

# ANNUAL REPORT 2019

## THE &GREEN FUND

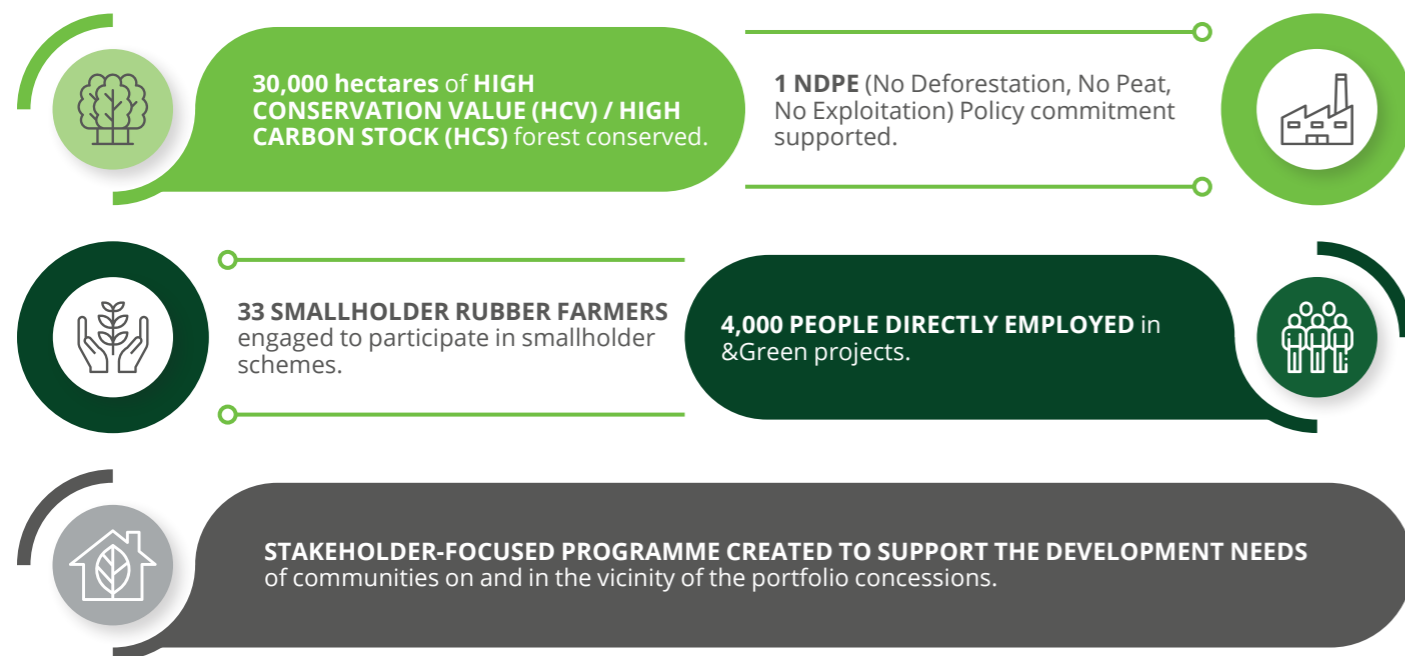
01 JANUARY 2019 - 31 DECEMBER 2019





# 2019 HIGHLIGHTS

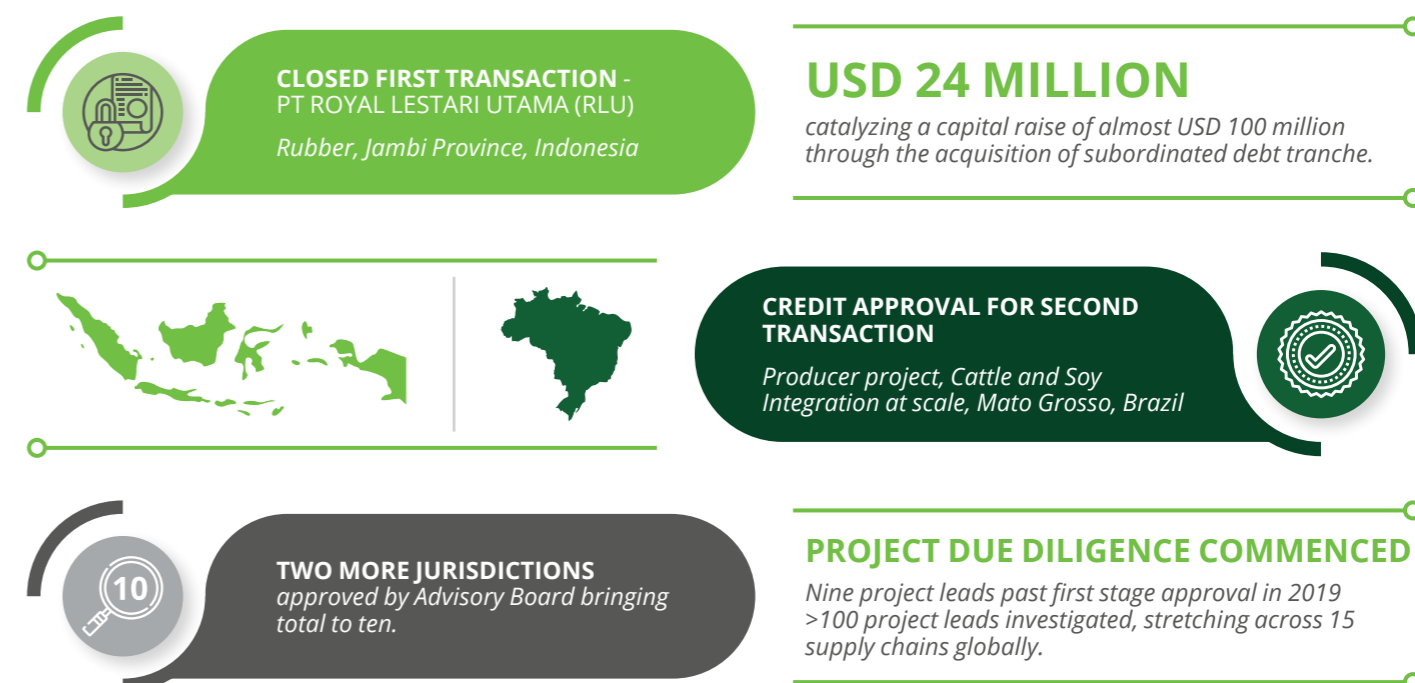
## IMPACT HIGHLIGHTS



## OPERATIONAL HIGHLIGHTS



## PORTFOLIO HIGHLIGHTS



## FUND HIGHLIGHTS





# &GREEN'S PURPOSE

In order to maintain a sustainable planet that allows its people to thrive, the world needs to reach its global climate change mitigation and biodiversity conservation goals, while still being able to meet the growing demand for commodities.

Within that context, the &Green Fund aims to prove that financing agri-commodity operations that are inclusive, sustainable, and deforestation-free, can be commercially viable and replicable. &Green supports the transformation of global supply chains by de-linking them from deforestation and producing a positive climate change impact, while still feeding the world.

## &GREEN INTENDS TO ACHIEVE ITS GOALS THROUGH ITS IMPACT TARGETS:

- CATALYSING MORE THAN  
**USD 2 BILLION**  
OF INVESTMENTS INTO SUSTAINABLE AGRICULTURE
- CONSERVING AND RESTORING  
**5 MILLION HECTARES**  
OF TROPICAL FOREST AND PEATLANDS
- CREATING BENEFITS FOR  
**500,000 HOUSEHOLDS**

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***During 2019, &Green reached a significant milestone when it closed its first investment. Looking forward, the Fund appears to be on track, judging by the maturity of the pipeline developing throughout the year.***

Given that the Fund is still at an early stage, the board remains in a steep learning curve and 2019 provided further opportunities to better understand the underlying jurisdictions and target sectors for &Green.

### STRATEGIC PROGRESS

Our first portfolio investment of approximately USD 24 million into PT Royal Lestari Utama (“RLU”), a sustainable rubber operation in Indonesia, was executed in February 2019. Over the course of 2019, &Green has built a strong partnership with RLU and the other stakeholders in the RLU landscape, and we are playing an active role in supporting their environmental and social efforts. The RLU landscape has many challenges but the role of &Green in helping the company to drive meaningful change is significant. We feel that the right safeguards are being developed and that the impact upside is a real opportunity to highlight the Production-Protection-Inclusion mandate of the Fund. In line with &Green’s strategy, this landscape approach can be replicated in other areas of similar complexity.



The Board, and its external Credit Committee, have evaluated several promising investment opportunities during the year and we are pleased that 2019 ended with a second transaction approved and currently in the contracting phase. The &Green projected portfolio includes deals in priority supply chains and jurisdictions - in particular in Brazil, Indonesia and Colombia.

The pace of the Fund’s growth is in line with industry practice, given the Fund’s robust investment process, thorough due diligence and necessary approvals. The rigour of our deal sourcing, diligence and final negotiations make us confident that the portfolio being built supports &Green’s long-term vision.

Contribution commitments from our existing contributors, NICFI (Norway’s International Climate & Forestry Initiative), the UNILEVER Group and GEF (the Global Environment Facility) have enabled continued improvement in operations, deal origination and pipeline management over the year. In view of the maturity of &Green’s current pipeline, we anticipate utilising all of the currently undrawn capital for additional investments during 2020. It is therefore a top priority to secure additional funding in the coming year in order to match the expected portfolio growth and unlock further capital from existing contributors. The Fund remains committed to meeting its funding targets. These targets were set with the aim of catalysing USD 2 billion invested in &Green portfolio projects.

We have continued to place high importance on our stakeholder engagement. Transparency and communication have been a key part of our success so far, and have enabled the Fund to build strong strategic partnerships and participate in meaningful collaboration across all spheres of our operations.

### ESTABLISHED OPERATIONS

The investment advisory relationship with SAIL Ventures is now well established. Since its appointment in July 2017, SAIL has enhanced its ESG, impact, investment, risk management and operations expertise. The relationships between SAIL and the various services providers to the Fund have strengthened during 2019, and have included a welcome level of consistency due to Innpart (Fund management advisor) and Intertrust (Fund administrator) remaining appointed.

There have also been no changes to the Board of Directors or the Advisory Board. All board members have now served more than a full term (2 years). During 2019, NICFI agreed to allocate USD 1 million of its existing commitment to the Fund towards a Technical Assistance (“TA”) Budget, ringfenced for providing technical assistance to &Green’s clients and prospective clients in order to improve their compliance with the Fund’s mandate. This budget is separately accounted for in the annual financial statements and is currently only funded by NICFI.

As the financial statements reflect, the operations of the fund resulted in a small 0.73% growth in the balance sheet, exhibiting &Green’s ability to preserve the capital invested. On a cumulative basis, the Fund is still not at a break-even point, however if it is able to meet its portfolio targets in the coming years we expect to break-even in the medium-term.

### LOOKING AHEAD

The COVID-19 outbreak has resulted in the deterioration of the global economy in 2020 thus far. Brazil, in particular, is struggling to contain the pandemic at the time of writing, and it is unclear how well Indonesia is managing to do so. However, the Board does not foresee any material change in the activities of the Fund over the coming year, particularly concerning investments, financing, staffing, operating costs and profitability.

The Fund will continue to pursue growth in the investment portfolio and contributions secured, as forecast by the Board at the end of 2019, albeit with due consideration of the COVID-19 related conditions. As the &Green Board, we must expect some slowdown in portfolio growth through 2020 and into 2021, as pipeline development is likely to be impaired due to lockdown and travel restrictions.

***That said, the primary focus for 2020 is to close the advanced opportunities in our pipeline (for which we have already carried out on-site due diligence) so that we can exhibit the ability to source, structure and implement opportunities that fulfill the &Green vision.***

Key to supporting those investment objectives is securing additional funding from potential contributors, particularly once we have established our ability to deliver on the Fund’s ambitious mandate. In the coming months we hope to secure support from key donors and investors, predominantly in the DFI and impact investment communities. Although this might be delayed due to the impacts of COVID-19, it is unclear what this impact will be at the time of completing this report.

### NANNO KLEITERP

CHAIRPERSON OF THE BOARD OF DIRECTORS  
STICHTING ANDGREEN.FUND

FEB  
2019

RLU transaction completed with a USD 24 million note purchase.

Gabon approved as an &Green investable jurisdiction.

JUNE  
2019

Technical Assistance ("TA") budget established to support mainly pre-investment activities required by &Green.

Re-appointment of all of the members of the Board of Directors.

AUG  
2019

West Kalimantan (Indonesia) approved as an &Green investable jurisdiction.

Jurisdictional re-assessment and re-approval of Mato Grosso, Brazil, as an &Green investable jurisdiction.

DEC  
2019

Brazilian (soy and cattle) transaction approval by Credit Committee and &Green Board, and concluded in April 2020.

A successful meeting between all members of the Advisory Board, Board of Directors, Credit Committee and Investment Advisor.

JUNE  
2019JULY  
2019OCT  
2019DEC  
2019

### 2019 RESULTS

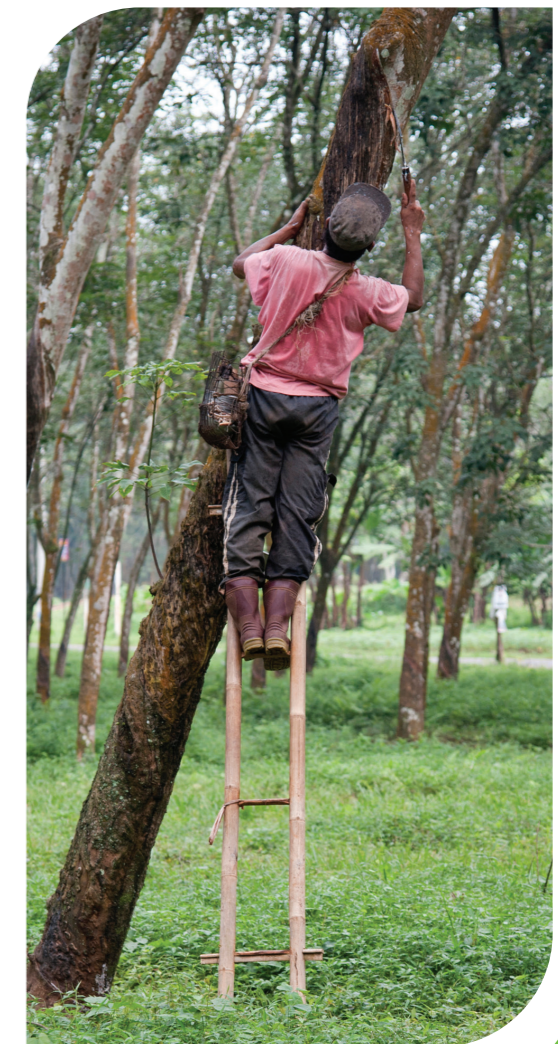
During 2019, &Green recorded initial results that count towards its Environmental and Social impact due to its first investment (Royal Lestari Utama) made in the province of Jambi, Indonesia. This investment will generate most of its impact over the long-term and &Green has not yet claimed results which are still to be realized over the life of its investment.

### E&S CAPABILITIES

Over the course of the year, &Green updated its Exclusion List (also available on our website) applicable for all of its investments. The updated Exclusion List now directly aligns &Green with international best practice, including with the European Development Finance Institutions (EDFIs) and the World Bank's private sector arm, the International Finance Corporation (IFC).

*Furthermore, the following three longer-term projects were initiated during 2019:*

- I. The Fund's advisors started a review of the Fund's key performance indicators (KPIs) in order to define them more concretely, where necessary, and to align them with international frameworks, where useful. Concepts such as 'avoided deforestation' and 'households befitting' require a more robust definition that the Fund can credibly stand behind. In addition, there is the potential to expand KPIs to other relevant indicators such as greenhouse gas (GHG) emissions, or more subjective indicators such as market transformational impact. The Fund and its advisors will conclude this review in 2020.
- II. The Fund continues to place a lot of emphasis on making its impact narrative — and the successes of its clients in delivering on this narrative — transparent. The transparency around the degree of additionality of &Green's investments, and the attribution of impacts, is important for explaining the achievements of the Fund to its stakeholders, and to showcase the transformative nature of its clients' commitments.
- III. The Fund has also launched an assessment of satellite imaging providers which &Green will use in sourcing data to support its projects and the monitoring thereof. The Fund intends to find and implement a solution, whether at project or at portfolio level, during 2020.



### PORTFOLIO AND PIPELINE

The first project financed by &Green fits well within the Fund's mandate. RLU is a private company managing a large concession in Jambi (and also East Kalimantan), Indonesia, with many environmental and social challenges often found in such landscapes.

The RLU project has clear potential for long-lasting impact. However due to its complexity, it requires substantial environmental and social safeguarding by the Fund. The Fund's advisors have therefore rated this project Category A (high environmental and social risks). &Green has strengthened the probability of success of this transaction by insisting on and helping to formulate an updated Environmental and Social Action Plan ("ESAP"); adding a detailed Landscape Protection Plan ("LPP") as part of the events of default in the legal documents; and taking up a role as Observer in the Environmental and Social Advisory Board ("ESAB") for the business. Throughout 2019, the Fund's advisors have spent considerable time working with RLU and the issuers of the funding notes (the Tropical Landscape Finance Facility or "TLFF") to work towards systematically improving the quality and long-term conservation and social integrity of the landscape in which RLU operates.

