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Agri3 Investment Policy

This policy describes the investment thesis and portfolio composition of the Agri3 finance fund, to be implemented and upheld by Mirova Natural Capital Ltd (MNC), Fount and Cardano in their capacity as investment advisors to the Agri3 fund managers. The policy contained herein is replicated in the fund documentation and the operational manual.

This policy is developed at the inception of the fund. As a new fund with a novel structure, the policy has been deliberately kept open to allow for greater flexibility in the development of the pipeline during the first 2 years of the fund. It is intended that it will be updated after 2 years or 12 deals in consultation with the Fund Managers, Stichting Board, Lenders, partnerbanks and Investors into the Fund.

General Investment Policy

1.1 The rationale

Increases in human population and consumption have led to a rapid expansion of agricultural production, which continues to be among the most powerful drivers of environmental degradation. As more land has been brought under cultivation and production is increasingly industrialised, agricultural production has been a major cause of deforestation, habitat loss, greenhouse gas emissions, soil and water pollution, and other environmental impacts. Ultimately, this degradation threatens agricultural production itself, as evidenced by stagnating yields and loss of livelihoods for many, especially smallholder farmers.

Reversing the trend of land degradation, food insecurity and stagnating food productivity, requires bold leadership and risk taking. Both governments and businesses, including farmers, have an important role to play in ensuring that adequate and swift action is taken, and that it is done at the right level. The transition to a more sustainable, low carbon and climate-smart agricultural system require significant amounts of financing.

1.2 Mission Statement

The mission of AGRI3 Fund is to mobilise additional public and private capital at scale, including commercial banks, development finance institutions (DFIs), impact investors and institutional investors to: actively prevent deforestation; stimulate reforestation; contribute to efficient sustainable agricultural production and value chains; and reduce carbon emissions and improve rural 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;
- The Fund's investment objective is the collective investment, and generating a return in connection therewith, for the account of the Participants, taking into account the investment principles and restrictions included in these Terms and Conditions and the Information Memorandum.
- 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.

1.3 Impact Objectives

The Fund aims to provide guarantees and subordinated loans to commercial banks (from now on called "Partnerbanks") and other financial institutions to mobilise capital by de-risking and catalysing investment propositions (from now on called "Transactions") in order to:

1. Prevent deforestation and stimulate reforestation: acceleration of sustainable management of forests and legal reforestation obligations, transition to agroforestry as well as protection of high conservation/high carbon stock forests that enhance soil fertility, carbon sequestration, water management and biodiversity.

2. Contribute to sustainable and efficient agricultural production: implementing innovative agricultural solutions such as Integrated Crop, Livestock and Forestry (ICLF) practices that have an impact on lowering GHG emissions, restoring degraded land, enhancing water management, improving soil fertility, sequestering carbon, building climate change resilience and/or protecting biodiversity while maintaining or substantially increasing yield for local farmers including smallholders.

3. Improve rural livelihoods: improving the living standards of farmers, including smallholders, in order to reach sustainable inclusive growth, with particular attention paid to gender equality, eradicating child labour, promoting fair labour and wages, and alleviating poverty

Figure 1 and Figure 2 below provides details of the funds objectives and associated primary and secondary KPIs.

< AGR13 Result area >	< AGR13 KPIs >	Unit
Forest protection and reforestation		
Existing natural forests, their biodiversity and ecosystem services, protected	Indicator 1.1b: CO2 emissions from avoided and/or sequestered by forests per year	tCO2e/year
Existing natural forests, their biodiversity and ecosystem services, protected	Indicator 1.1a: Area of HCV/HCS forest (brought under active management for protection objectives)	ha
Natural forests, their biodiversity and ecosystem services are restored	Indicator 1.2a: Gross increase in area of natural forest cover within boundaries of funded projects	ha
Sustainable agriculture		
Sustainable agricultural production systems achieved	Indicator 2.4 Agricultural area under sustainable management (to be defined per project)	ha
Degraded agricultural land restored	Indicator 2.1a Area of degraded land restored by concessions of funded projects	ha
Improved rural livelihoods		
Agricultural skills, knowledge and technology of local farmers and smallholders improved	Indicator 3.2b farmers trained in, and technology transferred for, best management practices in sustainable agriculture/ forest protection	people
Agricultural skills, knowledge and technology of local farmers and smallholders improved	Indicator 3.2a farmers included in supply chains of projects funded (disaggregated by gender, where possible)	jobs

All indicator should be preferably verified annually, with specific method, and reported by a chosen third party.

