Sustainability-related disclosures

December 2022

CONTENTS

a. Summary

The Africa Agriculture and Trade Investment Fund ("AATIF") is a fund within the meaning of the Luxembourg law dated 12 July 2013 on alternative investment fund managers falling under the Article 9 SFDR status.

The sustainable investment objective of AATIF is to realize the potential of Africa's agricultural production and related manufacturing, service provision and trade through sustainable investments across the entire value chain by inter alia:

i. promoting inclusive growth,
ii. increasing decent employment and income to farmers and
iii. entrepreneurs in the agricultural sector in Africa.

AATIF promotes agricultural sector financing throughout the African continent by providing funding in combination with technical advice (i) directly to agri-sector companies ("Direct Investee Companies") and (ii) indirectly via financial institutions incl. commercial banks and microfinance institutions ("Financial Institutions" or "FIs") across the agricultural supply chain. AATIF commits to invest in sustainable investments that do not cause significant harm to any social or environmental objective and that contribute to several SDGs including 1, 2, 8, 10 or 17. For the purpose of this document, AATIF investees incl. both Direct Investee Companies and Financial Institutions are together referred to partner institutions ("Partner Institutions").

b. No significant harm to the sustainable investment objective

The Do No Significant Harm ("DNSH") assessment is an integral part of the investment process.

AATIF commits to avoid, and if not possible to avoid, minimize and manage the negative impacts of its investments. This is a necessary step towards achieving AATIF's overall sustainable investment objective. Each AATIF Partner Institution's capacity and commitment to avoid causing harm to environmental and social objectives is assessed during due diligence considering international standards, such as the IFC Performance Standards on Environmental and Social Sustainability (IFC Performance Standards).[1]

[1] As defined by the IFC https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards

With regard to Financial Institutions, the review on whether the financing activities of AATIF do not cause significant harm is limited to the level of the FI and the financing of agri-borrowers forming part of the reference portfolio reported by the Financial Institution to have benefitted from AATIF's funding.

(i) Integration of adverse impacts on sustainability factors

As part of AATIF's active management of adverse impacts, AATIF assesses during due diligence through its due diligence tools and during the life of an investment through its monitoring tools the applicable principle adverse impacts (PAI) indicators on sustainability factors.

For the purpose of the do no significant harm test pursuant to Art. 2 Number 17 SFDR, applicable PAI indicators include mandatory indicators outlined in Table 1/Annex I of the Commission Delegated Regulation (EU) 2022/1288, as may be amended from time to time ("RTS") and two additional PAIs (breakdown of energy consumption by type of non-renewable sources, lack of supplier code of conduct) outlined in Table 2 and Table 3 of Annex I of the RTS ("Applicable PAI Data").

For investments in agri-sector companies ("Direct Investee Companies") the AATIF Social and Environmental Management System (SEMS) takes into account the Applicable PAI Data for its Direct Investee Companies with the exception of Scope 3 GHG emissions.

For investments in Financial Institutions, where AATIF provides loans to Financial Institutions, AATIF's entry point for a DNSH test is the FI itself and the FI's Social and Environmental Management System (FI SEMS). AATIF assesses the quality and the effectiveness of the FI's SEMS to assess the principal adverse impacts in the FI's own operations as well as in the FI's agricultural portfolio.

A: The AATIF Social and Environmental Management System (SEMS) takes into account the Applicable PAI Data for a Financial Institution with the exception of Scope 3 GHG emissions.

B: As much as a Financial Institution's agricultural portfolio is concerned, AATIF conducts the do no significant harm test by taking into account Applicable PAI Data on a qualitative basis, i.e. by assessing if the Financial Institution is in a position to determine whether the relevant agricultural portfolio is not causing significant harm to environmental or social objective[2] (i.e. without collecting quantitative PAI Data for the agri-borrowers forming part of the reference portfolio, the FI reports of having benefitted from AATIF's funding).

Through ongoing monitoring of each Partner Institution, AATIF is able to not only manage negative impacts, but also to seize positive development impact opportunities.

(ii) Alignment with Minimum Safeguards

AATIF's sustainable investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights including the declaration on Fundamental Principles and Rights at Work of the International Labour Organization (ILO) and the International Bill of Human Rights as required by SFDR Minimum Safeguards.

