



**AGRI3
FUND**

**AGRI3 Impact and E&S Policy Statement
April 2022**

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AGRI3 Impact and E&S Policy Statement

Date	Name	Status	Approved by
V1.0	AGRI3 Impact and E&S Policy Statement	30th July 2020	Fund Management Board

Introduction

The objective of the AGR13 Fund is to contribute to the transition to more sustainable practices in agricultural value chains and avert deforestation by enabling commercial banks to finance transactions that actively prevent deforestation; stimulate reforestation, contribute to efficient sustainable agricultural production and improve rural livelihoods.

AGRI3 achieves these objectives by providing guarantees to commercial banks and other financial institutions (from now on called “Partnerbanks”), and subordinated loans to customers of these institutions, to mobilise financing by de-risking and catalysing transactions that are not financeable within usual risk parameters.

AGRI3 is committed to supporting achievement of the Sustainable Development Goals, high standards of ESG performance, and respect for human rights consistent with the UN Guiding Principles on Business and Human Rights. AGR13 supports the 2X Challenge on Financing for Women.

The fund contributes to SDG 1 (No poverty); 2 (Zero hunger); 5 (Gender Equality); 8 (Decent work and Economic Growth) 12 (Responsible consumption and production); 13 (Climate Action) and 15 (Life on Land).

The fund focusses on middle- and low-income countries¹ (MICs and LICs), with a preference for those where forests or other natural ecosystems are at risk of being converted to agricultural production. The preference of the fund is to support transactions in locations where there is a high risk of deforestation/natural habitat conversion or the transaction plays a part in landscape level initiatives, where there is potential for high impact. Transactions can be considered in other types of locations in eligible countries.

This document sets out the Fund’s approach to achieving impact and ESG risk management on transactions supported by the fund.

AGRI3 Impact Objectives

The Fund has the following impact objectives:

- Protection of existing natural forests and restoration of natural ecosystems
 - Protection of natural forests and other natural ecosystems such as grasslands and wetlands to prevent deforestation or degradation, sustain ecosystem functions and processes, and improve biodiversity.
 - Restoration of natural and modified ecosystems, particularly ecological corridors, to contribute to forest landscape restoration, strengthened climate resilience and the sequestration of carbon.
- Sustainable agriculture
 - Deployment of sustainable farm management solutions such as ecological intensification and/or diversification; regenerative agriculture focussing on restoring soil health; integrated crop-livestock forest (ICLF) that results in reduced carbon emissions, rehabilitation of degraded land, enhanced water management, improved soil fertility, and/or strengthen climate resilience, while improving yields for farmers.
- Improved rural livelihoods
 - Improving income and strengthening skills of farmers and/or smallholders, through improving income and/or decent employment opportunities for rural communities and/or enhancing opportunities for women in agriculture/forestry.

The Fund’s KPIs related to each of the impact objectives are shown below.

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

Additional KPIs may be agreed for individual transactions. The expected contribution of each transaction to the Fund's KPIs is assessed throughout the investment process and defined in the facility agreement.

Key impact criteria

For each transaction supported by AGRI3, the following impact criteria are expected to be met, to be eligible for AGRI3 support:

- Contribute to at least either or both the Forest Protection and Restoration and/or Sustainable Agriculture objectives and always contribute to the objective on Improved Rural Livelihoods and Enhanced Opportunities for Women.
- For each objective, transactions should significantly contribute to at least one of the KPIs; preference is given to transactions that contribute to achieving several of the KPIs.
- Transactions should demonstrably go beyond 'business as usual' for the jurisdiction, sector, market and/or client type, specifically in meeting AGRI3 impact objectives and/or ESG risk management (see additionality below).

The Technical Assistance Facility (TAF) linked to AGRI3 and managed by IDH can, on a case-by-case basis, provide assistance and expertise to businesses receiving support from AGRI3 in enhancing, measuring and monitoring impacts.