Figure 1: Primary KPIs

< AGR13 Result area >	< AGR13 KPIs >	Unit
Forest protection and reforestation		
Natural forests, their biodiversity and ecosystem services are restored	Indicator 1.2.b Natural forestland under active management for replanting and/or restoration objectives	ha
Sustainable agriculture		
Sustainable yield increase	Indicator 2.2b Additional tons per year per unit area, disaggregated by commodity and borrower type, sustainably produced by funded projects	tons
Carbon emission reductions, from changes in agricultural production systems, and sequestration into agro-forestry biomass, accelerated	indicator 2.3 CO2 emissions from farms avoided and/or sequestered by farms, per year, by funded projects	tCO2e/year
Sustainable yield increase	Indicator 2.2a Area of concession forest where management is improved to meet a recognized sustainability standard	ha
Improved rural livelihoods		
Income of local farmers and smallholders improved	Indicator 3.1 Median household income contribution, disaggregated by gender (where possible), generated from sustainable food production systems	
Agricultural skills, knowledge and technology of local farmers and smallholders improved	Indicator 3.2a farmers included in supply chains of projects funded (disaggregated by gender, where possible)	jobs

All indicators should be preferably verified annually, with specific method, and reported by a chosen third party.

Figure 2: Secondary KPIs

Acknowledging the complexity and innovative nature of the Fund's ambitions, it is a conscious decision to refrain from target setting against Fund-level KPIs in the initial phase of Fund operations. Baselines will be developed at transaction level will be developed and measured as transactions progress.

After an initial twelve-month phase of Fund operations, following the official launch of the fund, the impact results of funded projects will be evaluated, and target setting will be detailed further.

1.3 Financial Objectives

The Fund's investment objective is the collective investment, and generating a return in connection therewith, for the account of the Participants, taking into account the investment principles and restrictions included in these Terms and Conditions and the Information Memorandum. The Fund aims to primarily achieve such objective:

- a) by issuing Guarantees to Beneficiaries who grant loans to Borrowers in order to guarantee part of the repayment obligations of such Borrowers;
- b) by making Investments to support the (contingent) payment obligations of the Fund under such Guarantees,
- c) by issuing loans directly to Borrowers or, and
- d) all other investments in accordance with and subject to these Terms and Conditions and the Information Memorandum.

In addition, the fund aims to:

- Provide partial risk guarantees and credit enhancement instruments to partnerbanks to catalyse finance in sustainable land use projects
- Develop a diversified portfolio of guarantees and credit enhancement tools across geographies and agricultural commodities that adequately balances risks and returns to the fund
- Maintain liquidity and adequate coverage of guarantees to ensure the preservation of capital within the fund
- Raise additional funds from a range of investors to support scaling up of the fund's financial and E&S impacts

1.4 Target Markets

The Fund shall maintain a diversified portfolio of investments across geographies, commodities, client types and risk profiles. At this early stage strict concentration limits will not be set by the fund.

The funds concentration limits will be reviewed and updated after 2 years, or 12 deals have been completed¹. This review will be carried out by the Fund Managers in consultation with the Stichting Board and the Steering Committee. This allows the Fund to operate with greater flexibility in the initial ramp-up phase.

1.4.1 Geographic Focus

The AGR13 Fund has a global scope and ambition, but with a focus on middle income (MICs) and lower income countries (LICs)².

In line with the strategy to create impact efficiently, the Fund will initially focus on Brazil, Indonesia and India, as those are countries have a mature agricultural and forestry sector and are likely to yield the best impact returns on time and resources invested. Other jurisdictions – particularly in South-

¹ Whichever of these limits is reached first

² As defined by the OECD

East Asia, Sub-Saharan Africa and Latin America – will be considered contingent on the availability of eligible transactions. Best efforts will be made to conduct transactions in LICs within 2 years of the funds inception³.

