

Food Securities Fund S.A., SICAV-FIS

Environmental, Social and Governance (ESG) Policy

This document is the environmental, social and governance policy ("ESG Policy") of the Food Securities Fund ("Fund") as of February 2022. The ESG Policy should not be viewed as a stand-alone or exhaustive expression of the Fund's ESG commitments. The ESG Policy should be deemed as part of the Fund's governance, as stated in the Fund's Confidential Offering Memorandum.

Table of Contents

I.	Introduction.....	2
II.	ESG Policy objectives	2
III.	Data, industry guidance and outlook	3
IV.	Description of key stakeholders	3
V.	Summary of impact theory of change	4
VI.	Safeguards and exclusion criteria.....	5
VII.	ESG metrics	6
VIII.	Implementation and integration of the ESG Policy	6
Annex 1	Impact metrics and assessment factors collected	8
Annex 2	Guiding questions to the Fund's annual impact report	12
Annex 3	Strategy to assess achievements related to Global Environmental Benefits (GEBs)	13
Annex 4	Documentation.....	16
Annex 5	Gender Mainstreaming Plan (GMP)	16
Annex 6	Stakeholder Engagement Plan (SEP).....	16
Annex 7	Accountability and Grievance Mechanism (AGM)	16
Annex 8	Guiding frameworks.....	17
Annex 9	Explanation of key terms and acronyms.....	20
Annex 10	References	23

I. Introduction

The Fund aims at creating a positive systemic change in agricultural supply chains. Specifically, the Fund intends to contribute to biodiversity conservation, climate change mitigation and adaptation and reversing land degradation, and concurrently to contribute to improved rural livelihoods, notably for smallholder farmers and rural women. Consumer sentiment and supply chain commitments by leading agriculture companies have increased demand for responsibly produced commodities. However, production in emerging markets is impacted by environmental degradation – including climate change, which disproportionately affects smallholder farmers and the businesses that work with them. Farmers and local businesses require additional financing to increase production and to implement sustainable, climate smart practices.

The Fund addresses this financing gap by lending to aggregators, i.e. businesses that aggregate produce from farmers and smallholders. Specifically, the Fund provides working capital loans of up to 12 months that can be renewed (at the Fund's discretion) subject to the financial and non-financial (impact) performance of the Borrower. By linking credit to the implementation of responsible practices, the Fund will contribute to positive social and environmental outcomes. The premise of the Fund is that responsible emerging market companies that operate in strong value chains and demonstrate a substantive and lasting commitment to social and environmental best practices are likely to generate better risk-adjusted returns. The Fund considers good environmental, social, and governance ("ESG") practices to be material factors in assessing, monitoring and mitigating investment risk. The obligations set forth in this ESG Policy are binding on the Fund.

II. ESG Policy objectives

This ESG Policy provides a framework for how the Fund will use ESG criteria to screen for, execute and monitor investments to manage risks and generate positive systemic change in agriculture. It details which ESG criteria are taken into consideration and how these are relevant for the Fund's stakeholders.

Annex 1 summarises the quantitative impact metrics and qualitative assessment factors that the Fund will consider through its investments. Annex 2 summarises the questions that will be evaluated and reported to the Fund's investors on an annual basis to assess progress on the Fund's strategy and objectives.

This Policy intends to align the Fund with that of key investors and partners. In this regard, this ESG Policy also describes how the Fund intends to identify and manage environmental and social risks and potential impacts, including the tracking and reporting of social and environmental impacts such as global environmental benefits, notably:

- area of degraded agricultural land restored;
- area of landscapes under sustainable land management in production systems;
- carbon sequestered, or greenhouse gas emissions avoided in the Agriculture, Forestry and Other Land Use (AFOLU) sector; and
- number of beneficiaries disaggregated by gender.

In the conduct of its business operations and activities, the Fund shall give preference to activities that the Fund reasonably believes are intended to achieve the following objectives (or substantially similar objectives) over activities that are not intended to achieve such objectives:

- a. to incorporate concepts of re-inhabitation, reparation, improved land tenure security or that otherwise would build the capacity of traditional and indigenous communities to defend and/or perfect their land tenure;
- b. to provide material economic, health, education or other community benefits to residents of the localities in which the proceeds of the Fund's loans will be deployed;
- c. to encourage local hiring preferences as part of the Aggregator's ordinary investing and/or business practices;
- d. to provide employment and other training, health, housing and/or other community benefits to local residents;
- e. to help extend local, employee or community ownership of natural resources, production, distribution and market channels and/or brands, or other means of benefits sharing among local and community residents; and/or
- f. to help assess, evaluate and address induced conversions of land outside the strict boundaries of the area or project in which the proceeds of the Fund's loans will be deployed.

For the avoidance of doubt, the requirement that the Fund “give preference to” activities meeting the specified criteria means using commercially reasonable efforts to seek out investments meeting such criteria and, in evaluating prospective investments that are roughly comparable in all other material respects, to pursue the investment that most nearly satisfies the relevant criteria.

III. Data, industry guidance and outlook

In its activities, the Fund will gather ESG-related data during due diligence, through reporting by its portfolio companies (“Borrowers”) and where relevant and possible from third parties, such as specific voluntary private certification standards, regulatory bodies or industry associations. Where reasonable, the Fund will encourage Borrowers to obtain independent third-party certification for its products and practices to manage, monitor and report on social and environmental factors. These include standards for environmentalⁱ, socialⁱⁱ, and health and safety issuesⁱⁱⁱ, as well as sector specific standards^{iv}.

This ESG Policy is based on relevant best-practice guidance from the responsible investment industry and agricultural supply chains. Guiding frameworks that were considered in the development of this ESG Policy are included in Annex 8.

As a principle, the Fund seeks to align the ESG metrics it captures to industry standards to ensure comparability among its peers. The Sustainable Development Goals (SDGs) that the Food Securities Fund will contribute to include the following: SDG 1 (No Poverty), SDG 2 (No Hunger), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), and SDG 15 (Life on Land).

SFDR and Taxonomy Regulation

With regards to Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector (“SFDR”) ^v, and regulation (EU) 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investments (“TR”) ^{vi}:

- The Fund qualifies under Article 9 of SFDR as a fund that has sustainable investments as its objective,
- The Fund expects that all its investments will qualify as environmentally sustainable under Article 3 of the TR. Given the nature of the Fund's investment policy and investment objectives, it is expected that its investment would be likely to contribute to the following environmental objectives under the TR: climate change adaptation and/or climate change mitigation. Notwithstanding the above, it is not possible at the moment to take into account the full EU criteria for environmentally sustainable economic activities within the meaning of the TR, and consequently determine the exact portion of investments which are made in taxonomy-aligned environmentally sustainable activities, as the Fund invests in the agricultural sector and the establishment of the technical screening criteria for agriculture was delayed.
- When the technical screening criteria and the data become available, it is expected that the calculation of the alignment with the TR and the proportion of investments in enabling and transitional activities will be performed and disclosed. This ESG Policy will be updated from time to time to reflect regulatory developments.

IV. Description of key stakeholders

This ESG Policy focuses on the following three stakeholder groups in the agriculture supply chain:



Figure 1: Stakeholder groups relevant to the Food Securities Fund

- Farmers, including female and smallholder farmers, are the primary producers of agricultural goods. In the supply chains relevant to the Fund, farmers sell some or all of their produce.
- Borrowers are companies or cooperatives that provide agricultural inputs to and/or aggregate agricultural produce from farmers. Their activities may include provision of inputs, storage, trading, processing, packaging and export of agricultural produce. In the supply chains relevant to the Fund, aggregators operate in emerging markets and trade with large corporates ("Value Chain Partners").
- Value Chain Partners are large corporations that sell agricultural inputs to and/or buy agricultural produce from Borrowers. Examples of Value Chain Partners include large international traders, seed producers and food & beverage companies.

