



## Memorandum of Understanding between

The **Stichting andgreen.fund**, a foundation established under the laws of the Netherlands, registered with the Dutch Chamber of Commerce under company number 69175357 and having its principal place of business at Arthur van Schendelstraat 500, 3511 MH Utrecht, the Netherlands,

(“&Green” or the “Fund”)

and

**IDH Sustainable Trade Initiative**, a foundation established under the laws of the Netherlands, registered with the Dutch Chamber of Commerce under company number 53521129 and having its principal place of business at Arthur van Schendelstraat 500, 3511 MH Utrecht, the Netherlands,

(“IDH”)

&Green and IDH hereinafter together referred to as the “**Parties**” and individually as a “**Party**”.

### WHEREAS

- A. IDH was incorporated in 2008. The overall purpose of IDH is to accelerate the achievement of the Sustainable Development Goals, by working with the private sector and governments on mainstreaming the sustainability of global value chains, through convening, co-investing and driving innovation. IDH is a not-for-profit foundation, funded by different governments and foundations. Its annual leveraged program spend is EUR 100 million.
- B. The IDH program portfolio is to a large extent centred on delinking deforestation from agricultural commodity production in the palm oil, pulp and paper, beef, cocoa and timber value chains. It convenes demand for sustainable imports and procurement in Europe, and runs large programs in key production areas in which forests are at risk.
- C. Through a three-pronged approach – production, protection and inclusion (*‘PPI approach’*) – IDH works in 11 landscapes around high-risk forests globally. IDH supports governments in developing green growth and land-use plans, convenes at



jurisdictional level industry, governments and civil society for land-use planning, and forges so-called ‘*PPI Compacts*’ in which green investments can be realized.

- D. IDH led the development and establishment of &Green and acted as incorporator of the Fund. Through its country offices, and the international sustainable landscapes program, IDH to date has worked closely with public and private actors, in key jurisdictions for &Green, to develop potential projects of interest for the Fund, and to support local government in meeting the Jurisdictional Eligibility Criteria.
- E. &Green was incorporated in July 2017, with initial committed capital of USD 100 million and a mission to prove that financing inclusive, sustainable and deforestation-free commodity production can be commercially viable and replicable, thus strengthening the case for a rural development paradigm that protects forests and peat lands and promotes high-productivity agriculture.
- F. By investing in commercial projects in agricultural production value chains, &Green aims to achieve the following impact targets:
- more than USD 2 billion of investments catalysed;
  - 5 million hectares of tropical forest protected, conserved or restored
  - 500,000 households benefiting from the Fund through enhanced yields and incomes, creation of jobs and/or other income-generating opportunities.
- G. Given the overlapping objectives, theories of change and working practices, &Green and IDH intend to formalise a strategic partnership with the vision to delink commodity production from deforestation through aligning their mutual roles in a ‘*PPI approach*’.

**NOW THEREFORE**, in consideration of the mutual interests, covenants and promises hereunder, the Parties therefore agree as follows:

#### **1. Definition of terms**

- **Green Growth Plans** formalize commitments and include land-use plans and policies to reduce deforestation (and peatland degradation) and increasing reforestation, while intensifying agricultural production and ensuring a more inclusive sharing of benefits with rural and forest communities.



- **Jurisdiction(s):** a national or sub-national administrative unit, with national or subnational governance structures endowed with the requisite political and decision-making authority to sustainably manage, preserve and monitor forest and/or peatland natural resources.
- **Landscape Protection Plan:** a comprehensive, long term land-use and management plan developed by the prospective client in conjunction with key stakeholders, covering *inter alia* all areas of high carbon stock and high conservation value forest and peatlands within the Project Area, and, where available, linked to PPI Compacts and Green Growth Plans in a given Jurisdiction.
- **PPI approach:** a production, protection and inclusion approach taken to secure inclusive, sustainable deforestation-free production within a defined area (the “**Landscape**”) involving various stakeholders, including local communities, producers, financiers, supply chain companies, local and national government, and civil society; i.e. all who play a role in the respective Landscape.
- **Project Area** encompasses, as appropriate:
  - a. the area likely to be affected by:
    - the project and the business’ activities and facilities that are directly owned, operated or managed (including by contractors) by the prospective client and that are a component of the project;
    - impacts from unplanned but predictable developments caused by the project that may occur later or at a different location; and
    - indirect project impacts on biodiversity or on ecosystem services upon which affected communities’ livelihoods are dependent.
  - b. associated facilities, which are facilities that are not funded as part of the project but that would not have been constructed or expanded if the project did not exist and without which the project would not be viable.
- **PPI Compacts:** joint agreements and action plans between public, private, civil society and community stakeholders to enhance the sustainability and productivity of land and secure community livelihoods in exchange for forest and natural resources protection.
- **PPI Proof of Concept:** the development of best management practices for production and protection, both on and off concession, as part of PPI Compacts.