In order to maximise the chances of success in terms of E&S benefits, climate impacts, minimize risks and foster links with the Fund's objectives, there is a preference for countries and jurisdictions which have made significant progress under the UNFCCC REDD+ mechanism as a priority for investment⁴.

Transactions outside MICs and LICs may be considered on a case by case basis and in consultation with the Stichting Board and the Steering Committee. However, transactions taking place within countries that are subject to financial or banking sanctions will not be eligible for investment.

1.4.2 Sectors

The Fund aims to undertake transactions in a wide range and combination of crops and agricultural commodities provided that transactions meet the funds eligibility criteria and does not include activities as noted in the fund's exclusion list (see appendix 1).

In the first instance, these are likely to be sugarcane, cattle, dairy, rice, soy and cotton. Other impactful sectors, such as palm oil, cocoa and livestock are in scope, although developing projects in these sectors is more complex. The fund will move to those sectors in time as potential transactions become available and as determined by the Fund Managers.

1.4.3 Beneficiaries

The ultimate beneficiaries, or target group, of all transactions of AGR13 will be farmers. The farmers can be approached either directly, through input suppliers, cooperatives or through off-takers (direct and indirect). Farmers will include large, medium, small and smallholder farmers.

Credit enhancement tools (i.e. guarantees) will be available to AGR13 partnerbanks to mitigate risks in the loans they plan to make to clients which exceed their own risk appetite. It is expected that partnerbanks will be making loans to clients throughout agricultural value chains such as primary producers, processors, traders, wholesalers, technology providers (e.g. irrigation), input providers, corporates and local financial institutions⁵. The use of funds within these transactions should always be linked to demonstrable impacts as described in the KPIs of the E&S Impact Framework and not include activities as noted in the fund's exclusion list (see appendix 1).

1.4.4 Eligibility Criteria

Investment criteria will guide the selection of bankable projects that are likely to fulfil the impact framework. The following are the key criteria for assessment of the Fund:

Impact criteria: Eligible projects should focus on at least one of the first two objectives (Forest Protection and reforestation, and Sustainable Agriculture) of the funds E&S Impact Framework and always contribute to the third (Improved Rural Livelihoods). For each project, to the extent possible,

³ As required by the terms of the Dutch government grant. LICs as defined by the OECD

⁴ Defined as those countries that have made progress as part of the World Bank Forest Carbon Partnership and the UNREDD programme

⁵ Transactions should demonstrate a clear link between the use of funds and ultimate impact

the Fund will apply all relevant primary KPIs per identified objective, with a minimum of one KPI per objective that has to be met. Depending on relevance, project size and data availability, one or more of the secondary KPIs are to be applied as well.

Eligibility and Exclusion list: Transactions should not be on the funds exclusion list and be eligible for funding. A schedule of indicative eligible projects and a schedule of excluded activities will guide the selection of bankable projects that are likely to fulfil the impact framework.

Alignment with the ESG framework: Transactions should identify, manage and mitigate E&S risks in line with the funds E&S impact framework.

Financial assessment: Transactions should have an attractive risk return profile and align with the AGR13 Pricing Policy.

Additionality: any application for financing must pass a strict additionality test. This comprises of two additionality tests: (1) Beyond business as usual, demonstrating that in the impact fields targeted by the client's use of funds are beyond BAU practices for the company/country/sector; and (2) there is a lack of available commercial finance to support the project.

Project economics and business case: Critical to the sustainability of any transaction is a sound economic, business model or investment case related to the use of funds supported by AGR13.

Legal: The project will need to demonstrate it has a legal basis to operate as planned and meets all relevant local and international legislation and regulations.

1.5 Investment Terms and Conditions

The AGR13 Fund aims to invest an estimated amount of capital of around USD144m during the coming 5-year period from 2020-2024. The Fund expects to complete 50 deals in this time period, based on available funds and eligible investment opportunities.