The Fund also considers investors and other groups promoting sustainable agriculture, such as government agencies, as relevant stakeholders to its impact theory of change. A Stakeholder Engagement Plan (SEP), which includes a more detailed stakeholder map, is presented in Annex 6.

V. Summary of impact theory of change

The Fund will provide working capital loans to Borrowers and promote the uptake of responsible, Climate Smart Agriculture (sustainable) practices, thereby achieving a positive social and environmental impact and contributing to improved food security as illustrated in Figure 2 below.

By giving Borrowers access to more credit, the Fund enables them to expand their operations and grow their staff (including women and youth). The Borrowers' growth translates into an improved, more reliable demand for produce from farmers, including smallholder and female farmers. Better access to working capital also improves the Borrowers' ability to provide pre-harvest inputs to farmers - e.g. in the form of seeds, tools and training.

The Fund actively selects Borrowers that are committed to good social and environmental practices, including climate-smart agriculture.

Such practices increase the resilience of agricultural production to climate change through mitigation and adaptation measures. Combined with better access to inputs, this allows farmers to increase and stabilize yields, which improves livelihoods and food security.

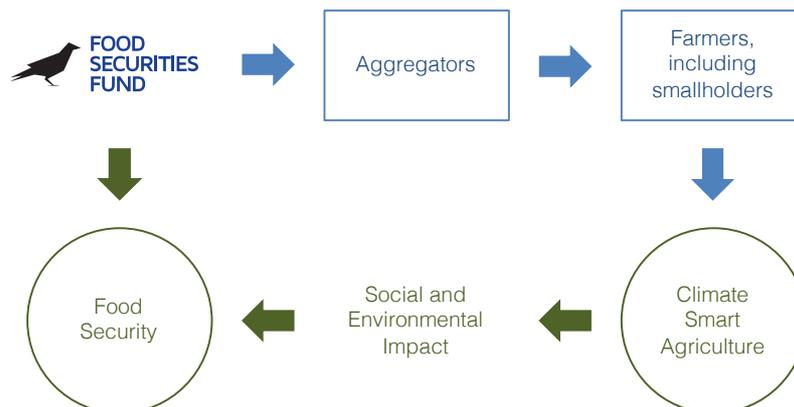


Figure 2: Illustration of the Food Securities Fund's impact theory of change

Value Chain Partners also benefit from the additional financing provided by the Fund to the Borrowers they work with. It allows Borrowers to grow their trading volumes with Value Chain Partners, thereby contributing to responsible supply chain commitments. Partnering with the Food Securities Fund can help Value Chain Partners to strengthen their supply chains, in particular those integrating female and smallholder farmers, and to scale up robust responsible agricultural practices.

Over time and with increasing size, the Fund aims to become a key financing partner that provides an incentive for additional Value Chain Partners and Borrowers to adopt responsible practices to access its loans. To investors, the Fund aims to demonstrate that responsible agriculture in emerging markets is a financially attractive and impactful investment strategy.

VI. Safeguards and exclusion criteria

Safeguards

The strategy and associated documentation of the Food Securities Fund have been reviewed and considered to be in compliance with internationally recognised social and environmental safeguards – e.g. as promoted by the Global Environment Facility (GEF) and implemented through its nine minimum standards.^{vii} The Fund will ensure adherence to these safeguards through this ESG Policy, including the Gender Mainstreaming Plan (GMP, in 0), the Stakeholder Engagement Plan (SEP, in Annex 6), and the Accountability and Grievance Mechanism (AGM, in Annex 7).

Exclusion criteria

To avoid financing harmful activities, the Fund considers a range of exclusion criteria which are detailed below. The Fund follows the GEF, Conservation International (CI) and International Finance Corporation (IFC) Exclusion List criteria^{viii}.

The Fund will not finance Borrowers involved in activities that^{ix}:

- are in breach of local laws and relevant best practice guidance, including on human rights, labour practices and natural resource management;
- are in breach of international best practices on human rights, labour practices and natural resource management and that contravene major international and regional conventions on environmental issues;
- engage in the commercial development of projects that result in the conversion of native habitats into forestry, agroforestry or agricultural plantations on land that had never been previously used for such purpose (i.e., a “greenfield” development of such a plantation);
- promote deforestation of primary forests or biodiversity hotspots and/or important conservation areas, including any activities that would reasonably be likely to accelerate the pace or scope of deforestation or the conversion of native habitats for development or industrial purposes in the immediate area where a proposed investment is expected to be deployed;
- engage in or promote the direct conversion of native habitats for real estate development or industrial purposes, except for a conversion of less than one percent (1%) of the land owned or occupied by a Borrower and/or its affiliates or one percent (1%) of the land that is directly involved with such Borrower;
- use any portion of the loan obtained from the Fund to acquire or to lend money for the acquisition of, or to make an investment directly involving land in which a genuine dispute exists with respect to the title or ownership of such land where any government, investors, companies or other persons or entities appear to be actively displacing, or actively attempting to displace, indigenous or traditional inhabitants or users of such land;
- practice involuntary re-settlement or contribute to social unrest due to land tenure issues and displacement of peoples;
- propose the introduction of exotic species that can certainly become invasive and harmful to the environment;
- use any portion of the loan obtained from the Fund to attempt to influence legislation, or to participate in, or to intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office; or
- promote the use of internationally or locally banned chemicals, including those that are referenced in the Stockholm Convention on Persistent Organic Pollutants (POPs).^x Borrowers may not use financing from the Fund to purchase, trade, or facilitate the use of chemicals on Fairtrade International’s Red List of prohibited materials^{xi}.

In addition, the Fund’s administrator and depository (i.e. Citibank Europe plc, Luxembourg Branch) will not execute investments in or accept subscriptions from parties that do not comply with the bank’s know your client (KYC) procedures, Financial Action Task Force (FATF) policies on Anti-Money Laundering & Counter Terrorist Financing (AML/CTF), the laws of Luxembourg, and similar best practices in the financial sector (especially those in Switzerland and Luxembourg).

VII. ESG metrics

Through its investment, the Fund aims to contribute to outcomes listed below. To assess progress towards these outcomes, the Fund considers outputs in the form of quantitative metrics and qualitative assessment factors. These are described in Annex 1 in the following sections:

Target outcome	Description of indicators	Details in Annex 1
Catalyse sustainable rural development and support food security	Socio-economic metrics concerning the Borrower, its employees, and the farmers the Borrower transacts with.	Part I
Promote responsible agricultural production	Metrics regarding the use of natural resources and agricultural inputs.	Part II
Adopt good governance practices	Assessment factors regarding the Borrower's policies, procedures and governance.	Part III

Complementary to the three aforementioned general target outcomes, the Fund has specific targets related to four global environmental benefits and society, described in the bullet points below. Progress on these benefits are monitored quarterly and reported annually. Annex 3 provides further information on the Fund's strategy for assessing progress on global environmental benefits.