During 2019, the project also started to work with smallholder farmers in the landscape on a pilot development project.

Furthermore, the Fund has developed its pipeline considerably in 2019. These engagements have provided the Fund's advisors with important learnings about these markets and the tolerances of the potential client types, which have further informed the investment process.

Part of the insights are that &Green's E&S risk management and impact monitoring requirements are new — and thus challenging — for the Fund's potential clients. The Fund's advisors are therefore taking a much more active role in the early stages of the investment process — either by working directly with the client themselves, or by helping the prospective client to find and contract the right expert advisors.



***The result of this collaboration is that E&S Safeguards are addressed earlier on in the investment process and are co-developed with the client. This allows for a better fit in the project planning in line with &Green's mandate and expectations.***

The Fund's advisors work directly with the clients to translate the key policies and plans, such as NDPEs and LPPs, into detailed, quantified and transparent Environmental Returns and Social Inclusion targets. In these cases, the Fund's advisors work directly with the clients, translating the forecasted outcomes of the client's projects into quantified Environmental Returns and Social Inclusion targets. These collaborations lead to a buy-in from the client who comes to understand the impact commitments that are reflected contractually and that their early endorsement is secured.

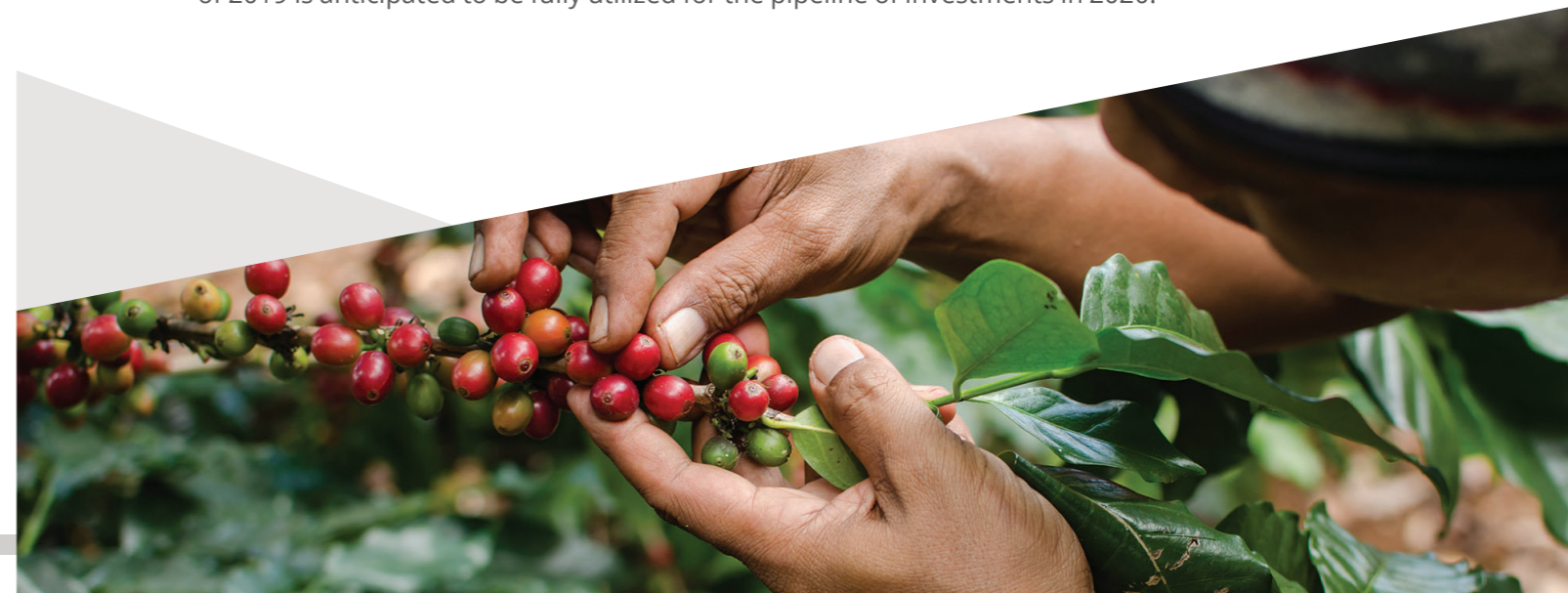
***&Green recorded an overall positive result in 2019, earning a net profit of USD 327 982. This was achieved mainly due to interest income earned from the Fund's first investment (RLU), which largely covered the costs of running the Fund, and even grew the balance sheet marginally. However, the Fund remains in a negative retained earnings position due to the large set up costs incurred in its first period of operation.***

&Green has no direct employees, adopting an outsourced model. Therefore, the most significant single expense which the Fund incurs is the Investment Advisor fee. SAIL Ventures provides robust advice to the Fund with an appropriately skilled complement of experienced professionals who are capable of achieving the Fund's objectives by originating, assessing, negotiating and then actively monitoring and engaging solid investment opportunities without exposing the Fund to unnecessary risks. To support the advisory function, the Fund also appointed a fund management advisor, Innpack, and a fund administrator, Intertrust, which — together — comprise the next largest category of expenses. Further outsourced functions include the expert consultants appointed on request to manage, amongst other things, &Green's jurisdictional eligibility criteria assessments, legal, tax and other considerations.

General expenses remained in line with the budget set by the Board in order to achieve the growth and scale necessary to make &Green successful.

It is important to note a material change to the presentation of the financial statements this year – in that a new Technical Assistance ("TA") Budget has been ringfenced from the remainder of the Fund's accounts. The TA Budget will be used for short-term projects that relate to clients in the Fund's existing pipeline and that are identified to be necessary to enable those clients to achieve specific transaction targets. As a result, USD 1 million has been transferred from 'Investor Contributions' at the Fund Level to 'Investor Contributions – Technical Assistance' and the TA Budget expenses have been ringfenced from the remainder of the expenses of the Fund.

Most significant, however, is the change in the Balance Sheet to reflect the instruments (two Notes of different duration) through which the exposure to RLU is held. Those debt instruments are held at amortised cost, which was USD 23,438,704 as at 31 December 2019. The cash on hand at the end of 2019 is anticipated to be fully utilized for the pipeline of investments in 2020.



## PEOPLE NEED TO THRIVE &amp; FORESTS NEED TO STAY INTACT...

Approximately 25% of global CO<sub>2</sub> emissions are associated with agriculture, forestry and other land uses. Most of this negative impact comes from the deforestation and degradation of natural forests in the tropics, typically in order to expand agricultural and forestry under production.

This climate change impact is set to become worse due to the growing population – economists now predict that the global population will increase to 10 billion by 2050. This will require significant growth of the Food sector, which will, in turn, put additional strain on agricultural resources. Similarly, the Forestry sector is expected to respond to an increasing need for, amongst other products, biomass and packaging as the population and wealth keep expanding.

## THE WIN-WIN GREEN OPPORTUNITY...

Focusing on sustainable land-use has the benefit of offering multiple positive global impacts which reinforce themselves. For example, intensifying production on degraded land turns already exploited land into a more productive asset and also means that there is less need to move into forested areas for livestock to graze or for crops to be planted. Effective soil management while employing sustainable agricultural intensification also produces carbon sequestration benefits.

Investors in a sustainable land-use portfolio can legitimately deliver outsized economic, environmental and social impact as a core function of a global portfolio.

## ...THAT REMAINS OUT OF FOCUS

Despite this opportunity, on which &Green is focused, the financing of sustainable land-use in the most important emerging markets remains 'out of the spotlight' for the international investment community. A clear learning for &Green so far has been the lack of co-investors in this space. The perception remains that investments in &Green's sectors and markets are disproportionately risky, both financially and reputationally, and there is a widespread view that the financial and environmental returns are difficult to achieve.

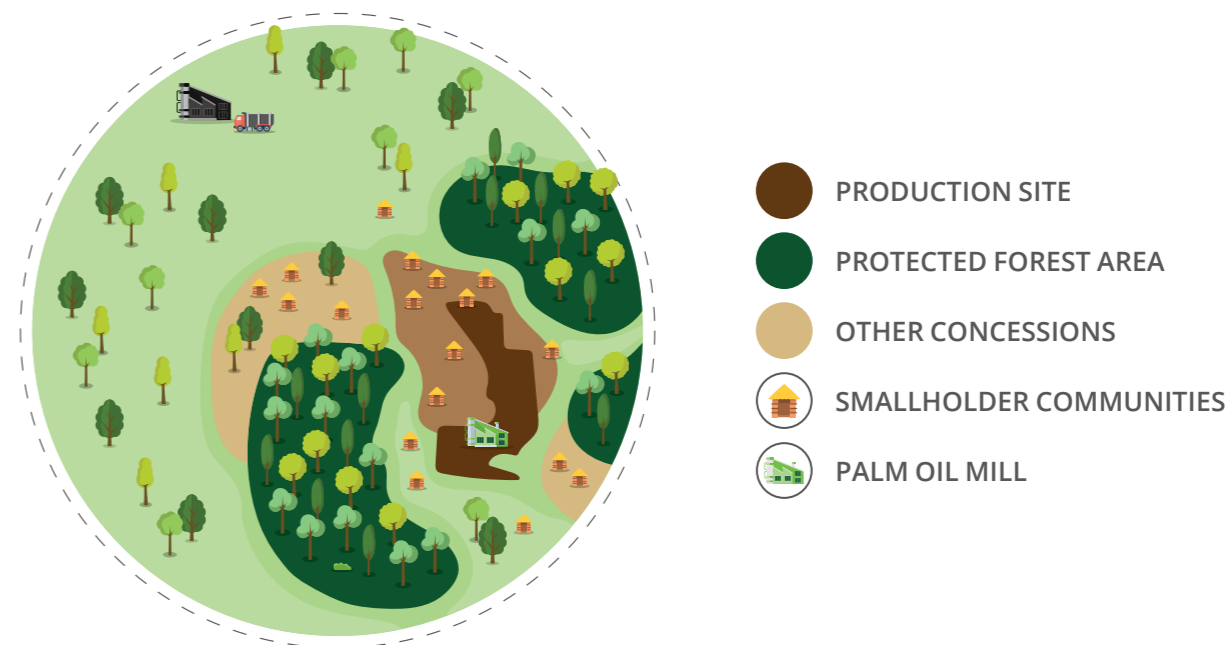


## A PRODUCTION-PROTECTION-INCLUSION APPROACH

&Green's approach is clear: **To finance the process of delinking deforestation from major commodity supply chains.** To do this, a landscape approach is needed, and &Green aims to finance companies and projects which can deliver inclusive, sustainable and deforestation-free production within a defined area (the "Landscape") whilst including local communities, producers, financiers, supply chain companies, local and national government and civil society.

&Green generates its impact by looking for supply chains that are active in Landscapes where valuable ecosystems require active protection and/or restoration, but face increasing pressure from agricultural production, in particular. Communities and participants in the relevant commodity supply chains will benefit from sustainable use and management of ecosystem services in the Landscape.

&Green's impact targets involve translation at the supply chain level and, ultimately, at the industry level. The aim is to create blueprints for sustainable land use and management which others in the market can adopt, replicate and scale significantly.



*A case study for Production-Protection-Inclusion: &Green is assessing an opportunity to finance a new palm oil mill in an area which has natural forest and existing palm oil plantations (mainly smallholders). This mill would be highly advantageous to producers as it greatly reduces transport costs (the next closest mill is >100 km away). By installing sustainable sourcing criteria at the mill and including a robust monitoring approach, it is possible to create a virtuous cycle where the economics drives sustainability which drives zero-deforestation production in a Landscape.*

## CATALYZING INVESTMENT INTO SUPPLY CHAIN TRANSFORMATION

&Green not only provides patient long-term financial support to its clients, but it also supports them in structuring further appropriate finance for the Landscape. In this way, over time &Green intends to catalyse commercial investment into the projects in which it has invested for it to reach its full potential.

The Fund aims to raise and invest USD 400 million of its own capital in the coming years. The Fund anticipates that this will catalyse five times that amount in private capital advanced to &Green projects. Beyond that the &Green concept will continue to replicate and scale. &Green therefore seeks projects that are relevant, or have the potential to become relevant, to commercial capital providers.



## SELECTING JURISDICTIONS

While &Green has a global perspective on climate change, it concentrates on select geographic locations which are most relevant for its mission. The Fund then focuses on relevant supply chains within these jurisdictions.

&Green advances credit only within jurisdictions that have a progressive forest and/or peat protection agenda, and where local authorities are committed to the reduction of deforestation and the protection of valuable ecosystems. Importantly, the authorities within the Fund's investible jurisdictions are also actively taking steps to work with the private sector, communities and civil society to fulfill the commitments that they have made.

***This jurisdictional approach taken by &Green is a unique innovation of the Fund — linking public policy more directly to private sector policy within a Landscape. Therefore, &Green involves suitable stakeholders when assessing potential jurisdictions and carefully considers existing relationships between organisations on the ground and the local governments.***

&Green periodically reassesses jurisdictions, to ensure continued suitability and focused efforts for the Fund. The Fund is aware that 'climate policy gaps' are emerging globally — where government commitments to limiting climate change are not supported by the policies in place. Re-assessments therefore also act as a risk mitigation tool because a shift in the policy landscape could pose a risk to the Fund's vision and its underlying portfolio.

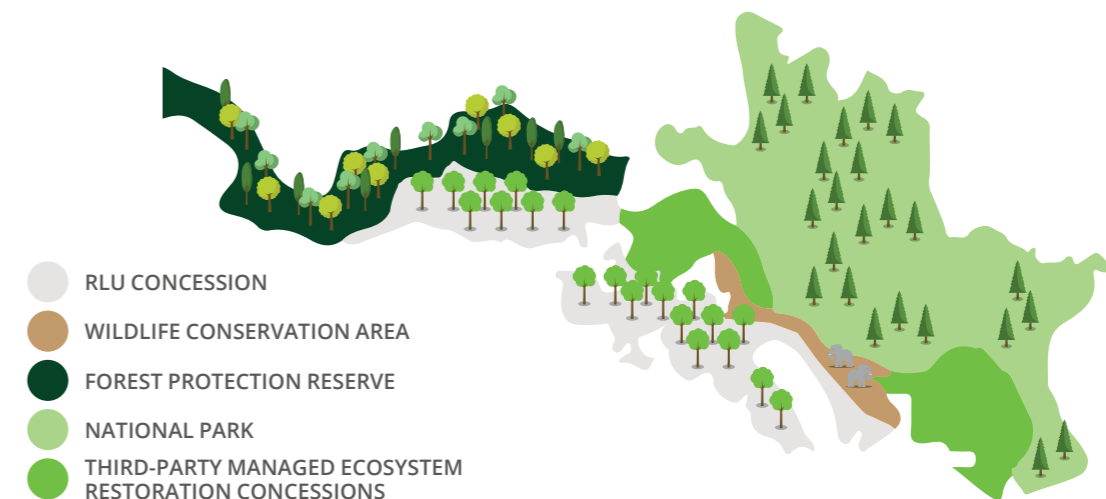
## 4.1 ROYAL LESTARI UTAMA

### LEADING THE WAY IN SUSTAINABLE, NATURAL RUBBER PRODUCTION

#### &GREEN'S INVESTMENT RATIONALE

The Jambi landscape in Indonesia, where PT Royal Lestari Utama ("RLU") is building its business, highlights the reality of the context in which &Green and its clients operate. In the vicinity of RLU's operations in Jambi, there is significant population pressure and the density of long-standing — as well as migrant — communities is high. Thick tropical forest is vast and includes a full array of plant and animal species — including elephants, tigers and orangutans in the national park adjacent to the concession — which are under constant encroachment threat.

Given this context, &Green's financing aim is to support RLU in delivering on its ambitious development plan for their 70,000 hectare rubber concession<sup>1</sup> in Jambi. This includes (i) a flagship wildlife conservation area ("WCA") as a buffer to the nearby national park, (ii) protection of all intact forest on the concession and a sustainable landscape management plan incorporating further off-concession natural forest, (iii) responsible development of industrial rubber plantations on a concession with potentially over 50,000 people living on and around it, and finally (iv) the development of sustainable out grower programs within the concession.



Investing in a greenfield rubber operation is a long-term play and is not without its challenges. There are limited short-term benefits, as cash flows remain negative for prolonged periods, and social conflict and uncertainties are possible while the concession-holder establishes itself. Moreover, securing a suitable forest protection and management strategy requires inherent culture change in the Landscape.

<sup>1</sup>RLU is also developing a 20,000 hectare concession in East Kalimantan with similar sustainability ambitions. However, since East Kalimantan was not an approved jurisdiction for the &Green Fund as at the reporting date, this report focuses on the concession in Jambi and the results achieved there.



