraded land, agricultural intensification and reduction of fertilizer.

⁹ GHG are calculated as projected emissions from protection and restoration activities. The reported estimates are expected sequestered emissions to be reached by the end of the project duration.

KPI	Target	Status/Achieved (June 2022)
Number of people trained in sustainable agriculture / forest protection	2,160 people 1,260 target number of people trained in Brazil transactions and 900 target number of people trained in 6 trainings (~65% women) in CACC	1957 people*¹⁰ (Estimated additional 3000 people exposed to training, but requires further confirmation) 920 people trained in Brazil transactions by 2021 and 1037 people trained during 2021 (CACC)
Number of participants reporting increased income	20% income increase Expected increase in CACC project	~ 960 farmers* Out of 1,215 farmers involved in the project (79%). This is selected based on 53 surveyed farmers, where 79% reported increased income (CACC).

*Numbers under review and subject to change

In addition to the core KPIs, the project transactions will involve additional activities. In the table below are described:

Farm	KPI	Target	Achieved (June 2022)
LPCD	Construction of elementary school	1 elementary school able to accommodate 30 students rebuilt within 2 years	<i>Status not available</i>
São Manoel	Recovery and maintenance of access roads	7,000 km Access road recovered	9,803.68 km Access road recovered
			380,000 people Number of people expected to benefit from the road renovation
Grupo GVQ	Construction of a new cattle management corral and the construction and renovation of houses for workers on the field	Construction of cattle management corral and renovation of houses	<i>First impact report due – January 2023</i>

4. Overview of impacts in Brazil

In 2020 and 2021, the fund and partners have focussed on building a pipeline and portfolio in Brazil. We identified the main routes to achieving impact in Brazil as transactions that:

- Accelerate compliance by farmers with Brazil's 2012 Forest Code - which protects 20-80% of forest and natural ecosystems on rural land, depending on the biome

¹⁰ Total number of people trained as reported by the clients include 120 people in 2018 (Scheffer farm). São Manoel reports 2,388 hours of training in 2019. Since their target is 2,300 hours to 800 people, it is assumed that 800 people have received training.

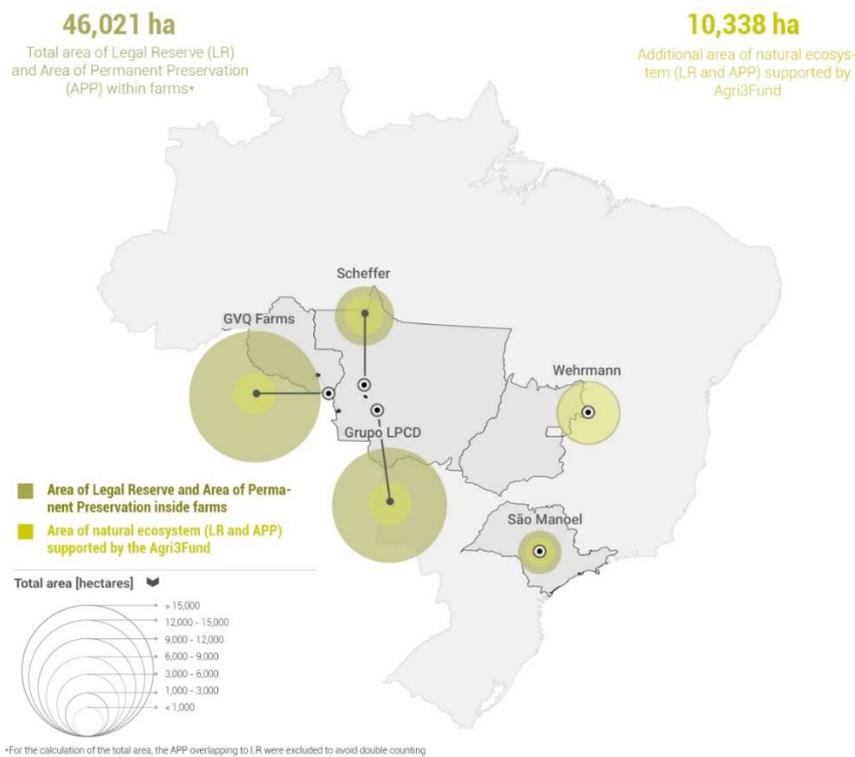
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- Restore productivity of degraded land for more productive beef production or conversion to crops - a key element of Brazil's climate policy to produce more without opening up new areas
- Supports the transition to sustainable agricultural production through adoption of techniques such as precision and regenerative agriculture, which, amongst other benefits, reduces use of agro-chemicals and improves soil quality
- Improve access to, and the dissemination of, knowledge about forest restoration and sustainable farming techniques amongst farmers and farm workers.