- Area of land restored, based on an estimate of the overall land footprint that is likely to be in the Fund portfolio at a given time, including the proportion of that land that is represented in loans that are renewed so they can result in restoration, and the commodity-geography mix where restoration is a particular focus of the Value Chain Partner and Borrower.
- Area of landscapes under improved practices, i.e. the estimated entire land footprint of the loan portfolio of the Fund at a given time, based on similar assumptions as above. It is expected that all of the land that comes under oversight of the Fund will enter into "improved practices".
- Climate mitigation, adaptation and resilience (Climate Smart Agriculture), which is based on estimated net greenhouse gas impact associated with changes in emissions related to agricultural production and processing, including sequestration and avoided emissions, to the point where produce leaves the Borrowers' local facilities. Net estimates are developed primarily using the FAO-EXACT tool, scientific literature, white and grey papers, information from multilateral, government or NGO led initiatives. Note that the Fund intends to evaluate contributions to Climate Smart Agriculture in its annual report, based on a range of information.
- Direct beneficiaries estimated at a given time in the Fund's portfolio. This includes number of farmers that the Borrower interacts with (e.g. procures from, trains), as well as local employees / staff at the level of the Borrower. This information will be collected and disaggregated by gender.

The information described in Annex 1 enables the Fund to monitor and report on the aforementioned impact areas. The Fund aims to respond to a set of impact questions on an annual basis, as listed in Annex 2. In conclusion, the Fund will use quantitative and qualitative information sources collected from Borrowers and other sources to report on the Fund's impact performance, including its progress towards meeting environmental and social targets.

VIII. Implementation and integration of the ESG Policy

This ESG Policy will be implemented throughout the Fund's activities, most importantly during the analysis of potential investments, in investment decisions, monitoring and reporting to investors as described below. Annex 4 details how this ESG-related information is documented during these activities.

Note that the Fund provides loans to Borrowers, who are also the Fund's primary source of ESG-related information. This section therefore focuses on Borrowers. The implementation of the ESG Policy will be carried out by the Fund's Investment Adviser, in collaboration with other stakeholders engaged in the management of the Fund.

Analysis of potential investments

Prior to the detailed analysis of potential investments, the Borrowers will be filtered according to the exclusion criteria detailed above. Subsequently, the relevant ESG-related information will be reviewed during the analysis and due diligence of the potential Borrowers, specifically concerning the impact metrics and assessment factors listed in this policy. This may include the review of the Borrower's records, systems, policies and business practices, as well as any available reports by independent third parties such as auditors or certification agencies. The analysis of ESG-related information is an integral part of the due diligence conducted on potential Borrowers, both from an impact and risk management perspective. On-site due diligence, including discussions with farmers and local representatives of the Aggregator as well as other relevant groups, is an important part of the investment analysis.

In addition to utilising its own expertise and that of external experts, the Investment Adviser will consult with its Impact Advisory Board at least two times a year. The purpose of this is for the Impact Advisory Board to assess actual alignment of the Fund with its impact and ESG objectives, and to support maximum impact creation. In this meeting, Investment Adviser shall present and receive guidance on application of the ESG policy during its investment advisory activity.

Investment decisions

Information on ESG criteria will be reflected in the investment proposal provided to the Fund's investment committee. ESG aspects will be considered alongside other financial and business indicators.

To the extent relevant, reasonable and practicable, preference shall be given to investments that are expected to produce greater global environmental benefits and social outcomes. Notably, to give preference to investments that create measurable improvements in the lives of local communities in a manner supportive of the Sustainable Development Goals, in particular smallholder farmers and women – and on a case by case basis other relevant groups such as local youth. For example, investments that create more local employment and train more women. Investments will also be compared as to their ability to meaningfully contribute to land restoration, sustainable land management and climate mitigation both on land under the Borrower's control as well as the wider sourcing landscape. This means that the Fund will use commercially reasonable efforts to seek out Investments or business activities meeting these criteria and, in evaluating prospective investments that are roughly comparable in all other material respects, to prioritise the investment that most nearly satisfies the relevant criteria.

Monitoring

For each investment the Investment Adviser has the discretion to select the impact metrics and assessment factors that should be monitored according to Annex I. These metrics and factors will be included as reporting requirements in the loan agreement with the respective Borrower. The reporting requirements will include sharing of relevant reports from third parties, such as auditors or certification bodies, where possible.

The Borrowers will report to the Fund on a quarterly basis. To the extent possible, such reporting will be verified and complemented by the Investment Advisor, and potentially third parties, during any on-site visit to the Borrower.

Reporting to investors

The Fund will report to its investors on ESG approaches and performance on at least an annual basis. Such report will include the relevant impact metrics and assessment factors, subject to their availability, on a consolidated basis. Where practical, relevant industry or geographical baselines will be included to put the performance of the Fund's portfolio into perspective. Where possible, the Fund aims to demonstrate impact over time and against the "business as usual" scenario.

The annual ESG report shall be available to Fund investors by April 30th of the subsequent calendar year.

Annex 1 Impact metrics and assessment factors collected

This Annex describes information that the Investment Advisor will collect from Borrowers, so that the Investment Advisor can meet its reporting obligations to investors. The Fund's annual ESG report is based on the indicators presented below. Please note that some of the information listed below may not be available or made available to the Investment Advisor by the Borrower. The Fund and the Investment Advisor assume no liability if the collection of such information does not take place. The Investment Advisor will employ its best efforts to collect the information.

Quantitative impact metrics ("IM") are typically collected through reporting from the Borrowers to the Fund. In some instances, they may be taken from independent sources (such as certification audit reports) or derived from data bases. Qualitative assessment factors ("AF") are produced by the Fund's Investment Advisor based on interviews with the Borrowers or other relevant parties. The table below distinguishes IMs and AFs that the Fund expects to capture for each investment, and some that will only be captured for the relevant borrowers (i.e., if applicable). The information collected will be integrated with, or complemented by, other information such as greenhouse gas (GHG) mitigation estimation models to provide numerical estimates, notably on the GHG footprint^{xii} and qualitative assessment of contributions to land restoration and biodiversity^{xiii}, e.g. as per a national strategy. The information collected and referenced may be adapted from time to time - e.g. as a result to recommendations under various conventions and initiatives.^{xiv}

PART I – CATALYSE SUSTAINABLE RURAL DEVELOPMENT AND SUPPORT FOOD SECURITY			
Topic	Description	Output	Output type
Create safe, meaningful and inclusive local employment and career opportunities	Outputs concerning the Borrower and its employees	No. of full-time staff employed	IM
		No. of part-time staff employed	IM
		No. of women full-time employed	IM
		No. of women part-time employed	IM
		No. of youth full-time employed	IM
		No. of youth part-time employed	IM
		No. of women in Borrower management positions	IM
		Policies / plans promoting equal opportunity employment	AF
		If applicable:	
		No. of health & safety and employment incidents	IM
		No. of trainings held for staff	IM
		No. of staff trained	IM
		No. of female staff trained	IM
		No. of youth staff trained	IM
		No. of indigenous staff receiving training	IM
		Labor-related policies e.g. on maternity leave, staff training programs	AF
Average staff turn-over	IM		

Generate sustainable business opportunities for local farmers	Outputs concerning the farmers transacting with the Borrowers financed by the Fund	No. of farmers transacted with	IM	
		No. of female farmers transacted with	IM	
		No. of farmers trained	IM	
		No. of female farmers trained	IM	
		Average transaction value per farmer	IM	
		Agricultural production method	AF	
		Support provided to farmers (form, value)	AF	
		If applicable:		
		No. of youth among farmers transacted with	IM	
		No. of youth among farmers trained	IM	
		No. of indigenous people among farmers transacted with	IM	
		No. of indigenous people among farmers trained	IM	
		Average household income of farmer transacted with	IM	
		Average yield per hectare	IM	
		Seedlings distributed: number per species	IM	
		Seedlings distributed: expected mortality rate (if possible per species)	IM	
		Seedlings distributed: target planting area	AF	
		Pricing model (description)	AF	
		Average farm size	IM	
		Average household size	IM	
		No. of certified farmers per standard	IM	
No. of farm workers engaged	IM			
General land tenure conditions of farmers (ownership type and registration status)	AF			
Other relevant rural development support programs conducted by the Borrower	AF			
Support the four pillars of food security	Outputs linking the Fund's investment activities to improved food security	If applicable:		
		Contribution to physical availability of food (e.g. production increases)	AF	
		Contribution to economic and physical access to food (e.g. income improvement to promote economic access, providing staff meals)	AF	
		Support proper utilization of food (e.g. educate employees and farmers on proper nutrition)	AF	

