



SFDR Article 10

Product Website Disclosure For An Article 9 Fund

agRIF Coöperatief U.A.

Summary

This statement is published by agRIF Coöperatief U.A., a cooperative society with limited liability and a social objective (the “**Fund**”), in accordance with Article 10 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the “**SFDR**”).

No significant harm to the sustainable investment objective

In pursuing its sustainable investment objective, the Fund places a priority on the effective management of potential sustainability harm associated with its investments, with the principle of “do no significant harm” (“DNSH”) to any area of environmental or social concern” as a minimum requirement. Towards that end, the Fund has implemented and maintains, together with Incofin Investment Management (the “**Investment Manager**” of the Fund), a specific investment process, investees selection criteria, exclusion list and tools to conduct robust sustainability risk and impact assessment of each potential investment, including a check on principal adverse impacts.

First, the application of a strict exclusion list refrains the Fund from financing activities with a high level of environmental and social risk, i.e., excluding target investments that are involved in the production or trade in any illegal product or activity, weapons and munitions, alcoholic beverages (excluding beer and wine), tobacco, radioactive materials, asbestos fibers. The Fund does not finance any investment involved in Forced Labour or Child Labour (as defined by ILO conventions), cross-border trade in waste and waste product, and the destruction of Higher Conservation Value areas.

Then, the Fund applies the Principal Adverse Impact indicators (PAIs) as an integral component of its DNSH test on investee companies. The protocol for incorporating PAIs in the decision-making process for sustainable investments is outlined as follows:

- **Pre-investment:** the collection and assessment of PAI indicators occur during the origination phase, pre-due diligence desk review, and on-site due diligence. Data is sourced from various channels, including direct input from the investee company, internal assessment tools, and independent data sources. In instances where data is limited or fails to meet quality standards, proxies are utilized, such as for greenhouse gas emissions. If a PAI is deemed material according to internal guidelines, further assessment are carried out to understand the investee company’s capacity to manage such risks and impacts and evaluate the adequacy of existing mitigants.
- **Risk review:** if the DNSH test identifies material risks in accordance with internal limits, the investment proposal is escalated to the Risk & ESG department for a comprehensive risk review. The review aims to determine the acceptability of mitigants and assess whether the investment proposal merits presentation to the Investment Committee.

- **Investment:** in cases where a deal presented to the Investment Committee is flagged for having material risks to the sustainable objectives of the Fund Committee members conduct a thorough review and consideration of the identified risks in their decision-making process.

Due to the recent implementation of regulations on PAI and ongoing industry efforts to address data challenges, the process of incorporating PAIs into the Fund's investment procedures as summarized above is continuously evolving. Nevertheless, several of the mandatory PAIs are already embedded in the Fund's environmental and social risk assessment tools and directly taken into account when making an investment decision. Specifically, the PAIs on exposure to the fossil fuel sector, alignment with the UNGC principles or OECD Guidelines for Multinational Enterprises, gender equality and diversity are thoroughly assessed at the due diligence stage.

The Fund's sustainable investments are aligned with the Minimum Safeguards as defined by the Taxonomy Regulation Articles 3 and 18, which include the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human rights. The Investment Manager implements a strict screening and investment process to ensure that all partners implement responsible practices, avoid significant harm, and at minimum, abide with local regulations.

During the due diligence, all investments are screened on the basis of social and environmental risk analysis in addition to financial risk analysis using an ESG rating tool, which is broadly aligned with international standards such as the UN Guidelines for Business and Human Rights, the ILO Labour conventions, UN Global Compact Principles and OECD Guidelines for Multinational Enterprises, and addresses the following aspects: employment and labour conditions, human rights, environment, information disclosure, combating bribery, customer protection and taxation.

Sustainable investment objective of the financial product

The mandate of the Fund is to invest in entities contributing to the social, environmental and/or economic development of vulnerable populations in emerging countries. Specifically, the Fund seeks to invest in companies that contribute to at least one of the following:

- Enhance financial inclusion in the agricultural value chain, especially focusing on smallholder farmers and rural micro-, small and medium entrepreneurs (MSMEs), by investing primarily in financial intermediaries, Small Producer Organizations and Agro SMEs;
- Build strong and transparent companies that apply responsible practices and contribute to their customers' capacity building through the provision of non-financial services, such as training services on women empowerment, financial literacy, business development, sustainable agriculture practices, health and other educational services;

- Support the development of the local communities, which can take the form of creating sustainable employment and decent jobs for people excluded from the labor market.

