



**&GREEN'S
ANNUAL REPORT**
2022



ABOUT THIS REPORT

Welcome to the &Green Annual Report covering activities from 1 January to 31 December 2022. This report is designed to be accessible whether you have a deep insight into our work or discovering us for the first time. In addition to a comprehensive overview of our activities and expanding investment portfolio, we include information about why we do what we do, our investment approach and our growing network.

In this report we have defined those words that are key to understanding the nature and scope of &Green's activities; they look like **this**. All the defined words have been gathered in the '&Green Vocabulary' chapter at the end of this report.

A special focus in this years' Report is the concept of transformational change and how we expect this transformation to look. &Green was created to drive transformational change across core global supply chains, and which is why we have thus chosen it as an underlying theme for the 2022 Report to make it easier for the reader to make a somewhat abstract concept clearer.

&Green's financial and impact performance is captured in the 2022 Annual Impact KPIs (Section 11) and the 2022 Annual Financial Report (Section 13).

We are excited to present how &Green is bringing its purpose to life, creating transformational change while remaining committed to the highest levels of reporting transparency.

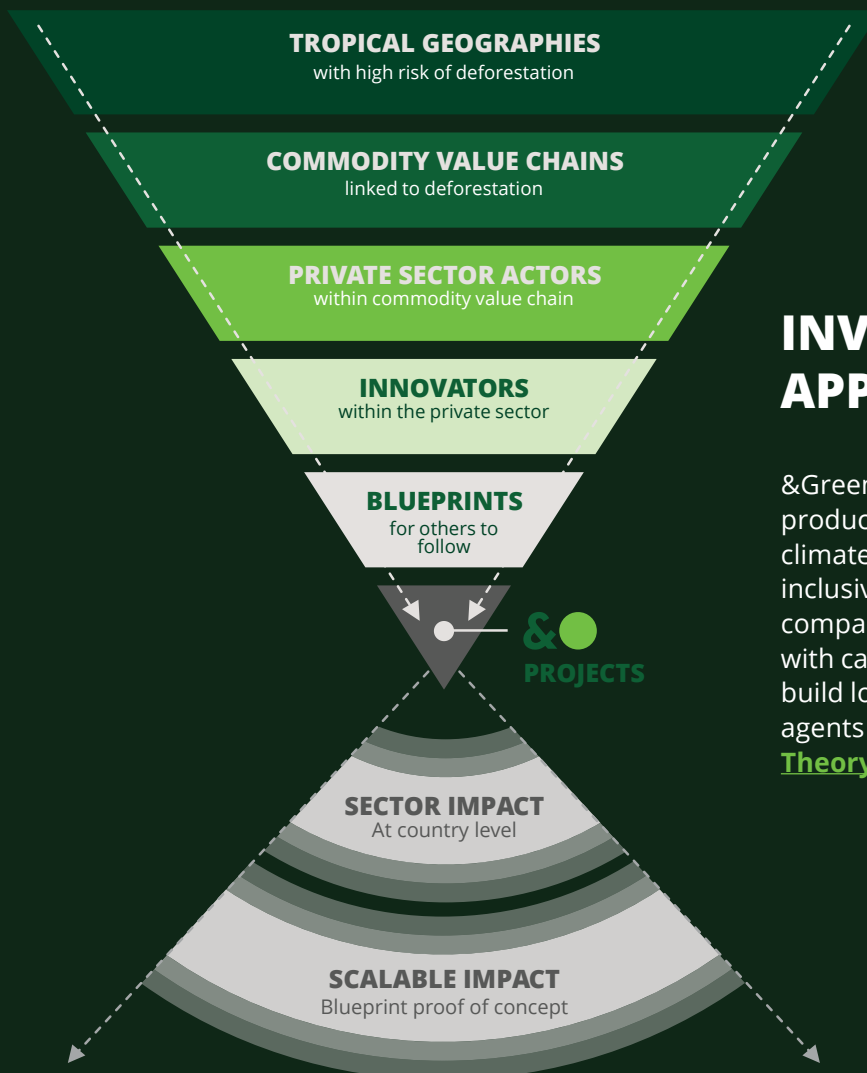
&GREEN VOCABULARY | PAGE 88

01 &GREEN'S PURPOSE

We have a vision of people thriving on a sustainable planet.

&Green was created within this context to finance the transformation of global commodity supply chains so that they can have positive climate and biodiversity impacts while still delivering on growth targets.

INVESTMENT THESIS



INVESTMENT SELECTION APPROACH

&Green aims to transform large-scale commodity production in tropical forest regions into a climate-resilient, deforestation-free and socially inclusive model. We identify frontrunning companies in these regions and support them with capital, advice and reputational support. We build long-term partnerships with these change-agents of their industry. This is the &Green Theory of Change (ToC).

TROPICAL REGIONS WITH HIGH RISK OF DEFORESTATION

Important commodity production – palm oil, soy, cattle, coffee, rubber for example – in tropical forest regions is often extractive. **Extractive production** often leads to deforestation, and tropical deforestation is responsible for 20-25% of global emissions and major biodiversity loss. **Regenerative production**, on the other hand, prioritizes soil health, biodiversity, carbon sequestration, and reduced pesticide use which aligns with combating climate change.

&Green seeks investment opportunities in jurisdictions where deforestation is acute, but where conservation regulatory frameworks exist. Frameworks can include deforestation reduction targets, and strategies and systems that credibly and transparently track deforestation trends. &Green selects its investment universe through its unique “Jurisdictional Eligibility Criteria” (JEC) process.

We invest in **Indonesia**, for example, where deforestation has been reduced through strong regulation and implementation action, as well as coordinated market pressure in key sectors, palm oil specifically.

COMMODITY SUPPLY CHAINS

Ecosystem change is complex and driven by a combination of factors dependent on both regional and commodity specifics. Factors could include environmental, regulatory, economic and/or social issues.

&Green analyses which factors lead to deforestation within an identified commodity supply chain (sector). We define pathways where smartly structured financing can help transition the identified sector towards sustainability. We identify where investment is best aligned with national development and forest protection plans, and which business models allow for sustainable expansion.

We invest in **Colombia**, for example, where consistent economic growth is driving increasing consumption of beef and incentivizing further cattle ranching.

PRIVATE SECTOR ACTORS

Deforestation happens at the beginning of supply chains, often through actors’ unable to directly access international lenders and local banks.

&Green identifies actors who provide access to actual landowners and users. Actors could include local banks financing agribusinesses, traders or larger landowners with a lighthouse role or aggregating commodity volumes with their own production, and third-party suppliers.

We invest in Brazil, for example, in local grains buyer **FS** based in Mato Grosso. This is an example of how No Deforestation commitments can be implemented in the upstream supply chain.

INNOVATORS

Not all private sector actors are willing to change, nor are they accessible and suitable for international lenders.

&Green identifies suitable regional actors based on reputation, bankability, financial solidity, and willingness to adapt and often disrupt their own supply chains. Actors could include local landowners such as plantation companies or commercial farms, supply chain actors like grain traders or local banks financing businesses.

We invest in Brazil, for example, in **Roncador**, a large, financially solid farming business with a strong track record on innovation. The Roncador owner has a strong intrinsic motivation to farm sustainably.

MARKET BLUEPRINTS

The sustainability transition of tropical commodity production requires scale to be impactful.

Transformational impact in combination with financial opportunity is the heart of the &Green investment rationale. &Green designs in collaboration with clients, supply chain **blueprints** that can be replicated and scaled to reach a tipping point in the sector and **jurisdiction**.

We invest, for example, in the traceability of **Marfrig**, a Brazilian meatpacker, so that the company's upstream cattle supply chain, which will cover 1/3 of the beef production of Mato Grosso, can be fully traced as a prerequisite to becoming deforestation-free. The tools and procedures developed with &Green funding will be used by Marfrig in other jurisdictions and can be replicated by other companies.

&GREEN TRANSACTIONS

Transactions in emerging and frontier markets – and furthermore in agriculture – carry significant risks. The envisaged impact must be nurtured through careful transition plan implementation, working with companies who display operational excellence and who are fiscally sound and responsible.

&Green includes clear impact and risk mitigation deliverables in the covenants of its loan agreements. &Green enters into a **"Landscape Protection Plan" (LPP)** with each company which defines impact milestones and targets as well as prescribes an **"Environmental and Social Action Plan" (ESAP)** to drive the company's transition to sustainability in line with best practice standards. Impact delivery is monitored through independent ground-level assessments as well as satellite-based observations.



SECTOR IMPACT IN THE COUNTRY

&Green invests in local or regional market leading companies, promoting commercially sustainable models that also have substantial impact on key sustainability areas like climate benefits and forest protection. &Green enables sector-wide learning and showcases long-term outperformance through transparency and sectoral tracking.

SCALABLE IMPACT, BLUEPRINT PROOF OF CONCEPT

Green's transactions are designed to be **blueprints** for the market. Demonstrating business performance and impact by &Green investees drives replication and scale. Transformation is expected through broader scalability with support from &Green and eventual adoption within mainstream financial markets as transactions attract increased capital.

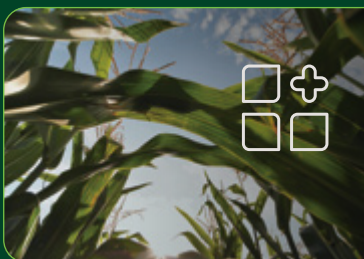
02 2022 HIGHLIGHTS

&GREEN HIGHLIGHTS



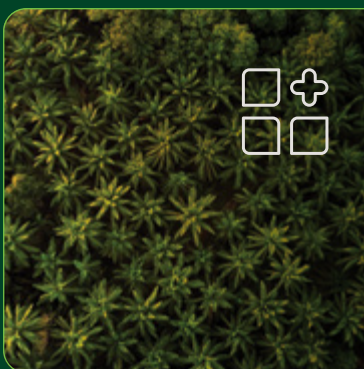
NEW TRANSACTION: MERCON USD 20 MILLION LOAN

&Green's first investment in Vietnam aims to fund the transformation of coffee supply chains in Vietnam thereby making them more sustainable, **deforestation**-free, and climate-resilient.



NEW TRANSACTION: FS USD 30 MILLION LOAN

&Green's financing will support FS to create and implement a program to establish a no-deforestation corn supply chain in the State of Mato Grosso (MT), Brazil.



NEW TRANSACTION: DL USD 12 MILLION LOAN

Third transaction in Indonesia for a USD 12 million corporate loan to PT Hilton Duta Lestari (HDL) for the construction of a 30 ton per hour **CPO** mill. This transaction exemplifies the investment rationale for &Green – HDL's proposed mill will support a large supply base of smallholder farmers to be no-deforestation, No-peat and No-exploitation (**NDPE**) compliant and included in a sustainable supply chain.



USD 165 MILLION TOTAL CAPITAL DEPLOYED

Total USD capital invested in our portfolio of committed clients as of 31 December 2022.



USD 50 MILLION PARTNERSHIP WITH THE CENTRAL AFRICAN FOREST INITIATIVE (CAFI)

&Green announced its partnership with the Central African Forest Initiative (CAFI) as a new Fund Contributor at COP27. Over USD 50 million will be invested into commercial operations in the Congo Basin to deliver private sector led forest and peat protection, food security, and economic development in this region.

IMPACT HIGHLIGHTS

PROMOTING TRANSFORMATIONAL CHANGE

&Green closed and disbursed on three transactions in 2022 and four within a 12-month period demonstrating growing market product buy-in as well as confirming &Green has the team and networks to efficiently allocate funding. 28,862 Small scale producers included in the supply chains of &Green clients.

>50,000

People benefiting from &Green transactions

4

Sustainable supply chains commitments secured

>3,500,00

Hectares of natural tropical forest under protection with &Green transactions

>6,500,000

tCO2e of climate benefits achieved with &Green transactions

OPERATIONAL HIGHLIGHTS



This year, we added 3 Full Time Employees (FTE)



Sail Ventures, our investment manager, won the 2022 Asset Manager of the Year – mid size Award.



Four transactions received **Technical Assistance (TA)** in 2022, financed by &Green's TA or the IDH TA Facility for &Green



In 2022, we started 2 new partnerships

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03

LETTER FROM THE BOARD



A YEAR OF DEAL MOMENTUM

On the back of new investors in 2021, &Green closed and disbursed on four transactions within a 12-month period demonstrating we are building strong market interest, and we now have the systems and people in place to allocate funding effectively.

NANNO KLEITERP

Chairperson of the &Green
Board of Directors

STRATEGIC PROGRESS

During 2022, &Green added Vietnam as a new **jurisdiction** to our portfolio. The team closed a corporate transaction with Mercon Group, a top 10 global coffee producer, that focuses our partnership on their Vietnamese sourcing strategy.

This transaction is timely given the EU reached agreement in December on a new law to prevent companies from placing commodities linked with **deforestation** and forest degradation onto the EU market. While the exact mechanics of the law are still being settled, coffee was listed as one of these commodities fueling expectation that the sector will need to provide evidence it is not linked to deforestation. Vietnam is one of the highest risk countries for the coffee sector. &Green's efforts with Mercon fit into this agenda and we see opportunity with other actors in the supply chain as well.

In Brazil, we closed a transaction with a company buying corn from farmers in Mato Grosso. Corn is the farmers' second crop for soy (main crop) and, through the client's deforestation-free commitment to &Green, it is essentially a soy supply chain approach. The client is also making other impactful changes to its business with the support of &Green, see the portfolio section for more.

I was pleased to announce a planned partnership with the Central African Forest Institute (CAFI) at COP27. &Green intends to scope the potential in Central Africa over the coming years, backed by funding from CAFI and supported by the UN Development Program («UNDP»).

The Congo Basin is the largest primary tropical forest in Africa and, with a lack of opportunities for the highest-growth population in the world, the forest faces a continuous and increasing cycle of deforestation. &Green will assess whether there are commercially scalable opportunities to address this threat over the coming years.

OPERATIONAL HIGHLIGHTS

The financial performance of 2022 was in line with expectations as &Green maintains its ability to preserve capital for investors. Despite increasing our provisions on RLU, the financing was eventually repaid in its entirety with the &Green investment team managing the process well. We are disappointed to be out of that project, as we laid a lot of key foundations with the client for them to grow sustainably in the coming years. Nevertheless, with access to preferential pricing from a large parent company, RLU is primed to be a success and we wish them well.

The rest of the portfolio has been performing consistently, and costs came in under budget. This means &Green remained fiscally sustainable during 2022 having paid all its financing costs, the investment advisor, and all other operating expenses.

We remain vigilant however, given the Fund's long duration and with principal repayments typically back-ended. The Board remains cautious about the expected financial performance of &Green and is managing the credit risk closely.

Unlike the past two years, &Green was able to have physical meetings in the year, and the Board met twice in The Hague (May and November). All governance bodies also came together for a day in November in which the current state of the Fund was discussed, as well as the Fund's path forward to scale.

LOOKING AHEAD

2023 is an important year to create a mechanism for scale for &Green. &Green is an open-ended investment approach which needs to reach a critical scale for it to be a relevant tool in actually achieving the zero-deforestation world we want. Governments, and corporates, upped the ante at Glasgow 2021 (COP26) by declaring 2030 as the date to achieve this.

In 2023, we will extend our efforts to bring in further new funding to &Green to allow us to meet our portfolio targets over the coming years. Besides engaging with leading climate donors, multilaterals and development banks, &Green is also deepening its understanding of the requirements for private investors to finance the further scaleup of this initiative.

We will continue to diversify our portfolio in 2023, bringing high value opportunities to the fore and showcasing to the market how financing can be put to work to support the transition towards deforestation-free and sustainable supply chains.

Finally, we remain committed to the highest level of transparency. Our website and reports, most of which can be made public, will continue to provide all stakeholders with the opportunity to engage meaningfully with our approach and our portfolio. The team at &Green continues to seek new ways to explain the mission and theory of change of &Green, and then link that to the impacts being generated by our portfolio.

04 THE &GREEN APPROACH

WHERE WE INVEST

OUR FOCUS SECTORS AND GEOGRAPHIES

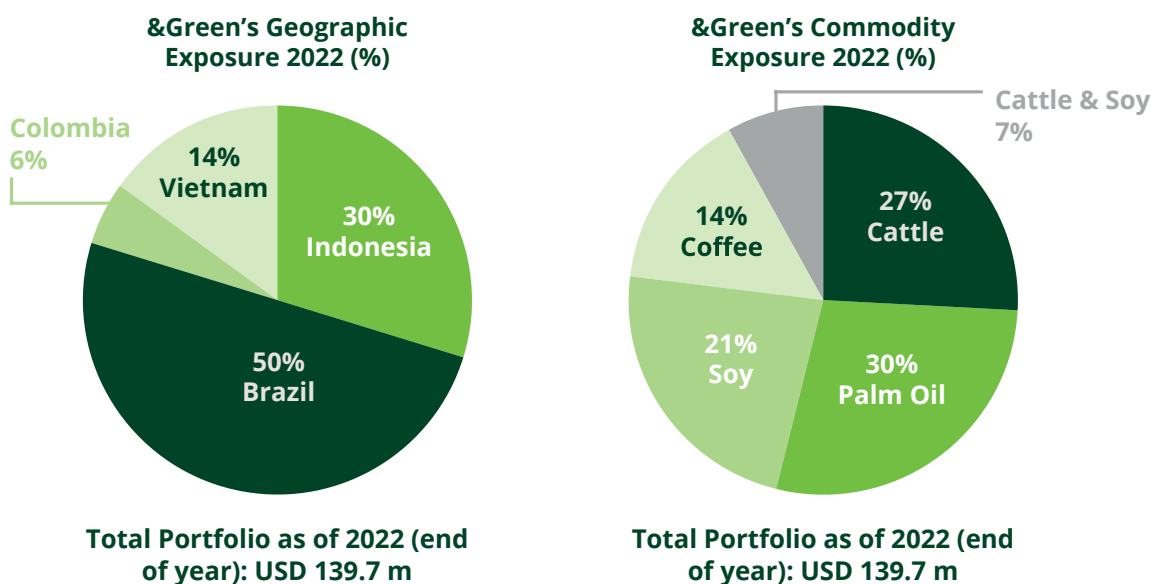
&Green's targets sectors linked to land degradation and **deforestation**. Sectors include agriculture (palm oil, soy, coffee, cocoa among others), cattle/dairy, and plantation forestry (such as rubber).



We concentrate in selected geographies where globally significant commodity value chains are active and there is a clear risk of them being a driver of deforestation, today or in the near future. &Green finances transactions where there is a clear investment rationale for how our financing will play a demonstrative role in de-linking deforestation and land degradation from commodity production in a way that is commercially attractive. This investment rationale leads to blueprint transactions.



Our current investment portfolio – geography and commodities; at the end of 2022 is:



**Total Portfolio excludes RLU as it was redeemed in the third quarter of 2022.*

To mitigate portfolio concentration risk, and minimize the potential impact of sector or country volatility, &Green aims to diversify its geographic exposure in the coming years. This strategy aligns with the principles of best fund management practices.

OUR FOCUS CLIENTS

&Green invests early in transformative transactions led by businesses with the capacity to drive sustainable and deforestation-free production, influencing the industry and driving it towards a sustainable future.

We fund transactions to serve as blueprints which other sector actors can adopt and follow.

ASSESSING OUR FOCUS GEOGRAPHIES

JURISDICTIONAL ELIGIBILITY CRITERIA (JEC) ASSESSMENT

&Green restricts its investment to tropical jurisdictions that demonstrate progressive and supportive policy agendas for forest and peatland conservation and restoration.

In collaboration with specialists, & Green analyses jurisdictions to assess relevance and ambition. We carefully select jurisdictions with a regulatory framework protection to safeguard forest protection achievements associated with &Green's investments. Final approval of whether a jurisdiction is eligible for investment rests with the &Green Advisory Board.

Our approach achieves an enhanced country and environmental risk profile by ensuring jurisdictional regulatory frameworks harmonize with the &Green investment strategy. Jurisdictional assessments are conducted annually to monitor progress and track achievements.

01

SCOPE

Volume and quality of forest and/or potential of the jurisdiction hold substantial importance on a global scale.

AMBITION & STRATEGY

Jurisdiction has a clear strategy with targets to track **deforestation** reduction against historical trends.

02

03

PROGRESS

Jurisdiction's strategy shows timely progress towards milestones on the path to achieving deforestation reduction targets.

MRV

Jurisdiction has transparent monitoring, measuring, reporting, and verifying deforestation reduction systems. Forest and peat degradation systems where applicable

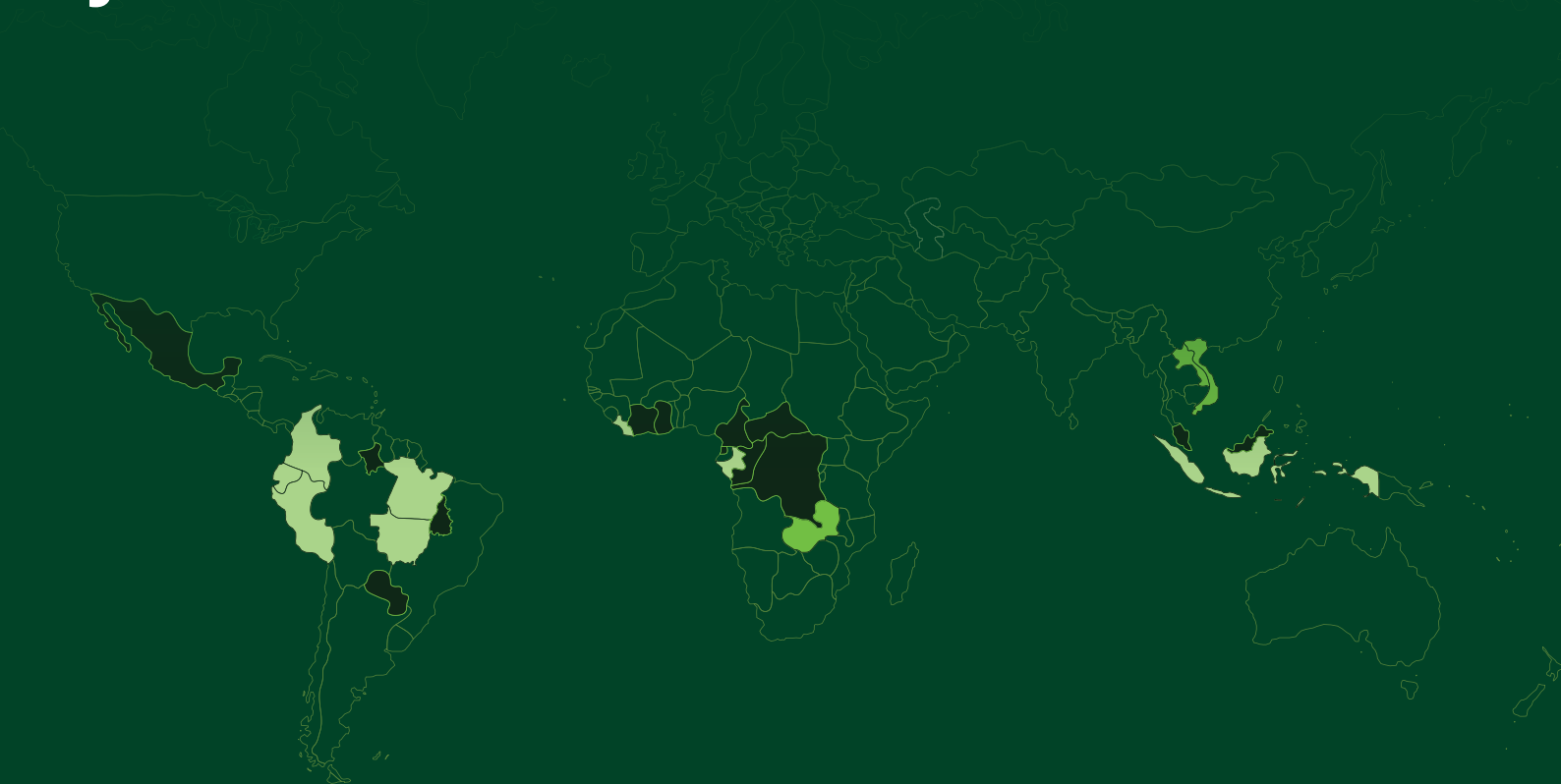
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05









SOCIAL & ENVIRONMENTAL SAFEGUARDS

Jurisdiction demonstrates progress implementing the **Cancun Agreement**.




JEC MAP















PREVIOUSLY ASSESSED AND APPROVED

-  Para, Brazil
-  Mato Grosso, Brazil
-  Colombia
-  Ecuador
-  Gabon
-  Liberia
-  Peru
-  Indonesia

(RE)ASSESSED AND APPROVED IN 2022

-  Laos
-  Vietnam
-  Zambia

NEW JURISDICTIONS OF INTEREST

-  Cameroon
-  DR of the Congo
-  Ivory Coast
-  Ghana
-  Malaysia
-  Paraguay
-  Mexico
-  Roraima, Brazil
-  Tocantins, Brazil
-  Equatorial Guinea
-  Central African Republic
-  Republic of Congo

HOW WE INVEST

OUR FINANCING PROPOSITION

&Green offers borrowers a bespoke market-specific solution that includes long-term financing tailored to their business and to supply chain transformation.