		Contribute to the stability of food security (weather, economic factors)	AF
PART II – PROMOTE RESPONSIBLE AGRICULTURAL PRODUCTION			
Topic	Description	Output	Output type
Deforestation-free, sustainable sourcing	Land management practices in the sourcing landscape of farmers supplying the Borrower	Sourcing area (geographical or administrative region or district, as applicable), including description of general land use practices and forest cover in the area	AF
		Borrower’s policies and activities to prevent deforestation, promote restoration, and / or sustainable agricultural practices	AF
		Area of land restored due to activities of Borrower (hectares) ^{xv} , split into land directly and indirectly (through farmers supplying Borrower) controlled	IM
		Area of landscapes under improved practices (excluding protected areas) ^{xvi}	IM
		Area of land set aside for conservation / protected area (mandatory and voluntary)	IM
Reduction of waste and post-harvest losses	Losses occurring at Borrower	Waste streams & management practices	AF
Sustainable management of water resources	Water use at Borrower	Water sources & management practices	AF
		If applicable:	
		Programs to support sustainable water management by farmers	AF
Production efficiency and pollution	Use of agricultural inputs supplied by Borrower to its farmers	Volume of inputs supplied to farmers, by type (such as seeds, fertilizers, soil amendments, agro-chemicals)	IM
		If applicable:	
		Programs to ensure proper handling of inputs	AF
		Programs to ensure proper use of inputs by farmers	AF
		Energy used by Borrower, by source (kWh)	IM
		If applicable:	
Climate change mitigation and adaptation	GHG emissions by Borrower and through farming activities	Inputs to EX-ACT tool (breakdown to be provided by Investment Adviser) ^{xvii}	IM
		If applicable / available:	
		Greenhouse gases emitted as a result of core business (tons of CO ₂ -e)	IM
		Greenhouse gases emitted as a result of sourcing practices (tons of CO ₂ -e)	IM
		Practices implemented to reduce GHGs on site or promote farm mitigation	AF
		Contribution to the national strategies under the United Nations Framework Convention on Climate Change (UNFCCC) on mitigation and adaptation	AF

		including initiatives to promote Climate Smart Agriculture on-site (e.g. water efficient farming)	
Soil management	Soil management practices by farmers	If applicable:	
		Description of any soil management practices promoted to farmers (e.g. on hectares) and / or soil health indicators (soil organic matter)	AF
		Practices implemented to prevent and / or reduce erosion and soil degradation (e.g. on hectares)	AF
		Contribution to restoration, including to the National Action Plan under the UN Convention to Combat Desertification (UN CCD)	AF
Other environmental impacts	Deal dependent	If applicable:	
		Biodiversity, contribution to the National Biodiversity Strategies and Action Plans (NBSAPs) under the United Nations Convention on Biological Diversity (UN CBD).	AF
PART III – ADOPT GOOD GOVERNANCE PRACTICES			
Topic	Description	Output	Output type
ESG governance	ESG policies and practices of Borrower	Supply chain management system	AF
		Policies and procedures for handling ESG issues, including on environment and labour	AF
Financial governance	Financial management and governance of Borrower	Financial records	IM
		Description of governance (decision making) systems	AF
Other governance processes	Other management protocols and processes used	If applicable:	
		Farmer mapping protocols and programs used by Borrower	AF
		Risk mitigation protocols and practices (e.g. weather insurance, hedging) used by farmers	AF

Annex 2 Guiding questions to the Fund’s annual impact report

The guiding questions below are considered by the Fund in its annual impact report.

Stakeholder	Intended aim	Guiding questions to be addressed in annual report	Information sources
Farmers & rural livelihoods	Improve rural livelihoods	<ul style="list-style-type: none"> ▪ Did the Fund help to improve rural livelihoods? ▪ Did the Fund contribute to creating opportunities for women, youth and indigenous communities? ▪ Did the Fund contribute to increased food security? ▪ Did the Fund contribute to the adoption of good agricultural practices by farmers? 	Information sourced from Borrowers, selected interviews with Value Chain Partners and relevant local groups
Value Chain Partners	Increase value chain support to responsible agriculture	<ul style="list-style-type: none"> ▪ Did the Fund support the adoption and operationalisation of sustainable supply chain commitments? ▪ Did the Fund support Value Chain Partners action on robust reporting on material impact issues? ▪ Did the Fund support the Value Chain Partner in promoting the business case for responsible agriculture? ▪ What are Value Chain Partners motivations or challenges for engaging in responsible agriculture? 	Information from discussions with existing and potential Value Chain Partners
Investors	Increase investor engagement in responsible agriculture	<ul style="list-style-type: none"> ▪ Did the Fund engage with investors on responsible agriculture? ▪ What is the range of investors understanding of responsible agriculture? ▪ What are their primary concerns and motivations for investing or not investing? ▪ What non-financial information are investors concerned about in the context of responsible agriculture? 	Information from discussions with investors and potential investors in the context of the Fund
Contribution to Global Environmental Benefits	Achieve environmental targets on land restoration, sustainable management and GHGs	<ul style="list-style-type: none"> ▪ Did the Fund contribute to land restoration? ▪ Did the Fund contribute to the improved management of landscapes? ▪ Did the Fund contribute to the mitigation of greenhouse gas emissions? 	Information sourced from Borrowers, selected interviews relevant experts
General	Promote business-led and science-based approaches to responsible and sustainable agriculture	<ul style="list-style-type: none"> ▪ How did the Fund contribute to Global Environmental Benefits? ▪ What specific contributions did the Fund make to national strategies on climate change (mitigation and adaptation), biodiversity and land restoration (combating desertification)? ▪ Which partners has the Fund engaged with in trying to promote investments in responsible agriculture? ▪ What steps did the Fund take, or does it intend to take to promote greater action on the Fund’s core impact issues? 	Description of information collected and assessed, collaborations with partners (e.g. research organizations, NGOs, government agencies)

Annex 3 Strategy to assess achievements related to Global Environmental Benefits (GEBs)

Note, these are aligned with the relevant UN standards. The relevant IRIS Catalog metrics have been referenced where these exist.