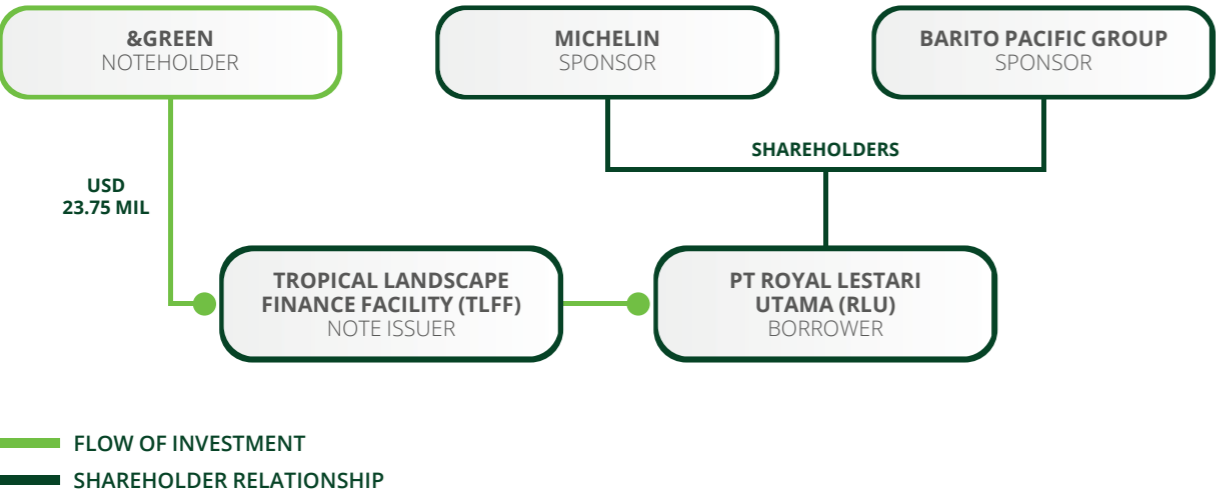
FINANCIAL CATALYST

&Green invested in RLU through a Note issue structured by the Tropical Landscape Finance Facility (“TLFF”). TLFF is an initiative facilitated by the UN Environment Programme, the World Agroforestry Centre, ADM Capital and BNP Paribas. BNP Paribas created a capital markets instrument to provide funding directly to the client. RLU is a joint venture partnership between the global tyre manufacturer, Michelin Group, and Barito Pacific, an Indonesian industrial conglomerate.

The full Note issue raised USD 95 million for RLU, which included &Green’s investment of approximately USD 24 million. The senior tranche (15-year tenor) was fully secured by a USAID guarantee (and thus triple-A rated by the rating agencies) and &Green bought the entire 15-year unguaranteed tranche (secured pari passu with the same collateral, but not guaranteed and unrated). In order to get to a relevant exposure to exert some influence, &Green furthermore purchased a portion of the 7-year tranche, which has a bullet repayment and is also secured pari passu, but not guaranteed and unrated. Both these tranches are well beyond the tenors that the market normally provides for Indonesian risk and, given that the Notes would be illiquid (i.e. not traded frequently), &Green’s investment played an important role in making the Note issue a success and helped to catalyse further investment into the other tranches.

&Green also hopes to be a catalyst for RLU’s project to raise a total of between USD 300 and 400 million which it requires to fully develop and safeguard its Landscape. As Facility Manager for the Note issue, ADM Capital Foundation acts as the key manager of the Environmental and Social performance on the Issue, as well as the negotiations with RLU.

PROJECT STRUCTURE



ENVIRONMENTAL AND SOCIAL APPROACH

*&Green has classified this transaction as high environmental & social (“E&S”) risk due to the complexity of the landscape and its social dynamics. High levels of land claims on the concession require careful management of relations with surrounding communities, including indigenous people. Environmental risks relate to biodiversity conservation, in particular regarding the impact on forests and endangered species.*

&Green’s investment advisor completed a thorough due diligence process, taking approximately twelve months to move from initial interest in the project to disbursement in February 2019. This process included two site visits to RLU’s concession in Jambi, as well as multiple interactions with RLU’s senior management in Jakarta, and meetings with both shareholders in Jakarta and Clermont-Ferrand (France), respectively. Furthermore, a social expert was hired by &Green to partner with the investment team on their second site visit.

The core tenets of &Green’s negotiations during this process were focused on the Environmental and Social Action Plan (“ESAP”) to be agreed with RLU and TLFF, and the Landscape Protection Plan (“LPP”) to be developed with RLU. &Green requires a No Deforestation No Peat No Exploitation (“NDPE”) Policy from all its investees, however in this case Barito Pacific and Michelin already have these commitments in place, which was encouraging for the Fund to see.

Besides the ESAP and LPP being the core of &Green’s focus, the investment team wanted to strengthen its ability to influence the project and ensure that overall impact is delivered over the period of its investment. This was done by negotiating an observer position on the Environmental and Social Advisory Board (“ESAB”) which meets quarterly and includes key stakeholders and RLU management. Furthermore, by buying 25% of the Notes, &Green is in a stronger position to influence the way in which the project is managed, specifically with reference to the delivery of E&S performance.



KPIs AND PERFORMANCE SO FAR

Highlights

RLU’s project is still in an early stage, and the results should be considered in that context. When &Green invested in this project it knew that it would need to play a key role in advising and supporting the client with meeting international standards of E&S management, in particular because of the complexity of the Landscape. &Green remains of the view that the client is committed to implementing those standards. Although this may be a challenging process, it is critical that this kind of work is carried out in Indonesia, and in particular in the rubber supply chain, because it has the potential to create a blueprint for successful, sustainable natural rubber concessions in the region.



The highlights of RLU’s achievements in 2019 include the **success of their ranger team in protecting the remaining forest** on their concessions, primarily within the Mandelang Forest Reserve on the Jambi concessions and the forest reserves in the East Kalimantan concession.

Furthermore, the ranger team runs joint patrols with National Park staff to protect the southern border of the Bukit Tiga Puluh National Park from encroachment. In 2019 these patrols **successfully stopped illegal loggers** from accessing the Park, by closing off 3 access points via RLU’s concession.



Additionally, **RLU decided to undertake a reassessment of their High Conservation Value (“HCV”) areas** (initial assessment had taken place in 2015) and also to include High Carbon Stock (“HCS”) areas utilising the HCVHCSA Assessment Manual. The assessment will be finalized in 2021 and will result in an update and optimization of RLU’s conservation areas.

As part of the social inclusion objectives, RLU’s smallholder programme commenced in two locations on the Jambi concession, following a much larger scheme with 300 smallholders already in place in East Kalimantan. Farmers in the scheme receive technical support and they benefit from a rubber offtake agreement with RLU. Moreover, RLU has engaged intensively with communities on the concession, in particular with three indigenous groups (Orang Rimba), facilitated by an external indigenous people specialist team. This has resulted in two initial Memorandums of Understanding which provide the basis for deeper engagement going forward.

Impact Monitoring

&Green measures the impact performance of its investment in RLU in accordance with the following environmental return and social inclusion categories, as per the Fund’s Lending Guidelines.



The E&S Return targets reported here cover the two concessions in Jambi. While additional significant E&S Return is targeted for the East Kalimantan concessions, the region was not an approved jurisdiction for the &Green Fund at the reporting date, and is therefore not included in this Annual Report. However, &Green continues to monitor progress expected from these areas in East Kalimantan (which has subsequently been approved as a jurisdiction eligible for investment by &Green).

In total, RLU has set aside over 18,000 hectares for conservation on the approximately 70,000 hectares Jambi concessions, based on an HCV study. However, some of the set aside areas are occupied by local communities or land speculators, and RLU aims to gain control over these areas over time, in order to ensure their protection. Progress will be influenced by the need to balance conservation targets with social dynamics. RLU aims to contribute to forest protection in the landscape surrounding its concessions. The company is driving this effort through the creation and management of a Wildlife Conservation Area (“WCA”) of approximately 9,700 hectares located in the part of the Jambi concessions that is directly adjacent to Bukit Tigapuluh National Park and to two Ecosystem Restoration Concessions under management of PT Alam Bukit Tiga Puluh (“PT ABT”). With this, RLU and its partners are working to reduce encroachment pressure on protected areas in the Landscape (totaling more than 60,000 hectares).

In order to understand the protective function of the RLU concession for the National Park and the other Conservation Areas bordering the concession, &Green has committed to monitoring forest cover in the Landscape, outside the RLU concession. &Green and RLU have appointed a satellite service provider which will allow &Green to obtain this Landscape data and which will also support RLU in obtaining the data to report on forest cover — both current and historic — for their concessions. This process commenced in 2020 and therefore the year-end 2019 data is not available for this report.

**With respect to the LPP and ESAP action items due for completion during 2019, RLU was behind schedule on a number of deliverables, with some needing to be restructured or restated. &Green continues to work closely with the TLFF Facility Manager and the client to keep these items in focus, and the &Green investment team has increased its resources allocated to supporting the project.**

PRIORITY ACTIONS FOR THE COMING YEAR

2020 is an important year for RLU to keep to its planting development plan but also to embed a sound E&S approach to get on track with its own action plan. &Green’s physical monitoring visit is likely to be delayed due to COVID-19 related travel restrictions, however the Fund will continue to put significant resources to work to assist the project in delivering on its targets. During 2020, RLU intends to expand on its smallholder scheme and to work on further fundraising in order to meet its investment targets in the medium-term. It is relevant to note that the Fund has had a number of interactions with RLU with respect to the impact of COVID-19 on its operations, and there has been no interruption to RLU’s operations other than constraints on management’s ability to travel to the concessions. RLU maintains a comfortable cash position and a strong relationship with Michelin, as a shareholder and client for its rubber.

4.2 SUBSEQUENT EVENTS (Q1 2020)

RONCADOR

In the last quarter of 2019, the &Green Board of Directors approved, on the advice of the external Credit Committee, the provision of USD 10 million loan finance to Agropecuária Roncador Ltda (“Roncador”). Subsequently, the transaction was concluded and executed in 2020. Roncador is a family-owned cattle and soy farming business, operating since 1978 on a single farm of approximately 150,000 hectares in Mato Grosso, Brazil.

Roncador will use &Green’s financing to scale-up a business model for cattle and soy integration through soil restoration, recuperation of degraded pastures and integrated crop and livestock (“ICL”) management practices. &Green is supportive of this initiative, as it will create a blueprint for a new farm management approach — maximizing desirable environmental effects by combining productivity growth with forest conservation in the process of intensifying land use. The project will deliver large environmental returns, including over 60,000 hectares being sustainably restored and intensified, more than 70,000 hectares being conserved and restored, and the development of an outreach plan to neighbouring smaller farmers to provide learnings on Roncador’s approach.

The &Green investment team has been in discussions with Roncador over the past two years. However, once trust was built between the teams, moving the process from first stage approval (in June 2019), through due diligence and to final approval (December 2019), was efficient.



An actionable ESAP has been agreed with Roncador, as were targets (with milestones) set out in an LPP. Both plans, as well as an NDPE commitment from Roncador, were part of the loan agreement conditions with &Green.

DSNG

During the second half of 2019, the &Green investment team began formal discussions with PT Dharma Satya Nusantara Tbk (“DSNG”) and progressed efficiently through its due diligence process in the second half of the year. The transaction entails a USD 30 million long-term loan facility and was concluded in early 2020 with an initial USD 5 million disbursed by April 2020.

With &Green’s financing, DSNG will be working towards meeting international sustainability standards (including IFC PS and RSPO), as well as its commitments in terms of the &Green LPP. This includes incorporating third party suppliers in a traceable deforestation-free supply chain and forms the basis for an NDPE throughout the group and its supply chain, including smallholder farmers, by 2025.

In so doing, DSNG’s commitment to transparency and accountability, via the loan conditions agreed with &Green, could become a model for other growers in the palm oil sector.



During 2019, &Green's Investment Advisor spent considerable time building a pipeline of transactions which it forecasts to execute in 2020 and 2021. In discussing &Green's approach to originating deals, it is worth looking at the process from both a top-down and a bottom-up perspective.

### 5.1 SECTORAL AND JURISDICTIONAL PERSPECTIVE (TOP-DOWN)

&Green is a thematic investor looking for projects which fit squarely within the core mission of delinking deforestation from major commodity supply chains. Accordingly, the investment team looks at new opportunities using this simple decision tree.



This approach is important to eliminate opportunities which might be good projects on a stand-alone basis, but which do not fit squarely within &Green's Theory of Change.

The reality of the &Green approach is that it involves working in some of the most challenging supply chains and jurisdictions, not least because of the obvious reputational risks. In order to better enumerate the investment process by which it assesses and then mitigates E&S risks, &Green has begun formulating its sector Position Statements, which explain the Fund's approach to these high-risk sectors. This project will be a focus during 2020 and each Position Statement will be published once it has been finalised by the Fund.

During 2019, &Green reassessed and approved the Brazilian state of Mato Grosso as a jurisdiction eligible for &Green investment. This decision was made on the back of rigorous analysis (published on the Fund's website) which showed that, despite concerns in the global media about the Brazilian government's commitment to environmental policies, the state of Mato Grosso had made real progress in the past 2 years (since its last assessment against the Fund's jurisdictional eligibility criteria). Other jurisdictions which were up for re-assessment in 2019 included Liberia and the South Sumatra province of Indonesia. However, due to a lack of pipeline in these jurisdictions, they were not reassessed, but will rather be reconsidered in the event that concrete investment opportunities are developed in these jurisdictions.

### 5.2 LEADS (BOTTOM-UP)

Besides continuous deal origination in Brazil and Indonesia (through SAIL's team members on the ground in those jurisdictions), the &Green investment team has been able to develop actionable transactions from scoping and due diligence trips to Colombia and Gabon during the year. The main observations are that cattle and palm oil are the most prominent sectors in the pipeline. Both are highly relevant sectors for &Green, but in the Fund's first year the investment team has been methodical in finding the right clients and projects to pursue in those sectors. We believe that this type of scoping and assessment is the necessary process for a new Fund as it filters through a large funnel of potential investment opportunities to the those with the right fit and timing. The African continent, and in particular the Congo Basin, are not yet well represented in the &Green pipeline. However, the Fund accepts that it will take longer to find the right opportunities in the region, given the limited commercial operations at scale in the jurisdictions of interest for &Green's Theory of Change. Nonetheless, &Green has investigated opportunities in both Liberia and Gabon during 2019.

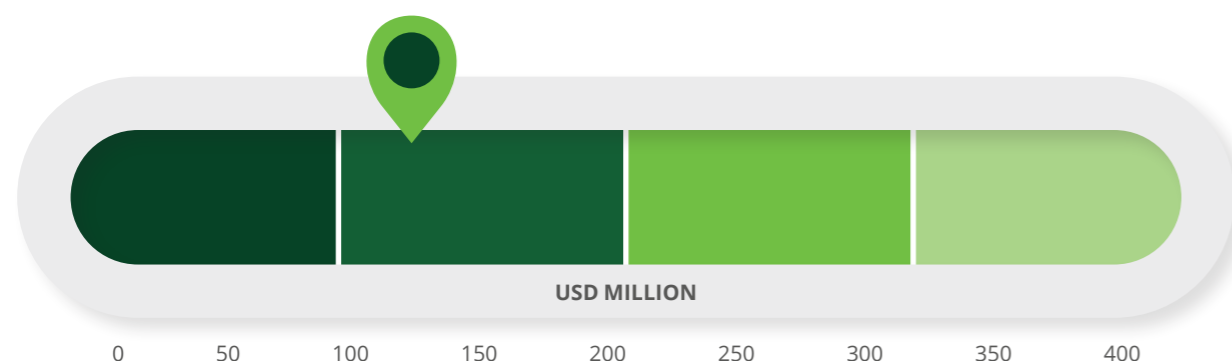
***A core observation, initially realised in 2018, is the unexpected role of &Green as the lead arranger and structurer on nearly all of its transaction opportunities. Often there is a lack of like-minded co-investors willing to invest in these sectors (or in land use in general). Although this considerably increases the workload of the &Green Investment Advisor, it does mean that the Fund is pioneering in its investable universe and it has a larger key role in establishing a commercially viable path for others to follow. This will happen when the first transactions are seen as credible by other investors, and perceived risks are reduced over a reasonable period of time.***

During 2019, the pursuit of certain opportunities was terminated by &Green for various reasons. These reasons included: a prospective client being unwilling to sign an NDPE, elements of natural forest logging (not permitted by the Fund's Guidelines), financially unsustainable project proposals, irregularities found in land titles or land acquisition, and a deterioration in the financial quality of the client during the course of the investment process. Furthermore, some promising transactions have been delayed for reasons including deteriorating low commodity prices, changes in the governance of the business, and — quite often — a more detailed approach to assessing E&S risks of the project being required by &Green.

With one transaction closed and implemented, two further transactions now signed, and negotiations on sufficient opportunities mature enough to anticipate a strong portfolio of projects by 2021, &Green has intensified its focus on further fundraising to reach its 'fully invested' target of USD 400 million.

