

Statement on principal adverse impacts of investment decisions on sustainability factors

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A. Summary

The Africa Agriculture and Trade Investment Fund (AATIF), LEI: 529900B38NKP6S24MW78 considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of the AATIF. The statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

Sustainability factors as defined in the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial sector (Disclosure Regulation) mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. Principal adverse impacts mean negative effects of investments on those sustainability factors.

On 1 January 2023, the regulatory technical standards (RTS) of the Disclosure Regulation entered into force in the form of the Delegated Regulation (EU) 2022/1288 of 6 April, 2022. The RTS set forth a table of mandatory indicators the respective financial market participant (the latter as defined in the Disclosure Regulation (FMP)) must use to measure and disclose principal adverse impacts of investment decisions. The RTS differentiate between indicators for investments in (i) investee companies, (ii) sovereigns and supnationals, and (iii) real estate assets. In addition, the FMP must select and disclose information on at least two additional principal adverse impacts indicators (PAI indicators) which it deems relevant in the context of its business.

Applicable to AATIF are PAI indicators relating to investee companies. As of 31 December 2022, AATIF investee companies include a multilateral development bank (MDB). The MDB has been classified as investee company as use of proceeds is dedicated towards lending to private sector companies along the agricultural value chain.

AATIF considers principal adverse impacts of its investment decisions on sustainability factors as an additional factor for review when making investment decisions. As a fiduciary, it is of importance for AATIF to make all investment decisions in the best interest of its stakeholders, considering all relevant financial and risk factors.

The AATIF assesses and monitors the mandatory PAI indicators outlined in Table 1/Annex I of the Commission Delegated Regulation (EU) 2022/1288 and two additional PAIs (breakdown of energy consumption by type of non-renewable sources of energy estate assets, lack of supplier code of conduct) outlined in Table 2 and Table 3 of Annex I of the RTS. For ease of reference, the selected indicators cover:

Climate and other environment-related PAI indicators

1. GHG emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption & production

6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity-sensitive areas
8. Emissions to water
9. Hazardous waste ratio

Social and employee, respect for human rights, anti-corruption & anti-bribery related PAI indicators

10. Violations of UN Global Compact principles and Organisation of OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons & biological weapons)

Additional PAI indicators

15. Breakdown of energy consumption by type of non-renewable sources of energy estate assets
16. Lack of supplier code of conduct

For the reporting period 1 January to 31 December 2022, AATIF requested and analysed PAI-relevant data from 14 investee companies. The results thereof are contained in the below section “Description of principal adverse impacts”. The investee companies covered include (i) agribusinesses (Direct Investee Companies) as well as (ii) financial institutions (FIs). All FIs receive funding with the purpose

to promote agricultural lending. Direct Investment Companies and FIs are together referred to as “the Partner Institutions” or the “investee companies”.

It is to be noted that for investments in financial institutions, AATIF’s entry point for evaluating principle adverse impacts is the FI itself. AATIF assesses the quality and the effectiveness of the FI’s Social and Environmental Management System (FI SEMS) to assess the principal adverse impacts in the FI’s own operations as well as in the FI’s agricultural portfolio. To date, limited PAI data is available for agribusinesses forming part of the reference portfolio reported by the Financial Institution to have benefitted from AATIF’s funding. Even if selected PAI data are available for a FI agri-reference portfolio, to avoid double counting, only the financial institution PAI data was considered in the below calculations.

Furthermore, if data could not be obtained from all investee companies, the percentage of the applicable portfolio value is indicated in the explanations field for the concerned PAI indicator. Any use of proxies is indicated in the same explanations field.

Where the calculation requires employing the ‘enterprise value’ meaning the sum, at fiscal year-end, of the market capitalisation of ordinary shares, the market capitalisation of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents AATIF employs ‘total assets’. AATIF uses total assets as there is very limited data on market capitalization available for AATIF investees and the book equity provides the most accessible approximation to market capitalization.