GEB	Area of land restored
Implementation	<ul style="list-style-type: none"> Baseline Due Diligence (DD): Documentation of land use practices and cover (e.g. forest, pasture, grassland) in the area (based on stakeholder interviews and available / affordable land maps and GIS data). Loan agreement: Borrower commitment to land restoration and monitoring protocol included as a part of the loan agreement. Monitoring: As per the loan agreement and Fund policies. On-site DD: Relevant to agreed monitoring (e.g. area replanted). Verification: Receipts (e.g. seedlings), labor, certification, stakeholder consultations, photos, GIS data (where available).
Monitoring	<ul style="list-style-type: none"> Annual monitoring and reporting by the Borrower. Annual on-site DD by the Investment Advisor.
Methodology	Land restoration is targeted through the UNCCD, which recommends indicators on soil carbon stocks, change in land cover and land productivity. This indicator focuses on land cover change (e.g. from pasture to agroforestry) and/or to increased practices that improve soil health (e.g. planting of nitrogen fixing plants and legumes). Project targets will be set and shared in the context of relevant national plans and documents, scientific research papers, and / or relevant third-party certifications. Note that estimated soil carbon stocks are captured as part of the GEB below (greenhouse gas emissions mitigated).
IRIS Catalog reference – potentially relevant indicators	<i>Indirect reference:</i> Ecological Restoration Management Area (PI9556) Area of Land Reforested (PI4907) Area of Trees Planted: Native Species (PI3848) Area of Trees Planted: Total (PI4127)

GEB	Area of landscapes under improved practices (excluding protected areas)
Implementation	<ul style="list-style-type: none"> Baseline DD: Documentation on the sourcing landscape (geographical sourcing area), land use practices and cover in the landscape (based on stakeholder interviews and available / affordable land maps and GIS data). Loan agreement: Borrower commitment to land restoration and monitoring protocol included as a part of the loan agreement. Monitoring: As per the loan agreement and Fund policies. On-site DD: Relevant to agreed monitoring (e.g. farmer trainers) Verification: Receipts (e.g. for seeds, training), stakeholder consultations, photos, GIS data (where available).
Monitoring	<ul style="list-style-type: none"> Annual monitoring and reporting by the Borrower. Annual on-site DD.
Methodology	Number and size of landscapes covered by Fund loans will be tracked throughout the life of project. Geographical sourcing area (Ha) will be estimated based on crop type and transportation network to the Borrower site (e.g. distance to the Borrower, logistics costs, perishability of crop). Current production practices in the landscape will be noted (baseline / status quo according to stakeholder interviews & literature, photos and GIS data if available). Information gathered will be compared to “improved practices” that are put forth under official relevant national plans and documents, e.g. under the UNCCD, UN CBD and UNFCCC and / or scientific research papers and / or relevant third-party certifications (e.g. organic). All targets and advances will be in line with relevant national plans.
IRIS Catalog reference –	Land Indirectly Controlled: Sustainably Managed (PI6796) Land Directly Controlled: Sustainably Managed (OI6912) Land Directly Controlled: Total (OI5408)

potentially relevant indicators	Land Indirectly Controlled: Total (PI3789)
GEB Greenhouse Gas Emissions Mitigated	
Implementation	<ul style="list-style-type: none"> ▪ Baseline DD: relevant sourcing landscape, land use practices and cover in the landscape (based on stakeholder interviews and on accessible information) ▪ Loan agreement: Borrower intent with respect to agricultural practices and monitoring protocol included as a part of the loan agreement. ▪ Quarterly monitoring: As per the loan agreement and Fund policies. ▪ On-site DD: Relevant to agreed monitoring (e.g. farmer trainers). ▪ Verification: Receipts (e.g. for seeds, training), stakeholder consultations) and photos.
Monitoring	<ul style="list-style-type: none"> ▪ Annual monitoring and reporting by the Borrower. ▪ Annual on-site DD.
Methodology	For the Fund, this GEB includes estimates based on land management practices (typical farming practices in the sourcing area) and at the Borrower level (from energy and waste). Estimates from land management practices are based on the FAO EX-ACT tool while Borrower operations are based on energy use and source, and waste volume, type and disposal methods. Estimates are calculated using inputs collected from the Borrower plus Default Emission Factors (e.g. the Emissions Factor Database - EFDB). Note that these estimates do not cover transport to the Borrower and from the Borrower to its customers as these will be considered in the context of national plans and submissions under the UNFCCC.
IRIS Catalog reference – potentially relevant indicators	Greenhouse Gas Emissions Mitigated (OI5951) – note this incorporates the metrics on emissions, reductions, avoidance, sequestration Greenhouse Gas Emissions Mitigation Types (OI9839)
GEB Number of direct beneficiaries disaggregated by gender	
Implementation	<ul style="list-style-type: none"> ▪ Baseline DD: number of full-time (FT) and part-time (PT) Borrower employees (disaggregated by gender). Number of farmers contracted (disaggregated by gender). ▪ Loan agreement: Borrower intent with respect to employees & staff training as well as farmer engagement (buying, pre-harvest support, training) included as a part of the loan agreement. ▪ Quarterly monitoring: As per the loan agreement and Fund policies. ▪ On-site DD: Relevant to agreed monitoring. ▪ Verification: Staff rosters, training documentation, receipts and photos.
Monitoring	<ul style="list-style-type: none"> ▪ Annual monitoring and reporting by the Borrower. ▪ Annual on-site DD by the Investment Adviser.
Methodology	For the Fund, this GEB includes beneficiaries at the Borrower and farmer level. Borrowers will provide information on number of full and part time staff, disaggregated by gender. Information will also be collected on the number of farmers that supply the Borrowers (disaggregated by gender), the number of farmers that receive pre-harvest support (disaggregated by gender), and the number of farmers that participate in training (disaggregated by gender).
IRIS Catalog reference – potentially relevant indicators	<i>Includes but not limited to the following:</i> Average Supplier Agricultural Yield: Smallholder (PI1405) Average Supplier Agriculture Yield: Total (PI2046) Employees Promoted: Female (OI8646) Employees Promoted: Total (OI6995) Employees Trained (OI4229) Employees: Minimum Wage (OI5858) Employment Benefits (OI2742) Full-time Employees: Female (OI6213) Full-time Employees: Female Managers (OI1571)

Full-time Employees: Hired (OI15479)
Full-time Employees: Managers (OI8251)
Full-time Employees: Minorities / Previously Excluded (OI8147)
Full-time Employees: Minorities / Previously Excluded Managers (OI3140)
Full-time Employees: Total (OI3160)
Full-time Wages: Female (OI8941)
Full-time Wages: Female Management (OI5247)
Full-time Wages: Management (OI6069)
Full-time Wages: Minorities / Previously Excluded (OI1508)
Full-time Wages: Minorities / Previously Excluded Management (OI3862)
Full-time Wages: Total (OI5887)
Gender Ratio of Promotions (PI9467)
Gender Wage Equity (OI1855)
Individuals Trained: Group-based Training (PI7997)
Individuals Trained: Technical Assistance (PI5352)
Individuals Trained: Total (PI2998)
Jobs Created at Directly Supported / Financed Enterprises: Low-Income Areas (PI2251)
Jobs Created at Directly Supported / Financed Enterprises: Total (PI3687)
Jobs in Directly Supported / Financed Enterprises (PI4874)
Jobs Maintained at Directly Supported / Financed Enterprises: Low-Income Areas (PI2688)
Jobs Maintained at Directly Supported / Financed Enterprises: Total (PI5691)
Part-time Employees: Female (OI8838)
Part-time Employees: Hired (OI1903)
Part-time Employees: Minorities / Previously Excluded (OI6508)
Part-time Employees: Total (OI8864)
Part-time Wages: Female (OI8725)
Part-time Wages Total (OI9948)