Reflecting the AGRI3 impact and ESG policy, clients receiving support from AGRI3 are required to commit to no deforestation or conversion of natural ecosystems even where this is legally permitted under the Forest Code. Therefore we are influencing a wider area of forest protection than is directly supported by AGRI3 guarantees.

The map below shows the total area of Legal Reserve and APP within client's farms and the area directly covered by AGRI3.



Other impact areas

The fund has also contributed to a number of other impacts, outside of the immediate transactions:

- Impact on the bank – worked with Rabobank to improve and integrate E&S and impact considerations into their organization, contracting and monitoring processes. For example the fund successfully introduced the concept of Environmental and Social Action plans into the investment process and contracting as means of closing gaps between E&S performance pre-financing and A3 expectations and assessing progress.
- Financial innovation – developed new financial innovations in order to scale up the mobilisation of rural credit in Brazil. Initially named the “Delegated Authority” product, which is a targeted sustainable loan product which promotes the transition to improved productivity and forest conservation in cattle farmers in Brazil. The product has been designed with Rabobank and the AGRI3 fund, and relies on the rural networks and origination capabilities of the bank, whilst

standardising the E&S and credit risk assessment process in order to reduce transaction costs and increase the number of transactions.

- Knowledge products – developed and disseminated new knowledge products that have contributed to the broader knowledge base on how to de-risk and mobilise funds for forest conservation and sustainable agriculture in high deforestation risk value chains. This includes research on key interventions and financial mechanisms in beef and soy in Brazil and palm oil in Indonesia.
- Collaboration and knowledge sharing – the fund has joined a number of new initiatives to promote the mobilisation of finance into sustainable agriculture. This include the IFAAC initiative which aims to prevent deforestation in the Amazon and Cerrado region. The team have also contributed to events and trainings to highlight and share lessons learnt about the transactions and financial structures.
- Technical Assistance impacts – the fund and TA Facility have also started to successfully integrate the TA offering into the client offering. This provides the clients with access to technical advisory services to improve impacts and E&S – and ultimately improves the potential impacts of the transactions.

Challenges

In identifying, monitoring and measuring the impact for the fund, there have been a number of challenges:

- Scope of impacts – Brazil focussed transactions involve large scale farmers with small labour forces, hence limited numbers of people’s livelihoods are directly affected – the majority coming from worker training. As a result, for these transactions, we have instead focussed on influencing livelihoods of workers and the wider sector through worker training and disseminating experience, e.g. through farmer field days. We are also broadening the scope of livelihood impacts within our updated KPIs to also include a broader set of potential impacts, including gender impacts.
- Sources of data – collating data from clients of the bank, and through the bank, can be challenging, as often collecting KPI data is new for both the bank and the client. This can lead to discrepancies in data or limits in evidence. AGRI3 has addressed this in Brazil by relying more on remote sensing information, and in China, by utilising on the ground consultant to support the data collection process. Sources of data and evidence will continue to be evaluated and refined.
- Carbon data – measuring and monitoring carbon sequestration from forests and soils in an efficient and effective way is difficult, given the complexity and variables. We have used a recognised tools, alongside assumptions to determine initial baselines and targets for carbon measurements. Going forward we also plan to also evaluate a number of other tools and methods in order to assess carbon (e.g. through soil quality and other remote sensing technology).
- Attribution and additionality – AGRI3, as with other impact funds, aims to identify where their intervention has contributed to impact and has been additional to BAU. In reality operating in complex legal, regulatory, financial and market environments, there are a number of factors which contribute to overall impact of a transaction. The fund can only play part of the role in enabling impact, but in certain cases direct attribution may be difficult. For example in the acceleration of the Forest Code. The fund aims to continue to refine its impact methods, whilst being transparent about the data behind the impacts reported.

5. Projects closed in 2021: Impact commitments

In this section, we have provided an overview of the new transactions which AGR13 projects has supported in 2021.