Through its Social and Environmental Management System, AATIF has put practices in place to promote responsible business conduct through its investment activities, supporting that its investments do not contribute to adverse impacts, but promote positive development impact. AATIF assesses all Partner Institutions against (i) AATIF's internal risk management procedures concerning good governance practices, and (ii) the S&E Policy, identifying if the investments have activities in the exclusion list (Exclusion List) and to manage adverse impacts. AATIF evaluates investments against employment and industrial relations, human rights, environmental performance, stakeholder management, grievance mechanisms using the IFC Performance Standards as guidance. AATIF conducts due diligence of the Partner Institutions' operations, including the management of their supply chains, and assesses their capacity to address adverse social and environmental risks. AATIF includes binding improvement measures in its facility agreements with Partner Institutions and monitors their implementation over time. In addition, these facility agreements include information disclosure clauses that require Partner Institutions to inform AATIF on any material matters (such as business activities, social and environmental issues, structure, financial situation, performance, ownership, and governance).

c. Sustainable investment objective of the financial product

As set out above, the sustainable investment objective of AATIF is to realize the potential of Africa's agricultural production and related manufacturing, service provision and trade through sustainable investments across the entire value chain by inter alia:

i. promoting inclusive growth,
ii. increasing decent employment and income to farmers and
iii. entrepreneurs in the agricultural sector in Africa.

[2] Pursuant to Art. 2 Number 17 SFDR

AATIF promotes agricultural sector financing throughout the African continent by providing funding in combination with technical advice (i) directly to agri-sector companies and (ii) indirectly via financial institutions incl. microfinance institutions (Financial Institutions or FIs) across the agricultural supply chain. By providing financing where it is most needed, AATIF focuses on the following social sustainable investment objectives:

Table 1: Sustainable Investment Objective

Sustainable Investment Objective (s)	Sustainable Development Goals (SDG) alignment[3]
Promoting inclusive growth by addressing the agri-sector financing gap in Africa incl. in Least Developed Countries as defined by the United Nations[4]	SDG 17 SDG 10 SDG 8
Increasing decent employment in agricultural value chains in Africa	SDG 8
Increasing income for farmers and entrepreneurs in the agriculturalsector in Africa and connecting agricultural producers to markets, inputs and skills development	SDG 1 SDG 2 SDG 8

AATIF's sustainable investment objective, its strategy to attain it as well as its overall sustainability-related impact are further described in the AATIF Development Impact Statement.

d. Investment strategy

(i) Investment Strategy used to attain the sustainable investment objective

AATIF pursues a strategy based on providing debt instruments to Direct Investee Companies and Financial Institutions to increase sustainable funding towards the African agricultural sector.

To attain the sustainable investment objective, AATIF has established that in the process of choosing an investment, the following aspects are to be taken into account:

- Each AATIF investment must be addressing the agri-sector financing gap in an African country incl. but not limited to African Least Developed Countries.
- Each AATIF investment shall support decent employment in agricultural value chains as set out in the AATIF S&E Policy section C.
- As set out in the Development Impact Statement, AATIF shall connect agricultural producers to markets, inputs and skills development.

The below figure illustrates ESG and impact management process that AATIF undertakes along the full investment process.

	Screening Phase	Due diligence (DD) Pre-DD	Due diligence (DD) In depth-DD	Facility Agreement	Investment Development	Exit
E&S	Screen potential investment against: • Exclusion List; • Category A criteria; and • Governance eligibility criteria	• Review ESG related documents • Preliminary S&E category • Identification if external experts required	• Assess ESG risks, impacts and management capacities of investee • Assign final S&E category	• Draft S&E assessment report • Incorporate S&E covenants resulting from the DD in the Facility agreement • Covenants on S&E reporting	• Monitor achievement of S&E covenants and milestones • Support investees in S&E risk and impact management • Backstop S&E related TA measures	• Assess S&E capacities and achievements against baseline
Governance	Reputation check Anti Money Laundering & Corporate governance review	Review of Long Term Management Strategy, Management and if applicable Board Structure, Continuity, Succession; Controlling & Business Planning; Transparency		Incorporate governance covenants resulting from the DD in the Facility agreement	Monitor covenants if any	• NA
IMPACT	• Determine relevant impact dimensions • Preliminary assessment of Fund's sustainable objective alignment	• Collect information on impact and determine applicable impact dimensions • Establish impact baseline and estimate the potential impact improvements through AATIF's loan and non-financial support • Assess capacities of the partner to collect and report on impact data – provide support if needed		• Covenants on impact reporting – method and frequency	• Baseline rapid appraisals for in depth assessment of company's baseline conditions • Impact monitoring (self reported data)	• End-line rapid appraisal for in depth assessment of the impact of AATIF's investment