Annex 4 Documentation

Event / Activity	Actions to be taken	Documentation
Approval and maintenance of ESG Policy	<ul style="list-style-type: none"> ESG policy to be approved by the Board of Directors Review on an annual basis to reflect best-practices and experience 	<ul style="list-style-type: none"> ESG Policy (current and previous versions) Minutes of the Board of Directors Minutes of Impact Advisory Meetings
Origination of investments	<ul style="list-style-type: none"> ESG Policy informs screening criteria 	<ul style="list-style-type: none"> ESG Policy
Due diligence	<ul style="list-style-type: none"> Review of investment opportunities, while considering ESG-related information 	<ul style="list-style-type: none"> Investment proposal
Documentation of Borrowers' reporting requirements	<ul style="list-style-type: none"> Borrowers that receive a loan from the Fund are required to report on certain impact metrics and assessment factors 	<ul style="list-style-type: none"> Loan agreement (information obligations)
Monitoring	<ul style="list-style-type: none"> Review of reporting from Borrowers Review of reporting from independent third parties (e.g. auditors, certification bodies) On-site visits Changes in ESG-related information that constitutes a risk is captured in quarterly valuation of investments 	<ul style="list-style-type: none"> Reporting from Borrowers (or independent third parties) If relevant, valuation reports
Non-compliance by the Borrower with ESG-related reporting requirements or breach of exclusion criteria	<ul style="list-style-type: none"> Active engagement with management team of Borrower The Fund will inform the Value Chain Partner of non-compliance and encourage it to address supplier issues Fund may choose not to renew the loan 	<ul style="list-style-type: none"> Communication with Borrower Communication with Value Chain Partner
Reporting to investors	<ul style="list-style-type: none"> ESG-related information is reported to the Fund's investors annually 	<ul style="list-style-type: none"> Annual report

Annex 5 Gender Mainstreaming Plan (GMP)

Separate document.

Annex 6 Stakeholder Engagement Plan (SEP)

Separate document.

Annex 7 Accountability and Grievance Mechanism (AGM)

Separate document.

Annex 8 Guiding frameworks

The Fund acknowledges and will align itself with the following guidelines, principles and groups as and when possible and relevant.

Acronym	Full name	Explanation
AFI	Accountability Framework Initiative	Guidance to help companies, producers and governments overcome barriers to transform supply chains. This Framework provides a useful set of guidance and definitions e.g. on deforestation, conversion and ecosystem protection including operational guidance on cutoff dates, voluntary commitments vs. applicable laws. ^{xviii}
CBD	Convention on Biological Diversity	The Convention on Biological Diversity including the Akwé: Kon Voluntary Guidelines. ^{xix}
CCD	Convention to Combat Desertification	The Fund acknowledges and will integrate CCD guidance as and when possible. ^{xx}
	CFS-RAI Principles	The Principles for Responsible Investment in Agriculture and Food Systems of the Committee on World Food Security.
	Consumer Goods Forum	An industry organisation bringing together consumer goods retailers and manufacturers to help members to collaborate, alongside other key stakeholders, to secure consumer trust and drive positive change. They have several member-wide commitments, including on environmental sustainability (notably achieving zero net deforestation by 2020, halving food and solid waste by 2025), social sustainability (notably principles on forced labour and a Global Social Compliance Programme), and on benchmarking health and safety, environmental and social standards to promote disclosure, transparency and best practices. ^{xxi}
[FAO] EX-Act	Ex-Ante Carbon Balance Tool	The Ex-Ante Carbon-balance Tool (EX-ACT) is an appraisal system developed by FAO providing estimates of the impact of agriculture and forestry development projects, programmes and policies on the carbon-balance. The carbon-balance is defined as the net balance from all greenhouse gases (GHGs) expressed in CO ₂ -equivalent that were emitted or sequestered due to project implementation as compared to a business-as-usual scenario. ^{xxii}
G20 GPFI	G20 (group of twenty) Principles for Innovative Financial Inclusion (GPFI)	The G20 Principles for Innovative Financial Inclusion (GPFI) were developed to promote financial inclusion and encompasses 9 principles (leadership, diversity, innovation, protection, empowerment, cooperation, knowledge, proportionality and framework). ^{xxiii}
GAP	Good Agricultural Practices	This refers to a set of recommendations for food production systems that help improve the quality and safety of the food crop produced. ^{xxiv}
GEF ESMF / CI-GEF ESMF	Global Environment Facility (GEF) Environmental and Social Management Framework (ESMF)	This refers to the Environmental and Social Safeguard Standards, i.e. the Policy on Environmental and Social Safeguards and Guidelines on the GEF Policy on Environmental and Social Safeguards published on July 2019 and updated from time to time. ^{xxv}
Global G.A.P.	Certification on global Good Agricultural Practices	The worldwide standard for GAPs. This is a global organization that sets voluntary standards for the certification of agricultural products and harmonizing certification standards. ^{xxvi} Often times, compliance with relevant GlobalGAP certifications are a requirement by large scale agricultural buyers and consumer goods companies.

GRI	Global Reporting Initiative	These represent global best practice for reporting publicly on a range of economic, environmental and social impacts. ^{xxvii}
	ILO MNE Declaration	The International Labour Organization Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.
IRIS	Impact Reporting & Investment Standards	Housed at the GIIN, IRIS is the catalogue of generally-accepted performance metrics.
ISEAL	International Social and Environmental Accreditation and Labelling (ISEAL) initiative	ISEAL is the global membership association for credible sustainability standards. Members are sustainability standards that meet the ISEAL Codes of Practice and promote measurable change, supported by international accreditation bodies. Examples of members include the Aquaculture Stewardship Council (ASC), Better Cotton Initiative (BCI), Bonsucro, Fairtrade International (FLO), Global Coffee Platform (GCP), Marine Stewardship Council (MSC), Rainforest Alliance, Roundtable on Sustainable Biomaterials (RSB), Roundtable on Sustainable Palm Oil (RSPO), Sustainable Agriculture Network (SAN) and UTZ. ^{xxviii}
ISO	International Organisation for Standardization (ISO) ^{xxix}	The ISO provides various standards that ensure good social and environmental business management and can thus serve as an indicator of quality. Relevant examples include the Environmental Management (ISO 14000) standards family ^{xxx} and guidance provided under Social Responsibility (ISO 26000). ^{xxxi}
OECD	Organisation for Economic Co-operation and Development	The OECD has produced relevant guidelines such as the OECD Guidelines for Multinational Enterprises, and the OECD-FAO Guidance for Responsible Agricultural Supply Chains. ^{xxxii}
POPs	Stockholm Convention on Persistent Organic Pollutants (POPs)	This is a global treaty to protect human health and the environment from chemicals that remain intact in the environment for long periods, become widely distributed geographically, accumulate in the fatty tissue of humans and wildlife, and have harmful impacts on human health or on the environment. The Stockholm Convention entered into force on 2004. An up to date list of POPs are visible on the Convention website. ^{xxxiii}
	UN Guiding Principles on Business and Human Rights	The Guiding Principles on Business and Human Rights, implementing the UN ‘protect, respect and remedy’ framework.
PRAI	Principles for Responsible Agricultural Investment	The Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources – developed by FAO, International Fund for Agricultural Development (IFAD), UN Conference on Trade and Development (UNCTAD) and the World Bank.
SDGs	Sustainable Development Goals	There are 17 SDGs and 169 associated targets. These are aligned with the international 2030 Agenda for Sustainable Development. ^{xxxiv}
TEG	EU Taxonomy for sustainable activities – Technical Expert Group (TEG) on sustainable finance	Report by the European Union (EU) recommending technical screening criteria of sectors that contribute significantly to climate change, methodology for evaluating contributions to climate adaptation, as well as guidance and case studies. ^{xxxv}
UN GC	United Nations Global Compact	This is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals. There are 10 UN GC principles which are considered under the topics of human rights, labour, environment and anti-corruption. ^{xxxvi} The UN GC also promote principles for sustainable soil management. ^{xxxvii}

UN FABs	United Nations Food and Agriculture Business Principles	Promoted by the UN GC, these 6 principles support responsible practices in the agricultural industry. The principles are: (1) food security, health and nutrition, (2) environmental responsibility, (3) economic viability and shared value, (3) respect for human rights, support creation of decent work and thriving communities, (4) encourage good governance and accountability, (5) promote access and transfer of knowledge, skills and technology. ^{xxxviii}
UN FAO	United Nations Food and Agriculture Organization	UN body responsible for agriculture.
UNFCCC	United Nations Framework Convention on Climate Change	Framework convention, including national adaptation plans, programmes of action and nationally appropriate mitigation actions.
UN PRI	United Nations Principles for Responsible Investment	There are 6 PRI principles ^{xxxix} .
VGGT	Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the context of national food security (VGGT) ^{xi}	These guidelines are primarily targeted to nation states, however, contain some non-state actor guidance. ^{xii}

Annex 9 Explanation of key terms and acronyms

Explanation of relevance to the Food Securities Fund in blue italics.