5.1 GRUPO VILELA DE QUIEROZ LTDA – SUSTAINABLE CATTLE FARMING, BRAZIL

Key Facts

- Investee: Grupo Vilela de Queiroz LTDA ('GVQ')
- Lender: Rabobank
- Location: Brazil, Mato Grosso
- Transaction size: USD 6 million
- Term: 10-year loan
- Instrument: Maturity subordination guarantee
- AGR13 guarantee exposure: 40% of loan value
- Main activities: Livestock-crop integration, forest code compliance, pastureland renovation, improve waste management and renovation of workers housing

Investee background: Grupo Vilela de Queiroz (GVQ) is a family business, owned by the Vilela de Queiroz family who agricultural operations in several states of Brazil. The company integrates soy and corn production together with their livestock production for optimizing the use of land.

The company is currently developing a transition towards sustainable intensification of its cattle operations on two of their farms in Mato Grosso. GVQ does this by 1) increasing its cattle production without opening more land for pasture (intensification) and 2) renovating and improve the productivity of the (semi-) degraded existing pastures. GVQ intends to use integrated crop-livestock (ICL) agriculture on some pasture and fertilisation on other pasture to improve the productive capacity.

Transaction description: Rabobank provided a USD 6 million, 10 year term loan to GVQ, supported by a 40% maturity subordination guarantee from AGR13. The loan will support GVQ to transition their two farms through 1) sustainable intensification of its cattle operations on the farm, 2) recover degraded pastureland through livestock-crop integration and soil improvement, 3) accelerate forest code compliance and support the isolation and recovery of Permanent Preserved Areas (APP's) and 4) support the construction of new workers' accommodation.

Project activities and expected impacts:

Forest protection

- The project includes the protection of APPs and preservation of 892 ha of forest via fencing and limit cattle movement into restricted areas on the Guapore farm.
- Additionally, APPs at the Corumbiara farm will be protected and recovered. 1,286 ha are in a moderate to severe state of erosion and require protection and restoration which involves planting natural vegetation, fencing and defining the edges of the APP through land construction activities.
- With support of the facility GVQ will achieve full compliance with LR and APP targets of the Forest Code on their farms within 10 years, there will be no deforestation (even if legally permitted) and they will ensure that all leased lands are CAR registered.

Sustainable land use

- GVQ is expected to recover 2,600 ha of degraded pastureland through Livestock-Crop Integration (LCI), rotating soybean and corn production with pastureland and rotational grazing. Additionally, soil quality of 923 ha will be corrected through soil improvement techniques.
- GVQ will intensify cattle production on improved pastures from 1.6 AU(animal units) /ha to 2.8 AU/ha. This will be achieved through the procurement of 1,300 female cows (for breeding), which is above Brazil’s average productivity of 1.0 AU/ha.
- Manure management will be improved through pumped dispersion on the Guapore farm at feedlots to avoid contamination for animals and employees, and partially replace chemical fertilizers with treated manure.
- Technical assistance is considered to support the development of low carbon beef to assess the GHG emission reduction from activities, compared to BAU. However, this has not yet further progressed.

Rural livelihoods

- New anti-stress corral will be procured to facilitate animal management and thereby ensure the safety of employees engaged in daily health monitoring and related functions on the field.
- Houses will be constructed and renovated for field workers and a new manager is hired to oversee the project.
- Training is expected to be delivered and education will be provided for employees on sustainable practices and efficient farm management.
- External HR consultancy will advise on designing profit-sharing and incentive programme to support work motivation and performance, where worker’s pay will be supplemented by a variable incentive scheme, linked to farm indicators such as cow pregnancy, calf-weaning efficiency and others.

Project KPIs:

AGRI3 KPIs	Transaction targets
Natural forest under management for protection	892 ha of APP protected through physical isolation on the Guapore Farm
	1,286 ha of APP protected through physical isolation on the Corumbiara Farm
Natural forest under management for restoration objectives	1,286 ha of APP restored and replanted.
Area of degraded land rehabilitated	923 ha recovered through soil improvement techniques and 2,600 ha of pastureland renovated
Increase in agricultural yield through sustainable intensification	Annual average stocking density in Animal Unit (AU)/ ha for the Guapore Farm and the Corumbiara Farm. Increase in stocking density with a target between 2.5 and 3.0 AU/ ha.
Agricultural area under sustainable management	Development of Low carbon beef assessment methodology.
Number of participants reporting increased income, which can be disaggregated by gender, local communities for reporting purposes	% income increase to be determined on implementation of wage/incentive scheme to developed by an external consultant.
Number of farmers trained in, and technology transferred for, best management practices in sustainable agriculture/ forest protection	30 employees trained on production techniques.