- **Sponsor(s)**: the lead private (or semi-private) actor who manages the project and who is often interchangeable with a borrower or client under the project.

## 2. Purpose

This Memorandum of Understanding (“**MoU**”) confirms the Parties’ intention to closely work together, on a mutually non-exclusive basis, with the objective of delivering a proof-of-concept of the PPI approach to doing business in tropical forest Jurisdictions, thereby aiming to deliver inclusive, sustainable and deforestation-free land-use and commodity value chains (the “**Objective**”).

In furtherance of the Objective, the Parties indicatively wish to develop their cooperation and anticipate entering into case specific project agreements in the below areas of interest:

### 2.1 Collaboration within Jurisdictions

- a. &Green will be working in, or intends to work in, jurisdictions which:
  - have sufficient tropical forest, and
  - have met or are expected to shortly meet the Fund’s Jurisdictional Eligibility Criteria (“**JEC**”; cf. Annex I to &Green’s Environmental and Social Management System ‘*ESMS*’; version 1.0, dated July 7 2017), and
  - have clear potential for projects (i.e. private sector demand).
- b. IDH aims to build robust:
  - Green Growth Plans with national and local governments as to ensure government commitment to zero-net deforestation, and to support these governments in implementing these plans. These efforts support &Green as it helps to ensure the respective Jurisdictions to become and/or remain compliant with &Green’s JEC.
  - IDH will, in Jurisdictions where it develops Green Growth Plans and/or PPI Compacts facilitate access of &Green or &Green-mandated service providers to relevant institutions necessary to be consulted or providing information needed for JEC assessments.
  - PPI Compacts with various stakeholders, including potential Sponsors and/or clients of an &Green investment, to protect a valuable natural resource within said Jurisdiction. Whilst not the only intention of the PPI Compact, these PPI Compacts intend to help &Green’s clients to meet the



criteria of &Green's Landscape Protection Plan ("**LPP**"; cf. Annex II to &Green's Environmental and Social Management System '*ESMS*'; version 1.0, dated July 7 2017). IDH will make every effort to align its PPI Compacts with the criteria set by &Green's LPP.

- c. IDH intends to build Green Growth Plans and PPI Compacts during the duration of this MOU in the following (not exclusive) list of Jurisdictions<sup>1</sup>.
- Mato Grosso State, Brazil
  - Para State, Brazil
  - Liberia, entire country
  - Aceh, Indonesia
  - South Sumatra Province, Indonesia
  - Jambi Province, Indonesia
  - West-Kalimantan Province, Indonesia

IDH will actively fundraise to start working in other Jurisdictions with the same intention of partnering with local authorities to have them meet the JEC of &Green.

- d. &Green endeavours to assess, and if feasible, present to its Advisory Board Jurisdictions listed above when it feels they are ready to meet all the JECs and show commercial potential for &Green.
- e. &Green will require an LPP from all clients, and when there is a clear value add for the client will introduce them to IDH for them to be part of, or create a new PPI Compact in the Landscape surrounding the client.
- f. &Green will assess commercial opportunities arising from any of IDH's PPI Compacts, within JEC approved Jurisdictions and reasonably strives to originate transactions in such Jurisdictions.
- g. Nothing in this Section 2.1 shall oblige either Party to exclusively work with the other in any given Jurisdiction, and both Parties are free to partner with other actors creating PPI Compacts and/or LPPs (or similar) at any time at their sole discretion. For the avoidances of any doubts, &Green may at any time pursue projects with, and/or provide financing to, clients that are part of a PPI Compact

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<sup>1</sup> For certain countries listed, the appropriate level of collaboration for Green Growth Plans and for the JEC assessment of &Green might be subnational. For the purposes of monitoring & reporting, it is assumed that each country mentioned means at least one Jurisdiction.



prepared by third parties without IDH's involvement. IDH, for that matter, may at any time pursue other investors to provide finance to its landscapes and compacts.

