

**Farmfit Fund B.V.**  
**IDH Investment Management BV**  
**Farmfit Guarantee BV**

Conflict of Interest Policy

16 April 2020

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## 1. Introduction

The Farmfit Fund B.V. (the “Fund”) is a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) established under the laws of the Netherlands, having its registered office in Utrecht, the Netherlands established for the purpose to finance and invest in smallholder farming (and related services and financing) projects in emerging markets.

The Fund has implemented a conflict of interest policy (the “Policy”), identifying potential conflicts of interest and describing mitigation measures that are in place to prevent and/or control the potential consequences of such conflicts. The management board of the Fund (the “Board”) is committed to maintaining a control environment that mitigates conflicts of interest and ensures actions undertaken are in the interests of the Fund.

This policy applies to the Fund, IDH IM B.V. (hereinafter the “Manager”) and its employees, the Farmfit Guarantee Facility B.V. (the “Guarantee Vehicle”) (including the Board and other instituted governance bodies of the Fund, the Manager, and the Guarantee Vehicle whether statutory or not) and any duly appointed third party service providers to the Fund (such third party service providers the ‘Service Providers’), appointed delegates and/or counterparties (all of the aforementioned jointly referred to hereinafter as “Stakeholder” or “Stakeholders”).

## 2. Definition of Conflict of Interest

A conflict of interest is defined by this Policy as a situation in which a Stakeholder of the Fund is involved in activities that may impair the performance and/or outcome of his or her duties towards the Fund and may result in acting against the best interest of the Fund (“Conflict of Interest”).

The purpose of this Policy is to protect the integrity of the Fund’s decision-making process, to enable the Fund’s investors and other partners of the Fund to maintain confidence in the Fund’s integrity, and to protect the integrity and reputation of all Stakeholders.

Generally speaking, a Conflict of Interest may arise when a Stakeholder which is contributing to the Fund’s business activities, or is related directly or indirectly therewith:

- a) is likely to make a financial gain, or avoid a financial loss, at the expense of the Fund;
- b) has an interest in the outcome of a service or an activity provided to the Fund or another client or of a transaction carried out on behalf of the Fund or another client, which is distinct from the Fund’s interest in that outcome;
- c) has a financial or other incentive to favor the interest of another person or group of persons over the interests of the Fund;
- d) receives or will receive from a person other than the Fund an inducement in relation to collective portfolio management activities provided to the Fund, in the form of monies, goods or services, other than the standard commission or fee for that service;

For the purpose of this policy, a Conflict of Interest is defined as a situation that:

- a) might affect any person who is contributing to the business activity of the Fund or is linked directly or indirectly to the Fund (i.e. the Stakeholders), and
- b) might undermine the impartiality of any of the Stakeholders, and
- c) might implicate/prejudice the results of the Fund,

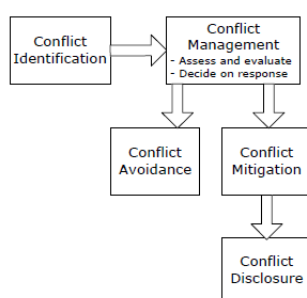
(the above being cumulative).

When identifying the types of potential Conflicts of Interest that may arise and which may entail a material risk of damage to the interests of the Fund, one must take into account whether a conflicted person:

- Is likely to make a financial gain or avoid a financial loss at the expense of the Fund;
- Has an interest in the outcome of a service provided to the Fund, or in a transaction carried out on behalf of the Fund, that is distinct from the Fund's interest(s);
- Has a financial or other incentive to favour the interests of a stakeholder or group of stakeholders, over the interest of the Fund;
- Carries on the same business as the Fund or carries on the same activities for the Fund as for another client which has the same business as the Fund; or
- Receives or will receive from a person other than the Fund an inducement in relation to a service provided to the Fund, in the form of monies, goods or services other than the standard commission or fee for that service.

