

Early Disclosure

The following information will be published on the AGR13 website 30 days prior to the final Investment Committee approval of a project (IC2) and prior to final signature of the contract.

Transaction name	Regenerative cotton production
Publication date	28 July 2022
Sector	Cotton, Soy, Corn, Cattle
Country and region	Mato Grosso, Brazil
Deal overview	<p>The proposed deal entails a USD 20 mln facility from the Partnerbank, in which Agri3 will take a non-funded risk participation, to facilitate transition towards a circular agricultural model, expanding the acreage of farm land to which regenerative principals are already (partially) applied. Practices that will be expanded include the utilization of cotton by-products for animal feed, , the recycling of animal manure into fertilizer, the intelligent application of herbicides (resulting in water usage and herbicides reduction) and the deployment of solar panels. Next to that AGR13 will support the company with technical assistance to explore other potential regenerative practices that can be implemented.</p> <p>The facility will have a 10-year tenor to accommodate the necessary machinery and infrastructure for this transformation, as well as other expenses to further roll-out regenerative practices such as the use of biologicals and further dissemination of sustainable agricultural practices in the region in large scale farms.</p>
Description of the activities	<p>The company is a grain and cotton producer that started activities more than 15 years ago in Mato Grosso, Brazil. During the last 10 years, it more than tripled its leased and owned land, reaching a total plantation area of 112.000 ha through different farms in Mato Grosso and Tocantins states. The crops are soy, corn, cotton and sorghum and other grains. The company also manages c. 6.000 heads of cattle a year.</p>
Expected impact	<p>Forest protection and restoration</p> <ul style="list-style-type: none"> • None <p>Sustainable agriculture</p> <ul style="list-style-type: none"> • Scale up of a circular production model with regenerative practices (number of ha to be further defined). <p>Rural livelihoods</p> <ul style="list-style-type: none"> • Employees training • Dissemination of experience through field days

E&S risks and mitigants

The company is viewed by the Partnerbank as a leading sustainability client with a strong track record. There are several potential E&S risks in the proposed activity that will be further investigated during due diligence. These include:

- Soil & water pollution (including manure management): mitigated by certification standards
- Agro-chemical application; mitigated by certification standards and efforts to reduce applications
- Labour conditions including health and safety in new construction: Mitigated by comprehensive labour law requirements
- Certification: as AGR13 will partially rely on certification commitments to confirm sustainability of crop production, further analysis of certification commitments will take place during due diligence

Contact details of fund manager

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.