## **2.2 Assistance to the Private Sector**

- a. &Green aims to provide long-term subordinate credit to companies or projects for sustainable production activities which are financially viable, are socially inclusive and will deliver environmental returns in line with the Fund's targets. &Green will be solely responsible for negotiating commercial conditions of such funding with eligible companies or projects. The commercial conditions will generally be protected by bilateral confidentiality between &Green and the participating companies and projects and will typically not be shared between &Green and IDH. &Green will publish relevant information on the projects in accordance with its Lending Guidelines, including the social and environmental targets.
- b. At the time of this MOU being signed &Green expects to finance up to USD 100 million in Jurisdictions in which IDH is active up until the ordinary expiry date of this MoU, being December 31, 2020. However, the Jurisdictional and commercial opportunities of the Fund will lead &Green's portfolio development.
- c. IDH aims to co-finance projects or companies, in the form of grants and/or technical assistance, which are testing new PPI business models (PPI Proof of Concept) that have strong and mutually agreed potential to generate '*Environmental Return*' and are, to the extent feasible, aligned with the LPP requirements of &Green.
- d. IDH expects to provide Technical Assistance (Green Growth Plans and land-use planning) and grants of a total value of USD 25 million in the Jurisdictions meeting the JEC standards and approved by &Green – or in the process to get assessed.
- e. The Parties will collaborate when there is overlap with a particular company or project; both Parties are committed to being open to collaboration with each other, within the bounds of commercial confidentiality obligations, and with private sector partners the other might be working with when there is reason to believe that there is a clear opportunity to contribute towards meeting the goals of this MoU.

### **2.3 Jurisdictional Sourcing for International Commodity Supply Chains**

- a. IDH will evolve its private sector working groups on responsible/traceable sourcing into a global private sector ‘*Working Group*’ focused on jurisdictional sourcing strategies, with global the consumer goods forum ‘*CGF*’ and supply chain companies as members. The Working Group will be linked to the Jurisdictions approved by &Green and strives to enable investments by the member companies in &Green and/or sustainable sourcing from these Jurisdictions.
- b. &Green will provide assistance to the Working Group, in the form of time to present progress of the Fund and research and insights developed by &Green on its journey of developing a portfolio of projects;
- c. &Green aims to use this Working Group to generate Memorandum of Understandings with international off-takers who are members of the Working Group and have a sourcing strategy aligned with &Green’s goal of inclusive, sustainable and deforestation-free production jurisdictions. These memoranda of understanding will be focused on aligning sourcing strategy with the Fund’s financing of potential suppliers for these off-takers.
- d. &Green will seek investments into the Fund from members of the Working Group, and vice versa will encourage private company investors to participate in the Working Group.
- e. IDH will actively work with members of the Working Group and other company partners of IDH to encourage investments into &Green.

### **2.4 PPI partnerships with local donors**

- a. IDH will actively partner with local country government institutions to incorporate a PPI Approach and find solutions for them to finance PPI programs, including when feasible &Green.
- b. &Green will fundraise in key Jurisdictions, and aims to allow for local donors to be able to invest in the Fund.

- c. IDH will assist and support fundraising for &Green locally in Brazil and Indonesia when IDH has an role to play in shaping nationally available funding streams to meet the Contributor requirements of &Green.
- d. Where jurisdiction-specific funding is available for financing PPI programs outside of &Green, IDH ensures, to the extent possible, full alignment and synergy with &Green in order to avoid local competition and accelerate funding of projects.

### **3. Monitoring and Reporting**

The Parties agree to develop and keep up-to-date for mutual sharing, at least once per calendar year, a set of partnership-specific Key Performance Indicators tracking their respective indicative engagements under this MoU (see Annex A). An annual progress update will be agreed latest by end of March of each calendar year.

### **4. Legal Nature**

Safe as otherwise explicitly set out herein, this MoU is not intended to be legally binding. It constitutes, however, a good faith expression of the Parties' interests and describes the basis upon which the Parties are prepared to further pursue the Objectives and to negotiate case specific agreements governing concrete aspects of their collaboration. However, the provisions in this Section 4 and Sections 6 - 9 of this MoU shall be legally binding and enforceable.

### **5. Term / Termination**

This MoU shall be effective as of the date of its execution by both Parties and shall remain in force and effect until the earlier of (i) either Party's final decision to terminate this MoU at any time by giving the other Party at least 90 days written notice, and (ii) 31 December 2020. Extraordinary termination for cause remains reserved.

### **6. Non-Exclusivity**

It is explicitly agreed that the Parties' cooperation pursuant to this MoU shall be on a non-exclusive basis. The Parties are free to enter into partnerships or any other kind of contractual relationship with third parties covering activities similar or identical to the subject matter of this MoU or any projects performed in connection therewith, subject at all times to their respective confidentiality obligations under Section 8.