Therefore, the Fund has sustainable investment as its objective as described in Article 9 of the SFDR, as its investment strategy complies with the 3 following criteria:

1. **Investments in an economic activity that contributes to social objectives:** the Fund predominantly invests in Financial Intermediaries focused on small-scale agriculture and rural areas in emerging countries, Small Producer Organizations and Agro SMEs. By addressing the unique financial needs and constraints of smallholder farmers and rural micro-entrepreneurs, the Fund's investments aim at helping create more inclusive and resilient economies and societies.
2. **Do no significant harm:** the Fund's investments do not significantly harm any environmental or social objectives, by taking into account principal adverse impact indicators and assessment of minimum safeguards in its investment decisions, as described in the previous section.
3. **Investee companies follow good governance practices:** the Fund invests in portfolio companies that follow the minimum requirements for good governance practices. The governance practices of prospective and existing investee companies are thoroughly assessed by the Investment Manager pre-investment and monitored regularly post-investment using proprietary tools that embed internationally recognized best practices and include checks on the following areas: anti-money laundering, financial reporting, ownership and legal structure, board of directors independence and functioning, internal controls, taxation and corruption.

Investment strategy

Sustainability is designed into the Fund's investment process. To be eligible for financing, all potential investees must undergo a sustainability screening process. Firstly, a company must meet the Fund's investment mandate (positive screening). In addition, the company must also meet the Fund's "do no harm" standards (negative screening).

The Investment Manager reviews the application form submitted by an organization requesting funding as a first step to verify that the potential investee meets the eligibility criteria of the Fund (including the general corporate governance practices). In addition, the Investment Manager also checks references and evaluates the quality of financial reports. Internal approval to proceed is requested for a potential investee that meets the eligibility criteria, and if provided, the terms and conditions of a possible investment are negotiated with the potential investee.

Once the terms are agreed between the potential investee and the Fund, pre-due diligence information is gathered. The Investment Manager analyses this information prior to conducting a field visit to the organization. The results of the pre-due diligence and the field visit are used to conduct a financial risk analysis using the Counterparty Risk Score tool (as

described in the Investment Policy) and a social and environmental risk analysis using the SPI5-ALINUS¹ tool for Financial Intermediaries, an industry recognized due diligence that is aligned with the Universal Standards², or a dedicated proprietary tool developed in-house (ECHOS-AgPO© and ECHOS-AgSME©) for Small Producer Organizations and Agro SMEs. The Investment Manager assesses sustainability risk with a double materiality perspective³, taking into account both external ESG risks and internal negative impacts created by the company.

If the Investment Manager identifies during its due diligence eligibility criteria that may be improved by potential investees, the Investment Manager may request the Fund to proactively provide technical assistance to the targeted investees in order to help them attain the quality level expected by the Fund. When a proposal from a potential investee scores below 55% on the SPI5-ALINUS tool or the ECHOS© tool, and that ESG-related risks cannot be mitigated to a satisfactory extent, the investment does not proceed. If the score exceeds the minimum, an investment memorandum summarizing the results of the ESG risk assessment is presented to the Investment Committee of the Fund, which takes the final investment decision.

Proportion of investments

The Fund invests a minimum of 85% of its assets in sustainable investments, as defined under the SFDR. A maximum of 15% of the Fund's assets is invested for liquidity management (maintenance of cash on the accounts of the Fund) and/or hedging purposes (arrangements to hedge the currency risk of investments in investee companies that are made in other currencies than in USD), considered as "not sustainable" investments by the regulation.

100% of the Fund's investments that are considered sustainable have a social objective and are subject to a sustainability risk assessment as described in the previous section.

Monitoring of sustainable investment objectives

¹ <https://en.spi-online.org/files/ressources/SPI%20Online%20audit%20tools/factsheet-2-ALINUS.pdf>

² The Universal Standards for Social and Environmental Performance Management (the "Universal Standards") is a comprehensive manual of best practices created by and for people in microfinance as a resource to help financial service providers achieve their social goals. They were developed by the Social Performance Task Force (SPTF), a non-profit membership organization with more than 3,000 members from all over the world, engaging with all stakeholder groups in inclusive finance. <https://cerise-sptf.org/universal-standards>

³ Double materiality perspective is referring to the external ESG risks that can negatively impact a portfolio company as well as the internal ESG risks created by the portfolio company through its operations.

The Investment Manager measures the Fund's sustainability and impact performance against a set of defined indicators at the investee level (described below in the section "Methodologies") and these indicators are continuously monitored. The performance results are shared with the Board of Directors of the Fund in the quarterly and annual reports, and to the investors in the annual reports, by the Investment Manager.