Term and context	Explanation
Agricultural productivity	The ratio of agricultural outputs to agricultural inputs. Note that this encompasses many different measurement parameters, e.g. measured based on the monetary value of inputs versus outputs, the volume, labour, land and other environmental resources. <ul style="list-style-type: none"> <i>The Fund may consider various dimensions of agricultural productivity in its impact assessment process.</i>
Agricultural supply chains / supply chains / agricultural value chains / value chains	Agricultural value chains or supply chains refer to the flow of goods and services from production to consumption and vice versa, such as provision of inputs and services for production and purchase, transformation of agricultural products. Note that in this context, it refers to all types of production from natural resources, such as production of grains, forestry products and aquaculture for food, fibre, fuel or feed purposes. <ul style="list-style-type: none"> <i>The Fund works with partners along the agricultural value chain to originate transactions, provide credit and promote best practices.</i>
Assessment factor	Qualitative impact issues reported by the Borrower and monitored by the Investment Adviser.
Borrower(s)	Entities that are financed by the Fund. Operate in emerging and developing countries to gather inputs or outputs in agricultural value chains. This can refer to bringing together people such as smaller-scale farmers (e.g. cooperatives), inputs (e.g. input dealers) and outputs (e.g. traders, processors, exporters).
Climate adaptation	“Actions taken to help communities and ecosystems cope with changing climate condition” (UNFCCC). It is also defined as “adjustment in natural or human systems in response to actual or expected climatic stimuli or their effects, which moderates harm or exploits beneficial opportunities” (IPCC). ^{xliii} <ul style="list-style-type: none"> <i>The Fund seeks to support climate adaptation in emerging markets agricultural systems.</i>
Climate change	Means “a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere and which is in addition to natural climate variability observed over comparable time periods.” This is in the context of the adverse effects of human-induced climate change, i.e. “changes in the physical environment or biota resulting from climate change which have significant deleterious effects on the composition, resilience or productivity of natural and managed ecosystems or on the operation of socio-economic systems or on human health and welfare.” (UNFCCC) ^{xliiii} <ul style="list-style-type: none"> <i>The Fund will increase the ability to track and mitigate climate change impacts in the context of agriculture.</i>
Climate change mitigation / climate mitigation	Actions to limit the magnitude or rate of long-term climate change, including reductions of human (anthropogenic) emissions of greenhouse gases (GHGs), and increasing the capacity of carbon sinks (sequestration). ^{xliiv} <ul style="list-style-type: none"> <i>The Fund seeks to support climate mitigation in emerging markets agricultural systems, in particular by encouraging uptake of good agricultural practices that can lead to maintenance of natural carbon stocks and increased absorptive capacity (e.g. in soils).</i>
Climate resilience / resilience	The “ability of a social or ecological system to absorb disturbances while retaining the same basic structure and ways of functioning, the capacity of self-organization, and the capacity to adapt to stress and change.” (IPCC) ^{xliv} <ul style="list-style-type: none"> <i>The Fund seeks to support climate resilience in emerging markets agricultural systems.</i>
Climate Smart Agriculture (CSA)	“Climate Smart Agriculture (CSA) aims to enhance the capacity of the agricultural systems to support food security, incorporating the need for adaptation and the potential for mitigation into sustainable agriculture development strategies. CSA proposes more

integrated approaches to the closely linked challenges of food security, development and climate change adaptation/mitigation, to enable countries to identify options with maximum benefits and those where trade-offs need management. CSA recognizes that the implementation of options will be shaped by specific country contexts and capacities, as well as enabled by access to better information, aligned policies, coordinated institutional arrangements and flexible incentives and financing mechanisms. The concept of CSA is evolving and there is no one-size-fits-all blueprint for how it might be pursued.” (FAO)^{xlvi}

- *The Fund promotes climate smart agriculture, including contributing to an improved understanding of the impact dimensions and scientific base, and recognizing the need for pragmatic and inclusive approaches.*

Environmental, Social and Governance (ESG) [criteria]	<p>An approach such as a policy, used by investors to evaluate the non-financial parameters of a potential investment. This may comprise of exclusion criteria (see below), and, or, specific actions or impacts to be achieved as a result of the investment.^{xlvii}</p> <ul style="list-style-type: none"> ▪ <i>This document describes the ESG Policy of the Food Securities Fund.</i>
Exclusion criteria / negative investment criteria / negative screening	<p>Provides the basis for an investment strategy that is used to exclude from the potential investment universe certain potential investees / borrowers based on ESG criteria.</p> <ul style="list-style-type: none"> ▪ <i>The Fund adopts a set of exclusion criteria to screen out certain “no go” companies.</i>
Food security	<p>“Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life” (World Food Summit 1996). This has several dimensions: (1) food availability: the availability of sufficient quantities of food of appropriate quality, supplied through domestic production or imports. (2) Food access: access by individuals to adequate resources for acquiring appropriate foods for a nutritious diet. (3) Utilization: utilization through adequate diet, clean water, sanitation and health care to reach a state of nutritional well-being where all physiological needs are met. (4) Stability: to be food secure, a population, household or individual must have adequate access to food at all times. They should not risk losing access to food as a consequence of sudden shocks (e.g. an economic or climatic crisis) or cyclical events (e.g. seasonal food insecurity).^{xlviii} According to the FAO, the four pillars of food security are availability, access, stability and utilization.</p> <ul style="list-style-type: none"> ▪ <i>The Fund aims to support food security by: promoting more sustainable production, including productivity increases (availability), supporting rural economic development, leading to improved food access (access), improving governance and responsible relationships within supply chains (utilization) and stabilizing rural livelihoods, in particular in the context of climate change (stability).</i>
Greenhouse Gases (GHG) / greenhouse gas emissions	<p>Refers to a group of gases that trap heat in the earth’s atmosphere, in particular those that contribute significantly to anthropogenic climate change. Specifically, these include: carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O). These have differing global warming potentials, i.e. the efficiency of the molecule as a greenhouse gas and its atmospheric lifetime, measured as relative to the same mass of CO₂ and evaluated for a specific time scale.</p> <ul style="list-style-type: none"> ▪ <i>The Fund seeks to promote a science-based approach to estimating and monitoring GHGs resulting from its portfolio of borrowers, and to support an overall reduction over time (proportionally to the overall portfolio size), and to use its loans to promote both better reporting, and uptake of practices that reduce GHGs.</i>
Global Impact Investing Network (GIIN)	<p>This is a network that champions impact investing, dedicated to increasing its scale and effectiveness around the world. It has several tools and resources, research and training programs to help promote impact investing. Impact investments are defined as investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.^{xlix}</p>

