

DRAFT EARLY DISCLOSURE

The following information is published on the AGR13 website 30 days prior to signing of the guarantee.

Transaction name	Macadamia plantation expansion
Publication date	10 November 2022
Sector	Macadamia
Country and region	Malawi
Deal overview	<p>The client is a producer of macadamias in Malawi that has established plantations which partially are already yielding but not yet at full productivity. As Macadamia trees become fully mature, on average, in year 7 after planting, this requires a long period of investments and working capital needs.</p> <p>Together with a local partner institution, the partner institution intends to provide a USD 15mIn (or local currency equivalent) 10 year facility to fund the company's growth strategy to reach a fully productive macadamia plantation on 2,000ha of former tobacco estate lands which partially have become degraded. The company has successfully diversified in completely ceasing tobacco operations and have migrated to macadamia. This has become one of the success stories in Malawi of the transformation.</p> <p>Financing will be used for refinancing of short term local currency debt, finance of irrigation investments and to cover operational costs until the macadamia plantation reaches full production capacity.</p> <p>AGR13 is proposing a risk participation agreement with the partner institution, covering upto 50% of the outstanding principal of the loan on a pari-passu basis.</p>
Description of the activities	<p>With support from AGR13 the project will be contributing to sustainable agriculture by supporting scale up of sustainable production operations on 2,000ha of farm area under drip irrigation which will create substantial employment opportunities in one of the poorest countries in Africa. The company will further invest in its irrigation infrastructure in order to secure that sufficient water is available for irrigation during the dry season.</p> <p>The company expects to implement regenerative agricultural principles on the farm. In addition to that the company is in the early stages of developing a smallholder scheme and a forest restoration project is envisaged on the farm.</p>
Expected impact	<p>Sustainable agriculture</p> <ul style="list-style-type: none">• 2,000 ha of macadamia plantation under sustainable management on former degraded tobacco plantations <p>Rural livelihoods</p> <ul style="list-style-type: none">• 1,400 employees and related families will be supported by the project. Furthermore a smallholder project is planned and training will be provided along with multiple livelihood enhancement initiatives

	<p>Forest protection and restoration</p> <ul style="list-style-type: none"> • Potential reforestation project with native trees. Required funding is not yet included in the proposed project, but use of Technical Assistance will be explored to further develop this initiative. <p>Other impacts:</p> <ul style="list-style-type: none"> • The macadamia nut production is earmarked for export only and will bring in valuable foreign exchange currency to the National Economy. • The current proposed funding will ensure that the company reaches maximum production capabilities. This increased macadamia production, in turn, will warrant the introduction, construction and operation of a cracking, processing and packaging factory on site which will ensure additional employment possibilities, added value services to be kept within Malawi (rather than this being transferred to other countries), an additional premium on the sale of the macadamia kernel hence additional foreign exchange earnings (as it will be in the final form ready for consumption rather than the semi-final nut in shell which the company currently exports). However, this is not included in the current funding proposal.
<p>E&S risks and mitigants</p>	<p>The company sponsors have developed farm’s policies and practices in line with IFC E&S Performance Standards. No major issues have been identified from initial AGRI3 analysis.</p> <p>Key potential risks and issues that will be further assessed include:</p> <ul style="list-style-type: none"> • Mitigation of issues of any potential encroachment onto the farm and management of relationships with the communities that live and farm on the lands between and surrounding the estates. • Details on sustainable agriculture practices and potential for certifications • Risks to long-term water supply and potential climate risks in the region, and the associated climate resilience potential of the farm and downstream water users. • Detail on the smallholder macadamia scheme including plans for developing this programme <p>This will be further investigated during the Due Diligence phase.</p>
<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>