In this context, this Policy identifies the main sources of potential Conflicts of Interest and defines the procedures to be followed and the measures to mitigate the risks of such conflicts materialising into actions against the best interest of the Fund, as well as the reporting requirements of potential Conflict of Interest within the Fund.

The following diagram illustrates the Fund's conflict of interest management process:



### 3. Identification of Potential Conflicts of Interest

All Stakeholders of the Fund shall strive to avoid any Conflict of Interest between the interests of the Fund on the one hand, and personal, professional, and business interests on the other hand. This includes avoiding actual Conflicts of Interest as well as any potential Conflicts of Interest. An essential element in any conflict management process involves identifying those circumstances in which a Conflict of Interest may arise. Early identification of a conflict (actual, potential or perceived) allows for the conflict to be managed properly and efficiently. Whether a conflict exists under the circumstances will be dependent on those circumstances, and, thus, developing a comprehensive list of all potential conflicts is not practical.

In circumstances where a Stakeholder is involved in activities that may impair the performance of his or her duties towards the Fund and which may result in acting against the best interest of the Fund, the relevant Stakeholder shall notify the Board without undue delay after such Stakeholder has obtained knowledge of such potential Conflict of Interest.

In case the relevant Stakeholder does not notify the Board within a reasonable period after having obtained knowledge thereof, the Board, in case of having actual knowledge of such Conflict of Interest can take at its own discretion any remedial actions that are deemed necessary in the best interests of the Fund.

As a matter of principle, no Stakeholder of the Fund may derive any personal, professional or business profit or gain, directly or indirectly, by reason of his or her involvement in the Fund and other possible conflicting activities unless disclosed and approved specifically. Each Stakeholder shall disclose to the Fund any interest which he or she may have in any matter related in carrying out his or her duties towards the Fund and shall refrain from participating in any decision on such matter.

The potential Conflicts of Interests referred to in this Policy are classified into two main groups:

- Conflict of Interest at the operational level of the Fund (or the Guarantee Vehicle or the Manager acting on its behalf), i.e. in relation to the activities of any Service Provider;
- Conflict of Interest at the decision-making level of the Fund (or the Guarantee Vehicle or the Manager acting on its behalf), i.e. in relation to the Board, and any other specialised committee of the Fund, the Guarantee Vehicle or the Manager.

To ensure a high level of transparency, the Board, and senior management of the Manager shall provide a list of all their formal functions, mandates, employments, and personal investments exceeding USD 500,000, indicating where their other duties could potentially create a Conflict of Interest and immediately inform the Board, as the case may be, in case of material changes of such. The lists should be acknowledged by the Board and maintained by the Fund, or a delegated party.

### **3.1 Conflict of Interest at the Operational Level of the Fund**

The Stakeholders are or may be involved in other financial, investment and professional activities which may cause a (potential) Conflict of Interest.

The activities giving rise to a Conflict of Interest may include advising, managing or otherwise supporting other funds or companies, purchases and sales of securities, brokerage services, granting or financing risk sharing or guarantees, custodian and safekeeping services and serving as directors, officers, advisors or agents of other funds or other companies, to which the Fund may provide credit facilities but except for those positions for which the Fund has explicitly nominated/appointed the respective Stakeholders. Each Service Provider will respectively ensure that the performance of their respective duties to the Fund will not be impaired by any such involvement that they might have unless disclosed and approved by the relevant governing body of the Fund.

The Service Providers shall establish safeguards that preclude or mitigate the impact of any potential conflicts of interests and, if Conflicts of Interest arise, they shall endeavor to ensure that any such conflicts are resolved fairly and in the best interest of the Fund. Mitigation steps may include, at the discretion of the Board, the temporary removal or permanent replacement of a Service Provider.

The Service Providers should train their staff in how to identify, avoid and report conflicts of interest. In addition, staff members of any Service Providers should abstain from carrying out for their own account consulting services for personal account which would be paid by the Fund.

No entity belonging directly or indirectly to a Service Provider shall be used by the Fund without due care and consideration in particular in relation to the prevention or management of Conflict of Interests this situation may trigger.