Following the commitments from NICFI (2017), Unilever (2018) and GEF (2018), &Green has been able to make progress with government donor agencies, multilateral organisations and development finance institutions ("DFIs") during 2019. The latter is a new channel which the Board decided to pursue in the second half of 2019, given the expectation of a strong portfolio which will be capable of repaying loan contributors. The Fund has also identified the natural fit of the &Green focus with certain impact investors.

The expectations and values of the Fund's existing contributors are constantly considered and SAIL Ventures, the Board and the Advisory Board have clear lines of communication with all contributors. Whilst funding is secured to finance the two further transactions and the mature transaction in the pipeline in 2020, the Board remains focused on securing at least USD 40 million in the coming year in order to meet its investment targets. This is a major focus for &Green in 2020, as the Fund starts building momentum in the market.



### TARGETED CONTRIBUTORS

The Fund is aware that additional capital in the form of concessional loans will increase its cost of capital, with the associated credit risk as a borrower. However, the investment advisor has run multiple scenarios and has provided comfort that an optimal blend of the different types of finance can be managed to ensure the viability of the Fund's capital structure. The non-grant fundraising targets are to be maintained at an acceptable level to manage this increased cost and risk to the Fund.

### EXISTING CONTRIBUTORS

&Green currently has grants and redeemable grants contributed by NICFI, Unilever and GEF.

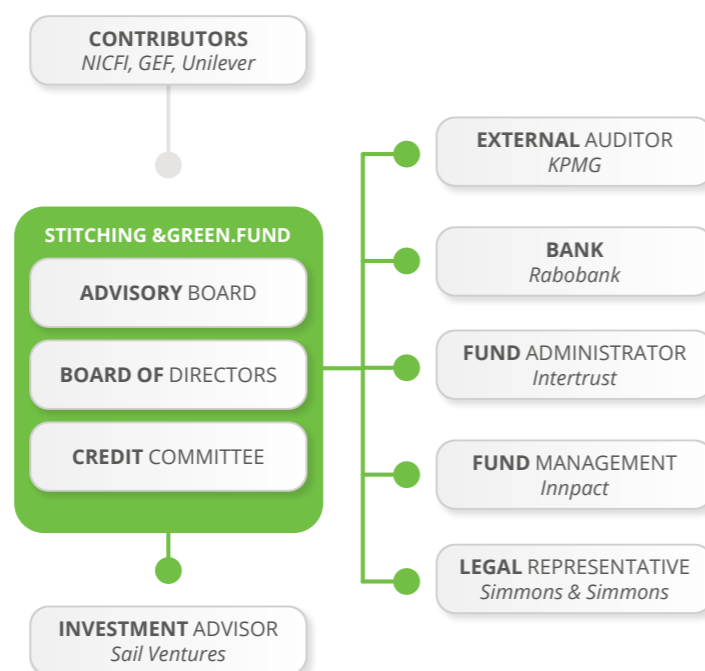
CONTRIBUTORS	DATE CONTRIBUTED	INSTRUMENT	AMOUNT	TENOR
NICFI	Q1 2017	Grant	USD 61,525,093 (unconditional and drawn down)  USD 34,158,371 (as at 31 December 2019 and conditional upon further fundraising)	NA
Unilever	Q2 2018	Redeemable Grant	USD 25,000,000	15 YRS
GEF	Q4 2018	Redeemable Grant	USD 1,925,000	20 YRS
<b>TOTAL</b>			<b>USD 123,064,094</b>	

The commitment from NICFI is denominated in Norwegian Krone (NOK) and the value of the undrawn conditional funding is impacted by the NOK/USD exchange rate, which has moved unfavourably during 2019 (and again in early 2020 in response to COVID-19 and turbulence in the oil markets). A key focus for the Fund in 2020 is to attract enough further fundraising to access the conditional funding from NICFI.

At the end of 2019, &Green began a mid-term evaluation of the Fund in line with the NICFI Contribution Agreement. This evaluation has been completed in April 2020 and is available on our website.



*&Green is a Foundation ("Stichting"), registered in the Netherlands. Its governance structure is designed to safeguard the environmental and social return as well as the financial and commercial sustainability of the Fund and its investments.*



## BOARD OF DIRECTORS

The Board of Directors are the legal representatives of the Fund. The Board has the general responsibility for all aspects of the administration and management of the Fund. The Board appoints all service providers to the Fund, including the Investment Advisor, and the members of the independent Credit Committee.

## ADVISORY BOARD

In discharging its duty, the Board of Directors receives strategic advice from the Advisory Board. The Advisory Board is comprised of representatives of the Contributors to the Fund, as well as experts in political, policy, supply chain, and other relevant matters. The Advisory Board is also responsible for approving new jurisdictions in which the Fund may invest, and any amendments to the overall mission and vision of the Fund, including key investment principles. The Advisory Board appoints the Board of Directors.

## CREDIT COMMITTEE

The Credit Committee is appointed by the Board of Directors. Its main function is to approve the transactions and investment decisions proposed by the Investment Advisor, and to review and approve any potential action needed on all relevant monitoring impacts brought forward by the Investment Advisor which occur after an investment is made by &Green.

## 7.1 ADVISORY BOARD



**HELEN CLARK**  
CO-CHAIR OF THE BOARD

Mrs. Clark served as Prime Minister of New Zealand from 1999 to 2008 and was the Administrator of the United Nations Development Programme from 2009.



**ELLEN JOHNSON SIRLEAF**  
CO-CHAIR OF THE BOARD

Mrs. Johnson Sirleaf served as the 24th President of Liberia from 2006 to 2018.



**PER PHARO**  
MEMBER OF THE BOARD

Mr. Pharo is Director of the Government of Norway's International Climate and Forest Initiative, at the Norwegian Ministry of Environment.



**MARC ENGEL**  
MEMBER OF THE BOARD

Mr. Engel is the Chief Supply Chain Officer, Unilever. In his 20-year career with Unilever, Marc has worked in Singapore, the Netherlands, UK, Brazil, Switzerland and Kenya.



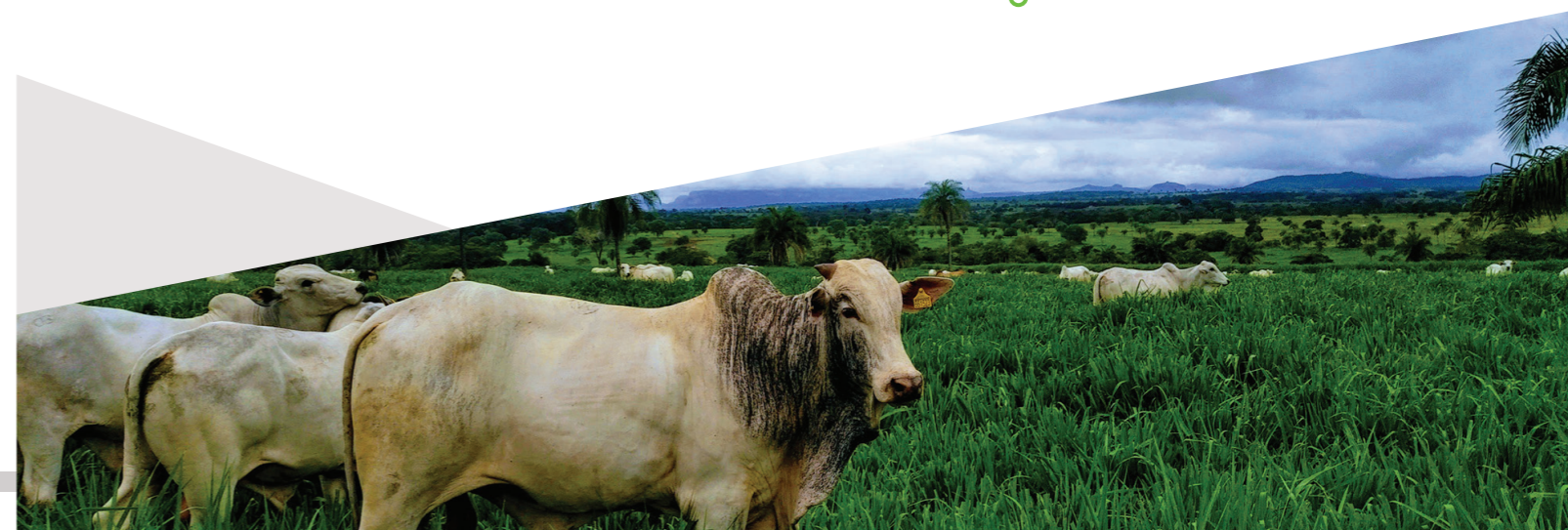
**BAYU KRISHNAMURTI**  
MEMBER OF THE BOARD

Dr. Krisnamurthi has served at a senior level in the Ministries of Trade, Agriculture, Coordination and Economic Affairs within the Indonesian government.



**ROSA LEMOS DE SÁ**  
MEMBER OF THE BOARD

Mrs. Lemos de Sá is Secretary General of Funbio (in Brazil).



## 7.2 BOARD OF DIRECTORS



**NANNO KLEITERP**  
CHAIRPERSON OF THE BOARD

Nanno is also the Chairman of the European Development Finance Institutions (EDFI), and the former CEO of the Dutch Development Bank (FMO).



**CLAUDIA MARTINEZ**  
MEMBER OF THE BOARD

Claudia is the Executive Director of E3 and has previously served as Deputy Minister of the Environment of Colombia.



**FELIA SALIM**  
MEMBER OF THE BOARD

Felia has spent more than 30 years in banking and finance, including as director of PT Bank Negara Indonesia.



**JOOST OORTHUIZEN**  
MEMBER OF THE BOARD

Joost is currently the Executive Director of IDH Sustainable Trade Initiative.

## 7.3 CREDIT COMMITTEE



**AGNES SAFFORD**  
CHAIRPERSON OF THE COMMITTEE

Agnes is currently the Managing Director of GreenWorks Asia and has previously held director-level positions at 101 Capital, Abacus Capital, and was the Managing Director of ABN Amro Securities in Jakarta.



**LUIZ AMARAL**  
MEMBER OF THE COMMITTEE

Luiz is the Global Manager for Commodities within the Global Forest Watch (GFW) program of the World Resources Institute. Before joining WRI, Luiz was the head of corporate socio-environmental responsibility for Rabobank in Brazil and South America, responsible for E&S risk assessment processes.



**CHIMWEMWE DE GAAY FORTMAN**  
MEMBER OF THE COMMITTEE

Chimwemwe is currently an independent financial advisor in the agrifood sector (including international forestry). She has worked in the development finance sector (FMO) in Latin America, and has covered agribusiness clients, both SMEs and large corporates, whilst at Rabobank in the Netherlands.

## 7.4 ATTENDANCE & DECISIONS

Attendance at Board Meetings, Advisory Board Meetings and Credit Committee Meetings:

DIRECTOR / MEMBER	ATTENDANCE
ADVISORY BOARD	
Helen Clark	2/2
Per-Fredrik Ilsaas Pharo	2/2
Rosa Lemos de Sá	2/2
Bayu Krishnamurti	2/2
Marc Engel	2/2
Ellen Johnson Sirleaf	0/2
BOARD OF DIRECTORS	
Nanno Kleiterp	5/6
Joost Oorthuizen	5.5/6
Felia Salim	6/6
Claudia Martinez	5.5/6
CREDIT COMMITTEE	
Agnes Safford	7/7
Luiz Amaral	7/7
Chimwemwe de Gaay Fortman	7/7

*During 2019, several key decisions were made by the various governance bodies of &Green.*

Most importantly, the &Green Board of Directors approved the purchase of the Notes through which the investment into Royal Lestari Utama was made (February 2019). The Advisory Board confirmed the current mission and approach of &Green at both of their meetings in 2019. Furthermore, the Advisory Board approved the eligibility of following jurisdictions for investment by &Green: Gabon (first assessment), West Kalimantan - Indonesia (first assessment), and Mato Grosso - Brazil (reassessment).

The Board of Directors delegated certain oversight functions between the members, including responsibility for Asset and Liability Management, Tax, Environmental & Social impact, Fundraising, and management of the Credit Committee and Investment Advisor. The &Green Credit Committee approved the investment in Roncador — a cattle and soy operation in Mato Grosso — and the Board of Directors ratified the decision, allowing for this transaction to be executed in 2020.

Finally, in their June meeting the Advisory Board discussed the extension of the contracts of the current members of the Board of Directors, who have now served a mandatory two-year term. The Board of Directors completed a self-evaluation and a full 360 assessment based on which the Advisory Board unanimously agreed to extend contracts with all Directors, wanting continuity in the Fund in these early years. The Advisory Board noted, however, that changes at the Board of Directors level should be staggered in the future so as to allow for sufficient knowledge transfer.

## 7.5 CORPORATE GOVERNANCE REVIEW

### ETHICS

Principles of ethical behaviour are set out in the Fund's Code of Conduct. The Advisory Board and Board of Directors ensure ethical behaviour in all their dealings, such that stakeholders can expect that the Fund will act in good faith, with no bribery accepted or permitted and all conflicts of interest disclosed. The Fund governance structures require that these governance practices promote responsible investment, achieve good governance, promote ethical culture and enhance effective control, good performance and legitimacy. Features of the &Green Fund's approach to ethics include:



### BOARD OF DIRECTORS

- The Board of Directors members are appointed for a term of two years, after which they are eligible to be reappointed for a maximum of four consecutive terms.
- A list of other mandates and interests of the Board of Directors members is maintained, and the members confirm that the list is correct at each quarterly Board of Directors meeting.
- Furthermore, the Fund has a Conflict of Interest policy which sets out the Board of Directors responsibilities in respect of potential and perceived conflicts of interest. Primarily, Board of Directors members are expected to avoid conflicts of interest and, where this is not possible, they have a responsibility to disclose any areas of (potential) conflict of interest to the Fund, following which the Fund will make a recommendation of the required remedial action.
- A list of the roles delegated to each of the Board of Directors members, together with their specific oversight portfolio, is maintained and tabled at each meeting of the Board of Directors.
- A list of the powers delegated by the Board of Directors, whether to its members or any other party, is maintained and tabled at each meeting of the Board of Directors.



## &GREEN'S PHILOSOPHY

THE WORLD NEEDS TO REACH ITS  
**GLOBAL CLIMATE CHANGE MITIGATION**  
AND BIODIVERSITY CONSERVATION GOALS, WHILE STILL BEING ABLE TO  
**MEET THE GROWING DEMAND FOR COMMODITIES**

## 8.1 SAIL VENTURES

SAIL Ventures ("SAIL") has established itself as a trusted partner and capable advisor to the &Green Fund since July 2017. SAIL is responsible for the identification, preparation, structuring and execution, and monitoring of &Green's investments, as well as arranging partnerships with co-investors. SAIL also shares responsibility for fundraising with the &Green Board of Directors.

A boutique investment firm headquartered in the Netherlands, SAIL was created with the mission to manage capital for clients seeking long-term sustainable returns. The firm aims to support its portfolio clients in turning their ideas into financed on-the-ground execution which delivers lasting impact. Wholly owned by management, SAIL has a focused team of highly experienced staff working on the &Green Fund, with offices in The Hague, Singapore and Sao Paulo. The team has over 200 years of collective experience in private market investing, primarily in the agri-finance sector, combining financial acumen with extensive environmental, social and governance expertise.



During 2019 SAIL enhanced its skill base with six new hires across the business: Environmental and Social analysis and client engagement (3), Investment and financial (1) and Operations (2, including a COO). SAIL operates in a truly integrated manner. It has built a diverse and experienced team that is able to understand opportunities from a holistic point of view, and is supported by external specialists as needed. The team is thus able to assess financial and operational quality of potential investments by looking at credit, environmental, social and governance factors as they continually interact with each other.

Furthermore, during 2019, SAIL's trusted Brazilian partners (constituting Pawa Finance), with whom it has been working in close association since 2017, were incorporated into SAIL, as partners in the business. Erik Peek and Gustavo Oubinha have a high degree of experience that is directly relevant to the &Green mandate, particularly in Brazil and the wider Latin American environment. They were instrumental in closing the Roncador transaction, and have brought further pipeline to the Fund.

Having closed the first transaction during 2019, SAIL has provided comprehensive support to &Green's client post the investment, particularly with respect to delivering on its environmental and social agenda set out in the Landscape Protection Plan (LPP) and Environmental and Social Action Plan (ESAP). SAIL believes strongly in building partnerships with &Green's portfolio clients and has been investing the required resources to help the Fund's portfolio thrive in the long run.

## 8.2 THE PROCESS

&Green has a rigorous but agile investment process. Firstly, jurisdictions within which investments from &Green can be made must be approved by the Advisory Board. This is done on an ad hoc basis as well as in the Advisory Board's semi-annual meetings. Within these approved jurisdictions, the Investment Advisor typically originates project leads. There is then a two-step approval process with an independent Credit Committee. At the end of this process, the Board of Directors is required to sign off on all final Credit Applications. SAIL Ventures, the Investment Advisor of the Fund, is tasked with bringing credible projects, which meet &Green's criteria, to the Credit Committee and Board.

## TECHNICAL ASSISTANCE

An amount of USD 1 million from the contribution made by NICFI has been ring-fenced for a technical assistance budget (the "TA Budget"), with effect from 1 July 2019.