[3] As defined by the United Nations https://sdgs.un.org/goals
[4] As defined by the United Nations https://www.un.org/development/desa/dpad/least-developed-country-category.html

Do No Significant Harm assessment

Each AATIF investment must be screened and assessed prior investment against the S&E Policy. The S&E Policy outlines (i) the S&E risk categorization of investments, (ii) the social and environmental standards that AATIF aligns to (i.e. IFC Performance Standards) and (iii) the activities excluded from AATIF financing.

For AATIF to provide funding, Partner Institutions must be willing to work towards AATIF's S&E Policy requirements and the social sustainable investment objective as outlined in the AATIF Development Impact Statement. AATIF actively supports its Partner Institutions with technical assistance to achieve these objectives and regularly monitors progress against mutually agreed upon action plans.

Technical Assistance: AATIF makes use of a Technical Assistance Facility, which is available to support Partner Institutions in establishing adequate social and environmental as well as impact management systems as these requires resources and skills that do not always exist in potential Partner Institutions.

Impact Monitoring and Evaluation Framework: AATIF measures progress through a three-level monitoring and evaluation framework, which spreads from the analysis of self-reported data of Partner Institutions to rapid appraisals conducted by third parties to long-term in-depth impact evaluations with (quasi-) experimental design. AATIF is purposefully using this framework to generate lessons learned and to inform future investments. Summary results from the rapid appraisals are publicly available as impact briefs on AATIF's website.

(ii) Policy to assess Good Governance

Prior to investing, AATIF screens and assesses each potential Partner Institution on good governance practices and monitors the governance throughout the life of the investment.

AATIF assesses the governance of its Partner Institutions based on an internally developed matrix as outlined below. The matrix differentiates between the various types of Partner Institutions including Direct Investee Companies and Financial Institutions as well as the level of company maturity and complexity. Governance of Partner Institutions is tested taking the following principles into account.

Table 2: Governance principles

Principle	Review focus
Decision Making and Strategic Oversight	Long term management strategy/quality of operational management and skill mix/board composition/succession planning
Control Environment	Internal control and risk management system set-up
Disclosure and Transparency	Financial and nonfinancial disclosures/timely representation of material events to shareholders and other stakeholders/tax compliance/remuneration of staff
Ownership	Equitable treatment of all shareholders/Family ownership and employment
Governance of Stakeholder Engagement	Stakeholder engagement/grievance mechanisms.

Partner Institutions are categorized using a corporate governance matrix, which is organized by four levels of maturity and complexity graduating from basic to intermediate to advanced. In determining minimum governance practices, AATIF is guided by the International Finance Corporation corporate governance methodology which differentiates requirements by the type of Partner Institution incl. family or founder owned, listed companies, financial institutions, state-owned enterprises and small and medium enterprises.

Level 1: Basic corporate governance practices that the Partner Institution should develop and adopt. Level 1 often reflects newly formed or young companies, small to medium companies in family ownership.

Level 2: Intermediate corporate governance practices, incorporating basic steps to strengthen good governance within the organization, which reflects a culture of continuous improvement.

Level 3: Good international practices, including incorporating intermediate and other good corporate governance practices that indicate that the organization has a track record of established corporate governance practices.

Level 4: Corporate governance leadership, international best practices, indicating that the organization has achieved the preceding three levels of corporate governance maturity and conform to the recognized international practices.

e. Proportion of investments

AATIF commits to invest 70% of its assets in investments considered as sustainable under the SFDR in alignment to its social sustainable investment objective. 100% of the sustainable investment of the AATIF have social objectives.