ESG risk management

AGRI3 expects a high standard of ESG risk management² in the businesses and transactions it supports, and only supports transactions where the fund determines that the ESG risks have been adequately identified and assessed and can be satisfactorily managed by the client. Businesses receiving support via AGRI3 and AGRI3 Partnerbanks should be committed to address ESG performance gaps as a condition of AGRI3 and the Partnerbank support as part of a transition to higher levels of performance. On a case by case basis, AGRI3 is able to provide access to technical assistance to address the gaps and meet relevant ESG standards.

AGRI3 expects that any *business* with a transaction supported by AGRI3:

- Complies with the ESG policies of the Partnerbank.
- Complies with applicable national and local ESG laws and standards.
- Operates an environmental and social management system (ESMS) proportionate to the E&S risks and impacts of the business.
- Respects the land, cultural, and natural resource rights of indigenous peoples, whether legally recognized or otherwise.
- Operates in a way that respects the ILO Fundamental Conventions³.
- Implements a grievance mechanism consistent with UNGP effectiveness principles defined in the UN Guiding Principles on Business and Human Rights (UNGPs)⁴.
- Commits to NPDE (no deforestation, no development on peatland, no exploitation).⁵
- Does not undertake any activities on the AGRI3 Exclusion List. See Annex 1.
- Is aware of, and takes steps to mitigate, risks of corruption in relation to business activities.

In addition, AGRI3 expects that each *transaction* supported by AGRI3:

- Aims to operate consistently (commensurate with size and risk) with international standards that set benchmarks for environmental and social performance and respect for human rights, notably the IFC Social and Environmental Performance Standards.⁶ Other reference standards and tools are listed in Annex 2 and are drawn on as relevant.
- Aligns with sector best practices, e.g national guidelines or the requirements of commodity certification standards such as RSPO, FSC⁷; World Bank EHS Guidelines,⁸ or meets the criteria and thresholds set out in the EU Taxonomy.
- Guarantees that WHO Class Ia (Extremely hazardous) and Ib (Highly hazardous) pesticides will not be used; and Class II pesticides (Moderately hazardous) will only be used where the client has appropriate controls in place.
- Demonstrates that animal rearing complies with the OIE Terrestrial Animal Health Code⁹ or equivalent guidelines.
- Complies with the Client Protection Principles, where Microfinance is involved.¹⁰

The AGRI3 Gender Policy supplements the ESG Policy Statement in relation to gender issues. AGRI3 also develops internal ESG guidance for specific sectors, geographies and issues where there are transactions in a specific geography or sector for which more granular specification of ESG requirements is useful to the

Fund. Current internal guidelines address :

- Brazil – Forest Code Acceleration
- Brazil – Sustainable intensification of pasture-based beef production.

Where there are gaps in a business or transaction meeting AGRI3 ESG requirements, then an Environmental and Social Action Plan (ESAP) defines actions needed to meet AGRI3 expectations. The actions required, deliverables and timeframe within which they must be completed is determined on a case-by-case basis, but we will always require completion of the ESAP within the period of AGRI3 involvement.

Additionality

All transactions which AGRI3 participates in are required to demonstrate additionality:

- Financial additionality is defined by AGRI3's participation in a loan or transaction in which provision of terms, conditions, and structure of finance that are materially different from what is commercially available, or that would otherwise not be available from other commercial finance institutions with similar characteristics, in a similar market context.
- Environmental and social impact additionality is defined by the transaction's contribution to positive impacts related to forest protection and restoration, sustainable agriculture and/or rural livelihoods or improved environmental and social risk management that go beyond standard market practices/ regulations etc.

The assessment of additionality is transaction-specific and contextualized. It may differ by jurisdiction, sector, market and/or client type. The assessment of additionality will be based on the best available evidence and knowledge of the project and operational context at the time the transaction is assessed.

- The Partnerbank, with the client, is responsible for demonstrating financial and environmental and social additionality, that will be validated and, where feasible, maximized by AGRI3 as part of the investment decision process.
- To demonstrate additionality, the description of transaction will include a narrative on the financial and environmental and social additionality present and identification of most significant additionalities.
- AGRI3 will also assess the additionality throughout the investment process, using best available information.