Tailored financial terms



Supporting the borrower to be a climate champion



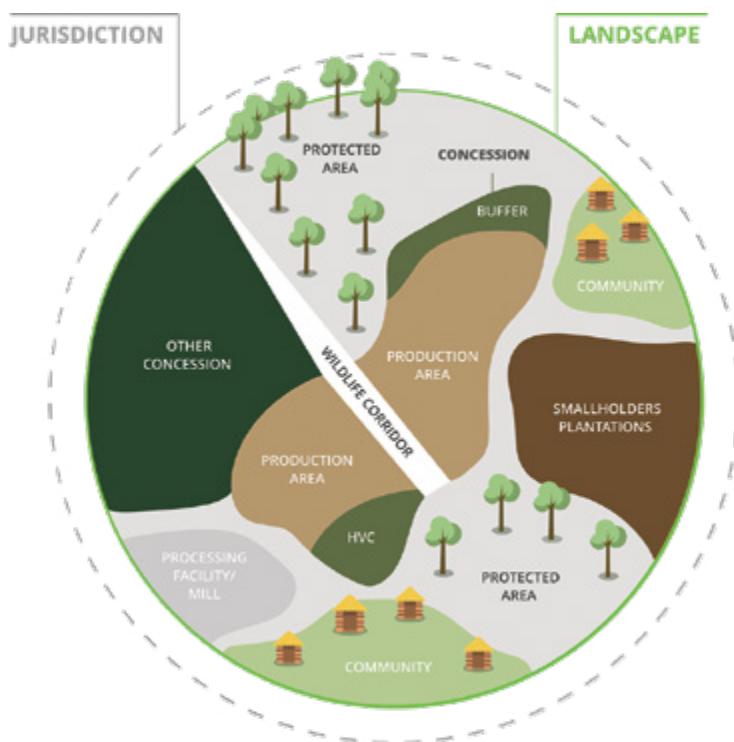
Capturing the Environmental and Social integrity of the borrower



A long-term partnership



A transition strategy through &Green's Landscape Protection Plan



The &Green team assists clients develop credible **landscape** plans to generate economic, social and environmental value in geographies that hold critical importance for local communities, food security, biodiversity and the global climate.



OUR REPORTING AND MONITORING

KPI FRAMEWORK AND ENVIRONMENTAL & SOCIAL MANAGEMENT SYSTEM (ESMS)

&Green relies on a series of tools and processes to gauge transformation and to monitor impact in each transaction.

These tools and processes are embedded in the investment process. For example we use a set of Key Performance Indicators (KPIs) at the portfolio level which are publicly reported as a dashboard and updated annually. These KPIs are derived from clients' reported **Environmental and Social Action Plan (ESAP)** outcomes, supplemented by additional analysis conducted by Sail Ventures, the Investment Manager, using client data and publicly available information. &Green also uses a real-time satellite monitoring system to track forest dynamics within the jurisdictions it operates.

In 2021, &Green updated the KPI Framework to improve its ability to track transformational change and impact. This update reflects the importance of using evidence-based data for our growing community of stakeholders and investors.

The updated KPI Framework – which builds on and integrates previous indicators – tracks forest, climate, social, and financial KPIs. The data used to establish the revised KPIs is systematically aggregated from a range of additional operational indicators. These indicators play a crucial role in informing both the monitoring of environmental and social compliance, and the tracking of impacts.

All KPIs, like **JECAs**, form part of &Green's **Environmental and Social Management System (ESMS)**. The ESMS is designed to systematically identify, manage and report on environmental and social aspects as well as potential impacts of &Green's investments.

&Green aims to establish a cohesive and standardized investment process flow that encompasses financial considerations, impact assessment, and environmental and social compliance aspects. Our ESMS is underpinned by the International Finance Corporation (**IFC Performance Standards**), a globally recognized benchmark for identifying and managing environmental and social risks. These standards were developed by the World Bank's private sector arm, the IFC, and have been used by international investors investing in developing countries for over two decades. Standards are consistently adapted and improved.

KPI FRAMEWORK



FOREST PROTECTED

Threatened species and biodiversity protection, particularly in high conservation value (HCV) forests near transactions. The **Net Gain Framework** serves as a progressive framework for biodiversity preservation.



CLIMATE BENEFITS

Mitigation benefits in tCO₂e from:

- Emission reductions generated from changes in farm management practices.
- Emission sequestration from regrowth and densification in degraded forests.



ECOSYSTEMS WITH IMPROVED RESILIENCE

Rehabilitation, restoration and protection of forests, regenerative agriculture, silvopastoral and agroforestry provide improved resilience of livelihoods to individuals.



PEOPLE WITH INCREASED RESILIENCE

Individuals for whom a stable (ongoing) benefit or service is provided or made possible to improve their livelihoods.



PEOPLE BENEFITTING

Producers reached, individuals benefiting from secured land tenure agreements & jobs supported.



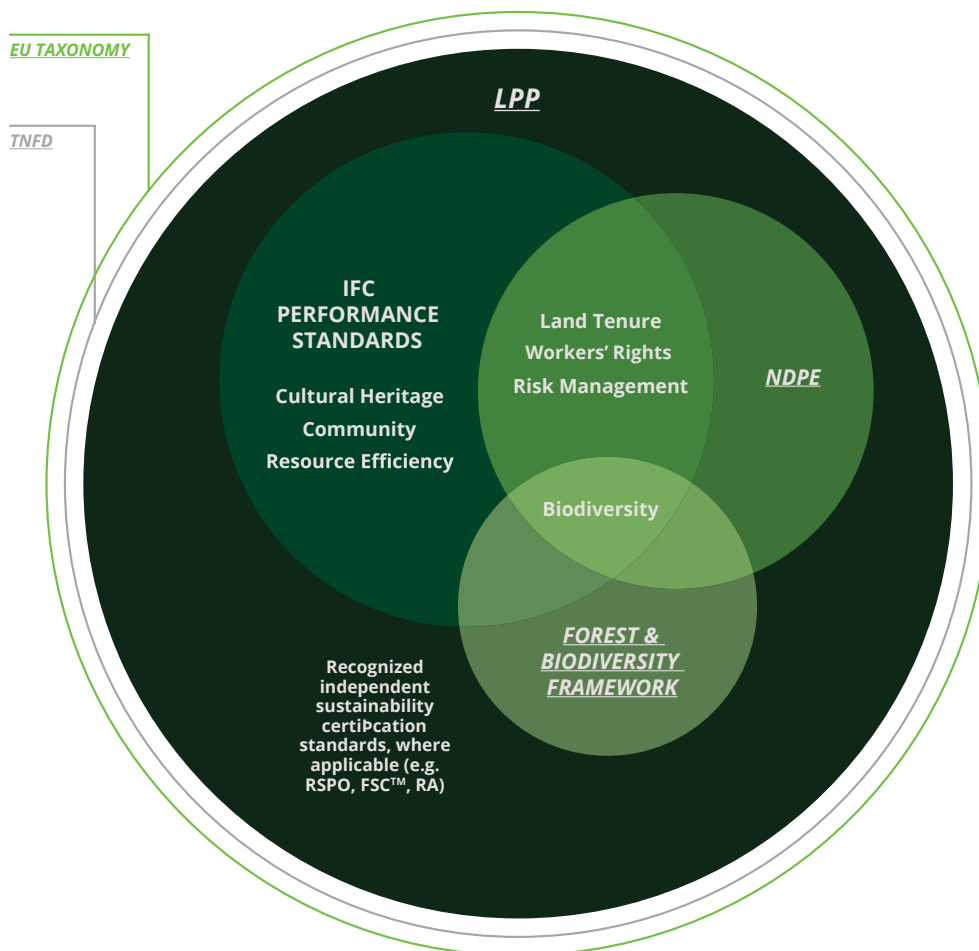
CAPITAL MOBILIZED

Capital that is catalyzed by &Green's investments & additional funding from banks and funds.

For each investment, the most suitable indicators are identified to track the transformational change sought to generate evidence.

The identified indicators demonstrate progress towards the vision outlined in the Landscape Protection Plan, tracking both quantitative impact and its contribution to supply chain, sector, and business transformation.

STANDARD-RELATED ELEMENTS OF &GREEN'S ESMS



EU TAXONOMY

The [EU taxonomy](#) establishes a classification system for environmentally sustainable economic activities based on their contribution to meet environmental objectives. Although not mandatory for &Green, the Fund continually improves its environmental and social management practices to align with this taxonomy. &Green successfully developed the Forest & Biodiversity Framework and plans to expand its methodology for climate adaptation objectives in 2023 to enable robust reporting on [Principal Adverse Impacts](#) and showcase best practices within &Green's [ESMS](#).

LPP

The Landscape Protection Plan ([LPP](#)) is a comprehensive, long-term land use and management plan jointly developed by the prospective client, &Green, and key stakeholders. The LPP assesses the client's operational baseline and evaluates the potential impact of the proposed transaction. In addition, the LPP plays a crucial role as part of &Green's impact driven approach. The LPP sets impact targets and milestones for the loan duration, outlined in an [Environmental and Social Action Plan \(ESAP\)](#) that ensures compliance with [IFC Performance Standards](#) (and sustainable supply chain standards).

The LPP act as the 'overarching plan' for clients to fulfill the [NDPE](#), the Forest & Biodiversity Framework, [E&S](#) compliance and other sustainable supply chain standards.

Client LPP and ESAP commitments are published on the &Green website and rigorously monitored. These requirements mitigate risks and enhance long-term sustainability for investors and clients alike.

NDPE

The No Deforestation, No development of Peatlands, and No Exploitation (**NDPE**) is a public commitment made by our clients to ensure that their operations are sustainable. This commitment ensures that there is no deforestation, peatland destruction, or exploitation of Indigenous People within their business operations and supply chains.

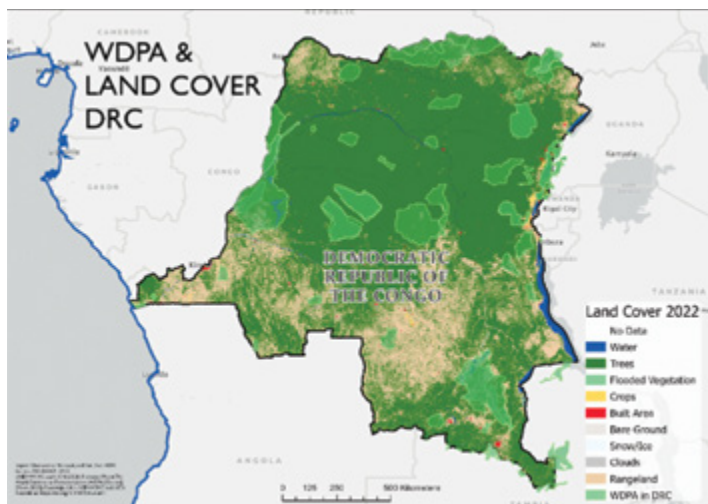
A combined investment approach risk-and impact-based approach completes the NDPE policy:

- The risk-based approach ensures clients are aligned with &Green's vision within the approved jurisdictions and throughout their global operations.
- The impact-based approach, looks forward, and delivers impact for both the client and sector. The building blocks include the financial and sustainability requirements applied to all transactions within &Green's **eligible jurisdictions**.

FOREST & BIODIVERSITY FRAMEWORK

To ensure and demonstrate that our investments lead to measurable net positive forest and biodiversity outcomes over time, &Green uses its proprietary Forest & Biodiversity Framework (The F&B Framework). The F&B Framework embeds the IFC Performance Standard 6 – which covers how biodiversity should not be negatively impacted by investments – within & Green's **Environmental and Social Management System (ESMS)**, providing an industry-leading approach to mainstreaming biodiversity into investment decision making.

By applying the F&B Framework, every potential transaction entering &Green's pipeline will undergo standardized risk screening for both past and future biodiversity risks. For example the conversion of natural or critically important habitats and business management capacity to mitigate biodiversity risks. The screening is informed by leading global datasets, capturing the extent, conditions, and significance of biodiversity-related findings. &Green enhanced its Geographic Information System (**GIS**) assessment and monitoring system in 2022 with new information layers. New layers allow a detailed spatial land cover analysis and land use historical series as well as numerous biodiversity features. This crucial initial risk assessment step guides the focus of third-party due diligence, enabling us to zoom in on the specific **landscape** features of interest.



The F&B Framework builds on identified risks to establish an action process that ensures the delivery of creditable and tangible impacts for biodiversity protection and compensation impacts. This process operationalizes &Green's **NDPE** policy, aligning with IFC Performance Standards and leading sustainable supply chain frameworks. &Green only invests if biodiversity No Net Loss or, ideally, a **Net Gain** can be realized. The biodiversity-related commitments are reflected in the **LPP** and **ESAP**.

The F&B Framework, featuring standard templates and checklists, ensures high-quality due diligence outputs and nature-positive outcomes across &Green's portfolio. By adopting the F&B Framework, &Green operationalizes best-in-class standards for biodiversity management, and we establish ourselves as a leader in nature-positive investing.

TASKFORCE ON NATURE-RELATED DISCLOSURE (TNFD)

&Green is the first impact fund to pilot the TNFD beta framework to manage and disclose nature-related risks and opportunities in our investments. The TNFD is a global, market-led initiative, established to develop and deliver a risk management and disclosure framework for organisations to report and act on evolving nature-related risks. The mission of the TNFD is well aligned with the &Green Fund: to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.

&Green is an active member of the TNFD Forum, which facilitates the exchange of learnings with the community. In 2022, we were hosted by the TNFD Piloting Clinic to speak about “The LEAP Approach for Financial Institutions – Scoping, Locate, Evaluate”. These clinics are intended for the finance community to exchange insights from the TNFD piloting experience, and more generally about the opportunities and challenges that investors face in realizing a nature-positive investment strategy. The event drew over 500 participants in two sessions, signalling a keen interest from the financial sector in biodiversity.

THE LEAP APPROACH - &GREEN ALIGNMENT

In the Scoping phase, preceding the actual LEAP Approach, Financial Institutions are recommended to assess the nature of their business, flag ‘entry points’ for nature-related impacts, and assess at what level those impacts can be analyzed and disclosed. &Green is a relatively small fund with a clear vision on impact, so our investment principles, Theory of Change and monitoring tools are designed to give us a good understanding of our nature-related risks and opportunities. The key ‘entry points’ are in the jurisdictions where we invest, which meet our Jurisdictional Eligibility Criteria (JEC), and, more specifically, in the landscapes that our investees impact, as defined in the Landscape Protection Plan for each investment. The investments we make are intended to support transformational change in commodity supply chains and are therefore by nature in locations and sectors with nature-related risks and opportunities. We analyze these impacts at the investee level, and aggregate the data at the portfolio level. See TNFD Content Index Table.

The first phase of the Leap Approach is the Locate phase, in which the ‘nature interface’ is identified. For &Green, this process starts at an early stage in our investment approach, when we identify the jurisdictions where we can invest. In our JEC Assessments, we identify priority jurisdictions, and priority sectors within those jurisdictions, where transformational change is needed, and achievable. Once we identify an investment opportunity in this jurisdiction, we assess the ‘footprint’ of the business, and the **landscape** it interfaces with, in an initial screening. This screening is part of the Forest & Biodiversity Framework.

The results of this screening inform the focus areas of our environmental and social due diligence. This is where we carry out the Evaluate and Assess steps of the LEAP approach. All environmental and social characteristics of the landscape are mapped, including in the businesses’ supply chains. Impacts and dependencies are assessed in external Environmental and Social Impact Assessments, following our standardized methodology, to ensure consistency across sectors and geographies. If the initial Forest & Biodiversity screening resulted in a high risk profile, a specific Forest & Biodiversity study is commissioned to provide insight in the biodiversity No Net Loss / Net Gain balance, and potential need for biodiversity offsets. Based on the results of these assessments, we get an overview of the risks and opportunities in a potential investment. These risks and opportunities, as well as a detailed description of the landscape and the businesses’ impacts and dependencies, are outlined in a **Landscape Protection Plan (LPP)**, developed for (and with) each individual investee.

This is also where the Prepare phase of the LEAP approach is implemented. Impact targets, strategic milestones and deliverables are defined for each investee and listed in an **Environmental and Social Action Plan (ESAP)**, annexed to the LPP. The LPP includes a chapter on monitoring, reporting and verification, where we establish how we assess progress against an investee’s ESAP. This includes an annual independent verification, carried out by external experts, to complement an investee’s self-reporting requirements. Both LPP and ESAP are publicly available on the &Green website for each of our investments.

The LEAP approach concludes with ‘disclosure actions’. You can find our disclosures throughout this report and on our website. For a helpful guide on our interpretation of the TNFD disclosures, please refer to this TNFD Content Index Table.

TNFD FRAMEWORK BETA 0.4		&GREEN REPORT 2022
GOVERNANCE	Disclose the organisation's governance around nature-related dependencies, impacts, risks and opportunities.	The Advisory Board defines the lending guidelines and approves all Jurisdictions in which the Fund is able to invest. The Advisory Board reviews and approves the policies, including those related to the nature-related impacts management such as &Green's Forest and Biodiversity Framework. It also approves the loan agreements along with their Landscape Protection Plans
STRATEGY	Disclose the actual and potential impacts of nature-related dependencies, impacts, risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	<p>&Green focuses its investments in selected geographies where globally significant commodity supply chains are active and there is a clear risk of them being a driver of deforestation, today or in the near future. &Green finances projects only where there is a clear investment rationale for how projects play a demonstrative role in de-linking deforestation and land degradation from commodity production in a way that is commercially attractive and thereby replicable.</p> <p>The dependencies, impacts, risks and opportunities are explored both on the jurisdictional and transaction level, following the policies and guidelines that make part of the investment process and are covered by &Green ESMS. The strategies and action plans for each of the investees are available in the Landscape Protection Plans on the &Green website.</p>
RISK & IMPACT MANAGEMENT. LEAP APPROACH	Disclose how the organisation identifies, assesses and manages nature-related dependencies, impacts, risk and opportunities.	&Green provides the initial overview of its LEAP approach in the 2022 Annual Report, presented during the TNFD Piloting Clinic.
METRICS AND TARGETS	Disclose the metrics and targets used to assess and manage relevant nature-related dependencies, impacts, risks and opportunities.	&Green currently uses the KPIs related to its target impact – deforestation (KPIs and Impact Report), and is working to align its reporting to the TNFD set of metrics in the next reporting periods.

ADDITIONAL RESOURCES FOR OUR POTENTIAL CLIENTS

TECHNICAL ASSISTANCE

In 2019, &Green established a **TA** budget with support from one of our first Fund contributors, Norway's International Climate and Forest Initiative (NICFI), to facilitate identification and development of transaction opportunities in commodity sectors within target countries.

In addition, &Green also has benefited from its partnership with IDH (the Sustainable Trade Initiative). IDH developed in 2020 a Technical Assistance Facility dedicated to providing Technical Assistance to &Green's current and prospective clients.

In 2022, the IDH partnership expanded to include the Mobilising Finance For Forests programme, funded by the UK government and delivered through the Dutch Development Bank (FMO). As a result of this expansion, &Green establish a portfolio of TA opportunities aimed at helping &Green's portfolio clients address the challenges of meeting their obligations under &Green.

TA funding facilities are provided by &Green to support its (potential) clients meet the required impact and **E&S** compliance standards to make their projects viable for investment. These facilities help mitigate financial and ESMS risks associated with financing. Additionally, TA can assist &Green's clients maximize impact.

Maximizing impact is achieved by supporting the development and implementation of **LPPs** and best-practice **NDPEs**, promoting smallholder and local community inclusion, and fostering the adoption of innovative and climate-resilient business strategies to enhance sustainable production.



INNOVATIVE &GREEN TA FACILITY WITH IDH

The IDH Technical Assistance Facility provides technical assistance to current and prospective & Green clients.

TA encompasses advisory, assistance, and training throughout the entire & Green investment process. Pre-investment project design support helps potential clients meet the investment criteria. Post-investment assistance enhances the technical quality of project implementation and amplifies positive social and environmental impacts. Clients have access to impact monitoring support for more effective adaptive management.

IDH and &Green's investment manager jointly assess a project's eligibility in the development and investment pipeline, as well as those in &Green's portfolio, to determine if they qualify for support.

05 THE INVESTMENT MANAGER

SAIL VENTURES

Sail Ventures (SAIL) is an emerging global alternative asset manager headquartered in the Netherlands. SAIL finds transformational opportunities for investors seeking to drive positive change and achieve attractive, long-term absolute returns.

The investment firm integrates environmental and social returns into the investment strategy to build asset portfolios at scale. Our portfolios strive to generate compounding impact and economic returns by implementing our transformational change approach, exemplified in the &Green Fund.

Wholly owned by management, SAIL operates with a diverse and dedicated team. The team combines financial acumen with extensive environmental, social, and governance expertise with over 245 collective years of experience in private market investing.

SAIL is &Green's trusted partner and advisor since July 2017 to identify, prepare, structure, execute and monitor investments. SAIL is also responsible for Fund partnerships with co-investors, and fundraising and investor relations activities.

EXPERIENCE OF THE SAIL TEAM

FUNCTION	TEAM AVAILABLE	EXPERIENCE
Investment origination, client relationship, and portfolio management	4 INVESTMENT DIRECTORS (INCLUDING CIO)	OVER 95 COLLECTIVE YEARS
Impact and E&S compliance	6 FTES	OVER 75 COLLECTIVE YEARS
Climate Rationale / Agriculture and Forestry due diligence.	1 FTES	OVER 25 COLLECTIVE YEARS
Operations & Communications	4 FTES	OVER 37 COLLECTIVE YEARS
Dedicated financial analysis and due diligence	2 FTES	OVER 14 COLLECTIVE YEARS

THE FACES OF SAIL

DIVERSE, EXPERIENCED, AND PASSIONATE TEAM



In 2022, three additional resources have joined the SAIL team to enhance our investment process.



FIND OUT MORE:
www.sailventures.com/about

INVESTMENT PROCESS

01

SOURCING

Continuous process of lead generation & JEC Assessments

LEAD GENERATION

&Green sources potential opportunities through various channels, including supply chain actors, financial institutions, NGOs, and investor networks. Investments are focused on **Eligible Jurisdictions**, and subject to continuous monitoring to assess risks and identify opportunities.

02

STRUCTURING & TERMS

Transaction design and financial structure

INVESTMENT RATIONALE

&Green completes a high-level assessment to ensure alignment with our investment thesis, potential for impact, and potential to be scaled and/or replicated as well as the financial opportunity for &Green.

03

DUE DILIGENCE & FINAL APPROVAL

Potential syndication with co-investors

DUE DILIGENCE & FINAL APPROVAL

Analysis of all financial and operational documentation of the project, and assessment of both environmental and social risks and potential for positive impact.

APPROVAL

Sail Ventures submits full proposals for review by Credit Committee including loan terms, covenants and the **LPP**. The Credit Committee provides independent recommendations to the Board of Directors, resulting in agreed financial, environmental, and social commitments.

04

EXECUTION & MONITORING

Transaction governance & monitoring

EXECUTION & DISBURSEMENT

Investment executed following final approval from &Green Board of Directors.

ONGOING MONITORING

Ongoing client engagement: independent impact performance verification, environmental and social compliance, and monitoring.

An aerial photograph of a lush tropical forest. The top half shows a dense canopy of various green trees. The bottom half is dominated by a vast field of palm trees, their fronds creating a textured, repeating pattern. A river or stream winds through the forest on the right side. The entire image is overlaid with a semi-transparent dark green filter.

06

THE PORTFOLIO

With three new investments made
in 2022, the &Green portfolio now
comprises seven transactions



2022



MERCON

Sustainable deforestation-free coffee supply chain.

COUNTRY: Vietnam

SUPPLY CHAIN: Coffee



2022



FS

First Brazilian corn ethanol producer with zero-deforestation commitment.

COUNTRY: Brazil

SUPPLY CHAIN: Grains



2022



HDL

Financing an **NDPE** compliant and small holder inclusive **CPO** mill in Indonesia.

COUNTRY: Indonesia

SUPPLY CHAIN: Palm Oil



HSJ

Scaling-up disruptive business model for the cattle sector in Colombia.

COUNTRY: Colombia

SUPPLY CHAIN: Cattle

MARFRIG

Global beef processor with no-deforestation commitment in Brazil.

COUNTRY: Brazil

SUPPLY CHAIN: Cattle



RONCADOR

Blueprint for integration of crop and livestock production systems in Brazil.

COUNTRY: Brazil

SUPPLY CHAIN: Cattle and Soy



DSNG

Setting a high standard for sustainable and inclusive palm oil production.

COUNTRY: Indonesia

SUPPLY CHAIN: Palm Oil



RLU

Developing two sustainable natural rubber concessions and a collaborative social strategy for a complex landscape

COUNTRY: Indonesia

SUPPLY CHAIN: Rubber



REDEEMED IN 3Q 2023

MERCON

ABOUT MERCON

Mercon Coffee Group is a vertically integrated, global coffee supplier committed to delivering high-quality coffee while promoting sustainable livelihoods in coffee-growing communities.

&Green supports Mercon Coffee Group with an 8-year, USD 20 Million credit facility to promote forest protection in sustainable coffee supply chains. This initiative aims to enhance livelihood opportunities for smallholder farmers and improve farm management practice.