1.5.1 Instruments

The Fund aims to de-risk and facilitate eligible investments for partnerbanks. In this light, the Fund will focus on risk mitigation products (partial guarantees), although in some cases liquidity instruments (like sub-ordinated loans) may be required because of local regulatory issues. In this respect, investment instruments at the inception of the Fund are:

- **Pari passu risk participation** - Losses on a transaction with a single counterparty (or portfolio) are split between the bank and the Fund according to a pre-defined ratio (typically 50/50 but can vary). Both parties rank equal on the repayment waterfall.
- **Tenor extension** - The guarantee only kicks in at a given date in the future after which AGR13 provides a full guarantee absorbing the 100% of the risk after that given date. This type of transaction will be provided where partnerbanks are fully comfortable with the client and transaction risk but has a hard stop on tenor of the exposure.
- **Maturity subordination** - Combination of tenor extension and pari passu, in which the Fund guarantees the same absolute amount during the lifetime of the loan, which covers 100% of the credit risk after a given date.

- **Subordinated guarantee**- a guarantee on a bank's loan facility that is provided to a company with equity capitalization. This guarantee is more comparable to regular subordinated debt, as the equity providers take the first loss position. Agri3 provides a guarantee and has a subordinated position compared to the bank's facility.
- **First loss risk participation** - Agri3 provides first loss guarantees, i.e. where all of the loss is covered by the Agri3 guarantee, up to an agreed maximum amount. First loss guarantees can cover all losses, or principal-only, excluding the interest.

The fund will also work with partnerbanks to identify other forms of partial guarantees in order to support its impact and financial objectives.

The terms of the guarantees for each individual transaction, including duration and coverage, will be determined in consultation with the partnerbank and AGR13 during the investment process. All guarantees provided are partial guarantees and will indicatively cover 30- 50% of the exposure of a loan.

Further details about the guarantee instruments and pricing of these instruments are provided in the AGR13 Pricing Framework. The composition of the portfolio and concentration limits for different financial instruments will be determined after the first 2 years or 12 deals of the fund.

1.5.2 Transaction Size

The typical contribution by the Fund for each investment will be in the range of 3 – 15 million USD to enable projects from 5 to 50 million USD. Exceptions may apply, in case project are larger than these limits, or pilot-projects that are smaller but scalable, provided they demonstrate significant impact. Exceptions will be reviewed and decided on by the Fund Managers.

1.5.3 Terms and Conditions for Participation

The Fund is open to operate at deal level with other partnerbanks including financial institutions, interested commercial banks, and DFIs in search of sustainable solutions for their clients, provided they are willing to apply the Fund's standards and eligible.

Prospective partnerbanks will be approached upon expectation of strategic alignment with the AGR13 goals. Partner banks are Investment Grade Financial Institutions with a banking license that pass a CDD performed by AGR13, taking into account conditions and reputational risk considerations as brought forward by founding partners Rabobank and UNEP.

Prospective partner banks that have a strategic fit with AGR13:

- operate in relevant geographies for forest conservation and sustainable agriculture – including Low and Middle Income Countries
- are willing to make the resource investment – and demonstrate the ability – to source deals from its client base which align with the impact objectives of the Fund (i.e. sustainable agriculture, sustainable forestry and rural livelihoods)
- agree to public disclosure of transactions supported by AGR13
- agree to the pricing logic as established in the Pricing framework
- have the relevant internal infrastructure to be able to receive and process guarantees.

Finally, participation in AGRI3 comes with an in-principle requirement to co-fund AGRI3 through senior debt or a senior participation. This requirement is applied only after the “introductory phase” in which a new partner bank executes its first deals and gets to know the AGRI3 policies, products and processes. At the end of the introductory phase, typically in the second year of partnership, AGRI3 and the new partner bank will discuss how the partner bank can co-fund AGRI3 – usually through debt, optionally as senior participant. At the discretion of the Fund Manager, AGRI3 may waive this requirement, e.g. (not exclusively) in cases where the expected transaction volume is too small, in cases where the partner bank is prohibited by law or regulation to co-fund or in case AGRI3 does not require additional funding in these asset classes.

