



AGRI3
FUND

Key elements and terms & conditions



Introduction and ambition

Reversing the trend of land degradation, food insecurity and stagnating food productivity, requires bold leadership and risk taking. Governments and businesses, including farmers, have an important role to play in ensuring swift action is taken. This led UN Environment and Rabobank to announce an ambitious partnership for forest protection and sustainable agriculture, with the aim of unlocking at least USD 1 billion in finance towards deforestation-free, sustainable agriculture and land use. Within the Partnership the AGRI3 Fund is created to catalyze private financial resources for this initiative.

The Fund will develop business models that include acceleration of sustainable management of forests and the implementation of innovative agricultural solutions.

The logic

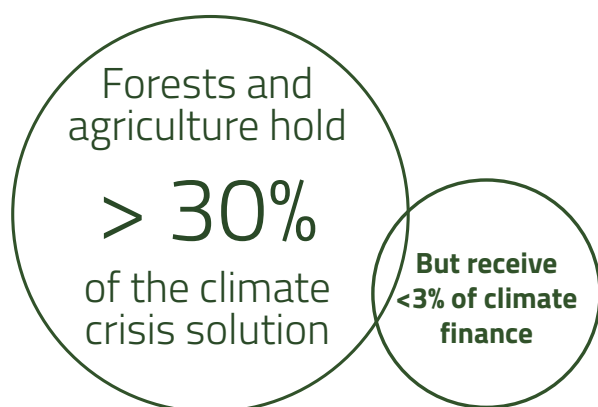
Fertile land represents the most important security for the future, and for generations to come. Unfortunately, the demand to produce more, combined with market imperfections, have led to an ongoing process of deforestation and land degradation around the globe. While financial sector players face substantial difficulties in helping farmers to change to more sustainable practices, it is clear that the effective implementation of new agricultural practices often coincide with the availability of tailor-made finance and financial services along the value chain.

The concept

Farmers sit at the heart of the AGRI3 Fund. Their intrinsic drive and need for sustainability is the starting point of change. The Fund bridges the gap between the needs of farmers and the limitations of banks. The Fund provides de-risking financial instruments and tailor-made technical assistance. The open structure of the Fund enables others to help facilitate the transition towards more sustainable food systems. The operational capabilities of partner banks to actually execute transactions adds unique value and creates true impact.

Time
for
drastic change





Environmental & Social framework

The Fund's main ambition is to contribute to sustainable land use practices at scale. This means combining sustainable and efficient agricultural production with forest protection, reforestation, and reduction of CO₂-emissions, while also contributing to inclusive growth. Eligible projects should focus at least on the objectives for forest protection and reforestation or on sustainable agriculture, and in addition always contribute to improved rural livelihoods.

Investment strategy and approach

The Fund aims to create maximum impact on protecting forests and promoting sustainable agriculture, whilst improving rural livelihood through and beyond its own existence. To create maximum impact in the longer-term, the Fund will target initiatives and deals that have long-term viability, and will undertake transactions in a wide range and combination of crops. At the same time, it will create a well-diversified portfolio of investments across countries, crops and currencies.

Structure and governance

The Fund is composed of a Finance Fund and a related Technical Assistance (TA) Facility. Activities of the Finance Fund, such as deal analysis, execution and monitoring, are effectively managed by market leading Fund Manager Mirova Althelia. The TA Facility is managed by market leading TA Manager IDH. The governance structure is designed to safeguard the environmental and social returns as well as the financial and commercial sustainability of the Fund and related investments.

Investing in the AGR13 Fund

The Fund is a public- private partnership with a related layered financing structure.