TRANSACTION SUMMARY

NAME

Mercon

JURISDICTION

Vietnam

SECTOR

Coffee

E&S RISK CATEGORY

B

&GREEN INVESTMENT

USD 20 Million

INVESTMENT TERM

8 years

FINANCIAL STRUCTURE

&Green provided an 8-year senior unsecured loan

IMPACT TARGETS

Approximately 63,000 hectares of forest in the supply chain landscapes

Over 15,000 coffee suppliers engaged in **LIFT** Landscapes

Climate resilient agriculture, knowledge sharing with other farmers, community engagement

*2022 Key Performance Indicators data Not available given the transaction was closed end December 2022

INVESTMENT RATIONALE

Mercon will use the loan from &Green to create a blueprint of a climate-resilient and deforestation-free coffee production in Vietnam: improved livelihood opportunities for smallholders and enhanced farm management efficiency.

Mercon will pilot two models: an **NDPE** approach which aims to mitigate deforestation risks in exports; and **LIFT** to enhance climate resilience and livelihood impacts in sourcing operations. The NDPE ensures no coffee is sourced from deforestation regions, protecting around 63,000 hectares. LIFT focuses on commercially viable sourcing regions for the company.

The &Green Facility enables Mercon to shift from a fragmented system of farm-level capacity building and compliance management to a comprehensive approach. This approach prioritizes climate resilience and forest conservation and may include reforestation activities.

MERCON's Landscape Protection Plan targets*, developed with &Green:

*Targets will be refined in 2023.



Forest Protection in Vietnam: Mercon aims to source deforestation-free coffee by 2027. To achieve this, they will implement a traceability system, engage stakeholders, and establish **MRV** mechanisms expecting to conserve approximately 63,000 hectares of forests.



Climate Resilient Agriculture: In **LIFT** geographies, model farms owned by influential local farmers will showcase climate-smart and deforestation-free agriculture, raising awareness and demonstrating practical benefits. These farms will also monitor climate resilience.



At Mercon, we are very excited to partner with &Green. Their investment will support our strategic integrated business approach in Vietnam. We will commit to contributing to the eradication of deforestation, among other issues, by creating value for producers through our LIFT* platform's landscape interventions. Together, we will continue to build a better coffee world, thus creating a circle of prosperity for all!

GIACOMO CELI

Group Sustainability Director – Mercon Coffee Group

LOOKING FORWARD TO 2023



FORESTS & BIODIVERSITY IN MERCON'S LANDSCAPES

Mercon will map its landscapes and explore the forests to baseline their condition and exposure to deforestation risks. This will allow high risk **landscape** and priority identification in the supply chain management strategy.



CLIMATE RESILIENT AGRICULTURE

Mercon will conduct a study to assess potential climate risks in its landscapes of current and potential interest, focusing on how they may impact production patterns. The study will identify opportunities to enhance climate resilience of agricultural practices within the supply chains.



ABOUT FS

FS is the first Brazilian plant to produce ethanol exclusively from corn. In addition to ethanol, FS also uses cutting edge technology to manufacture animal nutrition, corn oil and electricity products. In May 2022, &Green and FS concluded an 8-year loan of USD 30 Million to support the company improve the traceability of its corn supply chain, mitigate **deforestation** risk, and intensify forest and degraded land restoration.

&Green will work together with FS to create a no-deforestation corn supply chain that sustainably produces biofuel, electric power, animal feed and corn oil. Through this transaction, FS underpins its public ambition statement of sourcing deforestation-free corn with a contractual No Deforestation, No Peat and No Exploitation (**NDPE**) commitment to &Green.

This transaction provides &Green and FS an opportunity to positively influence the corn, but also the soy supply chain in Mato Grosso (MT) which is significant for two reasons. First the soy supply chain is one of the main drivers of deforestation in Brazil. Second FS will impact around 15% of soy production areas in Mato Grosso where production grew fourfold in the past decade and is expected to grow further.

With &Green's loan support, FS aims to transform land use practices of corn and soy producers in MT. This includes proactive engagement with suppliers to protect and restore forests and promote sustainable intensification of degraded lands.



TRANSACTION SUMMARY

NAME

Fueling Sustainability (FS)

JURISDICTION

Mato Grosso (Brazil)

SECTOR

Grains

E&S RISK CATEGORY

A

&GREEN INVESTMENT

USD 30 Million

INVESTMENT TERM

8 years

FINANCIAL STRUCTURE

&Green provided an 8-year senior
unsecured loan

IMPACT TARGETS

224,000 hectares of protected
forests

40,000 of degraded lands being
intensified

Up to 5,000 hectares of restored
native forest

Small producers social inclusion,
sector engagement

KEY PERFORMANCE INDICATORS

KPIs



FOREST PROTECTED

779,292 ha



CLIMATE BENEFITS

1,300,559 tCO₂e



PEOPLE RESILIENCE

931



ECOSYSTEM RESILIENCE

783,331 ha



PEOPLE BENEFITTING

931



CAPITAL MOBILIZED

USD 568 Million

INVESTMENT RATIONALE

Soy is one of the main drivers of **deforestation** in Mato Grosso (MT). In recent years, Brazilian corn has emerged as a secondary crop to soybeans with its production expanding due to intensified soy production areas in the region.

FS's commitments will catalyze a transformative shift in sourcing practices among corn producers in MT, with the intended consequence of influencing the practices of other soy producers whose farms serve as the source for corn as a secondary crop. Commitments are set out in two documents developed with &Green: the Landscape Protection Plan (**LPP**) and the **Environmental and Social Action Plan (ESAP)**.

In line with its sustainable sourcing strategy, FS will mandate forest conservation as a requirement for suppliers to be eligible for its production plants. This commitment necessitates deforestation-free practices in both corn and soy production, an endeavor that has posed challenges in securing from Brazilian soy producers in the past.

With this investment, &Green aims to showcase an integrated model that combines climate change mitigation, food production and forest protection. This will be achieved through sustainable intensification of land and the transformation of sourcing practices in the Amazon and Cerrado biomes, where FS operates.

The **blueprint for sustainable deforestation-free corn ethanol production will exemplify how collaboration among diverse market players can expedite the implementation of the Brazilian Forest Code's principles. This approach will focus on conserving and restoring native forests in the Amazon and Cerrado regions.**

FS's Landscape Protection Plan targets, developed with &Green:



Forest Conservation: FS will annually source from a diverse group of suppliers who collectively possess 196,000 hectares of Legal Reserve areas covered with forest. These suppliers have an additional 28,000 hectares of conserved land beyond the required Legal Reserve.



Forest Restoration: FS will promote forest restoration efforts, focusing on social inclusion of suppliers facing deforestation liabilities. FS will further assist those with degraded APPs (permanent protection areas) to anticipate their compliance with the Forest Code, thereby simplifying and/or avoiding future regulation procedures. This effort will result in approximately 5,000 hectares of restored native forests.



Sector Engagement: FS will increase the share of farm-level traceable corn origination from cooperatives and resellers. It will also prioritize sourcing from traders with the best available traceability and **MRV** approach, both for Amazon and Cerrado biomes.



Emissions Removal and Avoidance: achieved through securing the biomass demand for power generation from renewable traceable sources, produced on intensified degraded land (approximately 40,000 hectares).



This partnership enhances a sustainable agricultural ecosystem, mitigating risks associated with environmental liabilities, enhancing brand reputation, and capitalizing on increasing demand for socially responsible products. This financial collaboration drives innovation, operational efficiency, and economic growth while simultaneously contributing to a healthier environment and a more sustainable future.

DANIEL COSTA LOPES

Executive Vice President of Sustainability & New Business

LOOKING FORWARD TO 2023



ENHANCED MONITORING SYSTEM

FS intends to fully operationalize its Geographic Information System (**GIS**) monitoring system, established with enhanced environmental and social criteria developed to enable the **NDPE** commitments.



ESMS

FS established a sophisticated project management tool for IFC Performance Standards compliance management, monitoring and continuous improvement. 2023 will be the first cycle of its usage for internal targets of the company.



INDIGENOUS PEOPLE

FS developed the Indigenous People policy and will fully integrate its operation into the supply chain management.



RESTORATION

FS expects to have the first cases of restoration and small holders social inclusion. As per its Landscape Protection Plan (**LPP**), FS will promote forest restoration, aiming at social inclusion of suppliers with deforestation liabilities as well as assisting those with degraded APPs (Areas of Permanent Protection designated at each farm). These measures anticipate compliance with Forest Code, simplifying and/or avoiding future procedure related to PRADA (Recomposition Project for Degraded or Areas). The expected program outcomes are the inclusion of least 15 small suppliers with embargoes related to deforestation or Terms of Adjustment of Conduct (TAC). In Brazil, the small rural property is defined as one sized up to 4 "fiscal modules". The fiscal models differ from municipality to municipality. In Mato Grosso, the average fiscal module is around 90 ha. FS is committed to achieve an ambitious figure of 5,000 ha.

PT HILTON DUTA LESTARI

ABOUT PT HILTON DUTA LESTARI

PT Hilton Duta Lestari (HDL) is an ambitious palm oil venture in the northern part of West Kalimantan, Indonesia. HDL owns and manages two adjacent blocks, which include 5,388 hectares of mature palm oil plantation. In 2022, &Green and HDL concluded a USD 12 Million, 8-year senior secured loan.

Supported by &Green's financing, HDL will construct a mill to process fresh fruit branches **FFB** into crude palm oil **CPO**. HDL has no plans to expand cultivated areas and instead intends to receive FFB from third parties, primarily smallholders, to meet the required feedstock of the mill. HDL will adopt a sourcing strategy that prioritizes the inclusion of local smallholder farmers and ensures a deforestation-free supply chain, thus preventing deforestation in the **landscape**.

The investment being made by HDL will generate significant transformational impact for the company, surrounding communities, and the ecosystems that support them.

The producers currently lack access to a nearby legitimate mill and are forced to sell their products to mills located 50km to 120km away. This leads to inefficient and costly supply chains, decreasing prices for the producers. Of greater significance is that these mills lack certification or sustainability requirements, making the regions susceptible to deforestation.

HDL is committed to implementing a comprehensive sustainable sourcing strategy across its entire supply chain, in line with its No Deforestation, No Development of Peatlands, and No Exploitation (**NDPE**) Policy. This commitment benefits both the producers by offering a shorter and more efficient supply chain and access to a sustainable market, as well as the forest in the landscape. The investment in HDL provides a replicable blueprint for financing independent mills across Indonesia, promoting sustainability in the industry.

TRANSACTION

SUMMARY

NAME

PT Hilton Duta Lestari (HDL)

JURISDICTION

Indonesia

SECTOR

Palm Oil

E&S RISK CATEGORY

A

&GREEN INVESTMENT

USD 12 Million

INVESTMENT TERM

8 years

FINANCIAL STRUCTURE

&Green provided an 8-year senior secured loan

IMPACT TARGETS

- > 7,500 hectares of forest protected in the landscape
- 472 hectares of forest restored
- 6,000 smallholder farmers supported through capacity building programs
- Full traceability and NDPE compliance in the supply chain

KEY PERFORMANCE INDICATORS

KPIs



FOREST PROTECTED

721 ha



CLIMATE BENEFITS

544 tCO₂e



PEOPLE RESILIENCE

27,170



ECOSYSTEM RESILIENCE

6,109 ha



PEOPLE BENEFITTING

27,385



CAPITAL MOBILIZED

USD 1 Million*

**Includes shareholder loan*

INVESTMENT RATIONALE

Indonesia is the major player in global crude palm oil (**CPO**) production, accounting for nearly 60% of the global total in 2020. Although CPO is Indonesia's largest export commodity, supply chains are fragmented and inefficient which negatively impacts smallholders. These challenges lead to reduced prices for smallholders, limiting their ability to invest in crop productivity and often resulting in encroachment on forested areas.

The HDL model serves as a valuable blueprint by providing small producers with access to an efficient and sustainable supply chain, along with technical support to enhance their production processes. This not only improves livelihoods but also reduces pressure on forests through strict sustainability requirements at the mill gate. Additionally, the model helps improve the land tenure situation for smallholders and establishes legal forest protection areas managed by the community.

&Green believes that HDL's approach can be replicated across Indonesia, shifting producers towards efficient, sustainable palm oil production.

HDL's Landscape Protection Plan targets, developed together with &Green:



Improved productivity for smallholders: HDL will implement a smallholder capacity building programme which includes gap assessment against relevant standards (**NDPE**, and the Roundtable on Sustainable Palm Oil, RSPO), improved land tenure and training on good agricultural practices.



RSPO certification: HDL's operations will be fully certified against the RSPO standard by 2025. This will be implemented gradually, hand in hand with their compliance with the **IFC Performance Standards**. The first steps are the development of a robust Environmental & Social (**E&S**) Management System and the protection of **HCV** areas, as well as greenhouse gas monitoring and management.



Forest conservation: HDL is committed to conserve all remaining forest within their estate, as well as in protected areas bordering their estate. Through the implementation of their sustainable sourcing strategy, HDL expects to conserve up to 7,000 hectares of forest in the **landscape**.



Sustainable Sourcing Strategy: Through its Landscape Protection Plan and partnership with &Green, HDL commits to adopting and implementing an NDPE policy that aims for 100% compliance at the start of the mill operation. The key principles of HDL's policy align with &Green's NDPE requirements and with international guidance on **NDPE**, such as **RSPO** and the **AFi**.

A YEAR IN REVIEW

HIGHLIGHTS

HDL had a busy year in 2022. Following &Green's investment in March, the company has worked to build a team of sustainability professionals internally, as well as a team of external experts to help develop the frameworks and capacity to implement the Landscape Protection Plan.

HDL commissioned support to develop their Environmental & Social Management System, a Biodiversity Action Plan and Community Conservation Management Plan. They adopted a well-known software system to map their supply chain and build a robust monitoring framework.

ESMS Development

HDL is developing their ESMS with an expert in the region. Using a structured approach guided by **IFC Performance Standards**, existing systems and processes were mapped, recorded and integrated into the ESMS as necessary. Through this evaluation, areas lacking established processes were identified as gaps, and HDL have committed to close them. The projected timeline for the completion of the ESMS is within the first half of 2023.

Conservation Management Plan

HDL committed to ambitious conservation and restoration targets, both in- and outside their estate, as well as in their supply chain. To realize these targets, HDL joined forces with a biodiversity expert to develop a comprehensive Conservation Management Plan. This Plan will include guidelines for the conservation management of HDL's own **HCV** areas and the two protected 'bukit', or hills, that fall part in- and part outside of the concession. To manage these hills, HDL partners with the communities bordering these forest areas, to create a legal 'hutan adat', or community land title, and develop a land use plan for these areas.

Sustainable Sourcing Strategy

Prior to the **CPO** scheduled for 2023, a sustainable sourcing strategy must be in place to ensure a deforestation-free supply of **FFB** from the smallholders. HDL has developed a Sustainable Sourcing Strategy with support from Daemeter Consulting, which identifies priority areas in the **landscape** based on risk and proximity to the new mill. HDL has recruited a smallholder team to start mapping their supply chain, using the Koltiva management information system.





With Hilton Duta Lestari, we have the opportunity to set the standard for sustainable palm oil here in Landak, where deforestation rates are among the highest in the province. Working closely with small producers, local governments and the Dayak communities around us, we are establishing a fully deforestation-free, nature-positive supply chain of fresh fruit bunches, FFB, to feed our palm oil mill. In partnership with &Green, we engaged a team of local and international experts that help us realize our ambitions for a deforestation-free landscape in Landak.

BANDULA NISSANKA

General Manager at HDL





HACIENDA SAN JOSE

ABOUT HSJ

Hacienda San Jose (HSJ) is an innovative cattle business that cultivates and disseminates superior genetics and beef production in the Vichada region of the eastern Colombian plains. On 31 December 2021, &Green and HSJ concluded a COP 30 Billion (approximately USD 7.7 Million at the time of execution) 12-year long-term senior secured loan to support HSJ's ambition to disrupt the cattle sector in Colombia and become the market leader in sustainable deforestation-free beef production. As of 31 December 2022 HSJ has access to a USD 7.7 Million facility as they unwound the hedge provided the previous year.

This transaction marks &Green's first investment in Colombia and in a sector which is associated with poor land management, deforestation, and inefficient farming practices across the country, including in and around the Amazon biome.

TRANSACTION

SUMMARY

NAME

Hacienda San Jose (HSJ)

JURISDICTION

Colombia

SECTOR

Cattle

E&S RISK CATEGORY

A

&GREEN INVESTMENT

USD 7.7 Million

INVESTMENT TERM

12 years

FINANCIAL STRUCTURE

&Green provided a 12-year long term senior secured loan

IMPACT TARGETS

- Up to 180,000 hectares of land sustainably intensified
- Up to 27,000 hectares of forest protected and restored
- Knowledge sharing with other farmers, employment creation, community engagement



KEY PERFORMANCE INDICATORS

KPIs



FOREST PROTECTED

1,697 ha



CLIMATE BENEFITS

10,466 tCO₂e



PEOPLE RESILIENCE

885



ECOSYSTEM RESILIENCE

6,057 ha



PEOPLE BENEFITTING

885



CAPITAL MOBILIZED

USD 0.9 Million

INVESTMENT RATIONALE





&Green's investment in HSJ aims to help transform the Colombian cattle sector, which is characterized by inefficient management practices, and associated with deforestation and ecosystem degradation. HSJ was operating on approximately 8,800 hectares of land at the time of investment from &Green, and during the period of the loan, the business intends to expand to have influence over up to 180,000 hectares of productive land. HSJ's expansion strategy involves acquiring land, implementing its sustainable development model, and then selling productive land in approximately 1,000-hectare units to private buyers. Buyers must commit to long-term operational and sustainability management under HSJ's guidance.

HSJ commits to protect all forest areas under its current and future management; an area of up to 13,500 hectares of gallery forest. In addition, HSJ will set aside an equal number of hectares for forest restoration, promoting the natural regeneration of savannah next to the gallery forest. This allows for forest regrowth and serves as a buffer for the conservation areas. HSJ will catalyze the development of the cattle sector in Colombia by expanding its sustainable intensification model, protecting and restoring forest, and fostering social inclusion and knowledge sharing.

HSJ's production blueprint exemplifies how regenerative agriculture practices can be adopted in &Green's investments:

Cattle ranching in Colombia's Vichada region typically follows an extensive and low-intensity management approach, on large areas of land, with seasonal burning practices. This has led to detrimental effects on soil health, water management, and CO2 emissions from savannah grasslands. Data on fire incidents is alarming, with every hectare of grassland experiencing repeated burning, hindering the natural progression of the ecosystem. Over the past decade, more than 70,000 fires have been recorded in the project [landscape](#).

HSJ's Landscape Protection Plan, targets, developed together with &Green, include:

-  **Land Acquisition Tool:** It is critical that HSJ's sustainability framework is fully integrated in scale-up processes. To ensure integration, a [Land Acquisition Tool \(LAT\)](#) has been developed to guide HSJ [land acquisition](#) processes. The LAT merges the [IFC PS](#), sustainable cattle ranching certification requirements and additional social safeguards, such as a screening for relations with armed groups, into a comprehensive checklist.
-  **Zero-Fire Policy:** HSJ adopts a zero-fire policy on its farms to restore degraded soils and preserve soil nutrients and microbial life. HSJ mitigates fire risk in areas outside its direct management through awareness, training and support for fire-free production models.
-  **Forest and savannah conservation:** all natural forest areas are protected from livestock and wildfires through long-term conservation management. Buffer zones are established so forests can re-grow, soil can restore, and the savannah can develop naturally without being stunted by wildfires.
-  **Emissions removal and avoidance:** achieved through enhanced fire suppression, increased soil sequestration through soil restoration, sustainable intensification, and no-deforestation.

HOW &GREEN'S TECHNICAL ASSISTANCE WAS USED IN THE HSJ TRANSACTION

&Green supported HSJ using the [Technical Assistance \(TA\)](#) budget to support its (prospective) [clients](#) design the [Land Acquisition Tool \(LAT\)](#) in collaboration with three organisations: Climate Focus, [GANSO](#), and AMPLO.

Climate Focus is an international green advisory company who partnered with International [Center for Tropical Agriculture CIAT](#) to form GANSO. GANSO focuses on transforming degraded pastures into sustainable landscapes. AMPLO is a Colombian Environmental, Social and Governance (ESG) consultancy who contributed to the LAT social component by conducting a social risk assessment and stakeholder mapping exercise.

The LAT is designed to guide HSJ in its land acquisition processes. The LAT integrates the [IFC PS](#), [Aval GANSO](#) requirements, and additional social safeguards, including screening for connections to armed groups, into a comprehensive checklist. LAT checks are made in a two-step process: an initial GO/NO GO on a desktop quick-screen which requires minimal resources, followed by a more thorough investment evaluation process. The evaluation requires site visits, stakeholder consultations, and a cost/benefit analysis to inform HSJ's acquisition decision. The LAT tool has been integrated into HSJ's existing systems, covering operational, financial, and legal checks.



A YEAR IN REVIEW

HIGHLIGHTS

ESMS Development

HSJ has worked in 2022 to develop an [Environmental and Social Management System \(ESMS\)](#) that enables the company to scale up its sustainable management as they acquire new land. Key ESMS building blocks include a grievance mechanism, integrated pest management programme, biodiversity monitoring plan, and an Emergency Preparedness and Response System. These items are key for [IFC PS](#) compliance.

Land acquisition

HSJ has ambitious expansion plans to acquire land, implementing its sustainable development model, and then selling productive land in approximately 1,000-hectare units to private buyers. In 2022, HSJ acquired four new properties in Nueva Antioquia, totalling 4,800 hectares. The [Land Acquisition Tool \(LAT\)](#) was used to assess each property to ensure that the land is situated within the agricultural frontier and outside protected natural parks, RAMSAR zones, and indigenous reservations. Over 5.5% of the properties are covered with gallery forest which will be set aside for protection. An additional 585 hectares (12%) will be allocated for restoration.

Sustainable livestock production certification

HSJ committed to certify their operations against a credible independent certification standard. They adopted the [Aval GANSO](#) certificate, which is a Colombian certification programme developed by GANSO in collaboration with the International [Center for Tropical Agriculture \(CIAT\)](#). Aval GANSO aims to convert degraded pastures and soils into sustainable and productive landscapes. The certification offers a guarantee to consumers of zero-deforestation products in line with international sustainability requirements. HSJ achieved the highest, 'advanced', level of GANSO certification in 2022, and has sold their first Aval GANSO-certified beef to Colombia's largest supermarket chain.

Financial Update

During 4Q 23, the HSJ transaction was restructured from being denominated in Colombian pesos to a US Dollar loan, and from bearing a floating interest rate to a fixed interest rate. The COP 18 Billion already disbursed was converted into a loan of USD 3.7 Million and the undrawn facility was converted to an amount of USD 4 Million. The cross currency interest rate swap (CCIRS) was terminated at the same time.





2022 was an exciting year for HSJ; we were able to sell our first cow-calf farms, and bring in new investors for our sustainable farming model. These are key steps towards realizing our expansion strategy, and achieving the ambitious impact targets we set out in our Landscape Protection Plan.

PAULO MOREIRA

CEO of HSJ

MARFRIG GLOBAL FOODS S.A.

ABOUT MARFRIG

Marfrig Global Foods S.A. (Marfrig) is a Brazilian multinational corporation in the animal protein industry. It procures cattle from approximately 30,000 direct suppliers and up to 90,000 indirect suppliers, primarily operating in the Amazon and Cerrado biomes.

&Green's financing will support Marfrig implement a comprehensive no- [deforestation](#) throughout its supply chain in the Amazon and Cerrado biomes. This policy will apply to all tiers of farms associated with Marfrig, ensuring that the entire lifecycle of the cows, from birth to slaughter, is free from deforestation.

&Green and Marfrig have established specific milestones and targets for full traceability and zero deforestation in their supply chain. The loan structure includes incentives for expedited progress, potentially resulting in lower interest rates.



TRANSACTION

SUMMARY

NAME

Marfrig Global Foods S.A. (Marfrig)

JURISDICTION

Mato Grosso, Brazil

SECTOR

Cattle

E&S RISK CATEGORY

A

&GREEN INVESTMENT

USD 30 million

INVESTMENT TERM

10 years

FINANCIAL STRUCTURE

&Green provided a USD 30 million loan, disbursed in Q1 2021. The loan carries a 10-year tenor and aims to be a catalyst for the company to issue more green debt in the markets over the coming years.