Additional AGRI3 KPIs	Transaction targets
Construction of new cattle management corral: for safety and welfare of employees	No specific target agreed, but confirmation required by the ATO with photo evidence.
Construction and renovation of houses for workers on the field	No specific target agreed, but confirmation required by the ATO that the constructions of the buildings are up to regulatory standards or better and photo evidence.

5.2 USINA AÇUCAREIRA SÃO MANOEL– SUGAR AND ETHANOL PRODUCTION, BRAZIL

Key Facts

- Investee: Usina Açucareira São Manoel ‘São Manoel’
- Lender: Rabobank
- Location: Brazil, São Paulo
- Transaction size: EUR 11.4 million
- Term: 10-year loan
- Instrument: Maturity subordination guarantee
- AGR13 guarantee exposure: 40% of loan value
- Main activities: Improvements in sustainable production; forest protection and restoration

Investee background: Usina Açucareira São Manoel ‘São Manoel’ was founded in 1949 in the city of São Manoel in São Paulo state. The company operates one central processing plant which processes sugarcane y into sugar, ethanol and other by-products. The company is deemed to be one of the leading sugar mills for sustainability in Brazil. Thanks to its commitments to ESG monitoring and reporting, and leading position in Bonsucro certification, the company has the potential to set an example in the industry and share best practices with other producers.

Transaction description: Rabobank is providing a 11.4 mn EUR, 10 year loan to Sao Manoel, supported by a 40% maturity subordination guarantee from AGR13. This transaction aims to support São Manoel to expand their sustainable agricultural practices by improving productivity and reducing input usage across 52,000 ha of their farms. This includes implementing high precision agriculture, integrated pest management and reducing use of fertilizers and pesticides. In addition, the project accelerates the companies compliance with the Forest Code, focussing on reforestation activities and workers livelihoods, through improvements in training.

Project activities and expected impacts:

Forest protection and restoration

- The project aims to restore 90 ha of forest by planting native species and active forest management.

Sustainable agriculture

- The project will implement high precision agriculture and integrated pest management on 52,000 ha.
- The gravity distribution of vinasse into fields as fertilizer will be improved and extended from 15,000 ha to 18,000 ha.
- A reduction in fuel use in cane transport will be accomplished through road improvements which allow more efficient and larger vehicles to be used.

Rural livelihoods

- The company plays an important role in providing employment and provides trainings to employees on high precision agriculture and integrated pest management.
- The project will have indirect impact through the road maintenance done by São Manoel which improves access to markets and services for the ~260,000 people in the area where São Manoel operates.
- In addition, the company supports a local beekeeper program which targets an estimated 250 people.

Project KPIs:

AGRI3 KPIs	Transaction targets
Natural forest under management for protection	90 ha of forest land restored using a mix of 80 native species of the Biome.
Area of natural habitat under management for protection	Additional 540 ha of Legal Reserve needed under Forest Code.
GHG emissions reduced from changes to farm practices	A reduction of transport fuel use/ ton cane or GHG emissions from cane transport compared to the 2018 baseline.
Agricultural area under sustainable management	1a) 18,000 ha total with gravity fed vinasse. Compared to the baseline in 2018 which was 15,000.
	1b) Reduced use of fertilizer (because of substitution by vinasse). 7,000 tons per year reduction.
	2) Implement high precision agriculture and integrated pest management on 52,000 ha.
Number of farmers trained in, and technology transferred for, best management practices in sustainable agriculture/ forest protection	1) Training in sustainable agriculture/ forest protection. Deliver a training plan with foreseen trainings (content of trainings) and hours of training foreseen over life of AGRI3 support.
	2) Local farmer training on honey cultivation (sweet tomorrow). Minimum of 250 people, in at least 3 hours training sessions, focused only on “sweet tomorrow” action.
	3) Employee training on improving technical skills related to farming, high precision agriculture or integrated pest management. Provide trainings to around 800 employees with a total of (at least) 2,000 trained hours.

Additional AGRI3 KPIs	Transaction targets
Kilometres of roads improved.	At least 7,000 kilometres of road financed by AGRI3.