B. Description of the principal adverse impacts on sustainability factors

Adverse sustainability indicator	Metric	Unit	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	tCO ₂ e	7,468	Only one investee company reported GHG emissions (Scope 1 and 2). All other investee companies stated not currently tracking such indicators. 6 other investee companies reported related data (e.g. electricity consumption) which allowed AATIF to estimate related GHG emissions using UNFCCC’s GHG emission tool. Taken together, these 7 investee companies represent 59% of AATIF’s portfolio value.	AATIF’s Technical Assistance facility currently finances 3 investees in projects related to GHG mapping / accounting. It is expected that demand for such support will increase as local regulations and other investors also increase the demand for such information. In addition to tracking GHG emissions, companies will furthermore develop target and plans to achieve such. The AATIF Technical Assistance Facility also supports projects which have GHG reduction as a consequence, even if the investee company is not yet capable of tracking this indicator.
		Scope 2 GHG emissions	tCO ₂ e	116,227		
		Scope 3 GHG emissions	tCO ₂ e	145		
		Total GHG emissions	tCO ₂ e	123,840		
	2. Carbon footprint	Carbon footprint	tCO ₂ e / million EUR	1,807		
	3. GHG intensity of investee companies	GHG intensity of investee companies	tCO ₂ e / million EUR	1,143		

Adverse sustainability indicator		Metric	Unit	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	%	0%	AATIF does not invest in the fossil fuel sector. Nevertheless, there are companies in which AATIF invests that are active in the fossil fuel sector. In such cases, the use of proceeds is restricted to non-fossil fuel activities (including for financial institutions).	The initiatives described under PAI 1-3 above also contribute to generating data for this PAI, as it is an input to the calculation of GHG emissions.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	%	23%	Although some investee companies have reported using different sources of energy (renewable and non-renewable), they are currently not able to report the share of consumption per energy source. AATIF then opted for using the total energy supply data provided by the International Renewable Energy Agency (2019) in each country of operation of the investee companies as an estimation of this indicator. The breakdown of non-renewable energy sources is presented under "Additional climate and other environment-related indicators" below.	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	GWh - NACE Sector A - Agriculture, forestry and fishing GWh - NACE Sector C - Manufacturing	0.6 0.3	4 companies, representing 72% of the applicable portfolio (only direct investments) reported data for this indicator. Reported data includes NACE sectors A and C.	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	%	0%	This item is assessed during screening and later during due diligence for each investee company. AATIF Exclusion list addresses issues related to biodiversity sensitive areas and Category A (high social and environmental risk) projects are excluded from AATIF financing. By doing so, the fund does not support financing activities that have irreversible environmental and social impact.	
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	t	Not available	No company reported data under this indicator.	AATIF is engaging with investee companies to assess possibility to obtain such data. AATIF is waiting for further guidance from the EC on the list of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	t	Not available	No company reported data under this indicator.	AATIF is engaging with investee companies to assess possibility to obtain such data.

Adverse sustainability indicator		Metric	Unit	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	%	0%	This is covered throughout AATIF's portfolio through AATIF's Facility Agreements and Social & Environmental monitoring reports.	
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	%	0%	This is covered throughout AATIF's portfolio through AATIF's Facility Agreements and Social & Environmental monitoring reports.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	%	%	10 investee companies, representing 68% of the portfolio , reported data under this indicator	
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	%	14%	11 investee companies, representing 83% of the portfolio , reported data under this indicator. The values presented under this indicator represent the percentage of female to all board members.	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	%	0%	This is covered throughout AATIF's portfolio . AATIF addresses this during screening and due diligence, as per its Exclusion List.	
Additional climate and other environment-related indicators						
Energy	15. Break-down of energy consumption by type of non-renewable sources of energy estate assets	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source	% Oil % Natural Gas % Coal / other non-renewable sources	15% 6% 2%	As only 3 investee companies submitted data and that included mostly grid electricity, AATIF is using the total energy supply data provided by the International Renewable Energy Agency (2019) in each country of operation of the investee companies as an estimation of this indicator. The values presented under this indicator are percentages of the total (renewable and non-renewable) energy consumption of investees.	The initiatives described under PAI 1-3 above also contribute to generating data for this PAI, as it is an input to the calculation of GHG emissions.

Adverse sustainability indicator	Metric	Unit	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Social and Employee matters	16. Lack of supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	%	0.3%	AATIF assesses this during due diligence. If companies do not have this type of policy during due diligence, this is included in the S&E undertakings and the company needs to fulfil this within a specific timeline.	An S&E undertaking was added to the Facility Agreement with the investee company requiring the company to develop a supplier code of conduct.