KEY PERFORMANCE INDICATORS

KPIs



FOREST PROTECTED

2,774,229 ha



CLIMATE BENEFITS

5,328,493 tCO₂e



PEOPLE RESILIENCE

5,761



ECOSYSTEM RESILIENCE

2,774,229 ha



PEOPLE BENEFITTING

5,761



CAPITAL MOBILIZED

USD 7,153 million

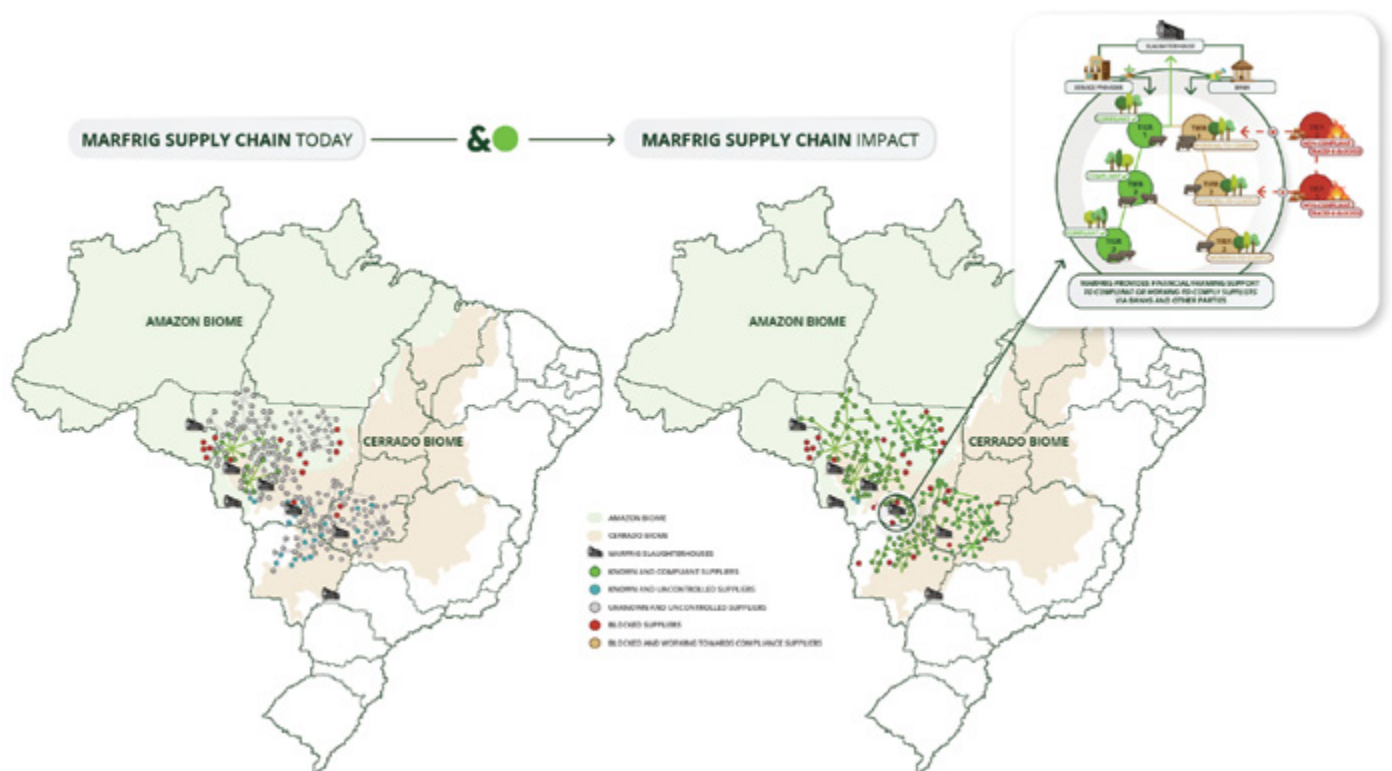
**Equity calculated on a controlling basis*

INVESTMENT RATIONALE

&Green chose to support Marfrig to create momentum for sustainable and inclusive production models in Brazil, particularly in the cattle ranching sector, which is identified as the main driver of deforestation and habitat loss due to forest conversion to pastureland.

&Green's investment supports Marfrig's pioneering commitment to trace and monitor indirect suppliers, addressing deforestation caused by cattle ranching in Brazil. Marfrig's commitment to trace and monitor both direct and indirect suppliers in Brazil's fragmented and informal cattle sector serves as a potential proof of concept for the meat industry's application of no-deforestation criteria in the supply chain.

Marfrig's commitment extends beyond supply chain management. By establishing an inclusive and sustainable cattle supply chain, they aim to protect over 1 Million hectares of forest and restore natural forest in key areas. Cattle suppliers will benefit from market access and the sharing of best practices. Marfrig also commits to pastureland restoration on smallholder farms. &Green emphasizes the importance of including all producers to ensure deforestation-free compliance and transform business practices.



VIEW CASE STUDY:

www.andgreen.fund/wp-content/uploads/2022/01/Transitioning-to-deforestation-free-livestock-in-Brazil.pdf

A YEAR IN REVIEW

HIGHLIGHTS

Enhancement of procedures and policies for indirect suppliers

Last year, Marfrig developed a screening protocol for suppliers in the Amazon and Cerrado biomes, which will be externally verified in 2023. The tracking and geomonitoring processes and systems now allow to monitor 100% of its direct suppliers in the Amazon biome. This means that all of the farms with which Marfrig maintains commercial relations have adopted sustainable production practices, and are in areas that are free of deforestation.

These monitoring and management practices are expanding across the entire supply chain, including the indirect suppliers, the most challenging and impactful part of the supply chain of the sector. Marfrig's monitoring protocol has now identified 72% of its indirect suppliers located in the Amazon biome, and 71% in the Cerrado (Brazilian savanna). The most critical areas (at high and very high risk of deforestation) are already fully monitored in both biomes.

Suppliers Network Map

Marfrig developed a comprehensive tool called **Direct and Indirect Supplier Network Map**. The map aims to visualize and assess the connections between livestock farmers and direct suppliers of Marfrig, to measure how many indirect suppliers maintain links with the farms that supply Marfrig directly, as well as to see the status of these relationships. The Map counts on several databases and information, including the Socio-environmental Risk Map (identifies high-risk areas and engage suppliers to gather annual information about their cattle sources), the Marfrig Registration process (socio-environmental analyses of supplier properties, compliance checks and eventual support of regularization), the Conecta monitoring tool (utilizes blockchain technology to track production and socio-environmental compliance in the supply chain), the Livestock Breeder's Portal as well as Visipec (the cattle production monitoring tool that is expected to become a complementary indirect supply chain data checking support).

Marfrig Green+ program progress

By the end of 2022, more than 2,500 farms were reinstated as suppliers by demonstrating their firm commitment to the principle of inclusion.

Among the several results that this initiative has attained since it was launched three years ago, the highlight of 2022 is the reinclusion of more than three thousand farms into the supplier base, after they returned to operate in accordance with the company's socio-environmental commitments. The reinclusion of farmers was possible thanks to the technical support of the Marfrig Club program team and to legal advice. Marfrig encourages farmers to adopt good practices and assists them with pending environmental, labor, and documentation issues, which enables them to meet the company's criteria. As part of the reinclusion, Marfrig carried out environmental diagnoses for farmers in the Amazon and prepared, together with them, an action plan to restore vegetation on the farms.



The partnership established between Marfrig and &Green has enabled important advances in the development of more sustainable and low-emission livestock farming. In 2022, with this partnership, we achieved robust results in inclusion, traceability and low carbon agendas.

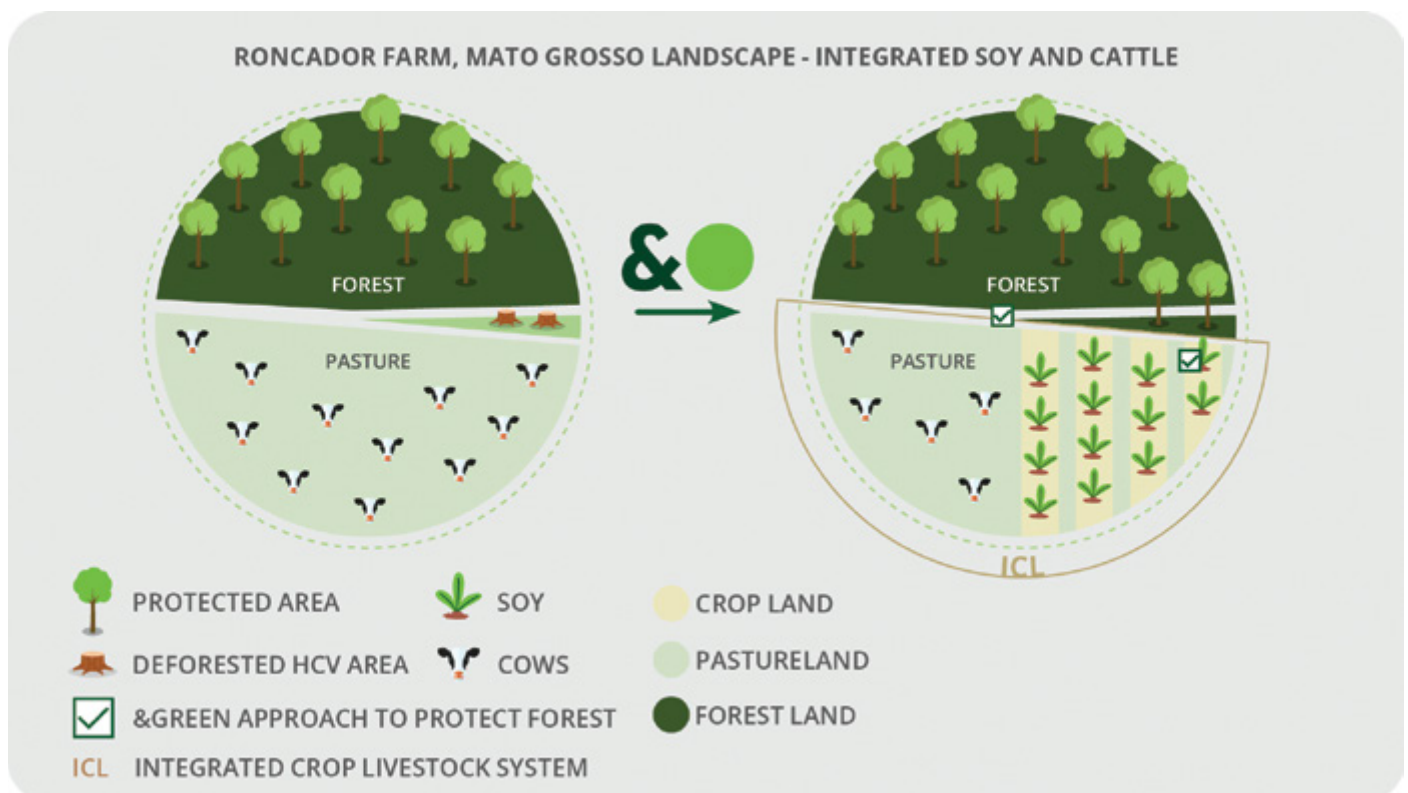
PAULO PIANEZ

Director of Sustainability and
Communication, Marfrig

AGROPECUÁRIA RONCADOR LTDA

ABOUT RONCADOR

&Green announced its first Brazilian and cattle sector transaction in June 2020. Agropecuária Roncador Ltda (Roncador) is a cattle and soy farmer operating on a farm of approximately 150,000 hectares in the State of Mato Grosso in Brazil. &Green has financed Roncador for the upscaling of its sustainable farming system that integrates crops (predominantly soy) with livestock (ICL) to their full farming operations. In addition, the project includes the recuperation of degraded pastures.



WATCH THE VIDEO ON RONCADOR:

www.youtube.com/watch?v=Ohza6KPfQRo



TRANSACTION SUMMARY

NAME

Agropecuária Roncador Ltda
(Roncador)

JURISDICTION

Mato Grosso (Brazil)

SECTOR

Upstream Cattle and Soy

E&S RISK CATEGORY

A

&GREEN INVESTMENT

USD 10 million

INVESTMENT TERM

8-year Tenor

FINANCIAL STRUCTURE

&Green provided a 8-year long
term senior secured loan

KEY PERFORMANCE INDICATORS

REVISED KPIS



FOREST PROTECTED

63,465 ha



CLIMATE BENEFITS

-56,8003 tCO₂e*



PEOPLE RESILIENCE

429



ECOSYSTEM RESILIENCE

121,957 ha



PEOPLE BENEFITTING

429



CAPITAL MOBILIZED

USD 119.7 Million

*In 2022, there was a fire that affected ca.800 of forest at the farm, resulting in the **GHG** emission rate higher than the sequestration rate.

INVESTMENT

RATIONALE

&Green invests in projects that approach land management from a regenerative agriculture perspective. Regenerative agriculture broadly refers to the adoption of production practices that understand the availability of the land's natural resources, increase biodiversity, prioritize soil health and fertility, sequester carbon, and reduce or eliminate the use of pesticides. The principle behind regenerative agriculture is to protect and restore ecosystems' health, instead of depleting it, therefore contributing to combating climate change, which aligns well with &Green's vision to transform tropical commodity supply chains.

Roncador's production [blueprint](#) is a great example of how regenerative agriculture practices can be adopted in &Green's investments.

At the core of the Roncador [Landscape Protection Plan](#) is the upscaling of an Integration Crop and Livestock (ICL) model: a form of mixed production that simultaneously utilizes part of the land for agriculture, namely soybeans and second-harvest maize, and part of the land for cattle, for the other (approximately) six months of the year. The overarching objective of the ICL model is to transition from monoculture (pasture) production to one that integrates components of different productive systems to achieve increasingly higher levels of product quality, environmental quality and competitiveness. ICL systems are a promising strategy to direct the expansion of pasture and crops towards already deforested areas and promote agricultural practices that can intensify production sustainably. By combining crop and livestock activities in the same area, farmers are able to increase fertility and organic matter in the soil. This favors biomass production and allows for higher stocking rates in pasturelands and higher productivity for grain cultivation. Such increase in the system's total productivity represents a direct advantage for farmers if it can be translated into higher economic returns and soil conservation over the longer run.

WHAT ARE THE BENEFITS OF ICL?

Ecological & Environmental Benefits

- 01 Improved use of natural resources through synergy between animal and plant components;
- 02 Improved physical, chemical and biological properties of soil thanks to increase of organic matter;
- 03 Greater input efficiency;
- 04 Reduced agrochemicals use to control insect pests, diseases, and weeds;
- 05 Reduced pressure to clear and open new areas for agriculture;
- 06 **GHG** mitigation resulting from increased sequestration capacity;
- 07 Reduced erosion risk.

Economic and Social Benefits

- 01 Increased yield and production quality;
- 02 Increased annual food production at lower costs;
- 03 Reduced production seasonality;
- 04 Reduced variability of herd size, less outsourcing needs and reduced sensitivity to market cycle and market prices for procurement;
- 05 Increased competitiveness of animal product chains in national and international markets;
- 06 Diversified commercial activities;
- 07 Enhanced public image of farmers, linked to environmental awareness.

A YEAR IN REVIEW

HIGHLIGHTS

Integrating crop & livestock

Roncador's **Landscape Protection Plan (LPP)** is based on the company's farming system which integrates crop production (predominantly soy) with livestock production (i.e. Integrated Crop and Livestock or "**ICL**") on all of the farm's productive areas. Impact targets linked to the ICL model include soy and cattle productivity improvements as well as annual information sharing activities to support the replication of this blueprint within the sector. In 2022, the farm achieved record-high soy and beef production, benefiting from productivity enhancements through the ICL model and favorable market conditions related to costs and prices. Soy production demonstrated a productivity increase of approximately 8% compared to the 2019 baseline (61.41 bags/hectare compared to 57 bags/hectare) bucking the national trend reporting negatively climatic and high production cost impact. Cattle production showed strong growth with 55% increase in productivity against the 2019 baseline (2.3 Unit of Animal/hectare compared to 1,48 Unit of Animal/hectares). Although cattle sales were strategically reduced due to low prices (vis-à-vis cost of production), as prices have improved the company is expected to benefit from this increase in 2023.

Corporate governance in agri-business

Fazenda Roncador (as well as Grupo Roncador) has been an established family-owned business, initially set up by Pelerson Soares Penido, and then run by his son and thereafter his grandsons since 1971. &Green was notified that Mrs. Rosa Penido Dalla Vecchia, the controlling shareholder of Roncador Group passed away in 2021 triggering a restructuring of the company and farming operations. To this date the restructuring is still not yet completed (although it is expected to conclude in 2023), as it requires a high degree of bureaucratic steps before judicial authorities, as well as a number of legal, tax and corporate actions.

Family businesses are the backbone of Latin-America's economy, as they support approximately 60% of the region's GDP. This is even more significant in agribusiness as most of corporate farms in Brazil, including S&E companies, are still ran as first or second-generation family businesses, similar to Roncador. As a result, succession and governance are of particular importance for financing institutions like &Green, who invest in these sectors and regions.

Court case with INCRA

In May 2021, Roncador lost ownership and possession of over 4,500 hectares of native forest to the National Institute of Colonization and Agrarian Reform (**INCRA**), following a long-standing judicial dispute. &Green has been monitoring the forested area to assess its impact. Recent satellite images compared to 2020 show evidence of material degradation, although the area is not yet deforested. Forest alerts indicate that the unprotected forest is being exploited, likely for small-scale wood extraction. This case highlights the potential role of private sector actors like Roncador in forest protection in Brazil.



“The partnership built with &Green Fund is prosperous and we can highlight as one of the greatest assets the incentive to publish our Environmental Policy and our Environmental and Social Management System. In addition, we were positively encouraged to formalize the procedures already in place at the company and create routines for evaluating and measuring our sustainability indicators on an annual basis. We believe that the combination of our experience with sustainable food production and the incentive from &Green Fund strengthen the tripod of economic, social and environmental sustainability and are good for the Planet.”

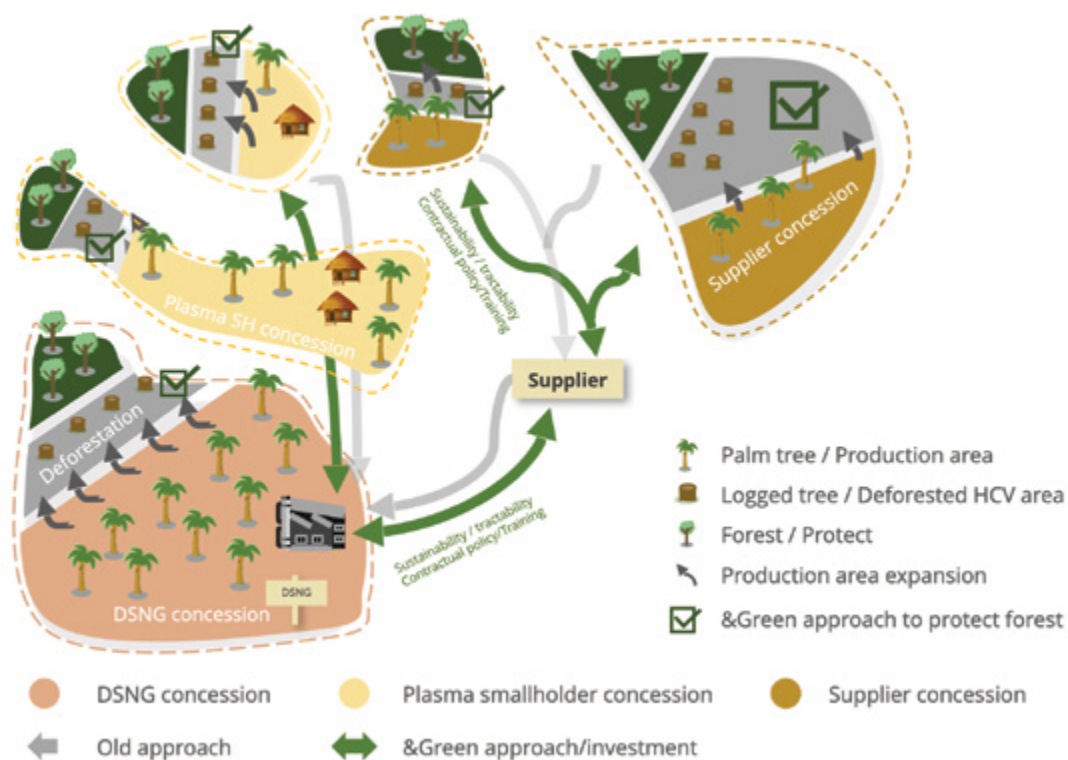
PELECO PELERSON PENIDO DALLA VECCHIA

Roncador's CEO

PT DHARMA SATYA NUSANTARA TBK

ABOUT DSNG

&Green's maiden investment in the palm oil sector was concluded with PT Dharma Satya Nusantara Tbk (DSNG) in April 2020. The investment established a 10-year partnership with a top tier Indonesian palm oil company with a strong commitment to sustainable and inclusive production of palm oil. Anchoring this partnership is DSNG's public commitment to fully implement its **NDPE** throughout its supply chain by 2025 and to achieve **RSPO** certification across all its mills and related nucleus plantation



WATCH THE VIDEO ON DSNG:
www.youtube.com/watch?v=R02lkeTUaGo



READ THE CASE STUDY ON DSNG BY THE TROPICAL FOREST ALLIANCE:
www.andgreen.fund/wp-content/uploads/2022/01/TFA-SEA-Business-Case_-Investing-in-Sustainability_A-Verified-SustainabilityTransition.pdf

TRANSACTION SUMMARY

NAME

PT Dharma Satya Nusantara TBK (DSNG)

JURISDICTION

Indonesia

SECTOR

Upstream Palm Oil

E&S RISK CATEGORY

A

&GREEN INVESTMENT

USD 30 million

INVESTMENT TERM

10-year Tenor

FINANCIAL STRUCTURE

&Green provided a 10-year long term senior unsecured loan



KEY PERFORMANCE INDICATORS

KPIs



FOREST PROTECTED

10,693 ha



CLIMATE BENEFITS

46,323 tCO₂e



PEOPLE RESILIENCE

19,171



ECOSYSTEM RESILIENCE

86,951 ha



PEOPLE BENEFITTING

19,171



CAPITAL MOBILIZED

USD 606.9 Million

A YEAR IN REVIEW

HIGHLIGHTS

NDPE update

DSNG's has committed to fully implement its **NDPE** policy throughout its supply chain by 2025. Since 2021, the company has focused on the seven concessions and six mills in the East Kalimantan province, which accounts for nearly 75% of DSNG's **CPO** production, before rolling out the policy across the three other provinces. Achieving NDPE compliance of 3rd party suppliers is typically the most challenging aspect of implementing an NDPE. This is especially relevant for large players like DSNG, who source from many various external suppliers, including palm oil concessions, cooperatives, and independent smallholders. In 2022, DSNG has progressed in building its capacity, as well traceability and monitoring systems. Although the company has started tracing its supplier up to farm level, mapping smallholders' polygons has taken longer and required more resources than expected.

Convincing smallholder farmers to assist the company in drawing their farm's polygon, when no other buyer is requiring them to do so, has been challenging. The difficulty grows when DSNG's relationship with the smallholders is managed through middlemen such as local dealers. This reality hints that farm-level NDPE implementation of independent smallholder is still uncommon today. Despite NDPE commitments from most of Indonesia's top-10 palm oil producers, NDPE compliance is often implemented at the level of **CPO** mills only.

Implementation of ESMS

DSNG is progressing well in embedding the **IFC Performance Standards** within its operations. Following the development of its **E&S** Management System in 2021, the Company has established an ESMS task force to manage its dissemination and adoption. Socialisation and capacity building, particularly at concession level, has been a priority in 2022. Monitoring mechanism of the performance of all subsidiaries are undertaken through continuous updates and quarterly review meetings. As the number of **ESAP** towards &Green is decreasing overtime, DSNG is transitioning from a phase marked by the development of new policies and protocols to one that focuses on implementation and continuous improvement.

Land use classification in Indonesia and its impact on forest conservation

PT Pilar Wanapersada (PWP), a subsidiary of DSNG in Central Kalimantan, was subject of a production license (HGU) re-enactment in 2022, reducing the plantation from 15,153 hectares to 11,580 hectares, including **HCV** areas totalling 2,028 hectares. Though established in 1999, PWP's HGU was affected by a 2012 land zonation change to Forestry usage from Agricultural Production creating ambiguity about DSNG's ability to continue to manage the entire area covered by its HGU. In 2018 the case was further complicated by the issuance of an overlapping license for Community Forestry usage. DSNG began working with the local agencies and communities to resolve the land tenure and responsibility for the specific overlap.

The result, by 2022, was the decision by the government authorities to excise the land from PWP's HGU license area. DSNG has engaged an NGO and conducted a land inventory and participatory mapping exercise with the aim of continuing to conserve the area in its current form. A provisional agreement with the villages involved in the area has been signed, together with a 3-year plan for joint conservation of the excised **HCV** area along with the remaining HCV area within DSNG's **LPP** KPIs, as PWP is in Central Kalimantan and not part of the East Kalimantan targets.

Land use planning and issuance of licenses is not centralized or coordinated in Indonesia. The agricultural production licenses can often overlap with the forestry licenses, leading to the issuance of oil palm licenses in areas of production as well as protection forest. For example, four million hectares of production-forest or protection-forest classified areas in Central Kalimantan overlaps with agricultural production licenses. The map of Central Kalimantan below illustrates demonstrate that much of the licensed agricultural production area (white) overlaps with production forest (yellow and light green).

Financial performance

DSNG has met all of its financial commitments over the year (i.e. its interest payments and financial covenants), and continues to be a strong counterparty for &Green. DSNG benefited from the strong **CPO** price over the past 18 months and continues to reduce its leverage while investing in emissions reduction and other forest-positive initiatives, such as methane capture and biogas production as well as solar power installation.



As we work towards achieving full implementation of our no deforestation, no peat, no exploitation policy across our supply chain by 2025, we are grateful to have this collaboration with &Green. They understand the complex obstacles involved in guiding our smallholders in our supply chain towards NDPE compliance. With growing pressure from global markets to prioritize deforestation-free supply chains, our NDPE implementation road map commitment with &Green, established in 2020, is now a critical element in meeting the expectations of our stakeholders and customers.