Operationalising the AGRI3 Impact and ESG Policy

As a fund that provides guarantees for loans made by Partnerbanks¹¹, the implementation of AGRI3's ESG Policy involves action by AGRI3 and by its Partnerbanks:

- Partnerbanks originate transactions that meet or could meet the impact, ESG risk-management and additionality criteria of AGRI3 and are responsible for confirming that the transaction meets the Partnerbanks' environmental and social requirements (or the client has an action plan agreed with the bank to do so).
- AGRI3 carries out initial assessment, due diligence and monitoring of impact and ESG risk-management of transactions as part of its investment process. AGRI3 may decline transactions proposed by partnerbanks on ESG, impact, additionality or reputational grounds.
- Any E&S gaps will be captured in an ESAP which will form part of the final contractual documents with the client.
- As AGRI3 supports a variety of transactions including single site 'projects'; transactions that deliver multi-site 'programmes', and upgrading of existing agricultural operations, the approach to due diligence and monitoring is tailored to the type of transaction.

AGRI3 categorises¹² transactions as ESG Risk 'A', 'B+', 'B-' or 'C'. The categorisation will dictate the level of E&S assessment and mitigation measures determined during the review process :

- Category A: Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented. If AGRI3 considers a Category A transaction, a detailed assessment against IFC PS (by the client or commissioned by AGRI3) is required.
- Category B+: Business activities with potential adverse environmental or social risks and/or impacts that are largely reversible and can be addressed through known mitigation measures.
- Category B-: Business activities with potential adverse environmental or social risks and/or impacts that are a few, generally site-specific, largely reversible, and readily addressed through mitigation measures. (Depending on the jurisdiction, compliance with national laws may be sufficient to meet AGRI3 expectations.).
- Category C: Business activities with minimal or no adverse environmental or social risks and/or impacts.

AGRI3 expects most transactions to be in category 'B+' and 'B-' and does not expect to support Category 'A' activities.

Roles and responsibilities

Throughout the investment process, there are a number of parties that will have different roles and responsibilities:

Partnerbanks

At the start of a transaction, the Partnerbanks present information about the client and transaction including ESG evaluation, impact assessment, KPIs and previous monitoring information. Where feasible, this information may also be collected directly from the client. Following the full AGRI3 Investment process, if the AGRI3 Investment Committee finally approves an AGRI3 participation in a transaction, the Partnerbank will enter into a facility agreement with the ultimate client. The facility agreement includes ESG conditions including compliance with laws; an ESAP (where required), monitoring and reporting obligations (incl. against agreed KPIs) and specific transaction related conditions (where required).

AGRI3 due diligence and monitoring

AGRI3 conducts an ESG and impact review on transactions presented by Partnerbanks. The assessment takes place throughout the fund's Investment process, including an eligibility assessment, IC1, due diligence and IC2.

During this process the AGRI3 team will determine ESG eligibility and additionality; screening for any human rights or ESG risks; assessing the likelihood of expected positive impacts; reviewing the Partnerbank's ESG assessment and follow up engagement with the ultimate client, usually including a site visit. When transactions enter due diligence, they are disclosed on the AGRI3 website, in line with the funds Early Disclosure policy.

Due diligence concludes with agreement with the ultimate client and the Partnerbank on any transaction specific ESG conditions and on impact KPIs and targets to be monitored during the transaction. These are captured in the facility agreement with the client. AGRI3 will also have a contractual agreement with the Partnerbank to have consultation or consent rights to changes in ESG conditions.

As set out in the Fund's Terms and Conditions, AGRI3's Investment Committee should approve a participation in a transaction prior to approval by the Fund Management Board (including their conditions) prior to AGRI3 investment.

AGRI3 receives regular (usually semi-annual) reports on each transaction which include information on ESG and impact performance. AGRI3 may visit any businesses supported through the fund for on-site monitoring. In the event of breaches with respect to E&S commitments included in contracts, AGRI3 works with the Partnerbank and the client to agree and monitor remedial action; if problems are persistent, serious and the client does not demonstrate commitment to remedy, AGRI3 will engage with the Partnerbank and together they may decide to exit the transaction.

Projects, programmes and corporate finance

For transactions that involve a single or a small number of known sites, AGRI3 assesses impacts and ESG performance at site level. For transactions that involve a programme of activities at a number of different locations not known at the outset, e.g. a programme to support smallholder out-growing, then ESG due diligence focusses on the environmental and social management system applied by the entity responsible for the programme.