The TA Budget allows the Fund to support the development of its pipeline projects, aiding in both pre- and post-funding stages. Specifically, the TA Budget will be used to support potential borrowers to comply with the Fund's Environmental & Social Management System ("ESMS"), which is required to qualify for financing by the Fund.

Areas eligible for support from the TA Budget must relate to Fund investment criteria that go above the typical criteria of local or international financial institutions, and that create an entry barrier for the Fund's clients. This would include financing of a gap analysis against international standards (such as IFC Performance Standards and RSPO), mapping of supply chain activities, and business plans for a 3rd party supplier program, amongst others.

The provision of Technical Assistance is managed by the Investment Advisor.



## 8.2 THE PROCESS - EXPLAINED

### SOURCING

1

#### LEAD GENERATION

The Investment Advisor, SAIL Ventures, spends time sourcing projects in key focus countries, but also reviewing opportunities which might arise in other locations. SAIL has resources on the ground in Brazil and Indonesia, but also travels consistently to other jurisdictions. Furthermore, SAIL uses its networks to source leads from relevant supply chains, NGOs, financial institutions, and bilateral and multilateral networks.

#### JURISDICTIONAL APPROVAL

&Green can only invest in projects in jurisdictions which the Advisory Board has approved, and thus which meet &Green's Jurisdictional Eligibility Criteria. The Investment Advisor prepares, with the help of specialist local consultants, an assessment for the Advisory Board to approve the jurisdiction. See further information on the Fund's website.

#### ENVIRONMENTAL RETURN NOTE

Internally, SAIL performs a high-level estimation of the Environmental and Social ("E&S") situation of the project lead and the ambition and plan for the project. At this early stage, project leads are screened against the &Green Impact Targets and Guidelines to assess the potential additionality which could be delivered.

### STRUCTURING & FUNDRAISING

2

#### DEAL NOTE & TERM SHEET

SAIL agrees with the client on a set of indicative financial, environmental, and social terms. This Term Sheet provides indication of the tenor, pricing, and Environmental and Social Return of the project. Typically other co-investors are already involved at this stage, or an agreement is made with the client as to how to incorporate further capital for the project.

SAIL drafts a Deal Note (i.e. an initial concept note) and presents the Term Sheet (which is agreed with the client) and the Deal Note to &Green's independent Credit Committee. The Credit Committee members will provide their initial thoughts on the project, specifically highlighting key focus areas for due diligence and where they see the most significant risks which the Investment Advisor should try and mitigate during due diligence.

### DUE DILIGENCE & FINAL APPROVAL

3

#### DUE DILIGENCE

SAIL will engage in a thorough due diligence of the project. This will include site visits, analysis of all financial, environmental and other documentation of the project and the company, and engagement with 3rd party stakeholders (e.g. local NGOs, government, and other lenders). During due diligence, the Investment Advisor will also negotiate, as needed, an environmental and social action plan ("ESAP"), a Landscape

Protection Plan ("LPP"), a No Deforestation No Peat No Exploitation ("NDPE") Policy and other safeguards with the client. Due diligence might include the use of specific experts (as may be needed given the project and its related risks). The due diligence process will inform the terms to be finally agreed with the client.

#### FINAL APPROVAL

SAIL will present a proposed transaction, in the form of a final Credit Application, to the independent Credit Committee. This will include everything agreed with the client and must meet the &Green Guidelines. The Credit Committee will assess the proposed transaction and will make a recommendation to the Board of Directors whether to approve the investment. Sometimes the Credit Committee members might suggest certain conditions which should be met before SAIL can make an agreement with the client. The Board of Directors has the final approval decision for the proposed transaction.

### IMPLEMENTATION

4

#### EXECUTION

Once the final approval has been given, &Green will move into contracting with the client. This legal process can take some time depending on the complexity of the financial structure. Having agreed on the loan documentation with the client and any co-investors involved, &Green is able to disburse to the project in line with the agreed disbursement schedule.

#### ANNUAL MONITORING

&Green monitors all projects through 1) satellite monitoring of the landscape area and 2) independent on-the-ground verification of the E&S performance within the landscape. Accordingly, the &Green website will reflect the annual performance of all projects.

#### EXIT REPORT

As an &Green project winds down and comes to a close, it is important to capture the learnings from the investment as well as the absolute and relative performance of the project for &Green. &Green will publish an exit report about the project.

## 8.3 INVESTMENT OUTLOOK

### MACRO-ENVIRONMENT

From a global perspective, 2019 faced some headwinds, with an ongoing US-China trade war and demand softness globally suggesting that the market pricing might be overblown. However, unemployment numbers, GDP growth, and corporate credit spreads all remained very positive over the year. Although over the past decade many had warned of a likely pandemic sweeping the globe at some point, few were prepared for COVID-19, a novel virus that broke out in China at the end of 2019 and hit Europe in early February 2020.

The consequent global lockdowns and travel bans have resulted in a significant market shock, which has changed the global outlook for 2020 and beyond into the medium-term. It is now likely that the many countries will face negative growth rates, unemployment will rise significantly, small businesses will fail and all companies will find it increasingly difficult to raise fresh capital – both debt and equity.

The lockdowns in the first quarter of 2020 are likely to evolve into continued cycles of partial physical lockdowns and social distancing measures for the rest of 2020 and probably 2021. This has direct impact on most sectors, not least the Food & Agri industry. Although people still need to eat during recessions, COVID-19 is already affecting processing and related logistics.



### &GREEN

During 2019, &Green cleared its first hurdle as it executed and deployed its first transaction. 2019 was also a year full of promise as an impactful pipeline matured. Building upon this progress, 2020 is when the rubber will hit the road, so to speak, in terms of the Fund's ability to make further investments and start to show its promise to deliver high-value scalable projects.

The 2020 business plan, approved by the &Green Board of Directors, targets a showcase portfolio of four to five transactions by the end of the year. The expectation for the Fund is not to add to its existing Jurisdictional scope, apart from in Africa if there is clear pipeline interest. &Green will further deepen its engagement with core partners — for example it is signing a formal partnership with IDH Sustainable Trade Initiative with respect to a TA Facility — but will maintain a low-key approach to further deal origination as it uses its growing portfolio as its main tool to evidence its Theory of Change.

Apart from executing on its pipeline, the largest focus for &Green in 2020 will be to attract contributors to join the Fund's anchor Contributors in continuing to scale up the concept. &Green will face investment restrictions in 2020 without further capital contributed to the Fund.

In light of the implications of COVID-19, formally disclosed in the audited financial statements as a post-year end subsequent event for the Fund, some of &Green's targets will be increasingly at risk if the lockdowns persist, global growth continues to stagnate and investment risk appetite diminishes. Despite this, &Green is in a strong position with available capital, a credible current portfolio and a mature pipeline ready for execution during 2020.

***As credit dries up globally, &Green's willingness to remain active and provide long-term capital to clients with strong businesses should increase the Fund's attractiveness in many markets. Thus the Fund's advisors do not necessarily see a negative impact for the Fund in terms of portfolio origination. Overall, the Fund is relatively resilient to the impacts of a global lockdown and recession over the longterm; however the advisors are expecting that over the medium-term there might be a slowdown in portfolio growth and fundraising due to the impact of COVID-19.***



### IMPORTANCE OF PARTNERSHIPS

&Green works in close collaboration with existing initiatives and organisations to protect and restore tropical forests. The Fund's Landscape approach requires participation from more than just the &Green client and its supply chain. Local government is often a relevant party, as are civil society actors in the area, both of which are often well-placed to engage communities within the Landscape. &Green reaches these stakeholders either directly, or through strategic partners, or often through the portfolio client.

### PORTFOLIO

During 2019, SAIL continuously engaged numerous stakeholders in respect of its first transaction, RLU. This included WWF in Indonesia and France, IDH Sustainable Trade Initiative and Partnerships for Forest as well as local organisations specialised in social inclusion and the environment.

UNEP and &Green have worked on an animation to show how &Green creates impact by financing this project, amongst others. &Green has also participated in UNEP efforts to create harmonised E&S and impact monitoring frameworks for transactions financing sustainable land-use, given the mutual interest as investors in RLU and TLFF, respectively.

### PIPELINE

Amongst other initiatives, &Green is working with The Nature Conservancy on an innovative financing scheme in Brazil, partnering with IDH to drive traceability in the cattle supply chain in Brazil, and jointly assessing the environmental integrity of a forestry landscape in Indonesia with USAID.

### LOCAL EXPERTISE

During 2019, the Board of Directors requested that the &Green investment team make effective use of local or regional experts, who have deep experience in the jurisdiction, when assessing specific elements of potential &Green projects. This occurred regularly during 2019, including hiring a Latin American forestry specialist to participate in the due diligence of a project in Colombia; an environmental and social compliance specialist working with the team on a cattle-soy integration project in Brazil; a team of environmental and social specialists assessing a palm oil company's operations in Indonesia; and locally based peat specialists reviewing a forestry operation in Indonesia which might have implications for the peat in the landscape.



While the Board has overall responsibility for risk management of the Fund, it has appointed various service providers to execute risk management functions. Day-to-day risk management is carried out primarily by the Investment Advisor, with support from the Fund Management Advisor and the Fund Administrator. The Fund has continued to improve its risk management on both the fund and portfolio level, in particular since the successful execution of its first investment during 2019. Data protection and cyber security has been a focus over the 2019 year and the first months of 2020. A more detailed risk management reporting framework has also been put in place. The Fund's Risk Management Policy aims to ensure that all potentially detrimental risks are identified, and that appropriate structures are in place to manage these risks.

Furthermore, each transaction is subject to extensive due diligence to evaluate all key risks. The Fund may take on project risk through providing financing directly to land-owners or -users, or indirectly via an intermediary or funding vehicle.

RISK DESCRIPTION	KEY MITIGANTS
REPUTATIONAL RISK	
The Fund's inability to meet perceived expectations of its stakeholders in terms of promoting its development objectives and high standards of integrity and social and environmental sustainability.	The Fund implements a comprehensive compliance framework for its service providers and for its borrowers, before and during the investment.
MARKET RISK	
<b>Commodity Price Risk:</b> Volatility and cyclicity of agricultural commodity prices impact borrowers' ability to meet repayment obligations.	The Fund accepts a level of market risk, however diversification across different commodities and markets acts as a mitigant. The Fund finances agricultural commodities in well-established markets that have a positive market outlook.
<b>Currency Risk:</b> The value of financial commitments and instruments issued in foreign currencies (other than the Fund's reporting currency, USD) fluctuates due to changes in foreign exchange rates.	Where possible and cost-effective, the Fund may elect to retain funds in foreign currency and rotate funds into new transactions within the same currency zone. The Fund intends to hedge all material currency risk.
<b>Market Liquidity Risk:</b> The Fund may invest in local debt instruments which may not be traded on a liquid exchange or market that provides regulatory authority over borrowers and debt instruments.	Although there is currently a limited market for the Fund's innovative debt instruments, the Fund's general policy is to hold debt instruments until maturity.
<b>Funding Liquidity Risk:</b> The risk that cash resources are not managed in a way that enables the Fund to meet its obligations, due to a mismatch between the Fund's assets and liabilities. Delays and restrictions in repatriation of investment income and principal can further aggravate liquidity risk.	The Fund mitigates this risk by raising significant financing through grants and redeemable grants. Liquidity Management measures include maintaining an adequate amount of capital commitments and cash deposits from contributors that can be drawn upon. The Fund may also make temporary use of short-term credit lines to bridge any short-term funding gap and can structure its investments to stagger the tranches to suit its liquidity profile.



## 10.1 COMPLIANCE

&Green operates under a compliance framework which covers compliance with laws and regulations, as well as adherence to the Fund Documentation, Lending Guidelines and Contribution Agreements. The Fund incorporates a range of policies and guidelines in order to manage and monitor identified risks to the fund, including:

- *The Articles*
- *Lending Guidelines*
- *Risk Management Policy*
- *AML/CFT Policy*
- *Conflict of Interest Policy*
- *Any other policy that the Board may deemed necessary to manage and monitor the risks in the Fund.*

The Fund's compliance framework also requires that all service providers, and their employees and associated personnel, comply with all applicable laws, codes and standards, in all jurisdictions where the Fund is represented. In addition, the Fund's Code of Conduct, which applies to all parties working for/with the Fund, provides an ethical framework, including values, commitments, responsibilities and integrity for which the Fund stands.

***Compliance capabilities of the Fund have been strengthened by the appointment of service providers to ensure the Fund's compliance with all applicable legal, regulatory and accounting requirements. During 2019 the Fund Management Advisor, Innpact, was responsible for risk compliance and management. The Fund Administrator, Intertrust, provides regulatory and compliance services.***

The Fund needs to be in compliance with its Fund documentation and investment restrictions (mission compliance). The Advisory Board is in place to check that the Board of Directors' decisions and other governance actions are in accordance with the Fund's documents. The Board of Directors' responsibilities include compliance with the Fund's risk limits, based on lending restrictions in place to ensure proper risk management. Compliance monitoring tools are in place to address borrowers' compliance, on top of the Fund's operational compliance.

The Fund's methodology and standards for assessment are supported by comprehensive policies and guidelines on integrity principles. The Fund implements standards on know-your-customer (KYC), anti-money laundering (AML) and counter financing of terrorism finance (CFT), responsible finance and environmental and social sustainability including the requirement to obtain Free, Prior & Informed Consent for all activities affecting customary rights holders in the Environmental & Social Management System (ESMS).

RISK DESCRIPTION	KEY MITIGANTS
COUNTERPARTY RISK	
<b>ESG Risks:</b> Internal and external risks associated with borrowers' ability to act in a manner consistent with their contractual agreements. The Fund has no role in the governance of borrowers.	Counterparty risk of each of the Fund's borrowers is monitored on a regular basis. The Fund's environmental, social and business ethics and integrity requirements are written into its debt covenants.
<b>Default and Insolvency Risk:</b> The risk of any one or more of the borrowers defaulting through non-payment of interest and/or principal repayment.	The Fund performs intensive due diligence in order to pre-select potential borrowers. The Fund closely monitors default risk throughout the investment and includes appropriate financial covenants in its lending agreements.
COUNTRY RISK	
The Fund's investments may be affected by unforeseen changes in domestic or foreign political developments, civil disorder or constitutional crises. Abrupt changes of policy with regard to taxation, the government's fiscal and monetary stance, currency repatriation and other economic regulations are also possible.	The Fund uses all reasonable endeavours to operate with the full support of governments at national and jurisdictional level and in compliance with local laws and regulations. The commitment to obtain Free, Prior & Informed Consent for any activities that might affect customary or legal land rights also mitigates the risk of land tenure disputes. The jurisdictions in which the Fund operates are carefully selected through the jurisdictional assessment process.
OPERATIONAL RISK	
Due to the early-stage of the Fund, there is a risk that the Fund will not achieve its investment objectives, and strict lending criteria could constrain deal flow. The Fund is also exposed to operational and compliance risks stemming from the processes, people and systems of the Fund's service providers.	The Fund operates with a three tier governance structure and has appointed a well-qualified investment team and back office to operate the Fund. The Fund will finance transactions alongside established financial institutions that will bring additional expertise in credit rating and financial structuring.
BIOPHYSICAL RISK	
Agricultural commodity production is subject to a number of biophysical risks, such as fire, extreme weather events, pests and diseases, that can significantly affect biological growth and result in crop failure or livestock mortality, or human resources constraints which may impact the value of investments.	The Fund finances established producers with significant track record in commodity production through many cycles. Each transaction is subject to due diligence to evaluate all the key risks — including biophysical risks — to a borrower's cashflow projections.



The tables below represent the portfolio's progress towards quantitative targets related to environmental protection, agricultural production and social inclusion. In addition, the progress on actions that the clients have agreed to undertake in order to achieve these targets is reported. It is important to note that, as at 31 December 2019 the only client in the portfolio was RLU.

#### FORESTS CONSERVED OR RESTORED:

In total, RLU has set aside 18,370 hectares for conservation on the approximately 70,000 hectares Jambi concessions, based on a High Conservation Value (HCV) study. However, some of the areas are occupied by local communities or land speculators and RLU aims to responsibly gain control over these areas over time to ensure their protection. Progress will be influenced by the need to balance conservation targets with social dynamics.

LAND UNIT	FOREST COVER (HA)			PROTECTED AREAS UNDER CONTROL BY RLU (HA)				FOREST RESTORED (HA) <sup>1</sup>		
	2018 Baseline	2019 Target	2019 Status	2018 Baseline	2019 Target	2019 Status	2033 Target	2019 Status	2019 Target	2033 Target
FOREST CONSERVED	3,693	3,696	3,696	2,000	Not available <sup>2</sup>		5,073	0	292	4,484

<sup>1</sup>Hectares of Restored Forest will be counted under &Green's "Forest Restored" as well as "Forest Conserved" KPI to account for the resources required to protect the forest, once restored.

<sup>2</sup>RLU is undergoing an HCV-HCS reassessment in 2019/2020, hence the designated Protected Areas are subject to change.