DENYS COLLIN MUNANG

Chief Sustainability Officer, DSNG

PT ROYAL LESTARI UTAMA

ABOUT RLU

***Investment Redeemed in 3Q 2023 after change of shareholder control and &Green's consent**

&Green's inaugural investment in early 2019 was to support the Indonesian business PT Royal Lestari Utama (RLU). Established in 2015 as a joint venture between the tire producer Michelin and the Indonesian industrial conglomerate Barito Pacific Group, RLU set out to develop a new model for inclusive and sustainable rubber concessions. The company currently has two concessions covering approximately 88,000 hectares across the provinces of Jambi and East Kalimantan, and it intends to plant up to 34,000 hectares of rubber trees in the long-term.



WATCH VIDEO ON &GREEN AND RLU:
www.youtube.com/watch?v=6Km7RSE7aiU

TRANSACTION SUMMARY

NAME

PT Royal Lestari Utama (RLU)

MAIN SPONSOR(S)

Barito Pacific Group and Michelin Group

JURISDICTION

Indonesia

SECTOR

Rubber

E&S RISK CATEGORY

A

&GREEN INVESTMENT

USD 23,75 million

INVESTMENT TERM

15 and 7 years

FINANCIAL STRUCTURE

&Green purchased Notes organized by BNP Paribas and monitored by ADM Capital under the Tropical Landscape Financing Facility (TLFF).

A YEAR IN REVIEW HIGHLIGHTS

In 2022, the two shareholders of RLU, Michelin and Barito Pacific, agreed that Michelin would purchase the shares owned by Barito Pacific to give it 100% control of RLU.

Following that decision, RLU informed TLFF that it would repay the entirety of the outstanding USD 95 Million loan, which included the Notes held by &Green. TLFF fulfilled this obligation and the &Green exposure was entirely redeemed on 18 August 2022.

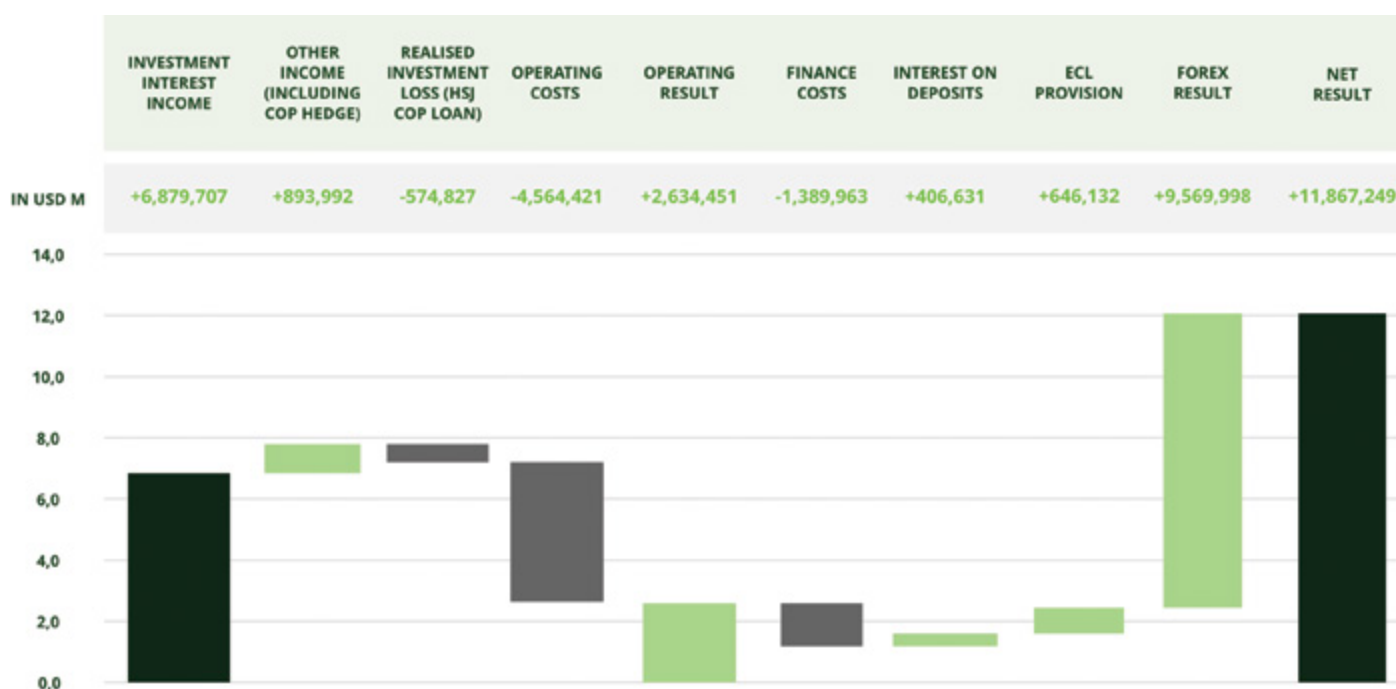
07 FUND PERFORMANCE

FINANCIAL REVIEW

&Green's financial performance continued to improve in 2022.

The Fund's investment interest income increased by a further 26% driven by the growth in the Fund's investment portfolio and the global upward trend in interest rates. The portfolio yielded a return of approximately 6.2%, representing a sizeable margin over the fund's low cost of capital. This generated a 31% increase in the operating result to USD 2.6 Million.

2022 NET RESULT BRIDGE



There was an improvement in the provision for impairment under the Expected Credit Loss (ECL) method primarily due to the writing back of the provision relating to RLU once it was repaid in full. However, there was also an increase in financing costs due to the further draw down from FMO. The Net Result for 2022 of USD 11.8 million was skewed by the significant unrealized FX gains primarily relating to the Fund's Norwegian krone (NOK)-denominated grant contribution (which further depreciated in value by USD 9.6 Million over 2022 due to the weakening of the NOK). Operating Costs were in line with the budget set by the Board.

The conversion of the HSJ transaction from being a hedged floating rate loan denominated in COP in to a fixed rate loan denominated in USD, meant that the loss caused by the depreciation of the COP against the USD was realized at the same time that the commensurate profit on the cross currency interest rate swap was paid out when that hedge was terminated.

EXPECTED CREDIT LOSS (ECL) METHOD

2022 was the second year during which the Fund implemented the more prudent ECL method to estimate allowances for expected credit losses and impairments of &Green portfolio investments. The ECL method categorises investments as either:



STAGE 1

Which are Performing Investments with no significant increase in credit risk since investment, and for whom the provision for impairment is equal to the 12 month ECL.



STAGE 2

Which are Investments for which the credit risk has significantly increased and the provision for impairment is increased to the Lifetime ECL for the investment.

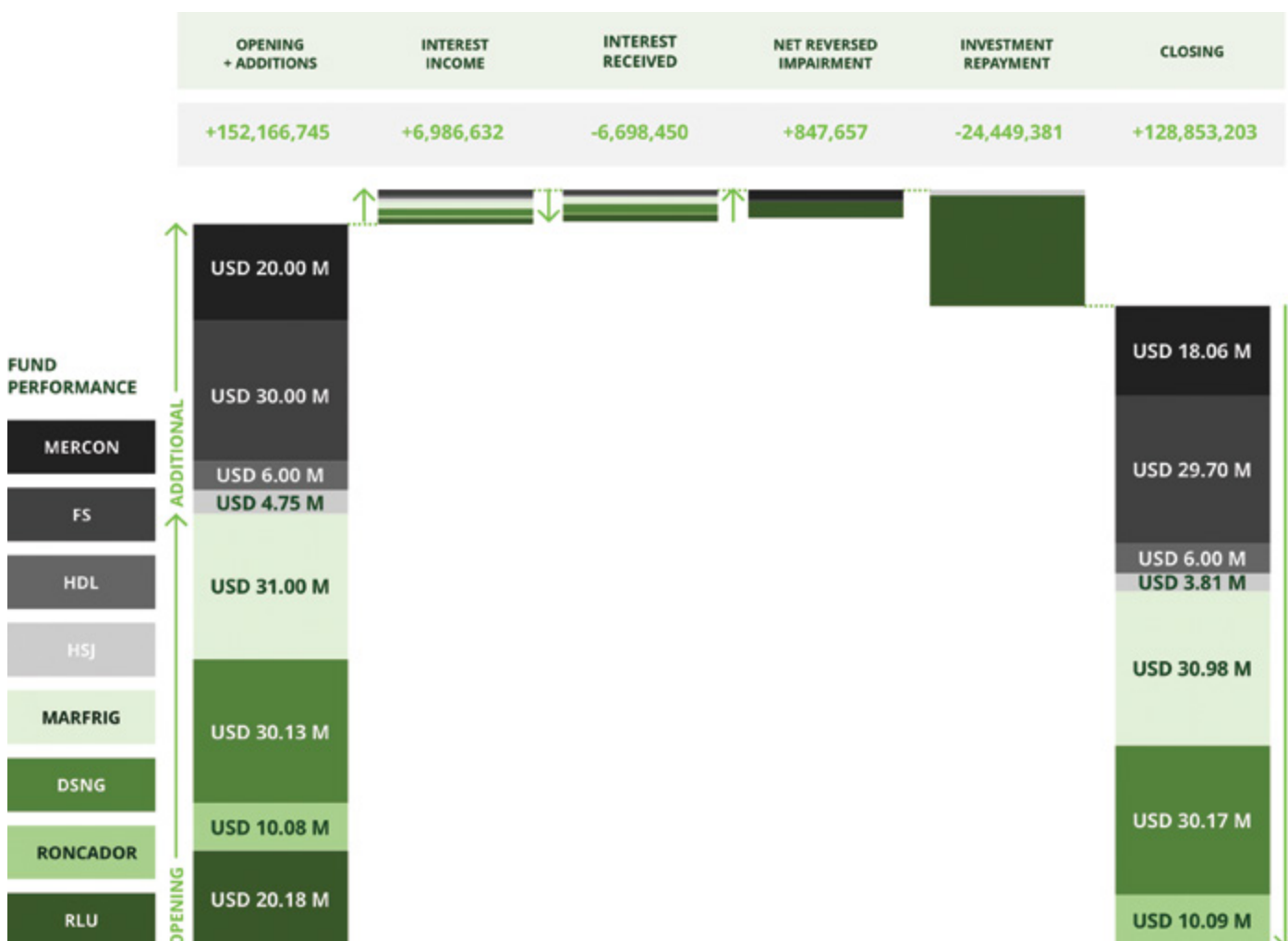


STAGE 3

Which are Credit Impaired Investments for which the Lifetime ECL has been written off.

As at 31 December 2022, all investments were assessed to be Stage 1. Although the RLU investment had been assessed to move from Stage 1 to Stage 2 during 2021, this investment was repaid in full during 2022 and the Lifetime ECL provision was reversed.

2022 ECL APPLICATION



DETAILED ECL NUMBERS

2021 USD	OPENING	ADDITIONAL INVESTMENT	INTEREST INCOME	INTEREST RECEIVED	PROVISION FOR IMPAIRMENT	REPAYMENT/ CONVERSION	CLOSING
RLU	20,186,321	-	1,329,745	-1,554,875	3,331,309	-23,292,500	-
RONCADOR	10,088,447	-	302,725	-299,097	7,313	-	10,099,388
DSNG	30,135,135	-	1,825,000	-1,825,000	40,949	-	30,176,084
MARFRIG	31,002,484	-	1,520,834	-1,520,833	-18,531	-	30,983,954
HSJ	-	4,754,358	566,175	-269,728	-78,439	-1,156,881	3,815,485
HDL	-	6,000,000	293,209	-237,667	-49,280	-	6,006,262
FS	-	30,000,000	1,088,750	-991,250	-391,308	-	29,706,192
MERCON	-	20,000,000	60,194	-	-1,994,356	-	18,065,838
TOTAL	91,412,387	60,754,358	6,986,632	-6,698,450	847,657	-24,449,381	128,853,203

CASH GENERATION

&Green's operations generated a net cash inflow of USD 2.6 Million which is now available for further investment in to the portfolio. The cash returns that were generated by the investment portfolio comfortably financed the operating expenses and financing costs in 2022. The USD 23.8 Million received as the prepayment from RLU together with the USD 42.5 Million that was drawn down from Contributors were primarily used to finance the USD 60.8 Million invested in HSJ, HDL, FS and Mercon.

General expenses were well managed to remain in line with the budget set by the Board.

CAPITAL

During 2022 &Green drew down the first USD 17.5 Million of the USD 31.5 Million concessional debt facility from the British government's Mobilising Finance for Forests fund (MFF) managed by the Dutch development bank, FMO. The financing costs, including the interest and monitoring fees, increased the cost base of the Fund, but were comfortably covered by the investment income from the portfolio of &Green

General expenses were well managed to remain in line with the budget set by the Board.

08 FUNDING

CURRENT CONTRIBUTORS

The total contributions made to &Green as of December 2022 amount to

USD 180 MILLION



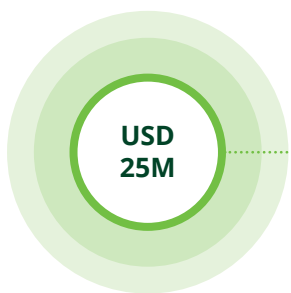
The Norwegian government's, International Climate and Forest Initiative (NICFI) is a preeminent global climate change actor, supporting a host of multilateral and bilateral initiatives focused on eliminating deforestation from target jurisdictions and global supply chains. The anchor Sponsor of &Green, NICFI, committed nearly **USD 100 million** upon the launch and has remained actively involved in supporting &Green's ambitious agenda.

Innovative Finance for the Amazon, Cerrado and Chaco

Launched at COP26, the Innovative Finance for the Amazon, Cerrado and Chaco (**IFACC**) is an initiative of the Nature Conservancy (TNC), Tropical Forest Alliance (TFA) and UN Environmental — [blueprints](#).



FMO is the Dutch development bank that supports sustainable private sector growth in developing countries. FMO focuses on three sectors that have high development impact: financial institutions, energy; and agribusiness, food & water. With a committed portfolio of approximately EUR 10 Billion spanning over more than 85 countries, FMO is one of the larger bilateral private sector development banks globally. In 2021, &Green secured **USD 25 Million** of long-term financing from FMO, and a further **USD 33.25 Million** via FMO partnership with the UK Government's Mobilising Finance for Forests program.



Unilever Group was &Green's first private sector investor when it signed a long-term funding agreement in early 2019. Unilever's up to **USD 25 Million** contribution focuses support &Green's efforts to invest in inclusive deforestation-free palm oil businesses. So far Unilever have only made USD 10 Million available to the Fund.



The Global Environment Facility, through the United Nations Environment Programme (UNEP), added its name as a promotor of the &Green approach at the launch, and provided some supportive capital in the initial stages. UNEP continues to play an active role supporting the Fund in communicating its story, and providing advice when needed on any stakeholder challenges.

&GREEN'S PROSPECTIVE CONTRIBUTORS

&Green's core mission is to reach a scale sufficient enough for key supply chains to reach a 'tipping point' within critical tropical jurisdiction whereby the 'new normal' of sustainable deforestation-free commodity production has been accepted and is being implemented.

For disruption to work, &Green needs sufficient **blueprints** in the right landscapes. &Green targets a USD 1 Billion portfolio within this decade, meaning approximately 30 to 50 underlying portfolio clients, to reach that tipping point and disrupt these sectors.

To achieve this, &Green considers a mix of investors. Development of the &Green concept is supported foremost by patient strategic capital, with the anchor providing close to USD 100 Million of permanent capital to underpin the Fund's growth. This has allowed &Green to build a credible portfolio of proof of concept investments, and position itself to attract private investors to scale up.

&Green aims to attract increasing amounts of capital from these private investors, including those which are not directly linked to our key jurisdictions or supply chains. The Fund offers an attractive solution to investors that are looking for a high-impact fund that is disrupting the agriculture-food supply chain system to meet the ambitious, but necessary, 2030 no-deforestation targets.

PARTNERSHIPS AND ALLIANCES

&Green has fostered strategic partnerships which elevate its mission and add critical safeguards to the underlying &Green portfolio. Ultimately the &Green approach and investment process can be quicker, smarter and more inclusive if strong field-level and global partnerships and alliances are built.

&Green is continuously building an active network of partners in the areas where it is investing. Partners such as IDH Sustainable Trade Initiative, The Nature Conservancy, and the World Wildlife Foundation are often our first call in a new region or when dealing with a new supply chain. By building strong, trusting relationships with these and other similar partners &Green: gains valuable market intelligence from the field, is steered towards opportunities, can learn from the past, and often finds a partner willing to engage in its transactions. An example of this is how IDH partnered with &Green and Marfrig.

Furthermore, &Green's **landscape** approach requires participation from more than just the &Green client and its supply chain. To safeguard the broader landscape, &Green works and commits clients to working in close collaboration with existing initiatives and local organizations. Although &Green does not engage local government or regulators itself – our role is to be a frontrunning investor in these landscapes, but not a convenor or lobbyist – our partners are often working together with these actors within a landscape, and &Green helps them in approaching and navigating the stakeholder universe in their respective landscapes. The primary goal for &Green is to make sure that clients are supported by strong partnerships that increase the likelihood of delivering on ambitious commitments and therefore to reduce the risk of our investments.

OUR PARTNERS

Strategic partners with aligned objectives are tremendously useful for &Green.

In addition to creating pipeline for &Green, the Facility's partners provide solid institutional frameworks for &Green transactions, and they enable shared learnings through documentation and distribution of pioneering project blueprints to the wider investor, donor and stakeholder community.



Central African Forest Initiative (CAFI)

At COP27, &Green announced its partnership with the Central African Forest Initiative (CAFI), to invest over USD 50 Million into commercial operations in the Congo Basin. &Green and CAFI will coordinate their efforts to deliver private sector led forest and peat protection, food security, and economic development in this region that is crucial for global climate and biodiversity goals.



Innovative Finance for the Amazon, Cerrado and Chaco

Innovative Finance for the Amazon, Cerrado and Chaco launched at COP26, the Innovative Finance for the Amazon, Cerrado and Chaco (IFACC) is an initiative of the Nature Conservancy (TNC), Tropical Forest Alliance (TFA) and UN Environmental Programme (UNEP). &Green decided to join this initiative and signed onto the IFACC Commitment Agreement. In 2022, the initiative has facilitated exchanges and better understanding between and among financiers as well as projects on the ground.



Forest Investor Club

At COP26, during the World Leaders Summit's Forest Day session, the United States launched the Forest Investor Club with the aim to unlock and scale up investments that support sustainable, climate-aligned outcomes in the land sector. By joining this partnership, Sail Ventures, &Green's investment manager, committed to increasing the scale and geographic scope of investments in restoration, conservation, sustainable agriculture and forestry, and green infrastructure.



Sustainable Markets Initiative

Natural Capital Investment Alliance (NCIA)

Announced at COP26, the NCIA aims to accelerate the development of natural capital as a mainstream investment theme and to engage the global USD 120 Trillion investment management industry to mobilize private capital efficiently and effectively for natural capital opportunities. The members of NCIA includes 15 asset managers.



the sustainable
trade initiative

IDH and &Green work collaboratively and have outlined their joint ambition in a Memorandum of Understanding.

In 2022, the partnership mainly focused on:

Support to the &Green portfolio – In Kalimantan, IDH is supporting &Green portfolio client HDL with the management of forest protection programme carried out jointly with the local community, linked to HDL's delivery of its forest protection and inclusion targets for &Green. The TA Facility and IDH's experience in convening oil palm companies, CSOs and government agencies, helped HDL understand the legal pathways and engagement required to collaborate with indigenous communities in order to secure the legal protection of 1,900 hectares and to provide ecosystem services of cultural significance to indigenous people.

In addition, IDH's support towards &Green's portfolio client RLU continued for a second consecutive year for the expansion of their smallholder rubber programme, which is part of the Action Plan agreed with &Green. This support entails mapping potential participants, engaging them appropriately with respect for "Free, Prior, Informed Consent" principles, and providing capacity building in good rubber management practices to participating smallholders.

TA FACILITY WITH IDH | [PAGE 23](#)



READ ABOUT THE MEMORANDUM OF UNDERSTANDING:

www.annual-report.andgreen.fund/wp-content/uploads/2022/06/Memorandum-of-Understanding-Green-and-IDH.pdf

USAID's Green Invest Asia

USAID's Green Invest Asia programme in 2022 has supported &Green in developing the details of its updated KPI Framework, namely regarding indicators relevant to track &Green's impact on the climate transition by quantifying mitigation and adaptation results of its investments. Green Invest Asia has also helped &Green with outreach in highlighting its best practices to a wider audience.



LISTEN TO PODCAST:

<https://podcasters.spotify.com/pod/show/usaaid-green-invest-asia/episodes/Financing-forest-restoration-e1bocdf>



UN Environmental Program

The strategic partnership with UNEP helps &Green facilitate the exchange with like-minded tools and instruments as part of the work of UNEP's Sustainable Landuse Finance team. UNEP is supporting &Green's outreach and highlighting of case studies for a broader audience.

&Green also actively participates in learning workshops and webinars to build shared knowledge on best practice in impact assessment and management. 2019, &Green also signed a Statement of Intent with Good Growth Partnership, an initiative organized around a global programme of work funded by the Global Environmental Facility and led by UNEP. The purpose of the Statement is to provide a framework of cooperation and facilitate and strengthen collaboration to achieve together the shared vision to remove deforestation from agricultural commodity supply chains. UNEP is also a member of the IFACC initiative.



READ ABOUT THE STATEMENT OF INTENT:

www.andgreen.fund/wp-content/uploads/2020/03/StatementofIntent.pdf

**Initiative
20x20**

afr100



Continued Partnerships

&Green continues its positive engagement with the 20x20 and AFR100 Initiatives of World Resources Institute (WRI) and has participated in numerous events throughout the year. The Investment Facility is also in constant engagement with The Nature Conservancy (specifically in Brazil), Partnerships for Forests (P4F), Conservation International as part of their Conservation Finance Initiative, CDP, The World Bank's Initiative for Sustainable Forest Landscapes (ISFL) and the Blended Finance task force, as well as others.

09 GOVERNANCE

ADVISORY BOARD

Contributors to the Fund, as well as regional political and business experts, are represented on the Advisory Board. The Advisory Board defines the lending guidelines and approves all jurisdictions in which the Fund is able to invest.



HELEN CLARK
CO-CHAIR OF THE ADVISORY BOARD

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



BAYU KRISHNAMURTI
MEMBER OF THE ADVISORY BOARD

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



PER PHARO
MEMBER OF THE ADVISORY BOARD

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



ERIC SOUBEIRAN

VICE-PRESIDENT SUSTAINABLE SOURCING

Mr. Soubeiran started his career in strategy consulting and merger and acquisition. Mr. Soubeiran serves as non-executive director of the Carbon Trust and The Gold Standard Foundation.



ROSA LEMOS DE SA

MEMBER OF THE ADVISORY BOARD

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



SABINE MILTNER

PROGRAM DIRECTOR, CONSERVATION AND MARKETS INITIATIVE
GORDON AND BETTY MOORE FOUNDATION

Mrs. Miltner joined the Gordon and Betty Moore Foundation, a USD 9 Billion private foundation in the United States, in 2016. She oversees the foundation's work on decoupling food production from ecosystem degradation.

BOARD OF DIRECTORS

The Board of Directors is appointed by the Advisory Board and is the main decision-making body, responsible for the management and investment decision making of the Fund. The Board outsources most activities of the Fund to expert service providers, in particular the Investment Advisor.



NANNO KLEITERP

CHAIRPERSON OF THE BOARD

Mr. Kleiterp is the former CEO of the Dutch Development Bank, FMO.



CLAUDIA ARANGO

MEMBER OF THE &GREEN BOARD OF DIRECTORS

Mrs. Arango is an accomplished private equity and impact investor with a proven track record and more than 20 years of international experience in private markets across a diverse number of sectors.



FELIA SALIM

MEMBER OF THE BOARD

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



JOOST OORTHUIZEN

MEMBER OF THE BOARD

Mr. Oorthuizen is the CEO of Invest International and the former Executive Director of IDH Sustainable Trade Initiative.

CREDIT COMMITTEE

The Credit Committee is a body of independent investment and sustainability experts appointed by the Board of Directors to safeguard the environmental, social and financial compliance of investment proposals with &Green's guidelines. It assesses the documentation submitted by &Green's investment advisor and makes a recommendation to the Board of Directors.



MARK ECKSTEIN

INDEPENDENT SUSTAINABILITY ADVISOR

Mark Eckstein is an independent sustainability advisor who has over 25 years of experience working with investors on sustainability and development.



LIDWIEN SCHILLS

GENERAL MANAGER OF RABOBANK

Lidwien Schills is Managing Director of Rabo Foundation, a foundation that invests in a positive change towards an honest and inclusive society, mostly focusing on social enterprises in the Netherlands as well as on smallholder farmers in Africa, Asia and South America.



LUCIAN PEPPELENBOS

CLIMATE STRATEGIST AT ROBECO

Lucian Peppelenbos oversees Robeco's work on decarbonizing the investment portfolios and integrating climate-related risks and opportunities in the investment processes.

CORPORATE GOVERNANCE REVIEW

KEY DECISIONS MADE BY GOVERNANCE BODIES TO BE INCLUDED IN THE GOVERNANCE STRUCTURE

GOVERNANCE BODIES

Following the conclusion of the Concessional Debt Facility Agreement with FMO at the end of 2021, FMO became entitled to nominate a candidate as their Class I representative to the Advisory Board. The Advisory Board welcomed FMO's nomination of Sabine Miltner, who was appointed as a Class I representative with effect from April 2022. Following Mr Marc Engel's resignation from the Advisory Board during 2022, the Advisory Board accepted Unilever's nomination of Mr Eric Soubeiran as a Class C Representative to replace Mr Engel, and he was appointed in October 2022.