1.5.4 Technical Assistance

The AGRI3 Technical Assistance (TA) facility has been established to accelerate the development of investable opportunities and maximise their impacts, as well as de-risk investments made by the Fund. The TA Facility will be managed by IDH and set up as a separate facility, but ‘linked’ to the Finance Fund’s activities, working closely with the Fund Manager and the Investment Advisers. Technical assistance through the TA Facility is related to:

- **Pre-investment support:** project design support, to build a strong and balanced portfolio of bankable projects for the AGRI3 fund. The intention is that TA provided should lead to a potential for the Fund within 24 month’s time.
- **Post-investment TA:** to projects in the implementation phase, so that project developers have greater capacity to implement projects to a higher technical standard and/or with increased positive social and environmental impacts.
- **Learning and knowledge sharing:** taking insights from transactions and publishing them in a variety of formats including workshops, publications and tools.
- **Enhanced Impact Monitoring:** supporting the Investment Adviser in monitoring and reporting on the funds Impact KPIs

For each transaction that is reviewed by the Fund Managers, the TA facility will work with the fund to identify transactions that require support, and procure relevant expertise, either from IDH or other external providers.

1.5.5 Security and leverage limits

At the inception of the fund, it is expected that all transactions will be secured with 100% cash collateral (i.e. no leverage).

During the first 2 years the Fund will build up a diversified portfolio of investments and related investment track record. After 2 years an analysis of the portfolio will be conducted by the Fund Managers to determine whether the cash collateral requirements can be lowered. Ultimately, the fund will aim to work towards obtaining a solid rating at which point, in consultation with partnerbanks, the leverage limits will be set by the fund.

1.5.6 Currency

The Fund is expected to predominantly transact in USD, the same currency as its obligations to its investors, where the balance provides a natural hedge.

Guarantees that are provided in local currencies have an FX risk that is contingent until there is a call, at which point it may be exposed directly to FX risk if the loan is not in USD (which will then drive the need to hedge the FX risk, which may or may not be possible at reasonable rates). The expected decrease in guarantee fees for local currency guarantees, as a result of expected depreciations, are not currency risks as there is a commensurate reduction in exposure. Apart from that, the Fund aims to build up a diversified portfolio of various currencies which can be expected to further mitigate this risk.

1.5.7 Claim Policy and Exit Management

The terms of the any claims on guarantees and exits from guarantees will be established in the Guarantee framework agreement, as established between the Fund and Partner banks.

1.5.8 Liquid Assets

Pending investment or reinvestment, the cash assets of the Fund, may be invested in a diversified portfolio of Liquid Investments. This will be with the aim of preserving capital and liquidity for guarantees, rather than maximising capital. This will only be permitted if approved by the financial providers to the Fund.

2. General Investment Risk Policy

AGRI3 Is managed using a risk management framework that is tailored to its most prominent exposures and to the structure of its funding. It is a leveraged fund that blends grants, equity capital and debt to achieve an efficient WACC, whilst its assets are highly liquid securities or bank deposits placed as collateral with its trading counterparties, expected to be highly rated banks. Its predominant risks will be credit risks associated with the portfolio of (local currency) guarantees that will de-risk loans provided by its bank partners.

AGRI3's risks are classified in the usual 4 distinct buckets: credit risks, market risks, liquidity risks and operational risks:

- **Credit risks** - AGRI3's credit risks will be managed by the Fund Manager. This will be done by using a full-scale credit assessment (including a review of all risks of non-payment, including obligor risks, country risks, commodity price risks, etc) performed by the Investment Advisers' team and presented to the Investment Committee for approval prior to engagement. This will also be complemented by a credit review done on all exposures in the portfolio on regular intervals (more frequent for high-risk exposures, but at least once annually) and strict monitoring of agreed reporting and covenants. In particular, care will be taken to remain in close contact with the client relationship managers of the partnerbanks tasked with the primary client interface. The portfolio Investments will be assigned an internal rating by the Investment Committee at the start and with each review, with pre-set values for PD and LGD. In case of deteriorating circumstances, each exposure may be assigned "early warning", "watchlist", "distressed" or "default" status, with commensurate step-up of manager attention and activity. Partnerbanks will also be reviewed annually due to the collateral exposure.
- **Market risks** - AGRI3's market-related risks consist mostly of contingent risks related to FX and interest rate movements. Assets and liabilities associated with AGRI3's unfunded business will

