

Sustainable Finance Disclosure Regulation (SFDR)



**AGRI3
FUND**

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The EU Sustainable Finance Disclosure Regulation (SFDR) is a set of rules that aim to (i) increase transparency on how financial market participations integrate sustainability into their investment process and (ii) make financial products comparable and better understood by end-investors.

Summary

AGR13 fund aims to mobilize USD 1 billion of financing by providing credit-enhancement tools and technical assistance to catalyze additional public and private capital at scale, in order to actively prevent deforestation; encourage reforestation, enhance sustainable agriculture, and improve livelihoods.

The Fund is a fund for joint account (fonds voor gemene rekening) which is a contractual fund between the Fund Manager, the Titleholder and the Participants. Participants may include Initial Participants, Senior Participants and Junior Participants. The relevant rights and obligations of these classes of Participants are included in the Terms and Conditions.

The Fund qualifies as an Article 9 SFDR product and prioritizes investments that achieve both positive sustainable impacts and financial returns. The fund assesses and reports on its overall sustainable impact, incorporating an evaluation of impact beyond business-as-usual levels. Its three impact objectives include promoting sustainable agriculture, averting deforestation and contributing to forest conservation and restoration, and fostering rural development. The fund's investments are solely dedicated to achieving its sustainable investment objective. AGR13 is committed to high environmental, social, and governance (ESG) performance, aligning with the Sustainable Development Goals, and supporting Financing for Women. The Fund concentrates on middle- and low-income countries where natural ecosystems are at risk of conversion to agricultural production. It strives to meet stringent E&S standards when selecting investments, and if necessary, implements Environmental and Social Action Plans to bridge any gaps. AGR13 monitors the sustainability performance of its portfolio using key performance indicators (KPIs) and receives regular reports on ESG and impact performance. It offers products and services that enable investors to support sustainable projects in the agriculture and land use sector. The Fund follows comprehensive policies and procedures that undergo continuous review and updating to align with best practices in sustainable finance.

Sustainability Objectives:

AGRIB Fund's overall mission is to mobilize finance for projects and businesses which contribute to the Fund's three impact objectives:

1) Promoting Sustainable Agriculture:

This objective entails the development of sustainable farm management solutions, such as ecological intensification and diversification. It also focuses on regenerative agriculture to restore soil health, integrated crop-livestock forests to reduce carbon emissions, rehabilitate degraded land, enhance water management, improve soil fertility, and strengthen climate resilience, while simultaneously improving yields for farmers.

2) Averting Deforestation and Contributing to Forest Conservation and Restoration:

To prevent deforestation or degradation, sustain ecosystem functions and processes, and improve biodiversity, the Fund supports the protection of natural forests and other ecosystems like grasslands and wetlands. It also promotes the restoration of natural and modified ecosystems, including ecological corridors, to contribute to forest landscape restoration, enhance climate resilience, and sequester carbon.

3) Fostering Rural Development:

This objective focuses on improving income and strengthening skills of farmers and smallholders. It aims to enhance income and create decent employment opportunities for rural communities, while also providing greater opportunities for women in agriculture and forestry.

ESG Safeguarding:

AGRIB is dedicated to supporting the Sustainable Development Goals (SDGs), maintaining high ESG performance standards, and upholding human rights in line with the UN Guiding Principles on Business and Human Rights. It also supports the Financing for Women in alignment with 2X challenge. The Fund contributes to multiple SDGs, including No Poverty (SDG 1), Zero Hunger (SDG 2), Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), Responsible Consumption and Production (SDG 12), Climate Action (SDG 13), and Life on Land (SDG 15).

To analyse whether its investments meet the Do No Significant Harm (DNSH) conditions of the SFDR and to identify and address the Principal Adverse Impact (PAI) of investment decisions on sustainability factors, the Fund follows the criteria determined in the Fund's (a) Investment Policy (Exclusion list), (b) E&S Policy, (c) Gender Policy and other relevant policies.

Focus and Selection Criteria:

AGR13 primarily focuses on middle- and low-income countries (MICs and LICs) based on the OECD DAC list. It prefers locations where forests or other natural ecosystems are at risk of conversion to agricultural production. Additionally, the Fund gives preference to transactions in areas with a high risk of deforestation/natural habitat conversion or those involved in landscape-level initiatives that have the potential for significant impact. However, eligible countries in other types of locations may also be considered for transactions.

Environmental and Social (E&S) Standards:

AGR13 Fund strives to meet high E&S standards when selecting investments. It utilizes various data sources to collect information on material E&S factors and assesses potential adverse impacts associated with proposed investments. The Fund follows its E&S guidelines to identify and assess E&S impacts and the borrower's compliance with applicable international E&S performance standards. In cases where businesses or transactions do not meet AGR13's ESG requirements, an Environmental and Social Action Plan (ESAP) is developed to outline the necessary actions. The ESAP specifies required actions, deliverables, and timelines, which must be completed during AGR13's involvement. If breaches occur regarding E&S commitments in contracts, AGR13 collaborates with the partner bank and the client to agree on and monitor remedial actions. In persistent and serious cases where the client fails to demonstrate commitment to remedy, AGR13 may decide, together with the partner bank, to exit the transaction.

Monitoring of Sustainability Performance:

AGR13 Fund monitors its portfolio's performance by evaluating transactions against key performance indicators (KPIs) to assess their contribution to the Fund's impact objectives. The KPIs include metrics such as conserved or restored forest area, sustainably managed agricultural land area, reduced carbon emissions from agricultural production, and increased income reported by farmers. The Fund receives regular reports, typically semi-annual, on each transaction, providing information on ESG and impact performance. It may conduct on-site monitoring visits to businesses supported by the Fund. Additionally, an annual impact report is prepared for AGR13 investors.

Products and Services:

AGR13 Fund offers investors the opportunity to support businesses and projects that create sustainable impacts in the agriculture and land use sector. It achieves this by providing guarantees and other credit enhancements to eligible projects and businesses.

Sustainable Finance Policies and Procedures:

AGR13 Fund has developed comprehensive policies and procedures to guide its sustainable finance practices. These policies are continuously reviewed and updated to align with evolving best practices and are publicly available.



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www.agri3.com

AGRI3
Mauritskade 63
1092 AD Amsterdam
Netherlands
+31 (0) 20 5300 977