The Advisory Board discussed the succession planning through the staggered replacement of the members of the Advisory Board, the Board and the Credit Committee. In accordance with the staggered replacement of the members of the Board, Claudia Martinez's tenor ended in June 2022 and the Advisory Board appointed Claudia Arango to replace Ms Martinez with effect from 1 July 2022. Following the resignations of Ms Chimwemwe de Gaay Fortman and Mr Luiz Amaral from the Credit Committee, due to changes in the demands of their full time employment, the Board appointed Ms Lidwien Schills and Mr Lucian Peppelenbos to the Credit Committee in March and June 2022, respectively. During 2022, Mr Mark Eckstein, already a member of the Credit Committee accepted the nomination as its chairman.

GOVERNANCE POLICIES

During 2022, the Board reviewed, revised and approved the **Anti-Money Laundering/ Combatting the Financing of Terrorism (AML/CFT) policy** and the **Complaints Management Policy**. The **Advisory Board reviewed and approved** the **Investment Principles**. All of these documents are available on the &Green website.

The **Technical Assistance (TA) Guidelines**, setting out the guidelines for how &Green's TA budget should be managed to increase &Green's deal making ability and to support &Green clients in reaching and maintaining the standards and performance required by &Green, was updated and approved by the Board.

CONTRIBUTOR DECISIONS

The Advisory Board and Board approved &Green seeking long-term funding from the **Green Climate Fund (GCF)** and the **Central African Forest Initiative (CAFI)** in 2022. The Board approved the draw down of the full facility from **the Dutch Development bank, FMO**, and the draw down of the first tranche of the facility from the **Mobilizing Finance for Forests** program, which FMO is managing on behalf of the UK government.

INVESTMENT DECISIONS

In 2022, the Board approved a loan and guarantee agreement with Fueling Sustainability (FS) for USD 30 Million as well as a USD 20 Million facility agreement with **Mercon**. The Board's approval of the facility for **PT Hilton Duta Lestari (HDL)** at the end of 2021 could not be disclosed in the 2021 report as the facilities agreement was only signed in 2022.

During 2022, the Board also approved the restructuring of the Hacienda San José (HSJ) transaction from a Colombian peso denominated loan with a floating interest rate (hedged to a USD denominated exposure with a fixed interest rate) in to a USD denominated loan with a fixed interest rate (and the hedge was terminated).

JURISDICTIONAL APPROVALS

During 2022, **the Advisory Board approved Laos, Vietnam and Zambia for investments by &Green**. In recognition of the increased number of jurisdictions proposed for investment, the importance of the five Jurisdictional Eligibility Criteria (JEC) and the constraints on the capacity of the governance structure of &Green, the Advisory Board approved a new approach to the assessment of jurisdictions against the JEC.

As part of the proposed approach, the Board will review the “red-amber-green” (RAG) reports prepared by Sail Ventures on the jurisdictions and provide its views on whether the RAG classifications are appropriate. The Advisory Board retains its right to determine whether a jurisdiction is approved, or whether the approval is suspended or maintained upon each review. The expectation is that a significant number of new jurisdictions will be up for discussion in the Board and Advisory Board in 2023.

FUND MANAGEMENT

In December 2020, the Board approved the renewed and updated **Investment Advisory Agreement with Sail Ventures**. The new agreement became effective from 1 January 2021 and has an indefinite term.

In 2022, the Board approved the **JECA Services Agreement with Sail Ventures**. The new agreement supplemented the Investment Advisory Agreement concluded in 2020 and became effective from 1 July 2022.



10 INVESTMENT OUTLOOK

MACRO ECONOMIC

As we predicted a year ago, the 2022 economic focus shifted to inflation and the role of Central Banks in adapting interest rates. Global rates in major markets have been negligible for the past decade plus and the most interesting learning as we go into 2023 is that many parts of the market appear unprepared for rising rates, in particular financial institutions. &Green will closely monitor the impact of this increasing financing burden on its portfolio clients, and in sourcing transactions through the year. The increase in interest rates and commodity prices does result in a ballooning of financing expenses for many supply chain companies and, if not well managed it can have a significant impact on the solvency or liquidity of the company and its operations. During an inflationary period it is important to understand what costs cannot be passed on to customers when assessing credit risk.

This needs to be assessed at a real economy level, and often the impact takes longer to seep through to the bottom line but has a drastic impact on profitability when it does. With Wall Street reacting to immediately on central bank movements, it is easy for investors to become comforted or panicked by daily changes even though the medium- and long-term trend is more important, specifically in this kind of an environment.

There was a change in government in both Brazil and Colombia during 2022, and &Green will closely monitor the impact of this during 2023 to see the impact on environmental and economic policy in particular. Political volatility remains high in South America leading into the year ahead.

&Green expects that biodiversity will be a fast-growing theme in the responsible investor community during 2023. The UN Biodiversity Conference (COP 15) at the end of 2022 was well attended by public and private actors alike, and in 2023 a lot of conferences, workshops and webinars are planned amongst the institutional investor community to try and get a grip on the concept and how to properly ascertain one's biodiversity impact. The Taskforce on Nature-related Financial Disclosures (TNFD) is a useful body moving this discussion forward, which &Green is connected to through the piloting of their beta framework. The [EU Taxonomy](#), Global Biodiversity Framework and other mechanisms are all drawing attention to this topic.



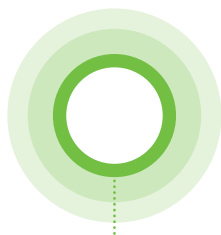
GOALS FOR &GREEN

At &Green, our goal remains to get to sufficient scale to be able to drive a tipping point by which the outcome we seek – removal of deforestation from commodity supply chains – is sufficiently embedded in jurisdictions and across industries that it becomes the standard business practices and thus a barrier to entry for the sector; therefore, driving a race to 100% deforestation-free sourcing across the tropics.

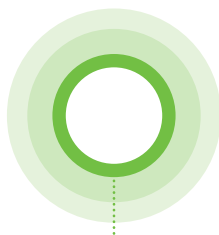
In 2023, we continue our focus on raising the funding needed to drive scale. We are targeting a new funding round close within the year, but also to have a packed mature pipeline to allocate funding timeously.

On that front, the &Green investment team started will be building out its geographical focus in 2023, assessing investment rationales for investing in parts of Africa, Vietnam, Ecuador and elsewhere. The team will further explore agroforestry and regenerative transactions accross the Tropics.

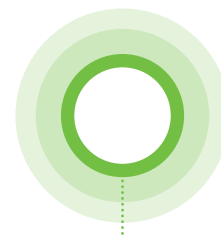
&Green's Targets for 2023 include:



Attract further capital into the fund and close a funding round to setup the Fund for growth towards our 2025 target of USD 500 Million deployed.



Work closely with our portfolio clients to maintain momentum on their impact plans.



Expand investment geographies to continue diversification of the portfolio.

11 ANNUAL IMPACT KPIs

KPI REPORTING

KPIs 2022	DSNG	RONCADOR	MARFRIG	HSJ	FS	HDL	TOTAL
Forest Protected (ha)	10,693	63,465	2,774,229	1,697	779,292	721	3,630,097
Climate Benefits (tCO ₂ e)	46,323	-56,800*	5,328,493	10,466	1,300,559	544	6,629,585
Ecosystems with Improved Resilience (ha)	86,951	121,957	2,774,229	6,057	783,331	6,109	3,778,633
People with Increased Resilience (#)	19,171	429	5,761	885	931	27,170	54,347
People Benefitting (#)	19,171	429	5,761	885	931	27,385	54,562

*In 2022, there was a fire that affected ca.800 ha of forest at the farm, resulting in the **GHG** emission rate higher than the sequestration rate.

**Equity calculated on a controlling basis

***Includes shareholder loan

12 &GREEN VOCABULARY

AFi

Accountability Framework initiative

Aval GANSO

The Aval GANSO is a Colombian certification programme developed by GANSO in collaboration with the International Center for Tropical Agriculture (CIAT).

BLUEPRINTS

Blueprints are sustainable practices that our clients adopt to create impact and which are replicable by other participants in the same market, thereby leading to Transformational Change. Replicable means that the Blueprints can be implemented by other participants in the same market/sector as our clients (and possibly other similar sectors), i.e. once our clients have shown it can be done, others will replicate. To be replicable, projects must also be commercially viable.

CPO

Crude Palm Oil

CANCUN AGREEMENT

The Cancun Agreement is a global agreement that was signed in 2010 at the 16th Conference of the Parties (COP16) in Cancun, Mexico. It aimed to strengthen the global response to climate change by taking a range of actions, including setting up a Green Climate Fund and making commitments to reduce emissions.

CENTER FOR TROPICAL AGRICULTURE CIAT

The International Center for Tropical Agriculture (CIAT) is a not-for-profit organization that conducts socially and environmentally progressive research aimed at reducing hunger, poverty and preserving natural resources in developing countries.

DEFORESTATION

Deforestation means the clearance of natural forests, including through fires, typically for the purpose of taking commercial advantage of the cleared land. Although Deforestation is often illegal, it can, in some cases, be in compliance with local law.

E&S

E&S is a term used often in the development finance space referring to Environmental & Social

E&S RISK CATEGORY

&Green categorizes its investments into one of three categories: A (high potential for adverse social or environmental impacts); B (adverse social or environmental able to be mitigated); or C (minimal or no adverse social or environmental impacts). It uses a categorization process that identifies and scores potential environmental and social risks and is aligned with the categorization of projects under the IFC Performance Standards. The Facility's full categorization process for projects is set out in the &Green Environmental and Social Guidelines available on the &Green website.

ESAP

An Environmental and Social Action Plan (ESAP) is a detailed plan implemented by our clients to address gaps in their practices which, when closed, will mean they comply with international standards, specifically the IFC PS. This ensures that the project's E&S risks are identified and well managed.

ESMS

Environmental and Social Management System (ESMS) is an internal system which we require from our clients to manage their E&S risks and to develop approaches to mitigate these risks.

EU TAXONOMY

The EU taxonomy regulation describes a framework to classify "green" or "sustainable" economic activities executed in the EU.

ELIGIBLE JURISDICTIONS

Eligible jurisdictions are those jurisdictions in which &Green may invest because they have met the Fund's Jurisdiction Eligibility Criteria (JEC) and have been approved by the Advisory Board.

EXTRACTIVE PRODUCTION

Food systems that focus on yields and profits.

FFB

Fresh Fruit Branches

GANSO

A partnership between Climate Focus and the International Center for Tropical Agriculture, that focuses on transforming degraded pastures into sustainable landscapes.

GHG

Greenhouse Gases

GIS

Geographic Information System

HCV/HCS

High Conservation Value (HCV) / High Carbon Stock (HCS) means areas that are important for conservation (environmental values) and livelihoods (social values) and for which it is important that no-deforestation commitments apply in order to protect biodiversity.

ICL

Integration Crop and Livestock model

IFC PS

The International Finance Corporation Performance Standards (IFC PS) set out international standards for managing environmental and social risks and are recognized as the gold standard by many international investors and development banks.

INCRA

National Institute of Colonization and Agrarian Reform (Instituto Nacional de Colonização e Reforma Agrária).

IP

Indigenous People (IP) means the communities that are considered indigenous to a Landscape in which a client operates.

INNOVATIVE FINANCE FOR THE AMAZON, CERRADO AND CHACO IFACC

Innovative Finance for the Amazon, Cerrado and Chaco. An initiative of the Nature Conservancy (TNC), Tropical Forest Alliance (TFA) and UN Environmental Programme (UNEP).

JECA

Jurisdictional Eligibility Criteria Assessment

JURISDICTION

Jurisdiction means a country, region or province which &Green would consider investing in.

LAT

A tool designed to guide HSJ in its land acquisition processes.

LIFT

LIFT is a sustainable proprietary production platform that provides valuable tools, training, and services to coffee farmers and coffee communities.

LPP

A Landscape Protection Plan Is a roadmap to Transformational Change contractually agreed with our clients to achieve Environmental & Social compliance and create impact.

LAND ACQUISITION

Land Acquisition means the expansion of the land area on which a client operates through the purchase of new land from others.

LANDSCAPE

Landscape is the Project Area from which &Green's Environmental and Social Return are to be derived and includes areas with direct and indirect influence from the client.

MRV

Monitoring, Reporting and Verification

NDPE

A No Deforestation, No Peat and No Exploitation (NDPE) commitment is a public commitment by our clients in order to make their operations sustainable. The commitment should pledge to have zero deforestation, peatland destruction or exploitation of indigenous people in the operations and supply chain of their business.

NET GAIN FRAMEWORK

The Net Gain Framework (NGF) is a strategy developed by the International Finance Corporation (IFC) to address the sustainability of business investments. The NGF is based on the idea that any investment should generate economic returns, and have a positive environmental and social impact. The NGF encourages businesses to think beyond traditional financial returns and consider the broader impacts of their activities.

PEATLANDS

Peatlands are wetland ecosystems in which waterlogged conditions prevent plant material from fully decomposing. They have the highest store of global soil carbon.

PRINCIPAL ADVERSE IMPACTS

Negative, material, or likely to be material effects on sustainability factors that are caused, compounded by, or directly linked to investment decisions and advice performed by the legal entity.

RSPO

The Roundtable on Sustainable Palm Oil (RSPO) aims to transform markets to make sustainable palm oil the norm. It is the leading global palm oil certification.

REGENERATIVE PRODUCTION

Regenerative agriculture broadly refers to the adoption of production practices that, among other benefits, improve water and air quality, enhance ecosystem biodiversity, produce nutrient-dense food, and store carbon to help mitigate the effects of climate change.

TECHNICAL ASSISTANCE (TA)

Technical Assistance (TA) is financial assistance provided to a client in the form of grant funding for an expert assessment which the (prospective) client can use to improve its processes and practices.

TRANSFORMATIONAL CHANGE

&Green's Transformational Change entails a shift from a current system to a fundamentally new system that thereafter forms the mainstream. Transformational Change can be achieved by accelerating change, and/or inducing change which catalyzes further changes. It enables &Green to realize its vision of sustainable deforestation-free and socially inclusive agricultural commodity supply chains in the Tropics.



ANNUAL FINANCIAL REPORT

Stichting andgreen.fund
Annual report for the year 2022
Amsterdam, the Netherlands

Stichting andgreen.fund
Basisweg 10
1043 AP Amsterdam
The Netherlands
Chamber of Commerce: 69175357

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GENERAL

The board of the foundation (the "Board") hereby presents the annual report of Stichting andgreen.fund (the "Fund") for the year 1 January 2022 to 31 December 2022.

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 peat lands and promotes high-productivity agriculture. As at 31 December 2022, the portfolio comprised investments valued at USD 126,647,548 net of the provisions for impairment in accordance with Expected Credit Loss method adopted by the Board. A provision for impairment on the financial assets is applied amounting to USD 3,058,131 as at 31 December 2022 (31 December 2021: USD 3,704,263).

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 2022 amounts to USD 12,703,503 (2021: USD 836,254).
- The result for the period 1 January 2022 to 31 December 2022 amounts to a profit of USD 11,867,249 (2021: USD 1,699,522).
- On 31 December 2021, the Fund finalized a COP 30 billion 12-year loan and guarantee agreement between the Fund and Agropecuaria Bambusa S.A.S., for the business on the farm Hacienda San Jose ("HSJ"), a singular farm in the Vichada province of Colombia. HSJ was bought by Gabriel Jaramillo and his family in 2012. Mr. Jaramillo is a well-known businessman in Colombia and abroad, having held senior posts at Citibank and Santander, where he served as CEO of its Brazilian and USA, and as a board member of Minerva Foods, a position he still holds today. HSJ will use the Fund's financing to develop a blueprint for sustainably intensified and deforestation-free cattle farming in Colombia, which it will scale up across multiple farms to a level at which the industry at-large can be influenced, and a 'standard of excellence' created, for the Colombian beef supply chain. The first tranche of USD 4,754,358 (equivalent to COP 18 billion) was disbursed on 11 March 2022, and at that time the Fund entered into a contract with MFX Solutions Inc. for a COP-USD cross-currency interest rate swap derivative, which resulted in the Fund receiving a fixed interest rate exposure on a USD principal amount. Thus, the Fund reduced the currency risk as there is certainty relating to future USD cash flow amounts arising from the COP-denominated HSJ loan facility and reduced the exposure of the Fund to interest rate risk. On 01 December 2022, the HSJ transaction was restructured from being denominated in COP to being denominated in USD, and from bearing a floating interest rate to a fixed interest rate. The COP 18 billion already disbursed was converted into a loan of USD 3,734,440 and the undrawn facility was converted to an amount of USD 4 million. The cross currency interest rate swap (CCIRS) was terminated at the same time and the refundable Access Fee amount of USD 150,00 was refunded along with the net proceeds from the hedge.
- On 31 March 2022, the Fund finalized a USD 12,000,000 8-year loan facility agreement with PT Hilton Duta Lestari ("HDL"). The facility A loan amount of USD 6,000,000 was disbursed on 18 May 2022. HDL was acquired in 2010 by Venkateswara Holdings Pte Limited ("VHPL"), part of the Govindasamy family's group of companies from Sri Lanka and India. HDL will use the Fund's financing to construct a 30 MT/h crude palm oil ("CPO") mill adjacent to its concessions and it will commit to protecting >50% of the concession (11,000 ha) as high carbon value ("HCV") /high carbon stock ("HCS") and riparian areas, and to the sustainable production of deforestation-free palm oil on its palm plantation.

- On 12 May 2022, the Fund finalized a USD 30,000,000 8-year loan facility agreement with FS Luxembourg S.À R.L. ("FS"). The entire amount was disbursed on 13 June 2022. FS was founded in 2017 to develop an innovative business model focused on corn-based bio-energy and high-value added animal nutrition products ("DDG2") in the State of Mato Grosso ("MT"), in Brazil. The company is controlled by US-based Summit Agricultural Group, a diversified agribusiness group from the US Midwest with USD 700 million in assets under management. FS will use the Fund's financing for the establishment of a no-deforestation corn supply chain in the State of Mato Grosso aimed to produce bio-fuel, electric power, animal feed and corn oil.

- The TLFF I notes were fully redeemed on 18 August 2022, and the Fund received its full principal amount of USD 23,750,000 and USD 488,468 in accrued interest. IRR on the investment since March 2019 is approximately 10% p.a.

- On 15 December 2022, the Fund finalized a USD 20,000,000 8-year loan facility agreement with Mercon B.V. The entire amount was disbursed on 20 December 2022. Mercon Coffee Group is a global, green coffee supplier, with its treasury function established in the Netherlands. It is currently one of the leading (top 10) coffee companies in the world and the largest in its origin country of Nicaragua. It will be using the Fund's financing for an investment into sustainable, deforestation-free coffee production and supply chains in Vietnam.

The Fund obtained funding for these investments on fixed interest rate terms from Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. ("FMO") in the amount of USD 25,000,000 on 22 March 2022, repayable in 2033, and USD 17,500,000 on 22 April 2022, repayable in 2035.

The Fund was exposed to currency risk during the year which resulted in a foreign currency gain of USD 9,686,863 (2021 gain of USD 2,944,615), mainly attributable to the NOK-denominated grant from the Norwegian Ministry of Climate and Environment ("KLD"). Following the restructuring on 1 December 2022, the Fund has exposure to interest rate risk for the Mercon investment which has variable interest rate from the year 2026. Credit risk exposure relating to the Fund's borrowers continues to be monitored.

The Fund has maintained its equity position such that it meets its commitment to preserve contributors' grants.

FUNDING AND CONTRIBUTIONS

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

Norwegian Ministry of Climate and Environment ("KLD") committed NOK 800,000,000 (USD 100,635,462 calculated using the prevailing spot rate as at the commitment date) to the Fund. The amount was made available for drawdowns of contributions over a period of 5 years. KLD contributed the first disbursement of NOK 250,000,000 on 5 December 2017, the second disbursement of NOK 250,000,000 on 29 October 2018 and the third disbursement of NOK 300,000,000 on 19 March 2021.

Unilever Europe B.V. ("Unilever") committed USD 25,000,000 to the Fund, which was available to be drawn down over a period of 5 years. During the year Unilever extended the period to 31 December 2023. 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 extended commitment period on 31 December 2023, unless terminated earlier pursuant to the Unilever Agreement. The first annual funding amount of USD 5,000,000 was disbursed on 21 October 2020, followed by a second disbursement on 16 February 2021 which were both used to partially finance the investment in Dharma Satya Nusantara TBK ("DSNG"). Each amount of USD 5,000,000 becomes due for repayment after 15 years from the date of the respective payment.

The UN Environment Programme ("UNEP") provided a redeemable grant of USD 1,925,000 to the Fund, in accordance with the Contribution Agreement (the "UNEP Agreement"). 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. As a further contribution from UNEP, the Fund has received an amount of USD 25,000 on 1 January 2022.

The Ford Foundation has provided a grant of USD 130,000 to the Fund in accordance with the grant letter dated 22 June 2021. The grant will be available over a one-year period beginning from 1 July 2021, and the full disbursement was received on 6 July 2021. The grant has been obtained to support technical assistance programs to develop inclusive, sustainable and deforestation-free commodity production that strengthens the case for a rural development paradigm that protects valuable forests and peat lands and supports high-productivity agriculture.

The Fund received a non-redeemable grant of EUR 45,268 (equivalent to USD 49,770) as technical assistance provided by FMO in terms of the capacity development agreement between the parties. This amount is not repayable.

FUTURE OUTLOOK

Regarding the conflict between Ukraine and Russia, management considers the impact of the current situation, including possible non-compliance with sanctions regulation, on the Fund's investments to be remote and consequently there is no impact on the Fund's 2022 financial statements.

The Fund does not identify any material uncertainties affecting the business as a going concern. No material change in activities is contemplated for the coming year. It is expected that the result will be in line with that of the reporting period. Furthermore, the Board has no current plans which would have a significant influence on expectations concerning future activities, investments, financing, staffing and profitability.

A summary of the net assets attributable to the contributors as at 31 December 2022 is shown below:

GRANTS		
Funded	KLD	TOTAL
Net assets attributable as at 1 January 2022	92,584,268	92,584,268
Change in contribution due to FX movements	(9,607,118)	(9,607,118)
Contributions during the year	-	-
Net result for the year	10,458,225	10,458,225
Net assets attributable to the contributors	93,435,375	93,435,375
Unfunded USD amount as of 31 December 2022 (1) (2)	-	-
Total funded and unfunded amount	93,435,375	93,435,375

Note: It comprises of net assets attributed excluding the TA budget activities.

REDEEMABLE GRANTS			
Funded	Unilever	UN Environment	Total
Net assets attributable as at 1 January 2022	10,072,141	1,944,363	12,016,504
Contributions during the year	-	25,000	25,000
Net result for the year	1,269,466	248,213	1,517,679
Net assets attributable to the contributors	11,341,607	2,217,576	13,559,183
Unfunded USD amount as of 31 December 2022 (2)	15,000,000	-	15,000,000
Total funded and unfunded amount	26,341,607	2,217,576	28,559,183

A summary of the net assets attributable to the contributors as at 31 December 2021 is shown below:

GRANTS		
Funded	KLD	Total
Net assets attributable as at 1 January 2021	58,386,938	58,386,938
Change in contribution due to FX movements	(2,844,040)	(2,844,040)
Contributions during the year	35,321,128	35,321,128
Net result for the year	1,720,242	1,720,242
Net assets attributable to the contributors	92,584,268	92,584,268
Unfunded USD amount as of 31 December 2021 (1) (2)	-	-
Total funded and unfunded amount	92,584,268	92,584,268

REDEEMABLE GRANTS			
Funded	Unilever	UN Environment	Total
Net assets attributable as at 1 January 2021	5,000,000	1,930,437	6,930,437
Change in contribution due to FX movements	5,000,000	-	5,000,000
Net result for the year	72,141	13,926	86,067
Net assets attributable to the contributors	10,072,141	1,944,363	12,016,504
Unfunded USD amount as of 31 December 2021 (2)	15,000,000	-	15,000,000
Total funded and unfunded amount	25,072,141	1,944,363	27,016,504

(1) NOK denominated amount. The USD equivalent is approximated by translating at the NOK/USD exchange rate at the end of the period. The actual USD funded contribution was determined at the date that the unfunded commitment was paid.

(2) Unfunded amounts that are conditional.

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 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.

BALANCE SHEET

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

	2022 USD	2021 USD
ASSETS		
Current Assets		
Cash and cash equivalents	891,122	975,301
Other current assets	24,496	(1,697)
Total current assets	915,618	973,604
Total assets	915,618	973,604
EQUITY AND LIABILITIES		
Non-current liabilities		
Grants	1,179,770	1,130,000
Undistributed result	(265,052)	(156,396)
Total non-current liabilities	914,718	973,604
Current liabilities		
Accrued expenses and other liabilities	900	-
Total current liabilities	900	-
Total equity and liabilities	915,618	973,604

PROFIT AND LOSS ACCOUNT

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

	2022 USD	2021 USD
General costs		
Advisory and Professional Fees	(119,387)	(49,176)
Bank Fees	(184)	(172)
Other Operating expenses	-	(54,668)
Total operating costs	(119,571)	(104,016)
Operating loss	(119,571)	(104,016)
Foreign currency result	(1,506)	208
Other income	1,697	-
Interest and similar income	10,725	-
Total financial income and expenditure	10,916	208
Net result	(108,655)	(103,808)

CASH FLOW STATEMENT

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

(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.)