be mostly matched (i.e. both to be held In USD floating rate), so that risks to be managed will primarily be as a result of a guarantee call by a partner bank, either in a currency other than USD or causing a fixed rate asset to be created. To the extent possible and economical, AGR13 will hedge market risks with its partner banks. FX and Interest rate mismatches will be measured using a 99% VAR valuation method.

- **Liquidity risks** - A guarantee vehicle such as AGR13 can only exist as long as its partner banks remain satisfied that It can at all times perform under its guarantee obligations. As long as its leverage remains low, this is relatively simple, but AGR13's business case rests on its ability to achieve a (conservative) level of leverage. This means that AGR13's access to liquidity on a timely basis is a key to success. The guarantees are not accelerated, so that AGR13's calls will not trigger full pay-out of the guaranteed loan's principal amount, and liquidity can be managed dynamically. AGR13 aims to maintain access to local liquidity in countries of principal operation to be used in case of a call, and drawdown notices are designed to allow for delays in such lines.
- **Operational risks** - AGR13 has a complex governance structure and its transactions involve multiple interfacing parties. It will formalise a number of key controls to maintain operational discipline and avoid procedural mistakes. Periodic operational audits will confirm the effective working of these controls, and the Fund Manager will maintain a risk register periodically reviewed to pro-actively consider mitigating measures to deal with developing operational risks.

All risk elements are aggregated into a single capital and liquidity adequacy calculation that will be performed annually upon AGR13 crossing the 1:1 leverage point.

3. Investment Process

The full investment process will be set out in the AGR13 Operational Manual. The steps involved are summarised below:

Transaction sourcing: Transactions will largely be sourced with existing clients of partnerbanks, such as large traders and corporations in the agricultural value chain.

Initial proposal: Once a potential transaction has been identified, partnerbank's of the fund will discuss initial concepts with the AGR13. It is expected that at this stage an initial Project Opportunity Note ('PON') will be presented to the AGR13 Investment Advisers, outlining the key details of the deal. The AGR13 Investment Adviser team will then assess the eligibility of the investment against the alignment of the AGR13 Investment Policy, E&S and financial assessment framework. Should the concept be eligible then the Investment Advisers will provide initial feedback on the structure, pricing and impact potential of the transaction and key considerations for the application stage. If the project is not eligible, or further information is needed to assess eligibility, then this will be discussed with the partnerbank.

Screening: Eligible concepts will be asked to provide detailed information about their proposed transaction including details about the proposed E&S impact, financial structure and business model (including management and operations). This will be presented in an Application form to the fund.

Once the relevant information in the application has been clarified and reviewed, the AGR13 Investment Adviser team will present a decision to the partnerbank either (1) to proceed to investment committee; (2) to not proceed and to be reassessed to see if any changes can be made or more information provided.

Investment Committee - Initial Approval: Should a decision to proceed be made, then an Investment memo will be developed by the AGR13 team to be presented to the Investment Committee as an IC1. memo. The IC-1 Screening Memo will also include any initial recommendations for Technical Assistance (if needed and applicable), a draft term sheet and a detailed plan for the Due Diligence. The Investment Committee will use the available information to evaluate the deal to determine the alignment with the fund's investment policy, E&S standards, Impact framework and financial risk-return profile of the transaction.

Once the Investment Committee has reviewed the Investment memo and supporting information then they will present a decision to the partnerbank either that the transaction should (1) proceed to due diligence; (2) not proceed and to be reassessed to see if any changes can be made or more information provided. Should the decision be made to proceed to due diligence, it is understood that this will constitute an initial approval of the commercial terms of the transaction by the IC. Deviations from this will occur only if due diligence leads to significant and material findings that would require revaluation of those terms.