Service Providers are encouraged to establish internal codes of conduct to mitigate Conflict of Interest. Service Providers should inform the Board of any activities which could lead to a Conflict of Interests.

### 3.1.1 Fund Manager

In addition to the general provisions above, the Manager shall not within the time period and subject to the terms specified in the investment management agreement which it has concluded with the Fund, form another investment holding company or similar vehicle, including an investment fund, with the same investment objectives, client profiles or investment instruments in any Fund jurisdictions.

The Manager shall immediately inform the shareholder meeting of the Fund of any Conflict of Interest arising for their due consideration. This includes without limitation disclosure of any circumstance where the Manager has a direct or indirect business interest in an Investment or any of its management board members has a direct or indirect personal interest in a Fund investment.

In particular, should the Manager have the same mandate towards other funds whose scope of activity is extended to include investments in environmentally and socially sustainable small holder farmers, which is directly or indirectly linked to increasing small holder capacity, during the term of the investment management agreement, the Manager shall inform the shareholder of the Fund without undue delay and propose mitigating measures. The Manager and its Board members shall provide a list of their other mandates to the supervisory board of the Manager, indicating where their other duties could create a Conflict of Interest and immediately inform the supervisory board of the Manager in case of material changes.

## 3.2 Conflict of Interest at the Decision-Making Level of the Fund

### 3.2.1 Fund Management Board

#### (i) General principles

Any decision by the Board must always be taken in the best interest of the Fund as a whole and in line with its investment strategy and guidelines and corporate purpose (*doel*) as described in the Articles. In order to fulfill efficiently its responsibility towards the various stakeholders and to resolve any Conflict of Interest that might arise, the Board must act with sufficient autonomy and independence from the shareholder of the Fund, the Fund investors, Service Providers and other Stakeholders.

All members of the Board must be different from members of the executive board of the shareholder of the Fund and the Fund's Joint Advisory Committee, and must not be employed by the same nominating institutions as the nominating institutions of members of the Joint Advisory Committee.

#### (ii) Procedure in the event of Conflict of Interest

The Board shall notify the shareholder of the Fund of possible Conflicts of Interest between any Board members' direct or indirect personal interests and those of the Fund or an entity controlled by it.

Any Board member will inform the rest of the Board of any other directorship, office or responsibility - including executive positions that she/he maintains or takes up outside the Fund during the term of his/her directorship. The disclosure of such relationships and posts will be recorded and updated as required.

In addition, in the event that a member of the Board has an interest conflicting with that of the Fund or the Guarantee Facility (in the event where the Manager acts on behalf of such entity in its role as

statutory board) in a transaction which is subject to the approval of the Board, that member must make such interest known to the Board and cause a record of his/her statement to be included in the minutes of the meeting. The Board will determine whether the declared conflict of interest is a conflict of interest as defined under the Dutch Civil Code, i.e. a direct or indirect financial and personal conflict of interest. In case the declared Conflict of Interest is to be considered as a Conflict of Interest in terms of the Dutch Civil Code, this member must not deliberate or vote upon any such transaction. Should the entire Board be unable to validly deliberate or to vote upon any such transaction as a result of a recusing statutory director, the Board shall refer the decision to the shareholder of the Fund. A record of such deferred decisions shall be noted in the meeting minutes or written resolutions of the shareholder of the Fund deciding upon the matter, the relevant extract of which shall be attached to the statement of income and expenditure for the financial year in which the resolution was taken. Any conflicts of interest which are not resolved by the Board or the shareholder of the Fund, will be deferred to the Joint Advisory Committee for purposes of obtaining a binding advice.