#### AGRICULTURAL INTENSIFICATION:

LAND UNIT	AREA (HA)			
	2018 Baseline	2019 Target	2019 Status	2033 Target
RLU RUBBER PLANTATION	14,051	17,551	20,000	30,000
SMALLHOLDER PLASMA <sup>1</sup>	0	0	0	6,000

<sup>1</sup>RLU has initiated a smallholder in-situ programme with 33 farmers, however, agreements are recent, and no replanting or measurable intensification had taken place by the end of 2019.

#### SOCIAL INCLUSION:

SOCIAL INCLUSION:	HOUSEHOLDS BENEFITTING			
	2018 Baseline	2019 Target	2019 Status	2033 Target
JOBS <sup>1</sup>	4,430	No Yearly Target	4,320	13,200
SMALLHOLDERS BENEFITING FROM COMMUNITY PARTNERSHIPS	0	No Yearly Target	33	3,000

<sup>1</sup>The jobs numbers for RLU reflect jobs across Jambi and East Kalimantan, as many functions, especially E&S related, serve all of the plantations.

#### LPP ACTION ITEMS COMPLETION:

	LAND COVER MONITORING	SOCIAL IMPACT MEASUREMENT	OPERATIONAL TRANSPARENCY	LANDSCAPE STAKEHOLDER ENGAGEMENT
# ACTION ITEMS ORIGINALLY DUE IN 2019 <sup>1</sup>	4	2	3	1
# ACTION ITEMS WITH POSTPONED DEADLINE <sup>2</sup>	25%	100%	67%	100%
% OF ACTION ITEMS ORIGINALLY DUE AND COMPLETED IN 2019	75%	0%	33%	0%
TOTAL # OF ACTION ITEMS DUE OVER THE INVESTMENT TERM	4	2	4	3
% OF ACTION ITEMS COMPLETED TO DATE OUT OF TOTAL DUE OVER THE INVESTMENT TERM	75%	0%	25%	0%

<sup>1</sup>Includes some items which repeat annually. These items will reappear every year as due. They are counted as one item in Total # of Action Items due over the investment term.

<sup>2</sup>For items that could not be delivered in 2019, RLU and &Green have agreed on new deadlines for 2020.

#### E&S ACTION PLAN COMPLETION:

	SUSTAINABILITY POLICY & GRIEVANCE MECHANISM	WATER MANAGEMENT & PROTECTION AREA	LAND ACQUISITION	SMALLHOLDER SCHEMES	WILDLIFE CONSERVATION AREA	INDIGENOUS PEOPLE
# ACTION ITEMS ORIGINALLY DUE IN 2019 <sup>1</sup>	4	3	1	1	7	1
# ACTION ITEMS WITH POSTPONED DEADLINE <sup>2</sup>	75%	33%	100%	100%	57%	100%
% OF ACTION ITEMS ORIGINALLY DUE AND COMPLETED IN 2019	25%	33%	0%	0%	43%	0%
TOTAL # OF ACTION ITEMS DUE OVER THE INVESTMENT TERM	4	4	1	2	7	3
% OF ACTION ITEMS COMPLETED TO DATE OUT OF TOTAL DUE OVER THE INVESTMENT TERM	25%	50%	0%	0%	43%	0%

<sup>1</sup>Includes some items which repeat annually. These items will reappear every year as due. They are counted as one item in Total # of Action Items due over the investment term.

<sup>2</sup>For items that could not be delivered in 2019, RLU and &Green have agreed on new deadlines for 2020.

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## STICHTING ANDGREEN.FUND

Annual Report for the year 2019  
*Amsterdam, the Netherlands*

*Stichting andgreen.fund  
Prins Bernhardplein 200  
1097JB Amsterdam  
The Netherlands  
Chamber of Commerce: 69175357*

**GENERAL**

The board of the foundation (the "Board") hereby presents the annual report of Stichting andgreen.fund (the "Fund") for the year 1 January 2019 to 31 December 2019.

**ACTIVITIES AND RESULTS**

The Fund was incorporated on 11 July 2017 as an impact development fund. Its objective is to prove that financing inclusive, sustainable and deforestation-free commodity production can be commercially viable and replicable, thus strengthening the case for a new rural development paradigm that protects valuable forests and peatlands and promotes high-productivity agriculture. As at 31 December 2019, the portfolio comprised investments valued at USD 23,211,575.

During the year, activities and results of the Fund developed in line with expectations:

- The Net Asset Value of the Fund as at 31 December 2019 amounts to USD 1,157,918 (2018: USD 95,824).
- The result for the period 1 January 2019 to 31 December 2019 amounts to USD 1,062,094 (2018: USD 95,824). The Fund had no investments generating any investment income during the period 11 July 2017 to 31 December 2018 and although during that period it incurred extraordinary set up costs, the Fund had unrealized non-investment FX gains due to the depreciation of its Norwegian krone (NOK)-denominated liability.
- In February 2019 the Fund made its first investment in PT Royal Lestari Utama, PT Lestari Asri Jaya, PT Multi Kusuma Cemerlang and PT Wanamukti Wisesa (collectively referred to as "RLU"), through a special purpose vehicle, TLFF I PTE. LTD, in the form of promissory notes for a total consideration of USD 23,211,575, after a purchase discount of USD 538,425. The interest income from RLU in 2019 (USD 1,826,739), together with the interest earned on the cash deposits (USD 989,738), received following the first drawdown from the Norwegian Climate & Forestry Initiative ("NICFI" or, as it is known in Norway, "KLD"), was sufficient to cover the costs of &Green (USD 2,525,736) and generate a net positive result for the year 2019.

The Fund has developed a solid investment pipeline since its inception, resulting in its first investment being made in the first quarter of 2019. This initial pipeline is concentrated within the key focus countries of the Fund.

During the year, the running costs of Fund, including the direct operating expenses ("DOEs"), were USD 2,496,538, which was within the approved budget of the Board (being USD 2,713,000). As there were no changes in the permanent service providers to the Fund during this period, the annual operating cost is expected to remain at similar levels over the following periods.

**TECHNICAL ASSISTANCE BUDGET**

Following the resolution of the Board in the meeting of 20 June 2019, an amount of USD 1,000,000 from the contribution made by the KLD has been set aside for a technical assistance budget (the "TA Budget") with effect from 1 July 2019. The purpose of the TA Budget is to support the development of the pipeline projects of the Fund, in close connection with the investment process, and as set out in the TA Guidelines of the Fund, which were also adopted during the Board meeting of 20 June 2019.

Specifically, the TA Budget will be used to support potential borrowers to comply with the Fund's Environmental & Social Management System (ESMS) which is required in order to qualify for financing from the Fund. Areas eligible for support relate to:

- Complying with those Fund investment criteria which go well above the typical criteria of local or international financial institutions, and which create an entry barrier for the Fund's clients.
- Sharing 'first mover'-costs of industry and landscape transformation and inclusive business models (steering a client towards deforestation-free supply chains, sustainably managed landscapes or inclusive production models often incurs high upfront costs which can be prohibitive and therefore a real barrier to market transformation, particularly in settings where public goods are deficient and the client has to compensate for this at its own cost).
- Generally, the support is limited to activities directly related to the Fund's investment process and excludes support for project development, institutional capacity building or skills development which are unrelated to the Fund's investment criteria.

There have been no changes to the Fund's lending guidelines during the period, although the Board discussed the interpretation of the policies during 2019 and provided appropriate guidance to the Investment Advisor.

**FUNDING AND CONTRIBUTIONS**

The Fund raises capital from contributors that provide grants, redeemable grants and concessionary loans.

KLD has committed NOK 800,000,000 (USD 100,635,462 calculated using the prevailing spot rate as at the commitment date) to the Fund. As at year-end, KLD has contributed the primary contribution amount of NOK 500,000,000. The remaining balance of NOK 300,000,000 is conditional upon (i) the Fund signing contribution agreements with other parties for another USD 50,000,000, (ii) the Fund evidencing another USD 40,000,000 of positive interest from other parties and (iii) the Fund demonstrating sufficient impact. The amount has been granted for a period of 5 years.

Unilever has committed USD 25,000,000 to the Fund for a period of 5 years. The maximum annual funding amount as per the Contribution Agreement (the "Unilever Agreement") is USD 5,000,000. Unilever's obligation to pay amounts of the contribution will terminate at the end of the commitment period 31 December 2022, unless terminated earlier pursuant to the Unilever Agreement.

The UN Environment Programme ("UNEP") has provided a redeemable grant of USD 1,925,000 to the Fund, in accordance with the Contribution Agreement (the "UNEP Agreement"). The duration of the UNEP Agreement shall remain in force until 31 December 2038 after the last obligation of the parties lapse, unless terminated earlier pursuant to the UNEP Agreement.

A summary of the contributions and net assets attributable to the contributors as at 31 December 2019 is shown below:

GRANTS		
Funded	KLD	Total
Initial contribution	56,877,244	56,877,244
Accumulated change in contribution due to FX movements	4,647,849	4,647,849
Change in net assets due to previous period	95,824	95,824
Net result of operation	1,062,094	1,062,094
Transfer out for the TA budget (3)	1,000,000	1,000,000
Transfer in to the TA budget (3)	(1,000,000)	(1,000,000)
<b>Net assets attributable to the contributors</b>	<b>62,683,011</b>	<b>62,683,011</b>
<b>Unfunded amount (1) (2)</b>	<b>34,156,350</b>	<b>34,156,350</b>
<b>Total funded and unfunded amount</b>	<b>96,839,361</b>	<b>96,839,361</b>

REDEEMABLE GRANTS			
Funded	Unilever	UN Environment	Total
Initial contribution	-	1,925,000	1,925,000
<b>Net assets attributable to the contributors</b>	<b>-</b>	<b>1,925,000</b>	<b>1,925,000</b>
<b>Unfunded amount (2)</b>	<b>25,000,000</b>	<b>-</b>	<b>25,000,000</b>
<b>Total funded and unfunded amount</b>	<b>25,000,000</b>	<b>1,925,000</b>	<b>26,925,000</b>

- (1) NOK denominated amount. The USD equivalent is approximated by translating at the NOK/USD exchange at the end of the period. The actual USD funded contribution amount will be determined at the date that the unfunded commitment is called.
- (2) Unfunded amounts that are conditional.
- (3) Following the resolution of the Board in the meeting of 20 June 2019, an amount of USD 1,000,000 from the contribution made by KLD has been set aside for a technical assistance budget (the "TA Budget") with effect from 1 July 2019.

## TECHNICAL ASSISTANCE BUDGET

### BALANCE SHEET

In order to disclose the nature of the TA Budget, the following segregated balance sheet has been disclosed:

	31 DECEMBER 2019 USD	31 DECEMBER 2018 USD
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	992,290	-
<b>Total current assets</b>	<b>992,290</b>	<b>-</b>
<b>Total assets</b>	<b>992,290</b>	<b>-</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Non-current liabilities</b>		
Grants	1,000,000	-
Undistributed profits	(43,510)	-
<b>Total non-current liabilities</b>	<b>956,490</b>	<b>-</b>
<b>Current liabilities</b>		
Accredit expenses and other liabilities	35,800	-
<b>Total current liabilities</b>	<b>35,800</b>	<b>-</b>
<b>Total equity and liabilities</b>	<b>992,290</b>	<b>-</b>

## PROFIT AND LOSS ACCOUNT

In order to disclose the nature of the TA Budget, the following segregated Profit and loss account has been disclosed:

	1 JANUARY 2019 - 31 DECEMBER 2019 USD	11 JULY 2017 - 31 DECEMBER 2018 USD
General costs	(46,926)	-
<b>Total operating costs</b>	<b>(46,926)</b>	<b>-</b>
<b>Operating result</b>	<b>(46,926)</b>	<b>-</b>
Interest and similar income	3,416	-
<b>Total financial income and expenditure</b>	<b>3,416</b>	<b>-</b>
<b>Net result</b>	<b>(43,510)</b>	<b>-</b>

## CASH FLOW STATEMENT

The statement of cash flows is presented in the direct method. The direct method was selected in recognition of the disclosure required by the primary audience for the Fund's financial statements.

In order to disclose the nature of the TA Budget, the following segregated cash flow statement account has been disclosed:

	1 JANUARY 2019 - 31 DECEMBER 2019 USD	11 JULY 2017 - 31 DECEMBER 2018 USD
<b>Cash flow from operating activities</b>		
Operating expenses paid	(11,126)	-
Other interest received	3,416	-
<b>Net cash provided by/(used in) operating activities</b>	<b>(7,710)</b>	<b>-</b>
<b>Cash flow from financing activities</b>		
Capital contributions	1,000,000	-
<b>Net cash provided by/(used in) financing activities</b>	<b>1,000,000</b>	<b>-</b>
<b>Cash and cash equivalents, movement during the period</b>	<b>992,290</b>	<b>-</b>

## SUBSEQUENT EVENTS

The COVID-19 outbreak has resulted in the deterioration of the global economy in 2020 thus far. The Board does not foresee any material change in activities over the coming year, particularly concerning investments, financing, operating costs and profitability. Since the outbreak, the Fund has continued to pursue growth in the investment portfolio and contributions, as forecast by the Board at the end of 2019, albeit with due consideration of the impact of COVID-19 related circumstances on the Fund's capital raising and investment selection processes. At the time of this report, the impact of the COVID-19 outbreak on the Fund has been limited and the circumstances in Indonesia and Brazil are being closely monitored by Sail Ventures, and particularly the Investment Directors living in each of those countries. The Board does not anticipate that COVID-19 will have an impact on the Fund's ability to continue as a going concern in the future.

During April 2020, the Fund concluded two further investments. It finalised a USD 30,000,000 10-year loan facility agreement with PT Dharma Satya Nusantara Tbk. ("DSNG"), USD 5,000,000 of which was disbursed on 30 April 2020. DSNG is a publicly listed Indonesian company engaged in upstream palm oil production and it will be using the Fund's financing to meet international sustainability standards (including IFC Performance Standards, Roundtable on Sustainable Palm Oil ("RSPO"), and No Deforestation No Peat No Exploitation ("NDPE"), as well as to incorporate third party suppliers into a traceable no-deforestation supply chain. The Fund also concluded a loan agreement in terms of which it will be providing a USD 10,000,000 8-year senior secured loan to Agropecuária Roncador Ltda. ("Roncador"), a large-scale farm in Mato Grosso, Brazil. With the Fund's catalytic contribution to the long-term financing of the producer, Roncador will be implementing an integrated crop and livestock (ICL) system that combines productivity growth with natural resources conservation. The funds were disbursed to Roncador on 15 July 2020. The Fund obtained funding for these two investments from the capital drawn down from KLD in 2017, and which was available in the Fund's cash and cash equivalents since it was drawn down.

The Board is not aware of any other significant events that have occurred since the balance sheet date that have not been included in the financial statements.

**Amsterdam, 1 October 2020**

### BOARD



Kleiterp, ND



Oorthuizen, HJM

Salim, FSR

Martinez, C

Details of the Fund's Board and other most relevant involved parties:

#### BOARD

Mr Nanno Kleiterp, Chairperson  
Ms Felia Salim  
Mr Joost Oorthuizen  
Ms Claudia Martínez Zuleta

#### ADVISORY BOARD

Ms Helen Clark, co-Chair  
Ms Ellen Johnson Sirleaf, co-Chair  
Mr Per Fredrik Ilsaas Pharo  
Mr Bayu Krishnamurti  
Ms Rosa Lemos de Sá  
Mr Marc Engel

#### CREDIT COMMITTEE

Ms Agnes J. Safford, Chairperson  
Mr Luiz Fernando Do Amaral  
Ms Chimwemwe de Gaay Fortman

#### LEGAL COUNSEL

Simmons & Simmons LLP  
Claude Debussylaan 247,  
1082 MC Amsterdam, The Netherlands

#### INVESTMENT ADVISOR

Sail Ventures B.V.  
Koninginnegracht 19,  
2514 AB Den Haag, The Netherlands

#### FUND ADMINISTRATOR

Intertrust (Netherlands) B.V.  
Prins Bernhardplein 200,  
1097JB Amsterdam, The Netherlands

#### FUND MANAGEMENT ADVISOR

Innpact S.á.r.l  
rue Jean Bertels 5,  
1230 Luxembourg, Luxembourg

#### AUDITOR

KPMG Accountants N.V.  
Laan van Langerhuize 1,  
1186 DS Amstelveen, The Netherlands

### 2.1 BOARD

The Fund is managed by the Board, which has general responsibility for all aspects of the administration and management of the Fund. The Board has decision-making powers for carrying out the objectives of the Fund and acts as the legal representative with the power to bind the Fund with respect to third parties. The members of the Board are appointed by the Advisory Board. The Board meets at least once every quarter and ad hoc meetings are convened as required by the level of activities of the Fund. The meetings during 2019 were held on 1 April 2019, 20 June 2019, 20 September 2019, and 2 December 2019.