Not Sustainable Assets (30%) include primarily cash awaiting disbursement relating to (i) incoming cash due to amortization of existing portfolio and (ii) incoming new investor subscriptions where for C-Share subscriptions AATIF often cannot control the time of draw down. Governmental C-Shares providers often require an immediate drawdown due to budgetary cycles which on an intermediate basis can significantly increase the AATIF cash level.

f. Monitoring of sustainable investment objective

Across the portfolio consisting of Direct Investee Companies and Financial Institutions, AATIF measures progress towards the sustainable investment objectives through the following Key Performance Indicators ("KPIs") collected and reported on annually:

<table>
<tr><th>Sustainable Investment Objective</th><th colspan="3">Key Performance Indicators</th></tr>
<tr><td></td><td>Direct Partner Institution</td><td colspan="2">Financial Institutions</td></tr>
<tr><td>Promoting inclusive growth by addressing the agri-sector financing gap in Africa incl. in Least Developed Countries as defined by the United Nations</td><td>Total Agri-sector funding

Agri funding in Least Developed Countries</td><td colspan="2">Total Agri-sector funding
• Loan volume committed along the African agricultural value chain

Agri funding Least Developed Countries (LDC) in Africa
• Loan volume committed along the agricultural value chain in LDCs
• Number of LDCs with loan volume committed</td></tr>
<tr><td>Increasing decent employment in agricultural value chains in Africa</td><td>Number of full-time equivalent (FTE) jobs supported directly by AATIF's investments – gender disaggregated</td><td>Number of FTE (gender disaggregated) reported by the Direct Partner Institution</td><td>Number of FTE (gender disaggregated) reported by the FI (own operations)
Number of FTE (gender disaggregated) reported by the agri-borrowers of the FI (reference portfolio)</td></tr>
<tr><td>Increasing income for farmers and entrepreneurs in the agricultural sector in Africa and connecting agricultural producers to markets, inputs and skills development</td><td>Number of agricultural producers – gender disaggregated – reached by AATIF's Partner Institutions</td><td colspan="2">Number of agricultural producers (gender disaggregated):
i. procured goods from;
ii. sold inputs to;
iii. trained on agricultural good practices; or
iv. financed</td></tr>
</table>

Control Mechanisms

The AATIF S&E Policy (section F) and the AATIF Development Statement (section H) outline the responsibilities for monitoring the achievement of the sustainable investment objective of the Fund. Both investment committee and board of directors are regularly informed by the Fund's Sustainability Advisor and Investment Advisor, based on evidence collected through self-reporting as well as internal and external verification.

These mechanisms enable the Fund's governance structure to take informed decisions related to achieving the sustainable investment objective.

g. Methodologies

AATIF has developed a Theory of Change which is the basis for the methodologies used to measure the attainment of the sustainable investment objective and laid out in the Fund's Development Impact Statement.

To measure change along the Theory of Change, the Fund uses a mix-method approach. The basis for measurement is self-reported data from each Partner Institution. This data is collected first during due diligence and subsequently on an annual basis.

Table 1: AATIF Theory of Change

Imputs	Private and public investments into AATIF	Private and public grants into AATIF TA Facility
Activities	Debt, and in special circumstances equity, provided to Direct and Indirect Investee Companies along the agricultural value chain as well as Financial Institutions	(Matched) grant funding from AATIF TA Facility for core business development and inclusive business development services
Outputs	PIs use AATIF Facility for: • Acquisition/building of processing, warehousing and storage facilities • Direct purchase and marketing of key crops from farmers, including smallholders • Supply of inputs, capital, training and essential services to farmers (inputs, farm equipment, farming technologies, sustainable practices)	PIs use AATIF Technical Assistance for: • Core business development support • nclusive business development support

5 Supported refers to those jobs in Partner Institutions which are affected through AATIF's ESG management measures and by AATIF's positive impact management actions.