Technical Assistance Facility (TAF)

The TAF, operated by IDH, is an important resource to assist clients in defining and meeting their impact and risk management commitments through technical training and related advice. During the process of evaluating potential transactions, opportunities for technical assistance pre- and post-investment are identified through collaboration between AGRI3, the Partnerbank, the ultimate client and the TAF.

IDH is responsible for screening whether a project/client is eligible for TA and designing and implementing the TA programme of support in partnership with the client, agreeing with the client how costs will be shared and how the technical assistance will be monitored and evaluated. However, the final proposal for TA for a specific project/client is subject to approval by the AGRI3 Investment Committee.

ESG and impact stakeholders

AGRI3 engages with investors and Partnerbanks in review of the Fund's ESG policy, and reports on ESG and impact performance as part of regular investor reporting. Proposed new transactions are disclosed publicly on the AGRI3 website.

Policy review

This Policy Statement is reviewed regularly by the AGRI3 team and the fund's partners and may be updated or changed to improve achievement of AGRI3 objectives. Additional sector or country specific policies and guidelines will be developed where needed, for example, to establish how AGRI3 approaches complex issues or addresses new regulatory requirements.

Annex 1: AGRI3 Exclusion Lists

The Fund does not engage with parties that are substantially involved in:

1. Operations in nationally and internationally legally protected or preserved areas including but not limited to UNESCO World Heritage Sites, IUCN category Ia, Ib and II sites and Wetlands on the Ramsar list
2. 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 degradation or conversion
3. Harvesting or trading species protected under Appendix I of the Convention on International Trade Endangered Species of Wild Fauna and Flora (CITES) and harvesting or trading species listed in Appendix 11 or 111 only with required authorizations/approvals
4. Logging or purchase of logging equipment for use in primary tropical moist forest
5. Not respecting the right of Free Prior and Informed Consent of indigenous people
6. Peatland operations: agricultural development on peatlands
7. Use of fires for clearing forest/or land
8. The development, production, trade, marketing, sales, distribution, transport and maintenance of controversial weapons and munitions
9. Production of or trade in Pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs subject to international phase outs or bans
10. Production or trade in or use of unbounded asbestos fibres
11. Traditional foie gras production and trade
12. Manufacturing of tobacco products
13. 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
14. Coal mining or coal fired power generation (unless the entity has or enters into a time bound commitment to withdraw from these activities)

The Fund does not support transactions that involve:

- a) Intensive livestock production where animals are reared wholly on feedlots or in other confined conditions
- b) Agricultural activities on peat regardless of depth
- c) Fishing and/or aquaculture as the main activity

Annex 2: Good practice environmental and social standards and guidance that could be applied to the Fund

The list below complements mandatory standards compliance (what to do) by offering a library of useful implementation guidance materials to help projects to meet (how to do) the requirements of the Fund. Additional guidelines, specific to individual commodities, can be considered.

International conventions and standards on responsible business conduct

- FAO Voluntary Guidelines for the Responsible Governance of Tenure of Land, Fisheries and Forests (VGGT)
- OECD FAO Guidance for Responsible Agricultural Supply Chains
- OECD Guidelines on Multinational Enterprises
- Principles for Responsible Investment (PRI)
- Principles for Responsible Investment in agriculture and food systems (FAO)
- The Equator Principles
- UN Guiding Principles on Business and Human Rights (OHCHR)
- UNEP Environmental and Social Safeguards Framework (ESSF)

Certification standards and standard setting bodies

- Forest Stewardship Council
- Roundtable on Sustainable Palm Oil
- Roundtable on Responsible Soy
- Sustainable Agriculture Standard (Rainforest Alliance)

Tools

- Ex- Ante Carbon-balance Tool-EX-ACT(FAO)
- Global Forest Watch
- Land-Use Financing – Positive Impact Indicators Directory (UNEP)
- New Sustainable Landscapes Rating Tool (CCBA)

Annex 3: Definitions

This Policy Statement adopts in many cases the common definitions of the Accountability Framework initiative – Afi¹³. Where other sources are used, the alternate source is stated.