### 2.2 ADVISORY BOARD

The Advisory Board is comprised of persons nominated by the Fund's contributors, as well as technical experts and distinguished persons appointed by the Advisory Board itself. The Advisory Board provides binding advice to the Board on certain strategic matters as outlined in the Articles of Association of the Fund, including advice regarding the mission of the Fund and the jurisdictions in which the Fund can operate, and non-binding advice on other strategic issues upon request by the Board. The Advisory Board furthermore approves the dissolution of the Fund and the destination of any liquidation surplus as defined in the Articles. The Advisory Board meets at least twice a year and ad hoc meetings are convened as required by the level of activities of the Fund. The meetings during 2019 were held on 21 June 2019 and 3 December 2019.

### 2.3 CREDIT COMMITTEE

The Credit Committee is appointed by the Board and is responsible for making transaction recommendations to the Board based on proposals made by the Investment Advisor in accordance with the Fund's Lending Guidelines and other Fund documents. The Credit Committee meets at least four times a year and ad hoc meetings can be convened by the Investment Advisor as required by the level of activities of the Fund. The meetings during 2019 were held on 14 March 2019, 6 June 2019, 8 July 2019, 5 September 2019, 25 November 2019, and 28 November 2019.

### 2.4 INVESTMENT ADVISOR

The Board appointed a specialised Investment Advisor, SAIL Ventures, as of 14 July 2017.

The Investment Advisor oversees the day-to-day business and operations related to the management of the Fund in accordance with the Fund's overall policies (in particular the Lending Guidelines, the Articles of Association, the Operational Memorandum and the ESMS) and resolutions of the Board.

The Investment Advisor is specifically responsible for fundraising and implementing the investment strategy, which includes sourcing transactions, conducting due diligence, executing transactions, and managing the portfolio of investments. The Investment Advisor maintains all relationships with current and potential clients, potential contributors, civil society, co-investors, and other key stakeholders; and supports the Board in engagement with contributors.

### 2.5 FUND MANAGEMENT ADVISOR

The Fund Management Advisor provides governance and operational support to the Board, the Advisory Board and the Investment Advisor, including the design and implementation of procedures, management tools and relationships necessary to ensure the optimal functioning of the Fund.

Innpact S.á.r.l was appointed Fund Management Advisor by the Board on 14 July 2017.

### 2.6 FUND ADMINISTRATOR

The Board appointed Intertrust as the Fund Administrator on 16 March 2018. The Fund Administrator provides accounting and reporting services, transaction services and domiciliation services as well as regulatory and compliance support to the Fund.

### 2.7 LEGAL COUNSEL

The Board appointed Simmons & Simmons as the Fund's legal counsel in the Netherlands on 9 September 2018. Simmons & Simmons provide advice and opinions on the Fund's constitutional documents and contributor agreements and ad-hoc advice and support to the Fund on VAT and other regulatory matters.

### 2.8 AUDITOR

KPMG Accountants N.V. has been appointed by the Board to perform an independent audit of the annual financial statements for the year 2019.

## 3.1 BALANCE SHEET AS AT 31 DECEMBER 2019

(Before result appropriation)

	NOTE	31 DECEMBER 2019 USD	31 DECEMBER 2018 USD
<b>ASSETS</b>			
<b>Fixed assets</b>			
Financial assets		23,438,704	-
Investments	[1]	23,438,704	-
<b>Total fixed assets</b>		<b>23,438,704</b>	<b>-</b>
<b>Current assets</b>			
Receivables		290,033	2,534,243
Receivable from contributors	[2]	-	1,925,000
Other receivables	[3]	269,843	596,611
Other prepayments and accrued income	[4]	20,190	12,632
Cash and cash equivalents	[5]	37,090,302	57,846,238
<b>Total current assets</b>		<b>37,380,335</b>	<b>60,380,481</b>
<b>Total assets</b>		<b>60,819,039</b>	<b>60,380,481</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Retained earnings		95,824	-
Undistributed profits*		1,062,094	95,824
<b>Total equity</b>		<b>1,157,918</b>	<b>95,824</b>
<b>Non-current liabilities</b>			
Redeemable Grants*	[7]	1,925,000	1,925,000
Grants*	[8]	56,877,244	57,689,867
<b>Total non-current liabilities</b>		<b>58,802,244</b>	<b>59,614,867</b>
<b>Current liabilities</b>			
Accrued expenses and other liabilities	[9]	858,877	669,790
<b>Total current liabilities</b>		<b>858,877</b>	<b>669,790</b>
<b>Total equity and liabilities</b>		<b>60,819,039</b>	<b>60,380,481</b>

\*2018 comparative numbers adjusted for comparison purposes. Refer to page 59 for details of prior period errors.

## 3.2 PROFIT AND LOSS ACCOUNT FOR THE YEAR 2019

	NOTE	1 JANUARY 2019 - 31 DECEMBER 2019 USD	11 JULY 2017 - 31 DECEMBER 2018 USD
Investment interest income	[10]	1,826,739	-
Investment expenses	[11]	(29,199)	-
General costs	[12]	(2,531,538)	(3,395,796)
<b>Operating result</b>		<b>(733,998)</b>	<b>(3,395,796)</b>
Financial result		1,796,092	3,491,620
Foreign currency result*	[13]	807,647	3,020,913
Other interest and similar income	[14]	989,738	471,815
Interest and similar expenditure	[15]	(1,293)	(1,108)
<b>Net result</b>		<b>1,062,094</b>	<b>95,824</b>

\*2018 comparative numbers adjusted for comparison purposes. Refer to page 59 for details of prior period errors.

### 3.3 CASH FLOW STATEMENT FOR THE YEAR 2019

The cash flow statement has been prepared according to the direct method.

	NOTE	31 DECEMBER 2019 USD	31 DECEMBER 2018 USD
<b>Cash flow from operating activities</b>			
Operating expenses paid	[3] [4] [9] [12]	(2,025,195)	(2,726,006)
Interest received	[3] [4]	957,518	462,942
Interest paid	[15]	(1,293)	(1,108)
Interest income from investments	[1] [10]	1,599,609	-
Investment acquisition	[1]	(23,211,575)	-
<b>Net cash provided by/(used in) operating activities</b>		<b>(22,680,936)</b>	<b>(2,264,172)</b>
<b>Cash flow from financing activities</b>			
Grants received*	[8] [13]	-	60,591,080
Redeemable grants received*	[2] [7]	1,925,000	-
<b>Net cash provided by/(used in) financing activities</b>	[4]	<b>1,925,000</b>	<b>60,591,080</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(20,755,936)</b>	<b>58,326,908</b>
Cash and cash equivalents, beginning of period	[5]	57,846,238	-
Cash and cash equivalents, end of period	[5]	37,090,302	57,846,238
Exchange gains/(losses) on cash and cash equivalents		-	(480,670)
<b>Cash and cash equivalents, movement during the period</b>		<b>(20,755,936)</b>	<b>58,326,908</b>

\*2018 comparative numbers adjusted for comparison purposes. Refer to page 59 for details of prior period errors.

### 3.4 NOTES TO THE FINANCIAL STATEMENTS

#### GENERAL

Stichting andgreen.fund (the “Fund”) is a Dutch foundation (“stichting”) that was incorporated under the laws of the Netherlands on 11 July 2017. The Fund’s statutory seat is in Amsterdam, the Netherlands, and the registered office address is at Prins Bernhardplein 200, Amsterdam, the Netherlands. The actual domicile of the Fund is in Amsterdam at Prins Bernhardplein 200.

The objective of the Fund is to prove that financing inclusive, sustainable and deforestation-free commodity production can be commercially viable and replicable, thus strengthening the case for a new inclusive rural development paradigm that protects valuable forests and peatlands and promotes high-productivity agriculture. The lending philosophy of the Fund is to demonstrate proof of concept for both public and private actors on how to provide for inclusive economic growth together with forest and peat protection (and potentially restoration) when financing the production of agricultural commodities that are sourced from tropical landscapes.

The Fund’s Investment Advisor is Sail Ventures B.V., a private limited company incorporated pursuant to the laws of the Netherlands, and the Fund’s Fund Management Advisor is Inn pact S.á.r.l, a private limited company incorporated pursuant to the laws of Luxembourg.

#### BASIS OF PREPARATION

The financial statements are prepared in accordance with accounting principles generally accepted in the Netherlands and they comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code. The financial statements are prepared under the historical cost convention and presented in US dollar (USD). The functional currency of the Fund is USD, which the Board considers to reflect the primary economic environment in which the Fund operates. The Fund’s investing activities primarily take place in USD, and its material expenses are denominated and paid in USD.

Assets and liabilities are measured at historical cost, unless stated otherwise in the further principles. An asset is recognised on the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the Fund and the asset has a cost price or value of which the amount can be measured reliably.

A liability is recognised on the balance sheet when it is expected that the settlement of an existing obligation will result in an outflow of resources embodying economic benefits and the amount necessary to settle this obligation can be measured reliably. There are no off balance sheet liabilities or provisions.

An asset or liability is no longer recognised in the balance sheet, and thus derecognised, when a transaction results in all or substantially all rights to economic benefits, and all or substantially all of the risks, related to the asset or liability are transferred to a third party. In such cases, the results of the transaction are directly recognised in the profit and loss account, taking into account any provisions related to the transaction.

Income is recognised in profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability arises, of which the size can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability arises, of which the size can be measured reliably. Revenues and expenses are allocated to the respective periods to which they relate. Based on the prospectus of the Fund, the revenue of the fund will be mainly the interest income generated on investments. The interest income will be recognized when the interest is due based on the terms as stated in the investment agreements.

Based on article 396 of Book 2 of the Dutch Civil Code, the Fund applies exemptions to the presentation and disclosures in the Fund’s financial statements.

THE FUND

Stichting andgreen.fund has been registered with the Dutch Chamber of Commerce under file number 69175357. The capital structure of the Fund is based on the principle that contributions can be made available by means of grants, redeemable grants and concessionary loans. Grants shall be subordinate to redeemable grants, redeemable grants shall be subordinate to all loans and to all other creditors of the Fund. Repayment of redeemable grants, upon the redemption event specified in the relevant contribution agreement, shall have priority over reclaimed grants if any, but shall be subordinate to payment of interest and capital to lenders as well as to all other creditors of the foundation. The means and income of the Fund are exclusively intended for the realisation of the Fund’s objective. Profits and income generated by the Fund from its activities will be retained by the Fund for investments and operations purposes, as agreed with the contributors.

GOING CONCERN

These financial statements have been prepared on a going concern basis, which basis for valuation and determination of results assumes that the Fund will be able to realize its assets and discharge its liabilities in the normal course of business for at least the next 12 months. At this time, the impact of the COVID-19 outbreak on our business has been limited. Based on our current knowledge and available information, we do not expect COVID-19 to have an impact on our ability to continue as a going concern in the future. See subsequent events section for detailed analysis of the impact of COVID-19 on the investments in the Fund’s portfolio.

COMPARISON PREVIOUS YEAR

The Fund’s financial year starts 1 January and ends on 31 December of each year with the exception of the first financial year. The first financial year of the Fund was the reporting period from 11 July 2017 to 31 December 2018.

FINANCIAL INSTRUMENTS

Financial instruments include primary financial instruments, such as receivables and liabilities. The principles of primary financial instruments is applied in the recognition per balance sheet item. Financial instruments are valued at amortized cost unless explained otherwise in the notes.

The Fund has no derivative financial instruments embedded in contracts.

ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

PRIOR PERIOD ERROR

After adoption of the 2018 financial statements, a material error was identified in the classification and measurement of (redeemable) grants. Until 31 December 2018, grants and redeemable grants were recognised as Equity in the balance sheet. During the 2019 audit, this was identified as an error in accounting treatment, as the grants and redeemable grants should be classified as Liabilities according to Dutch GAAP. Furthermore, FX results from currency differences between the moment of recognition of the NOK-denominated grant and the date of revaluation of that grant in USD (recognised as equity at the end of 2018) were not recognized in the 2018 AFS.

Based on Dutch GAAP, the NOK-denominated grants should have been translated at the exchange rate (between the NOK and the reporting currency, USD) at the 2018 financial year end date, and the effect of the foreign exchange rate movement between the date of recognition and the 2018 reporting date should be recognised in the profit and loss account for the period. The error has been corrected in the comparative figures presented in the 2019 financial statements, as specified in the affected line items below:

	PREVIOUSLY REPORTED USD	ADJUSTMENT USD	RESTATED USD
Relevant items from the Balance Sheet as at 31 December 2018:			
EQUITY			
Grants	61,525,093	(61,525,093)	-
Redeemable grants	1,925,000	(1,925,000)	-
Result financial year	(3,739,402)	3,835,226	95,824
LIABILITIES			
Grants	-	57,689,867	57,689,867
Redeemable grants	-	1,925,000	1,925,000
Relevant items from the Profit and loss account for the year 2018:			
Foreign currency result	(814,313)	3,835,226	3,020,913
Net result	(3,739,402)	3,835,226	95,824
Relevant items from the Cash flow statement for the year 2018:			
Capital contributions	60,461,082	(60,461,082)	-
Grants	-	60,591,080	60,591,080
Redeemable grants	(350,672)	(129,998)	(480,670)

RISK MANAGEMENT

Risk is inherent in the Fund’s activities, but it is managed through a process of ongoing identification, measurement and monitoring of risks, subject to risk limits and other controls. The process of risk management is critical to the Fund’s continuing profitability.

The primary focus of the risk management of the Fund is focused on market risks (currency and interest rates) and credit risk:

Currency risk is the risk that the value of financial instruments fluctuates due to changes in foreign exchange rates. The Fund’s investments are predominantly denominated in USD which is the Fund’s functional currency. However, the Fund may extend loans in foreign currencies (currencies other than the Fund’s functional currency, USD) which could lose value as a result of unfavorable foreign exchange movements. Where possible and cost-effective, the Fund may elect to retain funds in foreign currency and rotate funds into new transactions within the same currency zone in order to mitigate the impact of foreign currency fluctuations. The redeemable grants are denominated in USD, but the grant from KLD is denominated in NOK. The outstanding NOK 300 million and unfavorable foreign exchange movements will decrease the amount of USD committed to the Fund by KLD, as was realised in the year 2019.

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk primarily results from exposure to the volatility of interest rates. However, the Fund holds its investments to maturity and therefore it accounts for the investments at amortised cost and the interest rates are generally fixed, with no reference to a market rate, as was the case with the financial assets as at 31 December 2019.

Credit risk is associated with the inability of the Fund’s borrowers to act in a manner consistent with the terms and conditions of their contractual agreements with the Fund, resulting in a financial loss. The Fund runs the risk of any one or more of the borrowers defaulting on their borrowings from the Fund through non-payment of either interest and/or on their principal repayment. Credit risk is monitored on a regular basis through qualitative and quantitative assessment of each of the Fund’s borrowers. The Fund performs intensive checks in order to pre-select potential borrowers. There is no significant credit risk associated with the cash at bank since the Fund maintains cash accounts with Rabobank and Caceis, both large financial institutions. As such, the Board believes exposure to credit risk to be minimal. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position and there is no impairment on the financial assets as at 31 December 2019. See subsequent event section for detailed analysis of the impact of COVID-19 on the investments in the Fund’s portfolio.

CURRENCY EXCHANGE

Monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet date into the functional currency at the exchange rate applying on that date. Exchange differences resulting from the settlement of monetary items, or resulting from the translation of monetary items denominated in foreign currency, are recognised in profit and loss in the period in which the exchange differences arise. Exempted from this are exchange differences on monetary items that are part of a net investment in a foreign operation. Non-monetary balance sheet items and equity, which are valued at cost or amortised cost and resulting from transactions in foreign currencies, are translated at the rate prevailing on the date of the transaction.

	1 JANUARY 2019	31 DECEMBER 2019
The exchange rates used in the financial statements are:		
1 USD (US dollar) = EUR (euro)	0.873375	0.891055
1 USD (US dollar) = NOK (Norwegian krone)	8.667013	8.790861

FINANCIAL ASSETS

Financial assets are initially recognized at fair value. Subsequently, they are valued at amortized cost unless there has been a breach in the lending restrictions and eligibility criteria stipulated in the lending guidelines and other fund documents of an underlying project in the Fund’s investment portfolio. If no premium or discount and transaction costs are applicable, the amortised cost is equal to the nominal value of the receivables, less a provision for uncollectible debts. These provisions are determined by individual assessment of the receivables. The valuation of the Fund’s investment portfolio is calculated by the Investment Advisor.

Investments

Any loans receivable will be measured at amortized cost if their contractual terms give rise to cash flow, on specified dates, that are solely payments of principal and interest on the principal amount outstanding.

RECEIVABLES

Upon initial recognition, the receivables are recorded at fair value and subsequently valued at amortized cost. The fair value and amortized cost equal the nominal value. Provisions deemed necessary for doubtful accounts are deducted. These provisions are determined by individual assessment of the receivables.

## CASH AND CASH EQUIVALENTS

Cash at bank and in hand is valued at nominal value and, insofar as not stated otherwise, is at the free disposal of the Fund. Cash at bank and in hand relate to immediately due and payable withdrawal claims against credit institutions and cash resources.

