

AGRI3 FUND: EARLY DISCLOSURE

Transaction name	Sustainable production of sugarcane in Brazil
Publication date	4 February 2021
Sector	Sugar
Country and region	Sao Paulo state, Brazil
Deal Overview	<p>The company is a family owned sugar and ethanol producer in operation for over 70 years that is focusing on economically and sustainably optimising sugarcane production on 52,000 hectares in the state of Sao Paulo, Brazil.</p> <p>The company has received a BRL 50mIn 10 year facility with 3 year grace period from a AGRI3 Partnerbank, which will be used to finance a combined package of investments consisting of reforestation activities, further expansion of sustainable agricultural practices aimed at reduction of chemical input usage and maintenance of municipal roads.</p>
Description of the activities	<p>The total investment project consists of the following elements:</p> <ul style="list-style-type: none"> • Forest recovery - Recovery of 90ha of forest areas around sugarcane production areas, by planting of native species to the region and well as maintenance of a nursery of native seedlings. • High Precision Agriculture - Use of autopilots and measurement equipment throughout the agricultural fleet to monitor operations and improve efficiency • Biological Pest Control - Application of integrated pest management techniques with preference for biological controls, resulting in lower use of chemical pesticides. • Liquid fertilizer plant - Investment in improvements of the liquid fertilizer plant which will allow for easier transportation of fertilizers to the field • Gravity Vinasse distribution - Improvement and expansion of the existing gravity vinasse distribution system, allowing for further savings in usage of chemical fertilizers • Modification to boiler - chimney system Elevation of 1 chimney of large boiler and replacement of 3 chimneys of other smaller boilers, resulting in improved air quality near the factory • Recovery of municipal roads - Recovery and maintenance of

	<p>municipal and vicinal unpaved roads</p> <ul style="list-style-type: none"> • Diesel oil filtration system - Implementation of filtration system at the filling station for the company's vehicles and machinery, resulting in reduced gas emissions and improved fuel burn
<p>Expected impact</p>	<p>Forest protection and restoration</p> <ul style="list-style-type: none"> • Restore 90 ha of forest by planting native species and active forest management <p>Sustainable agriculture</p> <ul style="list-style-type: none"> • High precision agriculture and IPM applied on 52,000ha • Improving and extending gravity distribution of vinasse into fields as fertiliser from 15,000 to 18,000ha <p>Rural livelihoods</p> <ul style="list-style-type: none"> • Company provides training to employees on high precision agriculture and IPM (in 2019 ~800 employees trained, exact targets to be further defined) • Company supports local beekeepers program (~250 persons in 2019) • The key indirect impact is through the road maintenance done by the company which improves access to markets and services for the 380,000 people in the area where the company operates.
<p>E&S risks</p>	<p>The company is viewed by the Partnerbank as a leading sustainability client with a track record of very positive reviews and adherence to best practices.</p> <p>However, there are several potential E&S risks in the sector, that will need to be verified during due diligence. These include:</p> <ul style="list-style-type: none"> • Inherent environmental risks such as those to soil, water and biodiversity linked to intensive mechanised agriculture • Impacts on air quality and noise from processing • Potential social risks related to the workforce in this sector including terms and conditions of employment and health and safety
<p>Contact details of fund manager</p>	<p>Parties can express their views on the proposed transaction to the Fund Manager by contacting info@agri3.com within 30 days of the publication date of the notice.</p>