Additionality	The contribution of an intervention that is beyond what is available, or that is otherwise absent from the market, and that does not crowd out the private sector. (Adapted from MDB, 2012) ¹⁴
Biodiversity	'Biological diversity' means the variability among living organisms from all sources including, <i>inter alia</i> , terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are a part; this includes diversity within species, between species and of ecosystems (Convention on Biological Diversity, 1992) ¹⁵ .
Climate resilience	The ability of an agricultural system to anticipate and prepare for, as well as adapt to, absorb and recover from the impacts of changes in climate and extreme weather. ¹⁶
Compliance	The state of complying with or fulfilling a given law, standard, commitment, or target. Compliance assessment is binary. <ul style="list-style-type: none"> Compliance may be assessed at the level of production or primary processing unit(s) (e.g., farms, farmer groups, or mills), supply chains, or an entire company commitment.
Conversion	Change of a natural ecosystem to another land use or profound change in a natural ecosystem's species composition, structure, or function.
Conversion Free	Synonym: no conversion): Commodity production, sourcing, or financial investments that do not cause or contribute to the conversion of natural ecosystems: <ul style="list-style-type: none"> No-conversion refers to no gross conversion of natural ecosystems The terms "no-conversion" and "conversion-free" are used in favour of "zero-conversion" because "zero" can imply an absolutist approach that may be at odds with the need to sometimes accommodate minimal levels of conversion at the site level in the interest of facilitating optimal conservation and production outcomes (see definition for minimal level [of deforestation or conversion]).
Deforestation	Loss of natural forest or other kinds of native vegetation as a result of: i) conversion to agriculture or other non-forest land use; ii) conversion to a tree plantation; or iii) severe and sustained degradation or iv) native vegetation loss through flooding activities.
Deforestation Free	(Synonym: no deforestation): Commodity production, sourcing, or financial investments that do not cause or contribute to deforestation. <ul style="list-style-type: none"> No-deforestation refers to no gross deforestation of natural forests Deforestation refers to the loss of natural forest (see definition of deforestation). The High Carbon Stock Approach (HCSA) is a practical tool to implement no-deforestation in the tropics, in contexts where the tool has been validated. The terms "no-deforestation" and "deforestation-free" are used in favour of "zero deforestation" because "zero" can imply an absolutist approach that may be at odds with the need sometimes to accommodate minimal levels of conversion at the site level in the interest of facilitating optimal conservation and production outcomes (see definition for minimal level [of deforestation or conversion]).
Degradation	Changes within a natural ecosystem that significantly and negatively affect its species composition, structure, and/or function and reduce the ecosystem's capacity to supply products, support biodiversity, and/or deliver ecosystem services. <ul style="list-style-type: none"> Degradation may be considered conversion if it: <ul style="list-style-type: none"> is large-scale and progressive or enduring; alters ecosystem composition, structure, and function to the extent that regeneration to a previous state is unlikely; or leads to a change in land use (e.g., to agriculture or other use that is not a natural forest or other natural ecosystem).