Cash and cash equivalents denominated in foreign currencies are translated at the balance sheet date into the reporting currency at the exchange rate ruling at that date. Reference is made to the accounting policies for foreign currencies.

Cash and cash equivalents that are not readily available to the Fund within 12 months are presented under financial fixed assets.

## EQUITY

The equity of the Fund is limited to the net result and retained earnings. The net asset value of the Fund is allocated to the grant and redeemable grant contributors based on the waterfall model approved by the Board during 2019.

## NON-CURRENT LIABILITIES

Grants and redeemable grants are classified as liabilities as the Fund has an obligation to repay an amount at a future date. The respective contribution agreements specify the timing and amount of this obligation. The grants and redeemable grants are initially recognized at fair value at the date that a capital call is issued to the contributor, and then subsequently measured at amortized cost. Transaction costs that are directly attributable to the acquisition or issue of a liability are included in the initial measurement. After initial recognition, non-current liabilities are measured at amortised cost. If no premium or discount or transaction costs are applicable, the amortised cost is equal to the nominal value of the liability.

Refer to page 59 for details of the change in accounting treatment of grants and redeemable grants in 2019, and the correction of this error in the financial statements.

## CURRENT LIABILITIES

Current liabilities concern debts with a term of less than one year. Upon initial recognition, current liabilities are stated at fair value and then subsequently valued at the amortized cost. Transaction costs that are directly attributable to the acquisition or issue of a liability are included in the initial measurement. After initial recognition, current liabilities are measured at amortised cost. If no premium or discount or transaction costs are applicable, the amortised cost is equal to the nominal value of the liability.

## CORPORATE INCOME TAX

In accordance with the tax ruling obtained from the Dutch tax authorities (as per article 900 of Book 7 of the Dutch Civil Code), the Fund is exempt from Dutch corporate income tax during the years 2017-2021, provided that there is no material change of relevant law and/or the facts and circumstances as described in the tax ruling.

## VAT

The Fund is not VAT exempt and therefore files VAT returns on a quarterly basis. The Fund does not provide any services within the European Union and therefore it is not required to levy VAT on the services which it provides, but can claim the input VAT, for which it is reimbursed.

## INTEREST INCOME AND EXPENSE

Interest income is recognised in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

Premium, discount and redemption premiums are recognised as interest expense in the period to which they belong. The allocation of these interest expenses and the interest income on the loan is the effective interest rate that is recognised in the profit and loss account. On the balance sheet, the amortised value of the debt(s) is recognised (on balance). The amounts of the premium that are not yet recognised in the profit and loss account and the redemption premiums already recognised in the profit and loss account, are recognised as an increase in debt(s) to which they relate. Amounts of the discount that are not yet recognised in the profit and loss account are recognised as a reduction of the debt(s) to which they relate.

## INCOME AND EXPENSE RECOGNITION

Investment related interest income is recognised in the Income and expense recognition on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognised in the period to which they belong.

Other operating and non-investment related expenses and income are accounted for in the period in which these are incurred. Losses are accounted for in the year in which they are identified.

## CASH FLOW

The cash flow statement is presented in the direct method.

### 3.5 NOTES TO THE BALANCE SHEET

	31 DECEMBER 2019 USD	31 DECEMBER 2018 USD
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
<b>Financial assets</b>		
<b>Investments [1]</b>		
<b>Promissory notes</b>		
TLFF I PTE. LTD - Class B1a	19,719,059	-
TLFF I PTE. LTD - Class B1c	3,719,645	-
	<u>23,438,704</u>	<u>-</u>
<i>The above investments are valued at amortized cost.</i>		
<i>TLFF I PTE. LTD - Class B1a</i>		
Opening balance	-	-
Nominal amount purchase	20,000,000	-
Discount/Premium	(469,150)	-
Interest receivable	190,000	-
Amortization for the period	(1,791)	-
Closing balance	<u>19,719,059</u>	<u>-</u>
<i>The promissory notes B1a were acquired on 26 February 2019. They mature on 23 February 2033, bear a coupon of 9% per annum and are payable in cash quarterly on 23 February, 23 May, 23 August and 23 November of each year until they are fully settled.</i>		
<i>The principal amount is repayable in quarterly tranches commencing on 23 May 2027 and escalating (from USD 250,000 per quarter until 23 February 2028, USD 500,000 per quarter until 23 February 2029, USD 750,000 per quarter until 23 February 2030, USD 1,000,000 per quarter until 23 February 2031, to USD 1,250,000 per quarter until 23 February 2033) until the final tranche is settled on the maturity date.</i>		
<i>TLFF I PTE. LTD - Class B1c</i>		
Opening balance	-	-
Nominal amount purchase	3,750,000	-
Discount/Premium	(69,275)	-
Interest receivable	35,130	-
Amortization for the period	3,790	-
Closing balance	<u>3,719,645</u>	<u>-</u>

The promissory notes B1c were acquired on 26 February 2019. They mature on 23 February 2025, bear a coupon of 8.875% per annum and are payable in cash quarterly on 23 February, 23 May, 23 August and 23 November of each year until they are fully settled. The principal amount of USD 3,750,000 is repayable in full on the maturity date.

Each class of Notes shall be fully and finally redeemed at their principal amount outstanding, together with accrued and unpaid interest, on the expected maturity date in respect of such class: provided that if insufficient funds are available to redeem all the Notes in full at their principal amount outstanding, together with accrued and unpaid interest on the expected maturity date, the Company will instead redeem the Notes in full, together with accrued and unpaid interest, on the legal maturity date, at their principal amounts outstanding. The Notes may not be redeemed at the option of the Company.

	31 DECEMBER 2019 USD	31 DECEMBER 2018 USD
<b>CURRENT ASSETS</b>		
<b>Receivables</b>		
<b>Receivable from contributors [2]</b>		
Receivable from UN Environment Programme	-	1,925,000
	<u>-</u>	<u>1,925,000</u>
<i>A disbursement request was issued by the Fund on 29 December 2018. The payment was received on 4 June 2019.</i>		
<b>Other receivables [3]</b>		
Interest receivable on fixed deposit account	41,093	8,873
Value added tax receivable	228,750	587,738
	<u>269,843</u>	<u>596,611</u>
<b>Other prepayments and accrued income [4]</b>		
Prepaid insurance expenses	20,190	12,632
	<u>20,190</u>	<u>12,632</u>
<b>Cash and cash equivalents [5]</b>		
Current account	3,590,302	696,238
Deposit account	33,500,000	57,150,000
	<u>37,090,302</u>	<u>57,846,238</u>

Cash and cash equivalents are freely at the disposal of the Fund. The Fund places excess cash in fixed term deposits until it is able to deploy these funds in investments. Fixed term deposit time periods are managed to coincide with likely deployment needs based on the progression of leads through the investment process.

	31 DECEMBER 2019 USD	31 DECEMBER 2018 USD
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#### EQUITY AND LIABILITIES

##### EQUITY [6]

##### Other reserves

Opening balance	-	-
Result prior period	95,824	-
Closing balance	95,824	-

##### Undistributed profits

Opening balance	95,824	-
Transfer to other reserves	(95,824)	-
Result for the year	1,062,094	95,824
Closing balance	1,062,094	1,062,094

#### NON-CURRENT LIABILITIES

##### Redeemable grants [7]

Redeemable grants	1,925,000	1,925,000
	1,925,000	1,925,000

##### Grants [8]

Grants	56,877,244	57,689,867
	56,877,244	57,689,867

The allocation of the Fund's results to its contributors follows the subordination principle set out in the Fund's Articles of Association, and the waterfall principle approved by the Board in 2019. After applying these principles, the capital accounts of the contributors can be summarized as follows:

	Beginning of period	Net Contributions	Result from Operations current	End of period
<b>KLD</b>	57,689,867	-	(812,623)	56,877,244
<b>UN Environment</b>				-
Redeemable Grants	1,925,000	-	-	1,925,000
Total Capital Account	59,614,867	-	(812,623)	58,802,244

#### CURRENT LIABILITIES

##### Accrued expenses and other liabilities [9]

Investment Advisor fee payable	529,375	529,375
Audit fee payable	60,000	26,305
Other accrued expenses	269,502	114,110
	858,877	669,790

### 3.6 NOTES TO THE PROFIT AND LOSS ACCOUNT

	1 JANUARY 2019 - 31 DECEMBER 2019 USD	11 JULY 2017 - 31 DECEMBER 2018 USD
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##### Investment interest income [10]

Investment interest income	1,826,739	-
	1,826,739	-

Investment interest income relates to the promissory notes investment.

##### Investment expenses [11]

Investment acquisition fees	18,861	-
Underwriting fees	10,338	-
	29,199	-

Investment expenses relate to the acquisition and holding expense of the promissory notes investment.

##### General costs [12]

Fund administration costs	61,391	39,582
Auditor's costs	63,310	23,855
Consulting fees (1)	203,209	132,964
Fund Management Advisor fees (2)	182,114	291,985
Legal costs	-	9,275
Investment Advisor fees (3)	1,750,000	2,563,179
Other general and administrative expenses (4)	50,337	80,911
Fund set-up costs	-	28,652
Board Remuneration (5)	178,537	137,500
Professional fees (6)	18,006	49,261
Insurance expenses	23,667	37,860
Bank charges	923	772
Statutory and regulatory fees	44	-
	2,531,538	3,395,796

#### NOTES:

##### (1) Consulting fees

Consulting fees include costs related to the Fund's jurisdictional eligibility criteria assessments, expert advice on tax, VAT, ESG and regulatory matters as requested on an ad hoc basis by the Fund.

##### (2) Fund Management Advisor fees

As explained in section 2.5, the Fund Management Advisor provides governance and operational support to the Board, the Advisory Board and the Investment Advisor. The scope of work and respective budget of the Fund Management Advisor is approved by the Board on an annual basis.

During the first financial year, the Fund Management Advisor was also responsible for the selection and on-boarding of the Fund's key service providers and the advancement of the Fund's governance and operational policies and procedures, and provided, on a day to day basis, advice and active support to the Board and the Investment Advisor in fulfilling their role in managing the Fund.

**(3) Investment Advisor fees**

As explained in section 2.4, the Investment Advisor is tasked with the day-to-day management of the Fund which includes identifying, structuring and negotiating loans, managing the investment pipeline, conducting due diligence and preparing borrower legal documentation, as well as providing ongoing investment and development performance monitoring and reporting.

In order to discharge its duties, the Investment Advisor has dedicated staff at its head office as well as in key Fund focus regions to engage potential or existing clients. Due to the nature of the investments and objectives of the Fund, potential investments are resource intensive and require thorough investigation by the Investment Advisor. Pre-investment periods can take up to 24 months of due diligence and require multiple trips to the site of the project. Having made a transaction, the Investment Advisor continues to actively engage and monitor clients' progress in achieving environmental and social targets/ objectives, and where necessary serving on boards or sub-committees.

The Investment Advisor fee is based on the scope of the activities required to be performed by the Investment Advisor. Furthermore, the fee is structured to promote and maintain alignment of interests between the Investment Advisor and the Fund. Typically, the first years of a new Fund are used to build up to a sustainable portfolio, and the advisory fee for 2018 and 2019 (and until July 2021) is a fixed fee of USD 1.75 million per annum, and in subsequent years, the advisory fee will be based on a fixed percentage of the amount of the total outstanding assets. It will be 1.0% per annum of the amount up to and including USD 100 million, 0.75% per annum of the amount up to and including USD 150 million, and 0.5% per annum of the amount exceeding USD 150 million. In addition the Investment Advisor shall be entitled to receive a transaction success fee paid once and in full on successful closing of transactions based on a percentage of the size of the deal. The Investment Advisor may be eligible for an additional incentive payment in the event that the performance of the Fund outperforms a defined set of, mainly non-financial, targets set and agreed on a yearly basis with the Fund.

**(4) Other general and administrative expenses**

Other general and administrative expenses include costs related to the Fund's operations, including the costs of meetings and out-of-pocket expenses, marketing and fees related to the Fund's secure data room.

**(5) Board's Remuneration**

The remuneration, and other terms of employment, for the members of the Board is determined by the Advisory Board. The remuneration is payable on a quarterly basis in relation to the attendance and preparation for meetings.

**(6) Professional fees**

Professional fees include recurring costs related to the management of the Fund, including remuneration to the Credit Committee that is payable on a quarterly basis in relation to the preparation for and attendance at Credit Committee meetings.

	1 JANUARY 2019 - 31 DECEMBER 2019 USD	11 JULY 2017 - 31 DECEMBER 2018 USD
<b>Foreign currency result [13]</b>		
FX change related to Grants	812,623	3,835,226
FX change related to Operations	(4,976)	(814,313)
	<u>807,647</u>	<u>3,020,913</u>

Given the nature of the Fund's global operations, it is exposed to foreign currency movements. This is due to the Fund using USD as its reporting currency while at times transacting in currencies other than the USD.

During the reporting period the Fund has been exposed to foreign currency movements in NOK and EUR.

Direct operating expenses of the Fund are partly in EUR and therefore the Fund keeps a limited balance in EUR on its accounts for those expenses.

The foreign currency position that the Fund holds in non-USD currencies may be open (i.e. unrealized) or closed (i.e. realized). Amounts invoiced to the Fund in a non-USD currency and paid at a later date will have a foreign currency movement. If this amount has been settled at the reporting date, it is considered closed and there is a realised foreign currency gain/loss. If it has yet to be settled at the reporting date, the Fund will have recognised an asset/liability at the reporting date and the position is open with foreign currency movements resulting in unrealised gains/losses.

The Fund does not hold any foreign currency hedging instruments.

**Other interest and similar income [14]**

Current accounts	989,738	471,815
	<u>989,738</u>	<u>471,815</u>

Interest income consists of interest earned on the Fund's short-term interest-bearing accounts.

**Interest and similar expenditure [15]**

Interest on overdraft	1,293	1,108
	<u>1,293</u>	<u>1,108</u>

The interest was charged by the KAS Bank due to the overdraft in the EURO account.

## RELATED PARTIES

The related parties including the Advisory Board, Board of Directors and Credit Committee.

## EMPLOYEES

During the reporting period the Fund did not employ any personnel (2018: nil).

## SUBSEQUENT EVENTS

The COVID-19 outbreak has resulted in the deterioration of the global economy in 2020 thus far. The Board does not foresee any material change in activities over the coming year, particularly concerning investments, financing, operating costs and profitability. Since the outbreak, the Fund has continued to pursue growth in the investment portfolio and contributions, as forecast by the Board at the end of 2019, albeit with due consideration of the impact of COVID-19 related circumstances on the Fund's capital raising and investment selection processes. At the time of this report, the impact of the COVID-19 outbreak on the Fund has been limited and the circumstances in Indonesia and Brazil are being closely monitored by Sail Ventures, and particularly the Investment Directors living in each of those countries. The Board does not anticipate that COVID-19 will have an impact on the Fund's ability to continue as a going concern in the future.

During April 2020, the Fund concluded two further investments. It finalised a USD 30,000,000 10-year loan facility agreement with PT Dharma Satya Nusantara Tbk. ("DSNG"), USD 5,000,000 of which was disbursed on 30 April 2020. DSNG is a publicly listed Indonesian company engaged in upstream palm oil production and it will be using the Fund's financing to meet international sustainability standards (including IFC Performance Standards, Roundtable on Sustainable Palm Oil ("RSPO"), and No Deforestation No Peat No Exploitation ("NDPE")), as well as to incorporate third party suppliers into a traceable no-deforestation supply chain. The Fund also concluded a loan agreement in terms of which it will be providing a USD 10,000,000 8-year senior secured loan to Agropecuária Roncador Ltda. ("Roncador"), a large-scale farm in Mato Grosso, Brazil. With the Fund's catalytic contribution to the long-term financing of the producer, Roncador will be implementing an integrated crop and livestock (ICL) system that combines productivity growth with natural resources conservation. The funds were disbursed to Roncador on 15 July 2020. The Fund obtained funding for these two investments from the capital drawn down from KLD in 2017, and which was available in the Fund's cash and cash equivalents since it was drawn down.

The Board is not aware of any other significant events that have occurred since the balance sheet date that have not been included in the financial statements.

**Amsterdam, 1 October 2020**

## BOARD



Kleiterp, ND

Salim, FSR



Oorthuizen, HJM

Martinez, C

## OUR OPINION

We have audited the financial statements 2019 of Stichting andgreen.fund (hereafter 'the Foundation'), based in Amsterdam, The Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting andgreen.fund as at 31 December 2019, and of its result for the year 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 31 December 2019;
2. the profit and loss account for the year 2019;
3. the cash flow statement for the year 2019; and
4. the notes comprising a summary of the accounting policies and other explanatory information.

## BASIS FOR OUR OPINION

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting andgreen.fund in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' ('ViO', Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in The Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' ('VGBA', Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of the Board's Report and other information.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information.

## DESCRIPTION OF THE RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

### *Responsibilities of the Board of Directors for the financial statements*

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Foundation's ability to continue as a going concern in the financial statements.

### *Our responsibilities for the audit of the financial statements*

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among other things:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

**Amstelveen, 1 October 2020**  
**KPMG Accountants N.V.**

W.G. Bakker RA



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