	2022 USD	2021 USD
Cash flow from operating activities		
Operating expenses paid	(110,152)	(94,506)
Other interest received	10,725	-
Net cash provided by/(used in) operating activities	(99,427)	(94,506)
Cash flow from financing activities		
Capital contributions	-	130,000
Net cash provided by/(used in) financing activities	-	130,000
Cash and cash equivalents, movement during the period	(99,427)	35,494
Cash and cash equivalents at the beginning of the period	990,549	955,055
Cash and cash equivalents at the end of the period	891,122	990,549

SUBSEQUENT EVENTS

On 27 February 2023, the Fund disbursed the second tranche of USD 2,300,000 to Agropecuaria Bambusa S.A.S. ("HSJ") as per the Amended and Restated Loan Agreement dated 1 December 2022.

On 30 March 2023, the Fund requested a further drawdown from FMO with an amount of USD 14,000,000 in accordance with the Concessional Debt Facility Agreement dated 25 November 2021. The payment was received on 14 April 2023.

On 20 March 2023 the Fund has received extension of the availability of the grant from Ford Foundation to 30 June 2024.

On 12 May 2023 the Fund concluded an addendum to the USD 12,000,000 8-year loan facility agreement with PT Hilton Duta Lestari ("HDL") to change the conditions precedent for the disbursements of the undrawn USD 6,000,000. The next tranche of USD 2,000,000 was disbursed on 21 June 2023.

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

Amsterdam, 3rd August 2023

BOARD



Kleiterp, ND



Oorthuizen, HJM

OTHER INFORMATION

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

BOARD OF DIRECTORS

Mr Nanno Kleiterp, Chairperson
Ms Felia Salim
Mr Joost Oorthuizen
Ms Claudia Arango

INVESTMENT ADVISOR

Sail Ventures B.V.
Lange Voorhout 44,
2514 EG Den Haag, The Netherlands

ADVISORY BOARD

Ms Helen Clark, Chairperson
Mr Per Fredrik Ilsaas Pharo
Ms Sabine Miltner
Mr Bayu Krishnamurti
Ms Rosa Lemos de Sá
Mr Eric Soubeiran

FUND ADMINISTRATOR

Intertrust (Netherlands) B.V.
Basisweg 10, 1043 AP Amsterdam,
The Netherlands

CREDIT COMMITTEE

Mr. Mark Eckstein, Chairperson
Ms. Lidwen Schils
Mr. Lucian Peppelenbos

BOARD ADVISOR

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

LEGAL COUNSEL

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

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 2022 were held on 24 February 2022, 12 May 2022, 12 September 2022 and 16 November 2022.

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 2022 were held on 13 May 2022 and 17 November 2022.

OTHER INFORMATION (CONTINUED)

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 Investment Principles 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 2022 were held on 09 February 2022, 24 May 2022, 19 August 2022, 14 November 2022 and 19 December 2022.

2.4 INVESTMENT ADVISOR

The Board appointed a specialized Investment Advisor, Sail Ventures B.V., 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 Investment Principles (including the ESMS), the Articles of Association and the Operations Memorandum) and resolutions of the Board.

The Investment Advisor is responsible for calculating and assessing the valuation (and any potential impairments) of the assets of the Fund for recommendation to the Board for its final approval, every calendar quarter.

2.5 BOARD ADVISOR

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

The Board Advisor provides governance and operational support to the Board and the Advisory Board.

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 re-appointed by the Board to perform an independent audit of the annual financial statements for the year 2022.

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2022

(Before appropriation of result)

	NOTE	31 DECEMBER 2022 USD	31 DECEMBER 2021 USD
ASSETS			
Fixed assets			
<i>Financial assets</i>			
Investments	[1]	126,647,548	89,559,475
Total fixed assets		126,647,548	89,559,475
Current assets			
<i>Receivables</i>			
Other receivables	[2]	2,162,210	1,958,717
Other prepayments and accrued income	[3]	44,608	43,935
		2,206,818	2,002,652
<i>Cash and cash equivalents</i>	[4]	23,794,555	15,683,031
Total assets		152,648,921	107,245,158
EQUITY AND LIABILITIES			
Equity			
Retained earnings	[5]	12,703,503	836,254
Total equity		12,703,503	836,254
Non-current liabilities			
Redeemable Grants	[6]	11,950,000	11,925,000
Grants	[7]	81,381,362	90,938,710
Long term loans	[8]	45,000,000	2,500,000
Total non-current liabilities		138,331,362	105,363,710
Current liabilities			
Accrued expenses and other liabilities	[9]	1,614,056	1,045,194
Total current liabilities		1,614,056	1,045,194
Total equity and liabilities		152,648,921	107,245,158

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2022

	NOTE	2022 USD	2021 USD
Investment interest income	[10]	6,879,706	5,477,881
Realized investment Gain / (loss)	[11]	(574,827)	-
Other income	[12]	893,992	130,183
General costs	[13]	(4,564,421)	(3,602,022)
Operating result		2,634,450	2,006,042
Other interest and similar income	[14]	406,631	9,799
Movement in provision for impairment	[15]	646,132	(2,780,241)
Foreign currency result	[16]	9,569,998	2,944,583
Interest and similar expenditure	[17]	(1,389,962)	(480,661)
Total financial result		9,232,799	(306,520)
Net result		11,867,249	1,699,522

CASH FLOW STATEMENT FOR THE YEAR 2022

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

	NOTE	2022 USD	2021 USD
Net cash provided by/(used in) operating activities			
Operating expenses paid	[3] [9]	(4,178,324)	(2,767,846)
Other financial charges	[17]	(121,806)	(349,583)
Other income	[12]	78,400	130,183
Investments made	[1]	(60,750,958)	(30,000,000)
Redemption of notes	[1]	23,750,000	-
Net proceeds from MFX hedge	[1]	621,065	-
Interest received	[14]	405,949	9,799
Interest received from investments	[1]	6,698,450	4,256,910
Interest and similar expenses paid	[17]	(943,730)	(74,826)
Net cash provided by/(used in) operating activities		(34,440,954)	(28,795,364)
Net cash provided by/(used in) financing activities			
Grants received	[7]	49,770	35,451,128
Redeemable grants received	[6]	25,000	5,000,000
Proceeds from loans	[8]	42,500,000	-
Net cash provided by/(used in) financing activities		42,574,770	40,451,128
Net cash flow			
Exchange rate and translation differences on cash and cash equivalents		(22,292)	(15,750)
Total of increase (decrease) in cash and cash equivalents		8,111,524	11,640,014
Movement in cash and cash equivalents			
Cash and cash equivalents, beginning of period		15,683,031	4,043,017
Increase (decrease) cash and cash equivalents		8,111,524	11,640,014
Cash and cash equivalents, end of period	[4]	23,794,555	15,683,031

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 Basisweg 10 1043AP Amsterdam, the Netherlands.

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 Board 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 recognized 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 recognized 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.

An asset or liability is no longer recognized in the balance sheet, and thus derecognized, 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 recognized in the profit and loss account, taking into account any provisions related to the transaction.

Income is recognized 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 recognized 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 realization 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.

DISCLOSURE OF CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

As from 1 January 2021, the accounting policy has changed with the implementation of an Expected Credit Loss ("ECL") model for calculating the provisions for impairment. The Fund decided to implement the ECL model as application of the ECL model will improve the valuation of investments and recognition of impairments in the financial statements. Under Dutch GAAP, legal entities can opt to account for the impairment of financial assets based on the expected credit loss model under IFRS 9 (Financial instruments). The same approach has been adopted in the year 2022.

The impact of the change in accounting policy on the equity and on the financial assets at the beginning of the 2021 financial year was a decrease of USD 924,021 on both opening balances. The impact of the change in accounting policy on the 2021 result was the introduction of the Movement in provision for impairment item which resulted in a USD 2,780,241 negative impact on the 2021 Net result. Based on the change in accounting policy, at 31 December 2021 the cumulative impact on equity and on the financial assets was USD 3,704,262. In accordance with the accounting policy, there was no change to the prior year accounts.

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.

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.

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 and the loan are denominated in USD, but the grant from KLD is denominated in NOK.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

PARTICULARS	LIABILITIES		ASSETS	
	2022	2021	2022	2021
EUR (euro)	114,748	30,648	192,801	285,619
NOK (Norwegian krone)	-	-	30,814	23,876

The following significant exchange rates (the value of USD 1,00 in each currency) have been applied during the year.

PARTICULARS	AVERAGE RATE		YEAR-END SPOT RATE	
	2022	2021	2022	2021
EUR (euro)	0.951	0.846	0.936	0.879
NOK (Norwegian krone)	9.616	8.591	9.852	8.810

Sensitivity analysis: A 100 Bps strengthening of the USD against the following currencies at 31 December 2022 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

PARTICULARS	EQUITY		PROFIT OR LOSS	
	2022 (USD)	2021 (USD)	2022 (USD)	2021 (USD)
EUR currency impact	(882)	(3,263)	(882)	(3,263)
NOK currency impact	(3)	(3)	(3)	(3)
Fx Gain/(Loss)	(885)	(3,266)	(885)	(3,266)

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 amortized cost and the interest rates are fixed, except for the Mercon transaction which has variable interest rate from the year 2026, as was the case with the financial assets as at 31 December 2022 and 31 December 2021.

At the reporting date the interest rate profile of interest bearing financial instruments was:

	2022 USD	2021 USD
Fixed rate instruments		
Financial assets	155,504,363	110,799,680
Financial liabilities	45,360,812	2,505,882
Variable rate instruments		
Financial assets	-	-
Financial liabilities	-	-

Sensitivity analysis: Any increase/(decrease) in interest rates will have no effect on results and equity of the Company, because, financial instruments in general are at fixed rate.

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. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after adjustment of impairment on the financial assets as at 31 December 2021 and 31 December 2020.

FOREIGN CURRENCY RESULT

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 recognized 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 amortized cost and resulting from transactions in foreign currencies, are translated at the rate prevailing on the date of the transaction.

	1 JANUARY 2022	31 DECEMBER 2022
The exchange rates used in the financial statements are:		
1 USD (US dollar) = EUR (euro)	0.879045	0.935884
1 USD (US dollar) = NOK (Norwegian krone)	8.809728	9.852023

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 Investment Principles 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 amortized cost is equal to the nominal value of the receivables, less a provision for uncollectible debts based on expected credit losses. The valuation of the Fund's investment portfolio is calculated by the Investment Advisor.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognized at fair value and any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and any changes therein are generally recognized in profit or loss. Fair value is calculated using the current values and option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative.

HEDGE ACCOUNTING

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

CASH FLOW HEDGES

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

FAIR VALUE HEDGES

When a derivative is designated as a fair value hedging instrument, the gain or loss from remeasuring the hedging instrument at fair value shall be recognized in profit or loss and the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

The Company's activities expose it primarily to the financial risks of changes in interest rates. The significant interest rate risk arises from its loans. The Company's policy is to convert a significant proportion of its floating rate debt to fixed rates through interest rate swaps. The Company designates these as cash flow hedges of interest rate risk.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

IMPAIRMENT

The Fund recognizes loss allowances for expected credit losses (“ECLs”) on the financial assets measured at amortized cost.

The Fund measures loss allowances for stage 2 (underperforming) and stage 3 (non-performing) loans at an amount equal to their lifetime ECLs. Stage 1 (performing) loans are measured at their 12-month ECLs and include: 1. financial assets that are determined to have low credit risk at the reporting date; 2. other financial assets for which credit risk has not increased significantly since initial recognition. Financial assets for which the credit risk has increased significantly since initial recognition, and where credit risk is not considered low, are classified as Stage 2 assets. Interest on Stage 1 and Stage 2 loans are based on gross carrying amount and interest on Stage 3 is only based on net amounts (i.e. amortized cost less impaired amounts).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund’s historical experience and informed credit assessment and including forward-looking macroeconomic information.

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of ‘investment grade’ (or the financial asset is considered to be ‘investment grade’ by the Fund’s internal credit risk scorecard); the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and/or adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Fund assumes that the credit risk on a financial asset has increased significantly if the borrower is 30 days or more past due on financial payment (unless reasonable and supportable information is available to demonstrate that the borrower can service its debt); if there has been a significant increase in credit risk according to the Fund’s internal credit risk scorecard; or if a forbearance concession is granted or the contractual cash flows of a financial instrument are modified, and it is determined that the credit risk has increased significantly as a result.

CREDIT QUALITY ANALYSIS

	2022				2021			
	ECL STAGE	CARRYING AMOUNT	COLLATERAL	CREDIT RATING	ECL STAGE	CARRYING AMOUNT	COLLATERAL	CREDIT RATING
Promissory notes								
TLFF I PTE. LTD - Class B1a	-	-	-	-	2	19,776,263	11,865,758	B3
<i>Risk trigger point: PD doubles*</i>								
TLFF I PTE. LTD - Class B1c	-	-	-	-	2	3,741,366	2,244,820	B3
<i>Risk trigger point: PD doubles*</i>								
Loans								
DHARMA SATYA NUSANTARA TBK	1	30,176,742	-	Ba1	1	30,305,000	-	Ba2
<i>Risk trigger point: Caa</i>								
AGROPECUÁRIA RONCADOR LTDA	1	10,099,388	-	Ba1	1	10,144,854	5,500,407	Ba1
<i>Risk trigger point: B1</i>								
MARFRIG GLOBAL FOODS S.A.	1	30,983,954	-	Ba2	1	31,179,167	-	Ba2
<i>Risk trigger point: B2</i>								
AGROPECUARIA BAMBUSA S.A.S.	1	3,835,665	-	B2	-	-	-	-
<i>Risk trigger point: B3</i>								
PT HILTON DUTA LESTARI	1	5,989,298	-	B2	-	-	-	-
<i>Risk trigger point: Caa</i>								
FS LUXEMBOURG S.À R.L	1	29,500,794	-	B1	-	-	-	-
<i>Risk trigger point: Caa</i>								
MERCON B.V.	1	18,065,838	-	Caa	-	-	-	-
<i>Risk trigger point: PD Doubles</i>								
		128,651,679	-			95,146,650	19,610,985	

CREDIT-IMPAIRED FINANCIAL ASSETS

The Fund considers a financial asset to be 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract such as a default; or it is probable that the borrower will enter bankruptcy or other financial reorganization. Credit-impaired financial assets are classified as Stage 3 assets.

Movement from Stage 2 to Stage 3 is triggered by one or more of the following conditions: if the borrower is more than 90 days past due on financial payment; or if it is determined that the fund is unlikely to recover the contractual cash flows of the financial asset due to credit risk deterioration. Objective evidence of impairment includes, but is not limited to, observable data about the following events: bankruptcy, central bank intervention, distressed restructuring or any material adverse change in conditions or any development that is likely to result in a diminished recovery of cash flows of that financial asset; or if a forbearance concession is granted due to financial difficulty of the borrower, where the Fund would not otherwise grant such concession, and the concession has a detrimental impact on the estimated future cash flows of the financial asset; or if it is determined that the borrower's poor performance on material Environmental & Social commitments and/or other matters will have a detrimental impact on the timing or amount of estimated future cash flows of the financial asset.

MEASUREMENT OF ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Fund in accordance with the contract and the cash flows that the Fund expects to receive). ECLs are discounted at the effective interest rate of the financial asset and measured on an individual basis.

Presentation of allowance for ECLs is in the statement of financial position. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The key inputs into the measurement of ECLs are the term structure of the variables: probability of default (PD), loss given default (LGD) and exposure at default (EAD) based on the financial and non-financial information, country risk, seniority level, GDP forecasts and collateral information.

The EAD represents the exposure at default in the event of a default. The EAD of a loan is its gross amortized amount at the time of default, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, scheduled by contract or otherwise, expected draw downs and accrued interest.

The LGD is the magnitude of the likely loss if there is a default. LGD is based on the difference between the contractual cash flows and any future cash flows or collateral value that the fund expects to receive in the case of a default. The collateral value is based on external valuations and a discount is applied based on credit market best practice. The discount includes both a liquidation discount and legal discount. As a final check, the use of external market data for LGD which is based on Moody's recovery rate data, is considered as a sense check.

The PD is an estimate of the likelihood of default over a given time horizon, namely the contractual period over which the Fund is exposed to credit risk.

The 12-month ECL and lifetime ECL are calculated using the EAD of a loan, the macro-adjusted PD and the LGD.

INCORPORATION OF FORWARD-LOOKING INFORMATION

The Fund uses global GDP figures in the GDP-to-Default regression, because (1) forecast GDP growth rates are used to incorporate forward-looking macroeconomic information, as required by IFRS; (2) default rate data is only available at a global level (because data is not available or robust enough on a country or regional level). Performing the regression at a global level enables one to perform a statistically significant regression (similar to when performing a regression at a more granular level). A Probability-weighted Macro-adjusted Security PD is used as an input into the ECL calculation.

QUANTITATIVE INFORMATION OF ECL

	31 DECEMBER 2022			
	MACRO-ADJUSTED PD	EAD	LGD	EIR*
Dharma Satya Nusantara TBK	0.67%	30,305,001	68%	6.22%
Agropecuária Roncador LTDA	0.43%	10,118,482	46%	3.03%
Marfrig Global Foods S.A.	0.91%	31,179,167	72%	5.07%
Agropecuaria Bambusa S.A.S.	3.93%	3,893,924	55%	7.45%
PT Hilton Duta Lestari	3.93%	6,055,542	30%	7.75%
FS Luxembourg S.À R.L.	2.92%	30,097,500	72%	6.50%
Mercon B.V.	13.52%	20,060,194	81%	9.85%

*Effective Interest Rate

WRITE-OFF FINANCIAL ASSETS

A write-off is made when contractual cashflows are deemed to be non-collectible, when the fund has no reasonable prospects of recovery after, among others, enforcement of collateral or legal enforcement by means of lawsuits. Further more, a writeoff is performed when a loan or other credit instrument is forgiven by the fund. Financial instruments are assessed on an individual basis, depending on specific circumstances.

Write-offs are charged against previously booked provisions for impairments. If no specific provision for impairment had been previously recognized, the write-off is included directly in the profit and loss account.

LOANS GRANTED AND PURCHASED BONDS

Any loans granted and bonds purchased, the financial assets with fixed or determinable payments, are measured at amortized cost as the Fund has the firm intention and the contractual and economic ability to hold them to maturity.

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 and revised in 2021.

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 amortized cost. If no premium or discount or transaction costs are applicable, the amortized cost is equal to the nominal value of the liability.

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 amortized cost. If no premium or discount or transaction costs are applicable, the amortized 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 recognized in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognized in the period to which they belong.

Premium, discount and redemption premiums are recognized 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 recognized in the profit and loss account. On the balance sheet, the amortized value of the debt(s) is recognized. The amounts of the premium that are not yet recognized in the profit and loss account and the redemption premiums already recognized in the profit and loss account, are recognized as an increase in debt(s) to which they relate. Amounts of the discount that are not yet recognized in the profit and loss account are recognized as a reduction of the debt(s) to which they relate.

INCOME AND EXPENSE RECOGNITION

Investment related interest income is recognized in the Income and expense recognition on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognized 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 using the direct method.

CONTINGENT ASSETS AND LIABILITIES

Potential assets arising from events up to and including the balance sheet date, the existence of which depends on the occurrence or non-occurrence of one or more uncertain events in the future, without the legal entity being able to exercise decisive influence over them.

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity.

NOTES TO THE BALANCE SHEET

		31 DECEMBER 2022 USD	31 DECEMBER 2021 USD
ASSETS			
FIXED ASSETS			
Investments [1]			
Promissory notes			
TLFF I PTE. LTD - Class B1a	(1)	-	16,553,751
TLFF I PTE. LTD - Class B1c	(2)	-	3,407,440
Loans			
Dharma Satya Nusantara TBK	(3)	29,871,741	29,830,134
Agropecuária Roncador LTDA	(4)	9,952,145	9,944,832
Marfrig Global Foods S.A.	(5)	29,804,787	29,823,318
Agropecuaria Bambusa S.A.S.	(6)	3,676,181	-
PT Hilton Duta Lestari	(7)	5,933,756	-
FS Luxembourg S.À R.L.	(8)	29,403,294	-
Mercon B.V.	(9)	18,005,644	-
		126,647,548	89,559,475

The investments are valued at amortized cost less provision for impairment based on the Expected Credit Loss (ECL) method. For the loans, an allowance is estimated based on 12-month ECL because no loans have had a significant increase in credit risk since initial recognition.

Due to the investments being made in USD, no sensitivity analysis has been performed for FX. As a result, there is no FX risk exposure.

(1) TLFF I PTE. LTD - Class B1a

Opening balance	16,553,751	19,558,864
Opening balance impact due to change in accounting principles ECL	-	(384,266)
Amortization of discount on notes	413,737	27,399
Movement in provision for impairment	3,032,512	(2,648,246)
Redemption	(20,000,000)	-
Closing balance	-	16,553,751

The promissory notes B1a were acquired on 26 February 2019. The notes were purchased at a discount of USD 469,150. Amortisation of the purchase discount is included in interest income. TLFF I notes fully redeemed on 18 August 2022, Fund received its full USD 20,000,000 of principal and USD 411,341 in accrued interest. IRR on the investment since March 2019 is approximately 10% p.a.

(2) TLFF I PTE. LTD - Class B1c

Opening balance	3,407,440	3,695,351
Opening balance impact due to change in accounting principles ECL	-	(72,620)
Amortization of discount on notes	43,764	10,885
Movement in provision for impairment	298,796	(226,176)
Redemption	(3,750,000)	-
Closing balance	-	3,407,440

The promissory notes B1c were acquired on 26 February 2019. The notes were purchased at a discount of USD 469,150. Amortisation of the purchase discount is included in interest income. TLFF I notes fully redeemed on 18 August 2022, Fund received its full USD 3,750,000 of principal and USD 77,127 in accrued interest. IRR on the investment since March 2019 is approximately 10% p.a.

	31 DECEMBER 2022 USD	31 DECEMBER 2021 USD
(3) Dharma Satya Nusantara TBK		
Opening balance	29,830,134	30,000,000
Opening balance impact due to change in accounting principles ECL	-	(455,835)
Movement in provision for impairment	41,607	285,969
Closing balance	29,871,741	29,830,134

The Facilities Agreement between the Fund and PT Dharma Staya Nusantara Tbk. (DSN), PT Dharma Intisawit Nugraha (DIN) and PT Karya Prima Agro Sejahtera (KPAS) was signed on 23 April 2020. The USD 5,000,000 Facility A was disbursed on 30 April 2020 and the USD 25,000,000 Facility B was disbursed on 21 October 2020. The facilities have a tenor of 10 years and bears interest at a fixed rate of 6% per annum.

(4) Agropecuária Roncador LTDA		
Opening balance	9,944,832	9,971,239
Opening balance impact due to change in accounting principles ECL	-	(11,300)
Movement in provision for impairment	7,313	(15,107)
Closing balance	9,952,145	9,944,832

The Loan and Guarantee Agreement between the Fund and Agropecuaria Roncador LTDA. was signed on 30 April 2020 and the full loan amount of USD 10,000,000 was disbursed on 15 July 2020. The loan has a tenor of 8 years and bears interest at a fixed rate of 2.95% per annum. The loan disbursed balance is net of capitalised transaction costs and fee income.

(5) Marfrig Global Foods S.A.		
Opening balance	29,823,318	-
Loan disbursed	-	30,000,000
Movement in provision for impairment	(18,531)	(176,682)
Closing balance	29,804,787	29,823,318

The Loan and Guarantee Agreement between the Fund and Marfrig Global Foods S.A. was signed on 07 January 2021 and the full amount was disbursed on 19 March 2021. The loan has a tenor of 10 years and bear interest at a fixed rate of 5% per annum.

(6) Agropecuaria Bambusa S.A.S.		
Opening balance	-	-
Loan disbursed	4,754,358	-
Movement in provision for impairment	(58,259)	-
FX loss on conversion of loan from COP to USD	(1,019,918)	-
Closing balance	3,676,181	-

The Loan and Guarantee Agreement between the Fund and Agropecuaria Bambusa S.A.S. was signed on 31 December 2021. The first tranche of COP 18 billion (equivalent to USD 4,754,358) was disbursed on 11 March 2022. On 1 December 2022 the principal amount disbursed and the accrued but unpaid interest outstanding on the first tranche of the loan was converted from COP to USD at the exchange rate on that date. The converted loan has a tenor of 12 years and bears interest at a fixed rate of 7.5% per annum.

(7) PT Hilton Duta Lestari		
Opening balance	-	-
Loan disbursed	6,000,000	-
Movement in provision for impairment	(66,244)	-
Closing balance	5,933,756	-

The Loan and Guarantee Agreement between the Fund and PT Hilton Duta Lestari was signed on 31 March 2022 and the facility A loan amount of USD 6,000,000 was disbursed on 18 May 2022. The loan has a tenor of 8 years and bears interest at a fixed rate of 7.75% per annum.

	31 DECEMBER 2022 USD	31 DECEMBER 2021 USD
(8) FS Luxembourg S.À R.L.		
Opening balance	-	-
Loan disbursed	30,000,000	-
Movement in provision for impairment	(596,706)	-
Closing balance	29,403,294	-

The Loan and Guarantee Agreement between the Fund and FS Luxembourg S.À R.L., was signed on 12 May 2022 and the full loan amount of USD 30,000,000 was disbursed on 13 June 2022. The loan has a tenor of 8 years and bears interest at a fixed rate of 6.50% per annum.