### **7. Intellectual Property Rights**

Nothing in this MoU shall operate to transfer to the other Party any intellectual property rights owned by a Party at the effective date of this MoU or shall give either Party any rights in respect of any intellectual property rights of the other Party or of the goodwill associated with any of

them. No licenses or any rights under any trademark, trade name, registered design, copyright, design right or any similar right belonging to the other Party are implied or granted under this MoU.

## 8. Confidentiality

Each Party agrees that, during the term of this MoU and for a period of at least three (3) years after its expiry or termination, it will keep confidential, and will not use (other than for the purposes of this MoU), and will not without the prior written consent of the disclosing Party disclose to any third party any Confidential Information.

The Parties may disclose Confidential Information of the other Party to their directors, employees and representatives on a need to know basis only. &Green may furthermore disclose Confidential Information of IDH to the directors, employees and representatives of any of its service providers, including specifically &Green's investment advisor Sail Ventures BV.

For the purposes of this Section 8, the term “**Confidential Information**” means (i) any and all materials, documents and information (whether or not in written form) including any and all intellectual property rights, data, reports, brochures, guidelines, technical documents, specifications, service and handling manuals, interpretations, recommendations and records containing or otherwise reflecting any information that is or may be proprietary and confidential and/or includes trade secrets, concepts, know-how, designs, drawings, processes, business plans, strategies, pricing and other financial information, information with respect to suppliers, customers, investors, funders, donors and/or competitors and/or any other information in respect of the disclosing Party and/or any of its affiliated companies or their respective operations, and (ii) all other materials, documents and information that the disclosing Party designates in writing as “*Confidential*”. Confidential Information shall, however, not include the existence and the content of this MoU and the Parties' intention to collaborate in connection with the Objective, and any information which the receiving Party can reasonably demonstrate is or has been:

- a. generally known to the trade or the public through no breach of receiving Party's confidentiality obligations and undertakings hereunder;
- b. independently developed and possessed by the receiving Party prior to its disclosure under this MoU or has been or is developed independently of any disclosures made under this MoU, all as evidenced by the receiving Party's written records;
- c. lawfully and in good faith received from a third party who, to the best of the receiving Party's knowledge, has no obligation of confidentiality towards the disclosing Party; or



- d. is required to be disclosed pursuant to applicable laws, regulations, court rulings or administrative orders.

## **9. Miscellaneous**

### **9.1 Assignment**

The Parties shall not assign this MoU or any of the rights or obligations hereunder to a third party without the other Party's prior written consent.

### **9.2 Variation / Amendment**

No modification, amendment or waiver of this MoU or any provision hereof shall be binding upon either Party unless made in writing and duly signed by both Parties.

### **9.3 Applicable Law and Dispute Resolution**

This MoU shall be governed by and construed in accordance with the laws of the Netherlands. Any disputes arising out of or in connection with this MoU shall be submitted to the competent courts in Utrecht, the Netherlands.

\*\*\* SIGNATURE PAGE FOLLOWS \*\*\*



**EXECUTED** by the duly authorized representatives of the Parties:

For and on behalf of  
**Stichting andgreen. fund  
Initiative**

For and on behalf of  
**IDH Sustainable Trade**

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Stichting andgreen.fund  
Name:  
Title:  
Date:

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IDH Sustainable Trade Initiative  
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**Annex A - &Green / IDH Partnership KPI Framework<sup>2</sup>**

| <b>KPI</b>  | <b>2020/2022 target</b> | <b>Responsibility</b> |
|---|-------------------------|-----------------------|
| # Green Growth plans under development in approved &Green jurisdictions | 8                       | IDH                   |
| # Green Growth Plans adopted in approved &Green jurisdictions           | 8                       | IDH                   |
| # PPI Compacts under development in approved &Green jurisdictions       | 15                      | IDH                   |
| # PPI Compacts adopted in approved &Green jurisdictions                 | 15                      | IDH                   |
| USD invested by &Green in approved jurisdictions                        | 400 million (2022)      | &Green                |
| USD leveraged by &Green in approved jurisdictions                       | 2 billion (2022)        | &Green                |
| TA committed in &Green approved jurisdictions                           | 25m US\$                | IDH                   |
| TA committed to &Green portfolio of projects                            | 8m US\$                 | IDH                   |
| TA leveraged to &Green portfolio of projects                            | 12m US\$                | IDH                   |
| Working Group members investment into &Green                            | 25m US\$                | &Green                |
| Funding raised aligned with &Green in jurisdictions                     | 50m US\$                | IDH                   |

<sup>2</sup> Based on current funding of IDH and full capitalization target of &Green