Key features Junior instruments:

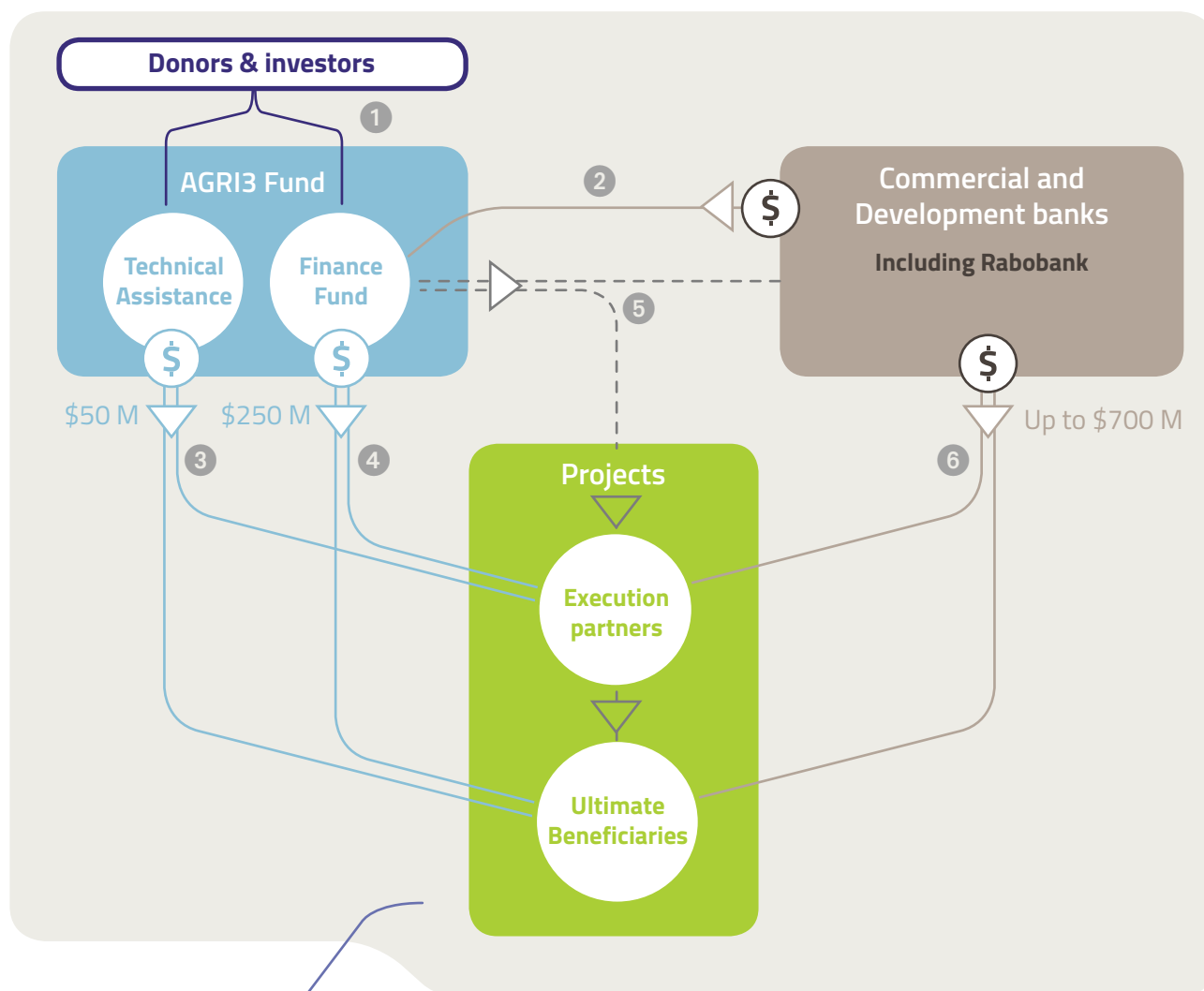
- Safeguarding perpetual structure of the Fund ('first loss').
- Investors catalyse additional private non-concessional funding – creating multiple leverage effect.
- Investors are frontrunner in facilitating an innovative partnership with a pragmatic E&S framework.

Key features Mezzanine and Senior instruments:

- Innovative investment with commensurate returns and maturity, backed by reputable public partners and first loss capital.
- Ability to deliver investment proposals to the Fund (possibly from own customer bases) and the opportunity to finance projects with non-concessional finance alongside investments by the Fund.