Notwithstanding the foregoing, it is contemplated that the Fund may make financing available to borrowers in which the shareholder of the Fund, the Fund investors, or their affiliates, have made existing financial or non-financial contributions, or has a contemplated or actual business relationship. In respect of any such proposed financing by the Fund in such borrower, the existence of investments or technical assistance programmes shall not automatically be deemed a conflict for the purposes of this provision. However, the Board, senior management of the Manager affiliated with the shareholder of the Fund, and members of the Joint Advisory Committee affiliated with the Fund investors, will be required to make all reasonable efforts to verify whether the institution which he/she/it is affiliated to already finances, is an investor in, or otherwise supports, the relevant borrower. These individuals shall make such potential conflicts known to the Board or the shareholder of the Fund as the case may be, and will be required to recuse themselves from participating in such deliberations or in voting on the relevant matters.

### 3.2.2 Fund Joint Advisory Committee

The same provisions in terms of Conflict of Interest applicable to the Board as described in section 3.2.1 are also applicable to the members of the Joint Advisory Committee.

All members of the Joint Advisory Committee must be different from members of the Board, and must not be employed by the same nominating institutions as the nominating institutions of members of the Board.

### 3.2.3 Within Specialised Committees established by the Board or the Manager

The same provisions in terms of Conflict of Interest applicable to the Board as described in section 3.2.1 of this document are also applicable to the members of any specialised committees established by the Fund or the Manager.

### 3.2.4 Guarantee Facility

3.2.4.1 The Guarantee Facility and the Fund form an integrated funding proposition to the market. The Guarantee Facility will bind itself to underlying borrowers, thereby providing a guarantee to senior lender institutions taking part in the investment with the Fund. This commitment will be made within the boundaries of the contractual agreement between the Guarantee Facility and USAID, and subject to the approval of the investment committee of the Manager.

3.2.4.2 The Guarantee Facility entity is legally separate from the Fund in order to avoid for the guarantee provider having to issue separate guarantees for each investment made by the Fund, though has no purpose other than to function with the Fund and to guarantee those investments made by the Fund as approved by the investment committee of the Manager. The Manager will, as is the case for the Fund, function as the sole statutory board of the Guarantee Facility entity and thereby be duly authorised to act on behalf of the Guarantee Facility B.V. It should be noted that in exercising its authority to act on behalf of the Guarantee Facility, the Manager shall duly consider the overall duties and responsibilities afforded to it under the investment management agreement with the Fund and, more specifically, that in such acts the Manager (in its role as statutory board of the Guarantee Facility) shall take due regard to the investments made by the Fund, the decisions made by the investment committee of the Manager and the overall integrated proposition to which the Fund and the Guarantee Facility forms part, as set out above in 3.2.4.1. It should be noted that the Guarantee Facility, as represented by the Manager, acts as a pass through for senior debt to the borrowers of the Fund and the senior lenders. The terms and conditions at which the guarantee is being provided to the senior lenders are set out in the contractual agreements between USAID and the Guarantee Facility. The Manager will pass through the loans that are made available by senior lenders to the underlying borrowers, on which the same terms and conditions apply. Any changes in such conditions, waivers or amendments, will be negotiated between the underlying borrowers and the senior debt providers, without involvement of the Manager on behalf of the Guarantee Facility. The Manager may be involved in negotiations with the senior lenders, representing the interests of the Fund.

#### **4. Confidential Information Relating to Conflict of Interest Disclosures**

The lists of potential conflicts of interest identified and disclosed to the Board of the Fund pursuant to this Policy, shall be treated as confidential information and shall only be disclosed to members of the Joint Advisory Committee, shareholder of the Fund, auditors, advisors, other service providers of the Fund on a confidential basis to the extent necessary for the performance of their duties or legitimate business interests, unless the relevant information is:

- Already in the public domain, or becomes available to the public through no fault of the Fund,
- Is already in the possession of or becomes available to the third-party recipient on a non-confidential basis, from a source other than the Fund, which source is not prohibited from disclosing such information, or
- Is required to be disclosed by judicial or administrative process or by other requirements of law or any recognised regulatory authority to which the Fund or its Stakeholders is subject to.

#### **5. Review of the Policy**

This Policy will be subject to a review by the Board and updated (if necessary) on a regular basis, at least once a year.



## Annex 1

Tracking table for versions of this document

Version	Date of Approval
Version 1	16 April 2020