Due Diligence: The due diligence process will include gathering and assessing more detailed documentation to validate and improve the level of information, especially with regards to E&S risks and impacts, borrower profile, project workings (incl financial return and impact) and production model.

Based on the due diligence findings, the AGR13 team aims to further refine the draft Term Sheet. This will include any key financial terms and E&S requirements from the project. In cases where further E&S measures are required to meet the funds E&S standards, then this will be discussed with project team and developed into an Environmental & Social Management Plan (ESMAP), which established milestones to be reached during the duration of the project. As necessary, the fund will also provide any further details of Technical Assistance needs and a request to the TA facility.

Investment Committee – Final Approval: Following the due diligence process AGR13 team will submit a final and updated Investment Memo for the Fund's participation in the transaction (financially and in kind through technical assistance) to the Investment Committee for approval.

Once the Investment Committee has reviewed the Investment memo and supporting information then they will present a decision to the partnerbank either that the transaction should (1) proceed to contracting; (2) not proceed and to be reassessed to see if any changes can be made or more information provided.

If need be, it could suggest at this stage additional Due Diligence or conditions precedent for the approval and/or disbursement.

Final negotiations, Contracts and Disbursement: If the investment proposal is approved, this is the time for final negotiations and/or reviews. Contract negotiations take place between the partnerbank and AGR13. Legal documentation between the bank and the client should be completely mirrored by

the risk sharing agreement between the partnerbank and AGRI3. As much as possible, subject to the type of transaction, country, counterparty and other elements, the legal documentation is drafted and negotiated in line with the guarantee master agreement.

Administration, monitoring and reporting: Once the legal documents are agreed and transaction is executed, the partnerbank client moves into the monitoring phase. During due diligence and legal negotiations, a schedule of monitoring and reporting will have been agreed, including the regularity of that process, and data to be collected. This should be in line with partnerbanks clients reporting to the bank. This will include regular management reporting, E&S reports as well as audited annual financial statements when available, which will be collated by the Investment Advisers.

Annex 1: Exclusion List

The fund will not invest in projects of companies that are engaging in or related to the activities listed below:

The Fund will not invest in projects of companies that are engaging in or related to the activities listed below:

- Operations in nationally and internationally legally protected or preserved areas including but not limited to UNESCO World Heritage Sites and Wetlands on the Ramsar list
- Operations in primary tropical moist forests, High Conservation Value (HCV) areas or High Carbon Stock (HCS) forests and critical natural habitats, where the operations result in significant degradation or conversion
- Harvesting or trading tree species protected under Appendix I of the Convention on International Trade Endangered Species of Wild Fauna and Flora (CITES¹³)
- Peatland operations: Agricultural development on peatlands on a large scale
- Not respecting the right of Free Prior and Informed Consent of indigenous people
- Logging or purchase of logging equipment for use in primary tropical moist forest
- Use of fires for clearing forest/or land
- The development, production, trade, marketing, sales, distribution, transport and maintenance of controversial weapons and munitions¹⁴:
- Production of or trade in Pharmaceuticals, pesticides/herbicides¹⁵, ozone depleting substances¹⁶, PCBs¹⁷ subject to international phase outs or bans
- Production or trade in or use of unbounded asbestos fibres¹⁸
- Traditional foie gras production and trade
- Manufacturing of tobacco products
- Activities in the nuclear fuel production cycle (uranium mining, production, enrichment, storage or transport of nuclear fuels) and production of or trade in radioactive materials. This does not apply to: (i) the purchase of medical equipment, quality control (measurement) equipment and any equipment where the Fund considers the radioactive source to be trivial and/or adequately shielded
- Countries or jurisdictions that are subject to financial or banking sanctions will not be eligible for investment.

If during the term of an Investment, the Fund becomes aware of any Investment with substantial involvement in an activity specified on the Exclusion List, the Fund will take appropriate action (including consultation with the investment counterparty to remedy this issue, consultation with stakeholders, divestment etc.)