5.3 VERNI K. WEHRMANN – DEGRADED PASTURELAND RENOVATION, BRAZIL

Key Facts

- Investee: Verni K. Wehrmann
- Lender: Rabobank
- Location: Goiás State, Brazil
- Transaction size: USD 13 million
- Term: 10-year loan
- Instrument: Maturity Subordination Guarantee
- AGRI3 Guarantee exposure: 50% of loan value
- Main activities: degraded pastureland renovation, crop production, accelerated forest code compliance, preservation of native vegetation, farmer training and livelihood improvement

Investee background: Grupo Wehrmann is an established producer of vegetables, soybean and maize with in addition activities in development and trading of soy and maize seeds for the Brazilian and exports markets. In total the group has an existing production of soybean, and maize seeds as well as vegetables on 6,267 hectares of land. In order to expand its production to a second location, the group has acquired a property of 8,375 hectares in Sitio d'Abadia. This area is former pastureland that has been degraded due to an intensive use during the past 20 years in an extractive way with low technology and low productivity.

Transaction description: Rabobank has provided a USD 13 million loan to Grupo Wehrmann, supported by a 50% Maturity Subordination guarantee from AGRI3. The project aims to transform degraded land into high intensive and productive crop land, whilst maintaining over 50% of the area as forest and natural vegetation. Their agricultural production will be based on modern agricultural principles, including precision agriculture and intelligent irrigation. Critically, half of the area of the new property will be maintained as reserve, of which 20% is the minimum legal reserve required for the forest code, 5% is APP and 25% is excess reserve. The preservation activity is part of the Group's 'Agri1para1' philosophy. This means that for every productive hectare also a hectare of national vegetation (both forest and savannah) is preserved. The group intends to restore some of the existing reserve areas in order to optimize the organization of productive and reserve areas and will also invest in improvement of APP areas. For this a native species nursery will be set-up. It is also an objective of the project to develop environmentally related educational activities at the local schools.

Project activities and expected impacts:

Forest protection and restoration

- The project is targeting to protect and restore 419 ha of area under permanent protection (5%).
- The project is targeting to protect 1,675 ha Legal Reserve (20% of the total area).
- The project is targeting to protect 2,095 ha of additional Cerrado vegetation (25% of the total area).

Sustainable agriculture

- A total area of 4,187 ha of degraded pasture will be converted into high yield soybean and corn seed production, onions and potato crops using good agronomic practices. The onions and potatoes will be certified to GlobalGap.

Rural livelihoods

- On the farm 194 new jobs will be created for the first 3 years until the irrigation works are completed. Thereafter, 134 extra jobs will be created on the farm and with the additional vegetable production is expected to create 50 extra jobs in the packing plant.

Project KPIs:

AGRI3 KPIs	Transaction targets
Natural forest under management for protection	419 ha of area under permanent protection plus 1,675 ha of legal reserve
Area of Natural habitats under management for protection	2,095 ha of voluntary additional natural reserve protected above Forest Code requirements.
Natural forest under management for restoration objectives	Yet to be defined how many ha to be restored.
Area of degraded land rehabilitated	4,187 ha of former pastureland renovated.
Agricultural area under sustainable management	4,187 ha of new productive area under sustainable management.
Number of participant reporting increased income, which can be disaggregated by gender, local communities for reporting purposes	Percentage of income increase to be determined and to be developed by external consultant with support from AGRI3.
Number of farmers trained in, and technology transferred for, best management practices in sustainable agriculture/ forest protection	Number of employees trained on production techniques. The specific target is not yet decided.

5.4 GRUPO SCHEFFER – SUSTAINABLE PRODUCTION OF SOYBEAN, COTTON AND CORN, BRAZIL

Key Facts

- Investee: Grupo Scheffer “Scheffer”
- Lender: Rabobank
- Location: Brazil, Mato Grosso
- Transaction size: USD 5 million
- Term: 10-year loan
- Instrument: Maturity subordination guarantee
- AGR13 guarantee exposure: 43% of loan value
- Main activities: Sustainable production of soybean, cotton and corn through sub-soiling and forest protection

Investee background: Scheffer & Cia Ltda and affiliates was founded in 1986 and is one of the largest family owned farming groups in Brazil. The main business activity of the group is producing soybean, cotton and corn. The group has sustainability embedded as a core value in its business strategy and is actively researching and piloting more sustainable agricultural production techniques including biological crop management and regenerative agriculture. Scheffer’s headquarters are in the city of Cuiaba and the company employs a total of ~2,000 employees in its 6 farming clusters and administrative unit.