Degradation	A risk management process implemented by a company to identify, prevent, mitigate, and account for how it addresses environmental and social risks and impacts in its operations, supply chains, and investments.
Due diligence	A functional zone of passage between several natural zones for a group of species dependent on a single environment. The corridor therefore connects different populations and favours the spread and migration of species, as well as the re-colonisation of environments that have been disturbed (Futura Sciences, 2021) ¹⁷
Ecological corridor	A knowledge-intensive process that requires optimal management of nature's ecological functions and biodiversity to improve agricultural system performance, efficiency and farmers' livelihoods (FAO, 2021) ¹⁸ .
Ecological intensification	Land spanning more than 0.5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ. It does not include land that is predominantly under agricultural or other land use. Forest includes natural forests and tree plantations. For the purpose of implementing no-deforestation supply chain commitments, the focus is on preventing the conversion of natural forests.
Forest landscape restoration	Forest landscape restoration (FLR) is the ongoing process of regaining ecological functionality and enhancing human well-being across deforested or degraded forest landscapes. FLR is more than just planting trees – it is restoring a whole landscape to meet present and future needs and to offer multiple benefits and land uses over time (IUCN, 2021) ¹⁹ .
Free, Prior and Informed Consent	A collective human right of indigenous peoples to give and withhold their consent prior to the commencement of any activity that may affect their rights, land, resources, territories, livelihoods, and food security. It is a right exercised through representatives of their own choosing and in a manner consistent with their own customs, values, and norms.
Gender	The state of being male or female as expressed by social or cultural distinctions and differences, rather than biological ones; the collective attributes or traits associated with a particular sex, or determined as a result of one's sex. Also: a (male or female) group characterized in this way (Oxford English Dictionary, 2021) ²⁰ .
Indigenous peoples	<p>A distinct social and cultural group possessing the following characteristics in varying degrees:</p> <ul style="list-style-type: none"> ▪ Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; ▪ Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; ▪ Customary cultural, economic, social, or political institutions that are separate from those of the mainstream society or culture; or ▪ A distinct language or dialect, often different from the official language or languages of the country or region in which they reside. <p>Indigenous peoples are defined as such regardless of the local, national, and regional terms that may be applied to them, such as "tribal people," "first peoples," "secluded tribes," "hill people," or others. (IFC, 2012)²¹</p>
Integrated crop, livestock and crop, livestock, forest systems	Production systems that harness synergies between the production system of crops, livestock (and forestry) that ensure economic and ecological sustainability while providing ecosystem services. ²²
Livelihoods	A person's or a group's way of making a living, from the environment or in the economy – including provisions for basic needs and assurance of access to food, clean water, health, education, housing, and the materials needed for their life and comfort – either through their own direct use of natural resources or through exchange, barter, trade, or engagement in the market. It encompasses the capabilities, assets, and activities required to secure the necessities of life.
Local community	A group of interacting people living in and sharing a specific environment and place, and sharing common concern around local facilities, services, and environment and which may at times depart from traditional or State definitions. Such communities may attach particular meaning to land and natural resources as sources of culture, customs, history, and identity, and/or depend on them to sustain their livelihoods, social organisation, culture, traditions, and beliefs. Local communities may be legally or customarily known or designated using various terms, such as "traditional communities." Like Indigenous Peoples, they may use and manage land in accordance with customary tenure systems and associated rights and may depend on their land for cultural and physical survival.

Modified ecosystem	Areas that may contain a large proportion of plant and/or animal species of non-native origin, and/or where human activity has substantially modified an area's primary ecological functions and species composition (International Finance Corporation (IFC), 2012 ²³).
Monitoring	An ongoing function that uses systematic collection of data on specific metrics to assess and document the extent to which actions, progress, performance, and compliance are being carried out or achieved.
Natural ecosystem	An ecosystem that substantially resembles – in terms of species composition, structure, and ecological function – one that is or would be found in a given area in the absence of major human impacts. This includes human-managed ecosystems where much of the natural species composition, structure, and ecological function are present.
Natural forest	A forest that is a natural ecosystem. <ul style="list-style-type: none"> Natural forests possess many or most of the characteristics of a forest native to the given site, including species composition, structure, and ecological function.
Performance	Quantitative or qualitative measures of social and environmental conditions or outcomes related to a stated goal or target (such as a company commitment).
Reforestation	Re-establishment of forest through planting and/or deliberate seeding on land classified as forest <ol style="list-style-type: none"> Implies no change of land use. Includes planting/seeding of temporarily unstocked forest areas as well as planting/seeding of areas with forest cover. Includes coppice from trees that were originally planted or seeded. Excludes natural regeneration of forest (FAO, 2020)²⁴.
Regenerative Agriculture	An ecosystems approach for conserving land and soil, biodiversity and improving ecosystem services within farming systems. It focusses on the regeneration of living soil, improved micro-hydrology, and conserving biodiversity at all levels while enhancing input use efficiency and ecosystem services. ²⁵
Restoration	The process of assisting the recovery of a forest or ecosystem, and its associated conservation values, that has been degraded, damaged, or destroyed. <ul style="list-style-type: none"> The term "restoration" is also used in the context of remediation of human rights harms, for which restoration may come in many forms (e.g., restoration of benefits, employment, or access to lands).
Risk	The probability of a potential adverse impact combined with its potential seriousness.
Smallholder	Small-scale agricultural or forest products producers that are distinct from larger-scale producers found in similar contexts by virtue of many or all of the following characteristics: <ul style="list-style-type: none"> High degree of dependence on family labour Profits accrue primarily to the farm's or forest's owner and his or her family The farm or forest provides a primary source of income for the smallholder Production units have a relatively small land footprint (relative to the range of production unit sizes for the given commodity and region) Household resources are allocated to both food crops and cash crops Relatively low use of agricultural inputs and generally low productivity and yields Significant economic constraints, such as lack of capital assets and low access to finance Significant information constraints, including lack of technical knowledge and low access to market information