If the Investment Manager finds that a company is violating any of its sustainability criteria, it proactively engages with the company to seek a solution. If the company is not willing to cooperate, the Fund initiates a responsible divestment strategy.

Methodologies for sustainable investments

In order to track the Fund's contribution to its stated sustainable objective, the Investment Manager has defined clear sustainable indicators linked to the United Nations Sustainable Development Goals (UN SDGs) as summarized in the below table. These indicators were selected and defined based on the following criteria: i) availability at the portfolio company level, ii) relevance to the Fund's sustainable investment objectives, and iii) common industry metric, when possible, to enable benchmarking.

ESG risk score	1	% of the investment portfolio invested in investees having a minimum SPI5-ALINUS or ECHOS© score of 60%
SDG 1: No Poverty	2	% of investees who offer services and products targeting vulnerable or excluded groups (average loan size < USD 10,000)
	3	# of end-beneficiaries
	4	% of rural end-beneficiaries
SDG 2: Zero Hunger	5	% of investees having more than 20% of loan portfolio in agriculture
	6	Total \$ in agriculture financing by investees
SDG 5: Gender Equality	7	% of women end-beneficiaries
	8	% of women staff employed by investees
SDG 8: Decent Work & Economic Growth	9	% of investees having more than 50% of loan portfolio in productive activities
	10	% of investees following best practices on labour rights (SPI5-ALINUS or ECHOS© dimension on staff treatment >60%)
SDG 10: Reduced inequalities	11	% of investees who have an anti-discrimination policy
	12	% of investees offering remittance services
SDG 12: Responsible consumption and production	13	% of FI investees who offer dedicated green products or services to end-beneficiaries

The Fund did not establish targets on the above sustainable indicators. The Fund prefers to remain flexible to adapt to changing circumstances, market conditions, or evolving understanding of what constitutes meaningful impact.

Data sources and processing

Data used to measure the achievement of the sustainable investment objective of the Fund are mostly primary data sourced directly from the existing or potential investee through interviews, company reports, policies, etc. during the due diligence, engagement and monitoring activities. Secondary data sourced from third-parties (such as rating agencies) and news articles are also used for verification purposes.

Limitations to methodologies and data

The Investment Manager regularly reviews and updates its ESG and impact methodologies and tools to ensure alignment with evolving industry standards, best practices, and regulatory expectations. However, the Fund operates almost exclusively with unlisted companies in emerging markets and relies exclusively on data provided by the respective portfolio companies. The Fund has limited control over the accuracy, completeness, and consistency of this data.

Limitations include:

- Dependence on the data reporting capacity of portfolio companies;
- The functionality and reliability of their management information systems (MIS);
- Potential biases in self-reported data;
- Variations in data quality and consistency across institutions.

To mitigate these limitations, the Investment Manager has implemented several internal control and quality assurance measures in its sustainability risk management system:

- **Data Validation:** The Risk & ESG team performs formatting checks, historical comparisons, and peer benchmarking (when possible) to validate data submitted by the investee.
- **Advocacy for Standardization:** The Fund actively promotes industry-wide ESG data harmonization to improve comparability and reliability.

Due diligence

The Investment Manager conducts a rigorous due diligence on all potential and existing investees once the company has passed the positive and negative screening process. The objective of the due diligence is to assess the financial and ESG performance of the company. The due diligence is typically 2-3 days, consisting of 4 parts:

1. A visit to the headquarter office for interviews with the Management team and Board of Directors;
2. Visits to several branches to assess the operations including a review of loan files, credit underwriting and internal controls;
3. Visits to several end-clients; and
4. Meetings with industry experts including local regulators, associations, rating agencies, other lenders, etc.

Engagement policies

Through the Investment Manager, the Fund's engagement occurs at both the portfolio level and the industry level.

At the portfolio company level, this takes the form of technical assistance as well as active Board seats for equity partners. The Investment Manager has a dedicated Technical Assistance department who works with investees to provide tailored capacity building on different intervention areas like organizational strengthening, risk management, product development, digitalization, sustainable certifications, social, environmental and governance performance, among others.

At the broader industry level, the Fund proactively supports the harmonization of best practices on responsible investment through its participation in initiatives such as the Client Protection Pathway, Social Performance Taskforce (SPTF), Global Impact Investing Network (GIIN), among others.

Attainment of the sustainable investment objective

Given the pioneering impact character of the Fund, no index has been designated as a comparable reference benchmark for the purpose of attaining the sustainable investment objective of the Fund.