Outcomes and Impact Dimensions	All AATIF activities are contributing to a selection of the following seven impact dimensions **Primary agricultural production (SDG 2)** • Productivity (yield) • Production • Good Agricultural Practices • Certification **Local Processing (SDG 8)** • Processing • Productivity • Significance of Value Addition • Certification **Outreach to producers (SDG 1, 2)** • Outreach to smallholders • Impacted individuals/female individual impacted • Products/services provided • Certification	**Employment (SDG 8)** • FTE and growth • Gender • Terms of employment • Working conditions **Trade (SDG 8, 17)** • Imports and exports • Certification **Environment (SDG 12, 13, 14, 15)** • Energy, water, solid waste • GHG and air emissions **Social and Environmental Management System** • Systematic S&E management • S&E regulations • Stakeholder engagement • Supply chain

In addition to self-reported data, AATIF commissions rapid appraisals for each Partner Institution. The rapid appraisals comprise of a baseline and endline assessment. The objective of the rapid appraisals is to collect and analyse comparable data from each AATIF investment, as a basis for assessing the overall impact of AATIF and to allow the Fund to learn and inform future investments. Lastly, the Fund commissions thematic studies to investigate and measure specific topics emerging from individual investee companies, for example indirect employment effects along a specific value chain in the AATIF portfolio.

h. Data sources and processing

AATIF derives and manages its data as outlines in the Table below.

Data Sources	AATIF draws on various data sources to measure achievement of the sustainable investment objective. The sources include quantitative and qualitative data from primary and secondary data sources. Primary data originate from the investee companies. AATIF accesses primary data through self-reporting templates directly from the Partner Institution and through interview, survey, and observation methods used by external researchers as part of the rapid appraisal conducted for each Partner Institution. Secondary data is collected from outside the Partner Institution. The AATIF accesses a range of databases, including statistical, legal, or area-related data points.
Data Processing	Collected data is processed internally and externally, which includes data cleaning, documentation, and correction.
Data Quality	Internal and external data processing increases the quality of the data that the AATIF works with. The different data sources allow the AATIF to verify data and increase the quality of the data used for analysis and eventually obtain credible results.

i. Limitations to methodologies and data

AATIF has developed its framework to measure progress towards achieving the sustainable investment objective over time. Own learnings and external reviews continuously inform adjustments. Notwithstanding this constant improvement process, the methodologies and the data used for analysis have limitations.

Key limitations are the (i) availability and (ii) quality of data covering the full range of PAI data points. The mixed method approach of the Fund allows accessing different data sources and facilitates verification of the data used for analysis. It therefore contributes to increased robustness of analytical results that are used to manage the achievement of the sustainable investment objective.

j. Due diligence

The Fund Social and Environmental Management System together with the internal risk procedures set out (i) ESG responsibilities across the fund governance, (ii) ESG capacity development for the AATIF service providers and collaboration partners, (iii) ESG procedures, and (iv) ESG monitoring and reporting requirements. While the Investment Advisor is responsible for investment selection according to the AATIF's investment policies incl. reviewing good governance, the AATIF Sustainability Advisor provides an opinion to the Investment Advisor and the Investment Committee whether a proposed investment is aligned with the Fund's S&E Policy which entails also the do no harm review as further set out in Table 3 of the S&E Policy. Similarly does the AATIF impact measurement framework set out (i) responsibilities, (ii) data collection procedures and (iii) monitoring and reporting requirements in relation to indicators tracking the sustainable investment objectives.

AATIF is committed to assess, manage, and monitor ESG risks and impacts in each phase of the investment cycle, including origination, structuring, and monitoring. As a key principle, an Investee shall commit to or work towards adhering to (i) the AATIF's S&E Policy and (ii) demonstrate capacity and willingness to progress on agreed impact indicators. See Section D of this document for an overview of ESG considerations across the investment process.

k. Engagement policies

The S&E Policy sets out under clause 20 that following the closing of a transaction, similarly to a variety of other development finance actors, namely IFC, the AATIF considers a balanced and substance over form approach. Therefore, when considering actions against Partner Institutions that are deemed to be in breach of the Fund's Social and Environmental Standards, the Fund considers the economic, environmental, and social risks of staying in the transaction against the rewards of helping the affected PI to transform its operations back into compliance for the benefit of the affected communities.

The Development Impact Statement further outlines that the TA Facility Manager will coordinate with the investment advisor, the sustainability advisor and the PI in order to implement the Fund's sustainable investment objective and to identify aspects where technical assistance is needed to ensure or facilitate positive development impact.