Sustainable Development Goals

A set of 17 goals that build on the Millennium Development Goals and form one of the main outcomes of the Rio +20 Conference. The Sustainable Development Goals sit at the heart of the 2030 Agenda for Sustainable Development, adopted by all United Nations member states in 2015, and provide a shared blueprint for peace and prosperity for people and the planet, now and into the future (UN Department of Economic and Social Affairs, Division for Sustainable Development, 2014)²⁶.

Sustainable forest management

A dynamic and evolving concept, [that] is intended to maintain and enhance the economic, social and environmental value of all types of forests, for the benefit of present and future generations (FAO, 2020²⁷).

Endnotes

- 1 Defined as OECD DAC list of countries eligible for overseas development assistance. See <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-ODA-Recipients-for-reporting-2021-flows.pdf>
- 2 Overall risk controls for AGRI3 are defined in the Investment Policy
- 3 The eight fundamental Conventions are:
 1. [Freedom of Association and Protection of the Right to Organise Convention, 1948 \(No. 87\)](#)
 2. [Right to Organise and Collective Bargaining Convention, 1949 \(No. 98\)](#)
 3. [Forced Labour Convention, 1930 \(No. 29\) \(and its 2014 Protocol\)](#)
 4. [Abolition of Forced Labour Convention, 1957 \(No. 105\)](#)
 5. [Minimum Age Convention, 1973 \(No. 138\)](#)
 6. [Worst Forms of Child Labour Convention, 1999 \(No. 182\)](#)
 7. [Equal Remuneration Convention, 1951 \(No. 100\)](#)
 8. [Discrimination \(Employment and Occupation\) Convention, 1958 \(No. 111\)](#)
- See <https://www.ilo.org/global/standards/introduction-to-international-labour-standards/conventions-and-recommendations/lang--en/index.htm>
- 4 [UN Guiding Principles on Business and Human Rights \(2011\)](#)
- 5 The entity has not directly caused deforestation or conversion of natural habitats after 01/01/2020 ("cut-off date") in all land owned/ managed unless a more restrictive cut-off date exists for the sector, country, or commodity where this should be applied. There may be cases where clients have the legal right to deforest or convert land and where doing so is necessary for implementation of a broader sustainable production model. The Fund will assess case by case if a waiver can be granted, and under what conditions. Waivers will not be granted if HCV or critical habitats are involved, and only where a net habitat/biodiversity gain is expected.
- 6 https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/
- 7 AGRI3 does not require clients to achieve certification though we reserve the right to require this, e.g. where certification is widespread for the commodity/country.
- 8 World Bank General EHS Guidelines, the Guidelines on Annual Crop Production or Perennial Crop Production and Mammalian Livestock Production are most frequently relevant to transactions supported by AGRI3.)
- 9 See https://www.oie.int/fileadmin/Home/eng/Health_standards/tahc/2018/en_chapitre_aw_beef_catthe.htm
- 10 See https://ec.europa.eu/europeaid/documents/microfinance-e-booklet/pdf-documents-fr/client-principles_en.pdf
- 11 Note: AGRI3 can support only transactions that involve a financial institution providing loans directly or indirectly to farmers.
- 12 Initial categorisation is shown at Early Disclosure. The category may change before the transaction is finalised as a result of information collected during AGRI3 due diligence.
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