Overview of key elements and terms & conditions

Financing Structure of the Fund



Financial flows and guarantees

- ① Donors & Investors contribute with grants in a Technical Assistance facility and Junior capital in the Finance Fund.
- ② Commercial and Development Banks contribute to the Senior debt and Mezzanine capital of the Finance Fund.
- ③ Technical Assistance is provided to the ultimate beneficiaries. Directly or indirectly.
- ④ Soft Loans are provided.
- ⑤ De-risking guarantees and loans are provided to Banks and execution partners.
- ⑥ Commercial debt is provided to either execution partners or ultimate beneficiaries.

Overview of key elements and terms & conditions

Objectives

To mobilise capital of commercial banks and other financial institutions by de-risking and catalysing investment propositions in order to:

1. Contribute to sustainable and efficient agricultural production;
2. Prevent deforestation and stimulate reforestation;
3. Improve rural livelihoods.

Eligibility - overall

Comply with at least 1 or (best) both of the objectives above and always comply with 3 'Improve rural livelihoods'.

Additionality E&S

Specific key indicators to be determined on a case-by-case basis but includes specific KPIs related to the objectives and eligibility criteria of the Fund, such as areas of degraded land and forest restored, avoided CO₂ emissions, contribution to household income, employees trained etc..

Additionality finance

The Fund should (i) not displace current available funding for same types of initiatives at similar or better conditions, (ii) demonstrate that the initiative would not have happened and that commercial funding would not have been mobilised without the involvement of the Fund.

Additionality is at the level of the financial sector, not for a particular bank. Typical elements that demonstrate financial additionality are: tenor extension, risk mitigation (risk sharing, subordinated position).

Ticket size

- Investment by the Fund per investment in target range USD 2 – 15 million.
- Subject to % of funding by Fund in overall investment this relates to bigger overall ticket size of projects (appr. USD 5-25m).
- Fund can start with a lower amount for an initial phase of the project; but needs to be scalable that full implementation leads to commitment in target range.

Financial Instruments

Tailor-made solutions for clients, compliant with needs of client but ensuring credible & targeted investments.

Instruments could be related to:

- Tenor extension (by means of guarantee for back-end of loan by bank or separate loan by Fund with longer tenor);
- Risk mitigation (first loss guarantee, first loss loan, subordinated loan, risk sharing guarantee).

Instruments can be funded or non-funded facilities.

Technical Assistance ("TA")	<p>TA is available but only if it is linked to an investment by the Fund; TA can be used for (amongst others) external providers that deliver/provide support on:</p> <ul style="list-style-type: none"> • Technical training and support programs; • E&S Framework and programs; • Specific research and feasibility studies.
Tenor profile	Can provide longer-term tenors (so more than banks' maximum) – in principle up to 10 or 12 years as long as underlying business case is credible.
Margin	In principle in line with margins of the commercial bank. Therefore a subsidy is implied as there is no compensation for higher risk (either longer tenor or higher risk).
Collateral	Case by case basis. In principle in line with bank's collateral, possibly more flexible. Mortgages, liens and pledges.
Minimum Risk Rating Profile	Should relate to an eligible internal bank's rating –strong existing clients and credible new clients; otherwise the banks would most likely also not provide funding (although partly de-risked by the Fund).
Covenants	In principle in line with bank's covenants; for subordinated positions, different covenants could comply.
USD or local currency onshore/offshore	Subject to need of client and eligibility; USD funding required matching export income – onshore/offshore subject to local requirements and restrictions.
Portfolio diversification	The Fund will consist of a mix of projects with different contributions to the three objectives and consequently a mix of emphasis on financial and E&S additionality. For cooperation with banks-> different departments: Wholesale, Rural, Trade & Commodity Finance and Structured Products (Asset-Backed Finance).



More information

Interested?

Please check out the full brochure by scanning the QR-code.



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