C. Description of policies to identify and prioritise principal adverse impacts on sustainability factors

- a. The AATIF commits to avoid, and if not possible to avoid, minimize and manage the negative social and environmental impacts of its investments. The guiding policy for AATIF to identify and prioritise principal adverse impacts is its Social and Environmental Policy (S&E Policy) which aligns the fund with the IFC Performance Standards on Environmental and Social Sustainability (IFC Performance Standards). In addition, the AATIF is guided by its Development Impact Statement which outlines the fund's overall sustainable investment objective and its measurement framework for achieving the same. Both policies were last updated and approved by the AATIF board in December 2022.
- b. The AATIF board of directors holds the overall responsibility for the environmental, social and governance policies and strategy, including the PAI review. It is responsible for reviewing and approving policies and procedures and overseeing their implementation. The AATIF investment committee considers environmental and social risks as set out by the AATIF S&E Policy when taking investment decisions. The implementation of the S&E Policy itself is with the AATIF sustainability advisor as well as investment advisor.
- c. The AATIF has developed a Theory of Change, outlined in its Development Impact Statement, which is the basis for the methodologies used to measure the attainment of the sustainable investment objective of the fund and therein describes the methodologies to select, identify and assess the PAIs. For the latter, the fund uses a mix-method approach. The basis is self-reported data from each investee company which is first collected during due diligence alongside onsite visits supported by own primary and secondary data collection. Subsequently, self-reported data is collected on an annual basis through standardized report templates that are adjusted to mirror the specificities of the business activities of each investee company.
- d. Each Partner Institution's capacity and commitment to avoid causing harm to environmental and social objec-

tives is assessed during due diligence considering international standards, such as the IFC Performance Standards. For AATIF investments in Direct Investee Companies, the AATIF Social and Environmental Management System (SEMS) takes into account the applicable PAI indicators which are integrated throughout the investment process. Potential data gaps are evaluated together with the investee companies and, in an iterative process, closed. At times, this process makes use of AATIF technical assistance. With regard to AATIF investments in financial institutions, the review on whether the financing activities of AATIF do not cause significant harm covers the financing of agri-borrowers forming part of the reference portfolio reported by the Financial Institution to have benefitted from AATIF's funding. Here, the AATIF's entry point for a DNSH test is the FI itself and its Social and Environmental Management System (FI SEMS). AATIF assesses the quality and the effectiveness of the FI's SEMS to evaluate the principal adverse impacts in the FI's own operations as well as in the FI's agricultural portfolio. As much as a FI's agricultural portfolio is concerned, the AATIF takes into account applicable PAI data on a qualitative basis, i.e. by assessing if the FI is in a position to determine whether the relevant agricultural portfolio is not causing significant harm to environmental or social objective (i.e. without collecting quantitative PAI data for the agri-borrowers forming part of the reference portfolio). To date, limited PAI data is available on the agri-reference portfolios that the FI investees report to have funded. Even if selected PAI data are available on the agri-reference portfolio level, to avoid double counting only the financial institution PAI data was counted.

D. Engagement policies

The AATIF's engagement policies covering principle adverse impacts are again the fund's S&E Policy as well as the Development Impact Statement.

The S&E Policy lists all mandatory principle adverse impacts indicators as well as the additionally chosen social and environmental indicators of the fund (S&E Policy, appendix 2). Furthermore, the S&E Policy sets out (#20) that following the closing of a transaction, similar 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 investee companies that are deemed not in line with the AATIF Social and Environmental Standards and potentially generating principle adverse impacts, the fund considers the economic, environmental, and social risks of staying in the transaction against the rewards of helping the affected investee company 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, under the guidance of the sustainability advisor and the investment advisor, with the investee company in order to identify aspects where technical assistance can support positive development impact.

E. References to international standards

The AATIF aligns with a pertinent international standards as required by SFDR Minimum Safeguards and as set out below:

- IFC Performance Standards and the IFC Exclusion List
- OECD Guidelines for Multinational Enterprises
- UN Guiding Principles on Business and Human Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- International Bill of Human Rights

Through its Social and Environmental Management System, the 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. The AATIF assesses all investee companies 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 fund's 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 investee companies' 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 investee companies to inform AATIF on any material matters (such as business activities, social and environmental issues, structure, financial situation, performance, ownership, and governance).

PAI indicators used to review compliance with international standards include especially (i) PAI indicator 10 in view of violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and (ii) PAI indicator 11 in view of Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

Methods and data used to measure compliance to international standards is already cover in the "Description of policies to identify and prioritise principal adverse impacts on sustainability factors" section above.

F. Historical comparison

AATIF started reporting PAIs for the period **1 January 2022 to 31 December 2022**. In the future, this information will become the reference year for historical comparison. The detailed PAI information is included in Tabel 1 above.