	<ul style="list-style-type: none"> ▪ <i>Clarmondial, the Fund's Investment Adviser, intends to participate in and support the initiative, as well as utilising relevant resources developed by the GIIN.</i>
Investment Adviser	The Investment Adviser to the Food Securities Fund, i.e. Clarmondial AG.
Impact metric(s)	Quantitative indicators reported by a Borrower and monitored by the Fund as part of a transaction.
Rural Development	<p>The process that aims at improving the standard of living of the people living in rural areas.ⁱ</p> <ul style="list-style-type: none"> ▪ <i>The Fund seeks to support rural development.</i>
Smallholder farmer / smallholder(s)	<p>In relative terms, these are small farms that rely mainly on family labour. FAO provides a detailed description of the diversity within this group, and some of the main characteristics.ⁱⁱ The Fund maintains a flexible approach to the term "smallholder farmer".</p> <ul style="list-style-type: none"> ▪ <i>While the focus of the Fund is on supporting smallholder farmers through its Borrowers and Value Chain Partners, the Fund may also collaborate with medium and large farmers in some instances where it is deemed that these can support rural economic growth and responsible agriculture in their local context.</i>
Small and Medium-sized Enterprises (SME)	<p>According to the OECD, these are non-subsidiary, independent firms which employ fewer than a given number of employees. The number varies across countries. The most frequent upper limit designating an SME is 250 employees.ⁱⁱⁱ</p> <ul style="list-style-type: none"> ▪ <i>This Fund intends to primarily lend to aggregators that are SMEs, in particular medium-sized enterprises, however the Fund may also collaborate with larger local companies in some instances where it is deemed that these can support rural economic growth and responsible agriculture in their local context.</i>
Responsible agriculture / sustainable agriculture	<p>Sustainable agriculture means "[t]he management and conservation of the natural resource base, and the orientation of technological and institutional change in such a manner as to ensure the attainment and continued satisfaction of human needs for present and future generations."ⁱⁱⁱⁱ In its scope, this definition includes Climate Smart Agriculture ("CSA") and agriculture that promotes food and nutritional security. Note that herein, the terms "sustainable agriculture" and "responsible agriculture" are used interchangeably.</p> <ul style="list-style-type: none"> ▪ <i>The Fund is committed to promoting responsible agriculture in emerging markets. Although the Fund will provide primarily short-term debt, the Fund will take a long-term view on sustainable agriculture, in particular the long-term environmental impacts on human and natural systems arising from a particular land use activity.</i>
Sustainable investments / responsible investments	<p>Sustainable investing means "an investment discipline that considers ESG criteria to generate long-term competitive financial returns and positive impact."^{iv} Note that herein, the terms "sustainable investing", "impact investing" and "responsible investing" are used interchangeably.</p> <ul style="list-style-type: none"> ▪ <i>This Fund should be considered as a sustainable / responsible investment fund.</i>
Value Chain Partner(s)	Larger agricultural corporates that support the Food Securities Fund in origination and de-risking transactions in their supply chain.

Annex 10 References

- i e.g. USDA, EU, IFOAM, Soil Association, Rainforest Alliance UTZ
- ii e.g. FLOCERT, WFTO, Max Havelaar
- iii e.g. Global GAP, ISO, HACCP
- iv e.g. RSPO
- v Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R2088>
- vi Available at <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>
- vii These are: (1) Environmental and Social Assessment, Management and Monitoring, (2) Accountability, Grievance and Conflict Resolution, (3) Biodiversity Conservation and the Sustainable Management of Living Natural Resources, (4) Restrictions on Land Use and Involuntary Resettlement, (5) Indigenous Peoples, (6) Cultural Heritage, (7) Resource Efficiency and Pollution Prevention, (8) Labour and Working Conditions, (9) Community Health, Safety and Security. Please refer to GEF/C.55/07 Updated Policy on Environmental and Social Safeguards (November 21, 2018) for further information.
- viii Available at <http://www.ifc.org/exclusionlist>
- ix Note that the Fund does not provide equity or long-term debt, and will de facto therefore not be engaged with greenfield plantations, land acquisition, removal of physical cultural resources, dam development, etc. Also note that the Fund does not apply exclusion criteria / negative screening to farmers as these are not its direct counterparties.
- x These can be found at: <http://chm.pops.int/Home/tabid/2121/Default.aspx>
- xi Fairtrade International Prohibited Materials List 15.05.2014
https://www.fairtrade.net/fileadmin/user_upload/content/2009/standards/documents/Prohibited_Materials_List_EN.pdf
- xii In particular, the FAO Ex-Ante Carbon balance Tool (EX-ACT), and / or the EX-Ante Carbon-balance Tool for Value Chain (EX-ACT VC): <http://www.fao.org/tc/exact/ex-act-home/en/>
- xiii For example, by referencing National Action Plans under the United Nations Convention to Combat Desertification (UNCCD) and National Biodiversity Strategies and Action Plans (NBSAPs) under the United Nations Convention on Biological Diversity (UN CBD).
- xiv For example the European Union (EU) taxonomy for sustainable activities Technical Expert Group (TEG) recommendations - For a current version of these, please see:
https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-taxonomy_en.pdf
- xv For explanation see Annex 3.
- xvi For explanation see Annex 3.
- xvii The Investment Adviser will regularly check the EX-ACT tool website to ensure that their understanding is up to date in terms of information needs. In some circumstances, the Investment Adviser will be able to gather the information from public sources, in other cases the Investment Adviser will require information from the Borrower to complete the EX-ACT tool.
- xviii This framework and accompanying documents can be found at: <https://accountability-framework.org>
- xix <https://www.cbd.int>
- xx <https://www.unccd.int>
- xxi <https://www.theconsumergoodsforum.com>
- xxii See: <http://www.fao.org/tc/exact/ex-act-home/en/>
- xxiii The principles can be accessed online:
<http://www.gpfi.org/sites/default/files/documents/G20%20Principles%20for%20Innovative%20Financial%20Inclusion%20-%20AFI%20brochure.pdf>
- xxiv <https://www.sciencedirect.com/topics/agricultural-and-biological-sciences/good-agricultural-practice>
- xxv This is available from: <https://www.thegef.org/documents/environmental-and-social-safeguard-standards>
- xxvi http://www.globalgap.org/uk_en/who-we-are/about-us/
- xxvii <https://www.globalreporting.org/standards/gri-standards-download-center/>
- xxviii <http://www.isealalliance.org>
- xxix See ISO website for a full list of standards: <http://www.iso.org/home.htm>
- xxx <https://www.iso.org/iso-14001-environmental-management.html>
- xxxi <https://www.iso.org/iso-26000-social-responsibility.html>
- xxxii <http://mneguidelines.oecd.org/oecd-fao-guidance.pdf>
- xxxiii <http://chm.pops.int/TheConvention/ThePOPs/tabid/673/Default.aspx>

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- xxxiv <https://sustainabledevelopment.un.org>
- xxxv https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en - note that the guidance on agriculture is available at https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-taxonomy_en.pdf
- xxxvi The UN GC Principles are available at <https://www.unglobalcompact.org/what-is-gc/mission/principles>
- xxxvii https://www.unglobalcompact.org/docs/issues_doc/agriculture_and_food/soil-principles.pdf
- xxxviii <https://www.unglobalcompact.org/library/831>
- xxxix The UN PRI Principles are available at <https://www.unpri.org/about/the-six-principles>
- xl <http://www.fao.org/cfs/cfs-home/activities/vggt/en>
- xli <http://www.fao.org/docrep/016/i2801e/i2801e.pdf>
- xlii Sourced from: <http://www.vcccar.org.au/climate-change-adaptation-definitions>
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