Transaction description: Rabobank provided a USD 5 million loan to Grupo Scheffer, supported by a 43% Maturity Subordination guarantee from AGR13. The project aims to apply no-till agriculture in which new crops are planted over the remainders of the existing crops. In this way the traditional tilling which destroys the organic matter in the soil is avoided and new crops benefit from the remaining organic matter from previous crops. In addition, a new sub-soiling technique will be applied on 10,000 ha of land. This technique allows to break through compacted land, which is caused by use of heavy machinery, without affecting organic material in the top soil and significantly increasing both the water draining as well as the water capturing capacity of the soil. In addition, Scheffer has committed to the conservation of an additional 1,300 ha of legal reserves, beyond their legal requirement.

Project activities and expected impacts:

Forest protection

- Scheffer has committed to retain ~1,300 ha of surplus Legal Reserves which is above the legal requirement.

Sustainable land use

- The project applies sub-soiling on 10,000 ha of land, which is seen as the optimal tillage practice for sustainable intensification of crop production in semi-arid environments and results in increased drought resistance and resilience of production.
- The project aims to achieve a 15% average yield increase on project land.

Rural livelihoods

- Training is expected to be delivered to employees in sustainable agriculture techniques with a target of 115 people.
- Farm days will be organized for local farmers to spread knowledge on sub-soiling and regenerative farming techniques with a target of 150 farmers.

Project KPIs:

AGRI3 KPIs	Transaction targets
Area of natural habitats under management for protection	1,300 ha of surplus to be retained on the farms in the Cerrado biome.
Increase in agricultural yield through sustainable intensification	Estimated increase in tons per ha: <ul style="list-style-type: none"> - 0.1 ton soy - 0.4 tons cotton - 3 tons corn Note that these are one-off improvements. (not year on year).
Agricultural area under sustainable management	10k ha of area to be subsoiled.
	Certified area to RegenAgri, total area to be agreed on with Rabobank Brazil and Scheffer.
Number of farmers trained in, and technology transferred for, best management practices in sustainable agriculture/ forest protection	Training for staff on the farm in one farm day held, reaching 120 farmers (target 115), currently in discussion for a second farm dat. We aim to track Scheffer's other education and training initiatives.

6. Annexes

6.1 Total legal reserves and APP

This section gives information on the total legal reserve and area of permanent preservation for the farms supported by Agri3Fund and, the total area of natural ecosystem that will be actively protected and restored as part of AGRi3 transactions.

Table 2 Core Summary of legal reserve and APP areas in Brazil

Farm	Total Legal Reserve (LR) and Area Permanent Preservation (APP) area in farms			Additional area of natural ecosystem (LR and APP) supported by Agri3 Fund		
	LR	APP (masked LR that overlaps)	Total	Protection	Restoration	Total
LPCD	11,788 ¹¹	1,276	13,064	2,316	265	2,581
GVQ	22,095 ¹²	681 ¹²	22,776	892	1,286	2,178
Scheffer	4,330 ¹³	31	4,361	1,300	-	1,300
Sao Manoel		2,312 ¹⁴	2,312	90	-	90
Wehrmann		4,189 ¹⁵	4,189	4,189	TBD	4,189
TOTAL			46,021	8,787	1,551	10,338

¹¹ Total Legal Reserve combining Fazenda Sudamata (11,271 ha) and Fazenda Netolandia (517 ha).

¹² Total Legal Reserve combining all the farms that are part of the GVQ Group. This is 5,595 ha for Fazenda Corumbiara and 3,770 ha for Fazenda Guapore 3,770 ha. For the remaining farms, this is ~ 12,730 ha. The legal reserve for the remaining farms is calculated assuming that, based on the location of the farms, they protect the percentage of natural ecosystem legally required by the Forest Code (for Amazon 80%, for Cerrado 35% and for the areas outside Legal Amazon 20%). The APP area in the table refers to the transaction farms (Corumbiara and Guapore).

¹³ LR obtained based on CARs provided by AGRi3 Fund. CARs on the SICAR portal do not have update information.

¹⁴ 2,312 hectares refer to native vegetation and areas of permanent preservation areas reported on the Due Diligence report (March 2021).

¹⁵ Total area based on the farms in Sitio d'Abadia, which are part of the Agri3Fund transaction.

6.2 Overview of KPI targets

The table below provides a breakdown of the target assumptions used in the impact summary above. Further detail is provided in the separate annex.