(9) Mercon B.V.		
Opening balance	-	-
Loan disbursed	20,000,000	-
Movement in provision for impairment	(1,994,356)	-
Closing balance	18,005,644	-

The Facility Agreement between the Fund and Mercon B.V. was signed on 15 December 2022 and the full loan amount of USD 20,000,000 was disbursed on 20 December 2022. The loan has a tenor of 8 years and bears interest at a rate of 9.85% per annum for the first interest calculation period of 36 months until 20 December 2025, whereafter it bears interest at the floating rate, calculated using the Term SOFR plus 6.25%, for the second interest calculation period.

The loan includes a variable payment ("upside amount") interest rate on the outstanding Loan, based on the RoE percentage and which is capped at 11%. The valuation of the upside amount is EUR 343,400, based on the underlying value of the RoE of the company, and calculated using a binomial option pricing model. The inputs to such model include volatility of the underlying instrument, WACC% of &Green, 10Yr UST, average RoE of Mercon based on past performance, maximum upside% and SOFR forward curve.

PROVISION FOR IMPAIRMENT

		31 DECEMBER 2022	31 DECEMBER 2021
		USD	USD
TLFF I PTE. LTD - Class B1a	(1)	-	(3,032,512)
TLFF I PTE. LTD - Class B1c	(2)	-	(298,796)
Dharma Satya Nusantara TBK	(3)	(128,259)	(169,866)
Agropecuária Roncador LTDA	(4)	(19,094)	(26,407)
Marfrig Global Foods S.A.	(5)	(195,213)	(176,682)
Agropecuaria Bambusa S.A.S.	(6)	(58,259)	-
PT Hilton Duta Lestari	(7)	(66,244)	-
FS Luxembourg S.À R.L.	(8)	(596,706)	-
Mercon B.V.	(9)	(1,994,356)	-
		(3,058,131)	(3,704,263)
<i>(1) TLFF I PTE. LTD - Class B1a</i>			
Opening balance		(3,032,512)	-
Opening balance impact due to change in accounting principles ECL		-	(384,266)
Movement in provision for impairment		3,032,512	(2,648,246)
Closing balance		-	(3,032,512)
<i>(2) TLFF I PTE. LTD - Class B1c</i>			
Opening balance		(298,796)	-
Opening balance impact due to change in accounting principles ECL		-	(72,620)
Movement in provision for impairment		298,796	(226,176)
Closing balance		(298,796)	(298,796)
<i>(3) Dharma Satya Nusantara TBK</i>			
Opening balance		(169,866)	-
Opening balance impact due to change in accounting principles ECL		-	(455,835)
Movement in provision for impairment		41,607	285,969
Closing balance		(128,259)	(169,866)
<i>(4) Agropecuária Roncador LTDA</i>			
Opening balance		(26,407)	-
Opening balance impact due to change in accounting principles ECL		-	(11,300)
Movement in provision for impairment		7,313	(15,107)
Closing balance		(19,094)	(26,407)
<i>(5) Marfrig Global Foods S.A.</i>			
Opening balance		176,682	-
Movement in provision for impairment		(18,531)	(176,682)
Closing balance		(195,213)	(176,682)
<i>(6) Agropecuaria Bambusa S.A.S.</i>			
Opening balance		-	-
Movement in provision for impairment		(58,259)	-
Closing balance		(58,259)	-
<i>(7) PT Hilton Duta Lestari</i>			
Opening balance		-	-
Movement in provision for impairment		(66,244)	-
Closing balance		(66,244)	-

PROVISION FOR IMPAIRMENT (CONTINUED)

	31 DECEMBER 2022 USD	31 DECEMBER 2021 USD
(8) FS Luxembourg S.À R.L.		
Opening balance	-	-
Movement in provision for impairment	(596,706)	-
Closing balance	(596,706)	-
(9) Mercon B.V.		
Opening balance	-	-
Movement in provision for impairment	(1,994,356)	-
Closing balance	(1,994,356)	-

BREAKDOWN OF FINANCIAL ASSETS AS OF 31 DECEMBER 2022

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Gross Amortized Value	129,705,679	Nil	Nil	129,705,679
Provision balance	(3,058,131)	Nil	Nil	(3,058,131)
Net Amortized Value	126,647,548	Nil	Nil	126,647,548

BREAKDOWN OF FINANCIAL ASSETS AS OF 31 DECEMBER 2021

	STAGE 1	STAGE 2	STAGE 3	TOTAL
Gross Amortized Value	69,971,238	23,292,499	Nil	93,263,737
Provision balance	(372,954)	(3,331,308)	Nil	(3,704,262)
Net Amortized Value	69,598,284	19,961,191	Nil	89,559,475

BREAKDOWN OF ECL PROVISION AS OF 31 DECEMBER 2022

	STAGE 1	STAGE 2	STAGE 3	2022 TOTAL
Loans and promissory notes at amortized cost				
Balance at 1 January 2022	372,954	3,331,308	-	3,704,262
Opening balance impact due to change in accounting principles ECL	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance*	(30,389)	-	-	(30,389)
New financial assets originated or purchased	2,715,565	-	-	2,715,565
Financial assets that have been derecognized	-	(3,331,308)	-	(3,331,308)
Write-offs**	-	-	-	-
Unwind of discount	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Balance at 31 December 2022	3,058,130	-	-	3,058,130

* During the year, the ECL provisions for the Promissory notes and the loans are re-measured on a quarterly basis.

** There have not been any write-offs yet.

BREAKDOWN OF ECL PROVISION AS OF 31 DECEMBER 2021

				2022
	STAGE 1	STAGE 2	STAGE 3	TOTAL
Loans and promissory notes at amortized cost				
<i>Balance at 1 January 2021</i>	-	-	-	-
Opening balance impact due to change in accounting principles ECL	924,020	-	-	924,020
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(456,886)	456,886	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance*	(270,862)	2,874,422	-	2,603,560
New financial assets originated or purchased	176,682	-	-	176,682
Financial assets that have been derecognized	-	-	-	-
Write-offs**	-	-	-	-
Unwind of discount	-	-	-	-
Foreign exchange and other movements	-	-	-	-
<i>Balance at 31 December 2021</i>	372,954	3,331,308	-	3,704,262

* During the year, the ECL provisions for the Promissory notes and the loans are re-measured on a quarterly basis.

** There have not been any write-offs yet.

	31 DECEMBER 2022	31 DECEMBER 2021
	USD	USD
CURRENT ASSETS		
Other receivables [2]		
Interest receivable on loans	2,004,131	1,852,912
Value added tax receivable	156,369	105,805
Accounts Receivable	1,710	-
	2,162,210	1,958,717

INTEREST RECEIVABLE ON LOANS

	31 DECEMBER 2022 USD	31 DECEMBER 2021 USD
Promissory notes		
TLFF I PTE. LTD - Class B1a	-	190,000
TLFF I PTE. LTD - Class B1c	-	35,130
Loans		
Dharma Satya Nusantara TBK	305,001	305,001
Agropecuária Roncador LTDA	147,243	143,615
Marfrig Global Foods S.A.	1,179,167	1,179,166
Agropecuaria Bambusa S.A.S.	159,484	-
PT Hilton Duta Lestari	55,542	-
FS Luxembourg S.À R.L.	97,500	-
Mercon B.V.	60,194	-
	2,004,131	1,852,912
<i>TLFF I PTE. LTD - Class B1a</i>		
Opening balance	190,000	190,000
Interest income	1,122,246	1,800,000
Interest received	(1,312,246)	(1,800,000)
Closing balance	-	190,000
<i>TLFF I PTE. LTD - Class B1c</i>		
Opening balance	35,130	35,130
Interest income	207,499	332,812
Interest received	(242,629)	(332,812)
Closing balance	-	35,130
<i>Dharma Satya Nusantara TBK</i>		
Opening balance	305,001	305,000
Interest income	1,825,000	1,825,001
Interest received	(1,825,000)	(1,825,000)
Closing balance	305,001	305,001
<i>Agropecuária Roncador LTDA</i>		
Opening balance	143,615	140,094
Interest income	302,725	302,618
Interest received	(299,097)	(299,097)
Closing balance	147,243	143,615
<i>Marfrig Global Foods S.A.</i>		
Opening balance	1,179,166	-
Interest income	1,520,834	1,179,166
Interest received	(1,520,833)	-
Closing balance	1,179,167	1,179,166
<i>Agropecuaria Bambusa S.A.S.</i>		
Opening balance	-	-
Interest income	446,840	-
Realized FX result on Interest	(17,628)	-
Interest received	(269,728)	-
Closing balance	159,484	-

INTEREST RECEIVABLE ON LOANS (CONTINUED)

	31 DECEMBER 2022 USD	31 DECEMBER 2021 USD
<i>PT Hilton Duta Lestari</i>		
Opening balance	-	-
Interest income	293,209	-
Interest received	(237,667)	-
Closing balance	55,542	-
<i>FS Luxembourg S.À R.L.</i>		
Opening balance	-	-
Interest income	1,088,750	-
Interest received	(991,250)	-
Closing balance	97,500	-
<i>Mercon B.V.</i>		
Opening balance	-	-
Interest income	60,194	-
Interest received	-	-
Closing balance	60,194	-
Other prepayments and accrued income [3]		
Prepaid insurance expenses	44,608	43,935
	44,608	43,935
Cash and cash equivalents [4]		
Current account	2,794,555	1,683,031
Deposit account	21,000,000	14,000,000
	23,794,555	15,683,031

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.

EQUITY AND LIABILITIES

EQUITY [5]

Retained Earnings [5]

Opening balance	836,254	60,753
Opening balance impact due to change in accounting principles ECL	-	(924,021)
Results for the year	11,867,249	1,699,522
Closing balance	12,703,503	836,254

NON-CURRENT LIABILITIES

Redeemable grants [6]

Redeemable grants	11,950,000	11,925,000
	11,950,000	11,925,000

Unilever

UN Environment

Total

2022

Contribution as at 1 January 2022	10,000,000	1,925,000	11,925,000
Contributions during the year	-	25,000	25,000
Closing balance	10,000,000	1,950,000	11,950,000

2021

Contribution as at 1 January 2021	5,000,000	1,925,000	6,925,000
Contributions during the year	5,000,000	-	5,000,000
Closing balance	10,000,000	1,925,000	11,925,000

Grants [7]

Grants	31 DECEMBER 2022	31 DECEMBER 2021
	81,381,362	90,938,710
	81,381,362	90,938,710

2022

FMO

KLD

Ford Foundation

Total

Contribution as at 1 January 2022	-	90,808,710	130,000	90,938,710
Contributions during the year	49,770	-	-	49,770
Change in contribution due to FX movements	-	(9,607,118)	-	(9,607,118)
Closing balance	49,770	81,201,592	130,000	81,381,362

The Fund received a non-redeemable grant of EUR 45,268 (equivalent to USD 49,770) as technical assistance provided by FMO in terms of the Capacity Development Agreement between the parties. This amount is not repayable.

2021

Contribution as at 1 January 2021	-	58,331,622	-	58,331,622
Change in contribution due to FX movements	-	(2,844,040)	-	(2,844,040)
Contributions during the year	-	35,321,128	130,000	35,451,128
Closing balance	-	90,808,710	130,000	90,938,710

Long term loans [8]

31 DECEMBER 2022

31 DECEMBER 2021

Term Loan Facility - HAPEP II	2,500,000	2,500,000
FMO Loan Facility	25,000,000	-
MFF Loan Facility	17,500,000	-
	45,000,000	2,500,000

The Fund received the term loan facility of USD 2,500,000 from HAPEP in 2020. The loan is repayable in 2032. The Fund received the term loan facility of USD 25,000,000 from FMO in 2022. The loan bears interest at a fixed rate of 5.26% and is repayable in 2033. The Fund received the USD 17,500,000 first tranche of the USD 33,250,000 MFF concessional debt facility of USD 17,500,000 from FMO in 2022. The loan bears interest at a fixed rate of 1.5% and is repayable in 2035.

LIQUIDITY RISK

The Fund manages its liquidity, and its asset and liability matching, in accordance with its Liquidity Management Policy. In terms of the policy, the cash flow requirements of the Fund are managed in order to ensure that all of the Fund's financial commitments are met timeously; all of the Fund's expenses are duly paid when they all fall due; and the returns on cash balances are maximized through low risk short-term investments. The short term and the long term forecasts for the Fund's liquidity, and asset and liability matching, requirements are reviewed by the Board at each scheduled quarterly meeting.

The following is an overview of the carrying amounts of all liabilities at the reporting date and the cash outflow to meet each payment obligation over the next 12 month.

31 DECEMBER 2022	TYPE	CARRYING AMOUNT USD	12 MONTH CASH FLOW OBLIGATIONS USD
KLD	Grant	81,201,592	-
Ford Foundation	Grant	130,000	-
FMO	Grant	49,770	-
UN Environment	Redeemable Grant	1,950,000	-
Unilever	Redeemable Grant	10,000,000	-
HAPEP II	Concessional loan	2,500,000	74,014
FMO (Term Facility)	Concessional loan	25,000,000	1,333,264
FMO (MFF Concessional Debt Facility)	Concessional loan	17,500,000	266,146
		138,331,362	1,673,424

31 DECEMBER 2021	TYPE	CARRYING AMOUNT USD	12 MONTH CASH FLOW OBLIGATIONS USD
KLD	Grant	90,938,710	-
Ford Foundation	Grant	130,000	-
UN Environment	Redeemable Grant	1,925,000	-
Unilever	Redeemable Grant	10,000,000	-
HAPEP II	Concessional loan	2,500,000	74,014
		105,493,710	74,014

Due date of each liability:

1. KLD and Ford foundation due dates are not applicable as they are both grants.
2. UN Environment's redeemable grant is required to be repaid within 90 days of the repayment date (31 December 2037).
3. Unilever's redeemable grant: each funding amount shall become due for repayment to Unilever from 15 years after the date of the respective payment date for such funding amount. As of 31 December 2022, the USD 5 million received in 2020 will be due in 2035, and another USD 5 million received in 2021 will be due in 2036.
4. HAPEP's concessional loan will be due in 2032.
5. FMO's concessional loan will be due in 2033.
6. MFF's concessional loan will be due in 2035.

CURRENT LIABILITIES**Accrued expenses and other liabilities [9]**

Investment Advisor fee payable	601,222	468,750
Interest payable on loans (1)	360,812	5,882
Audit fee payable	112,300	50,959
Professional fee payable	375,971	317,610
Other payables	163,751	201,993
	1,614,056	1,045,194

(1). Interest payable on loans**Term Loan Facility - HAPEP II**

Opening Balance	5,882	5,881
Interest accrued	74,014	74,015
Interest paid	(74,022)	(74,014)
Closing balance	5,874	5,882

Term Loan Facility - FMO

Opening Balance	-	-
Interest accrued	1,040,167	-
Interest paid	(744,292)	-
Closing balance	295,875	-

MFF Concessional Debt Facility - FMO

Opening Balance	-	-
Interest accrued	184,480	-
Interest paid	(125,417)	-
Closing balance	59,063	-

NOTES TO THE PROFIT AND LOSS ACCOUNT

	2022 USD	2021 USD
Investment interest income [10]		
<i>Promissory notes</i>		
TLFF 1 PTE. LTD - Class B1a	1,129,378	1,827,399
TLFF 1 PTE. LTD - Class B1c	212,776	343,697
<i>Loans</i>		
Dharma Satya Nusantara TBK	1,825,000	1,825,001
Agropecuária Roncador LTDA	302,725	302,618
Marfrig Global Foods S.A.	1,520,834	1,179,166
Agropecuaria Bambusa S.A.S.	446,840	-
PT Hilton Duta Lestari	293,209	-
FS Luxembourg S.À R.L.	1,088,750	-
Mercon B.V.	60,194	-
	<u>6,879,706</u>	<u>5,477,881</u>
<i>Investment interest income relates to the promissory notes and loans in which the Fund is invested.</i>		
Realized investment Gain / (loss) [11]		
Unamortized discount on TLFF notes	445,091	-
Loss on HSJ loan conversion	(1,019,918)	-
	<u>(574,827)</u>	<u>-</u>
Other income [12]		
Hedging contract net gain	797,706	-
Upfront amount / commitment fees	78,400	130,183
Consultancy fees received	16,178	-
Accrued Interest on security deposit	1,708	-
	<u>893,992</u>	<u>130,183</u>
General costs [13]		
Fund administration costs	140,334	67,533
Auditor's costs	113,567	87,916
Consulting fees (1)	415,255	386,468
Board Advisor fees (2)	90,506	107,287
Investment Advisor fees (3)	2,269,806	1,800,000
Other general and administrative expenses (4)	610,478	120,818
Board Remuneration (5)	110,000	110,000
Professional fees (6)	36,500	51,000
Bank charges	14,957	22,646
Insurance expenses	64,732	52,086
Performance fees	375,971	317,610
Unrecoverable VAT expense	49,074	150,067
Investment expenses	-	193,670
Legal fees	273,241	134,920
	<u>4,564,421</u>	<u>3,602,022</u>

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) Board Advisor fees

As explained in section 2.5, the Board 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.

NOTES (CONTINUED):

(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 focus regions for the Fund, 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 an investment, 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. The advisory fee is based on a fixed percentage of the amount of the total outstanding assets. It is 2.0% per annum of the amount up to and including USD 250 million, 1.75% per annum of the amount exceeding USD 250 million and up to and including USD 350 million, and 1.25% per annum of the amount exceeding USD 350 million. Over the Investment Advisory agreement term, 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 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.

	2022 USD	2021 USD
Other interest and similar income [14]		
Interest received on deposits	406,631	9,799
	<u>406,631</u>	<u>9,799</u>
<i>Interest income consists of interest earned on the Fund's short-term interest-bearing accounts.</i>		
Movement in provision for impairment [15]		
<i>Promissory notes</i>		
TLFF I PTE. LTD - Class B1a TLFF I	3,032,512	(2,648,246)
PTE. LTD - Class B1c	298,796	(226,176)
<i>Loans</i>		
Dharma Satya Nusantara TBK	41,607	(285,969)
Agropecuária Roncador LTDA	(18,531)	(176,682)
Marfrig Global Foods S.A.	7,313	(15,107)
Agropecuaria Bambusa S.A.S.	(58,259)	-
PT Hilton Duta Lestari	(66,244)	-
FS Luxembourg S.À R.L.	(596,706)	-
Mercon B.V	(1,994,356)	-
Total	<u><u>646,132</u></u>	<u><u>(2,780,242)</u></u>
Foreign currency result [16]		
FX change related to Grants	9,607,118	2,844,040
FX change related to Operations	(19,491)	100,543
FX change on Investments	(17,629)	-
Total	<u><u>9,569,998</u></u>	<u><u>2,944,583</u></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 and COP (although the COP exposure was hedged).

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 realized foreign currency gain/loss. If it has yet to be settled at the reporting date, the Fund will have recognized an asset/liability at the reporting date and the position is open with foreign currency movements resulting in unrealized gains/losses.

The Fund does not hold any foreign currency hedging instruments as at 31 December 2022.

Interest and similar expenses [15]

Negative interest on positive bank balance (1)	722	813
Interest on long term loan	1,298,660	74,015
Financing cost (2)	90,580	405,833
	<u>1,389,962</u>	<u>480,661</u>

(1) The interest was charged by Rabobank due to the negative interest rate on positive bank account for part of the year.

(2) In March 2021 FMO made available a USD term facility (but not a revolving facility) in an aggregate amount of USD 25,000,000. In terms of the facility agreement, the Fund shall pay FMO a commitment fee in USD, computed at the rate of 1% per annum on the available facility, and a Front-End Fee equal to 1% of the facility amount and an annual monitoring fee of USD 10,000 per annum.

AVERAGE NUMBER OF EMPLOYEES

During the year ended 31 December 2022, the Fund did not employ any personnel (31 December 2021:nil).

RELATED PARTIES

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

During 2022, the members of the Board of Directors received an aggregate amount of USD 110,000 and the members of the Credit Committee received an aggregate amount of USD 36,500.

SUBSEQUENT EVENTS

On 13 February 2023, the Fund invested USD 2,300,000 in Agropecuaria Bambusa S.A.S.("HSJ") as per the Amended and Restated Loan Agreement dated 01 December 2022. The second USD 2,300,000 disbursement to HSJ has paid on 27 February 2023.

On 20 March 2023 the Fund has received extension from Ford Foundation of grant till 30 June 2024.

On 30 March 2023, the Fund requested a further drawdown from FMO with an amount of USD 14,000,000 in accordance with the Concessional Debt Facility Agreement dated 25 November 2021. The payment was received on 14 April 2023.

On 12 May 2023 the Fund concluded an addendum to the USD 12,000,000 8-year loan facility agreement with PT Hilton Duta Lestari ("HDL") to change the conditions precedent for the disbursements of the undrawn USD 6,000,000. The next tranche of USD 2,000,000 was disbursed on 21 June 2023.

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

Amsterdam, 3rd August 2023

BOARD



Kleiterp, ND



Oorthuizen, HJM

INDEPENDENT

AUDITOR'S REPORT



OUR OPINION

We have audited the financial statements 2022 of Stichting andgreen.fund, based in Amsterdam. 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 2022, and of its result for the year 2022 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 2022;
2. the profit and loss account for the year 2022;
3. the cash flow statement for the year 2022; 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.

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.

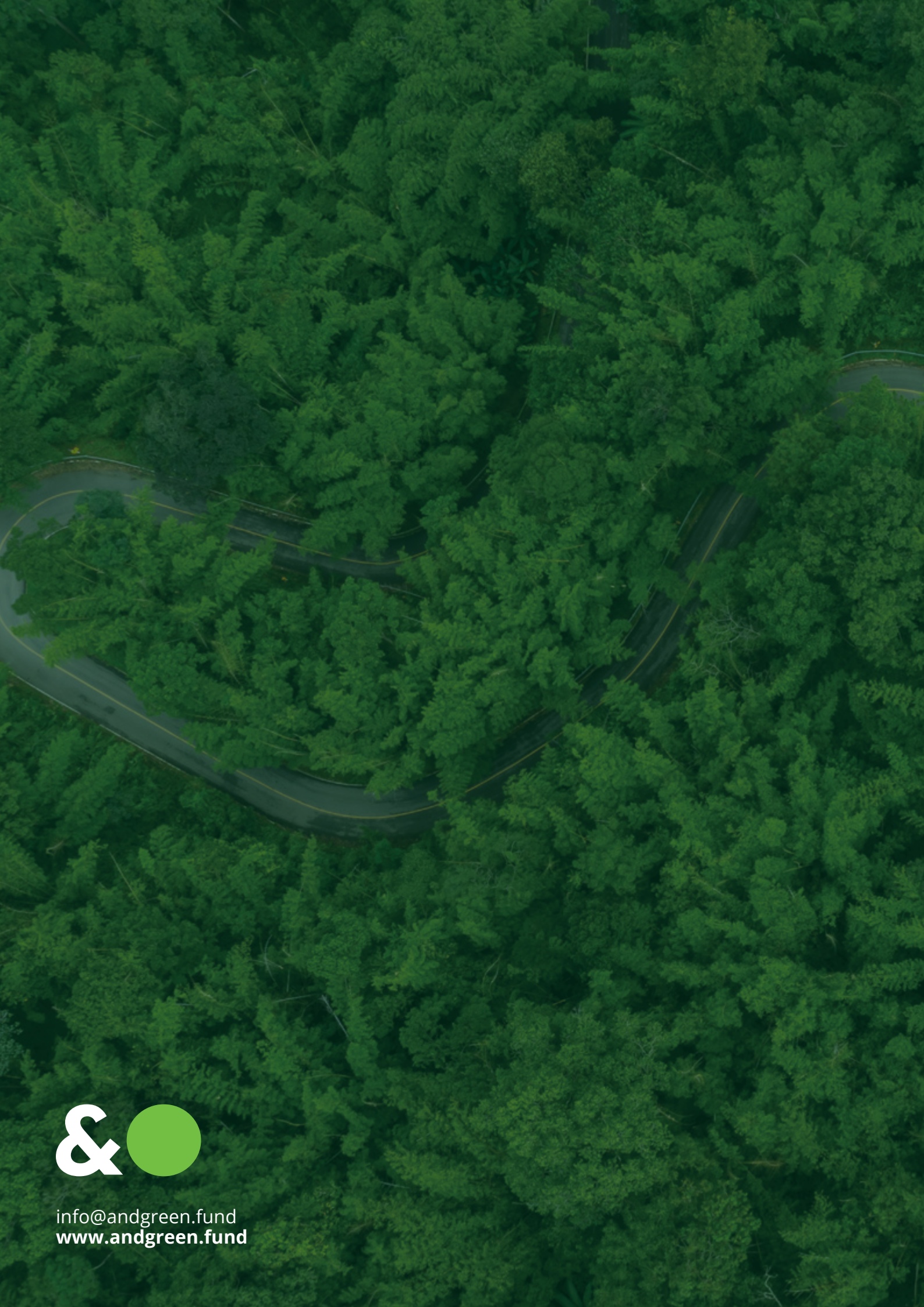
We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- 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 the Board of Director'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, 3 August 2023
KPMG Accountants N.V.

W.G. Bakker RA



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