Table 3 Core KPI targets for the 5 project transactions in Brazil and 1 transaction in China

KPI	KPIs	LPCD	GVQ	Scheffer	São Manoel	Wehrmann	CACC	TOTAL
1	Natural ecosystems (forest and non-forest) under management for protection <i>Unit: ha natural ecosystem</i>	11,788	9,365	4,330	90	4,187	-	29,762
2	Natural ecosystems (forest and non-forest) under management for restoration <i>Unit: ha natural ecosystem</i>	265	1,286	-	-	TBD	-	1,551
3	Production forest under sustainable forest management <i>Unit: hectares</i>	-	-	-	-	-	-	-
4	GHG sequestered through protection or restoration of natural ecosystems <i>Unit: tCO₂-e</i>	-107,069	-296,805	-44,824	-3,103	-144,437	-	-596,238
5	Degraded land rehabilitated <i>Unit: hectare</i>	6,626	3,523	-	-	4,187	-	14,336
6	Agricultural area under sustainable management (defined per project) <i>Unit: hectare</i>	1,200	-	10,000	52,000	4,187	239 (target for 2021)	67,626
7	Increase in agricultural yield through sustainable intensification	Increase from 4 heads to 8 heads per ha	Increase in stocking density from 1.6 AU/ha to 2.5AU/ha	Increase average yield on project land by 15%	-	-	-	-

KPI	KPIs	LPCD	GVQ	Scheffer	São Manoel	Wehrmann	CACC	TOTAL
8	GHG emissions reduced from changes to farm practices <i>Unit: tCO2-e</i>	-23,797	-14,961	-112,210	-312,510	-129,727		-593,205
9	Number of participants reporting increased income, (preferably disaggregated by gender), and where relevant by local communities <i>Unit: # people</i>	-	TBD % income increase	-	-	TBD % of income increase	~ 960 people report income increase. Obtained from total 1,215 people involved in project and 79% of those reporting increase income ¹⁶	960
10	Number of people not included above, benefiting directly or indirectly from Fund transactions (preferably disaggregated by gender) <i>Unit: # people</i>	-	-	-	380,000	-	~255 people (21% of people involved in project that do not report increase in income. In addition, 367 person short-labors for planting season,	380,255

¹⁶ Percentage of income increase based on questionnarire to a sample of 53 farmers, out of which 42 had income increase (79%).

KPI	KPIs	LPCD	GVQ	Scheffer	São Manoel	Wehrmann	CACC	TOTAL
							out of which 286 were female .	
11	Number of people trained in, and technology transferred for, best management practices in sustainable agriculture/forest protection, preferably disaggregated by gender <i>Unit: # people</i>	30	30	150	1,050	<i>TBD</i>	6 trainings, 150 person-times (100 women) per year	2,160
12	Client meets one of more of the criteria for the 2X Challenge on Financing for Women <i>Unit: # people</i>	-	-	-	-	-		-

6.3 Revised KPIs

The below provides the updated KPIs for the fund, which have recently been revised as part of the updates to the funds E&S policy earlier in 2022.

Table 4 - updated KPIs as in new E&S policy

Forest protection and restoration	
1. Natural ecosystems (forest and non-forest) under management for protection	Unit: hectares
2. Natural ecosystems (forest and non-forest) under management for restoration	Unit: hectares
3. Production forest under sustainable forest management	Unit: hectares
4. GHG sequestered through protection or restoration of natural ecosystems	Unit: tCO ₂ e
Sustainable agriculture	
5. Degraded land rehabilitated	Unit: hectares
6. Agricultural area under sustainable management (defined per project)	Unit: hectares
7. Increase in agricultural yield through sustainable intensification	Unit: change per ha/year - disaggregated by commodity
8. GHG emissions reduced from changes to farm practices	Unit: tCO ₂ e /year
Improved rural livelihoods and enhanced opportunities for women	
9. Number of participants reporting increased income, (preferably disaggregated by gender), and where relevant by local communities	Number of people
10. Number of people not included in 10 above, benefiting directly or indirectly from Fund transactions (preferably disaggregated by gender)	Number of people
11. Number of people trained in, and technology transferred for, best management practices in sustainable agriculture/forest protection, preferably disaggregated by gender	Number of people
12. Client meets one of more of the criteria for the 2X Challenge on Financing for Women	No of criteria that are met