As per the EU Sustainable Finance Disclosure Regulation (SFDR), financial products that prioritize sustainable investments must provide a product disclosure on their website. This document is mandatory for funds falling under Article 9 SFDR and contains information regarding sustainability.
(a) Summary

This statement is published by IDH Farmfit Fund (the “Fund”), pursuant to Article 10 of Regulation (EU) 2019/2088 and in line with the Regulatory Technical Standard (RTS) (EU) 2022/1288 on sustainability-related disclosures in the financial services sector (“SFDR”). IDH Farmfit Fund (the Fund) is a blended fund that deploys capital to de-risk investments in smallholder farming. The Fund’s social objective is to increase smallholder income in emerging markets. This document describes the Fund’s sustainability approach.

(b) No significant harm to the sustainable investment objective:

To select only investments that do not cause significant harm to the Fund’s sustainable investment objective, the Fund has put in place an Environmental, Social and Governance Policy (ESG Policy) and Environmental and Social Management System (ESMS) that outline how the Fund incorporates ESG factors into its decision-making and operations. The Fund’s standards for managing environmental and social impact are guided by the IFC Performance Standards and the World Bank Group Environmental Health and Safety Guidelines, which align with the OECD Guidelines on Multinational Enterprises and UN Guiding Principles on Business and Human Rights.

The Fund identifies material risks in its investments, including (hazardous) child labor and forced labor, operational health and safety issues, deforestation, habitat conservation, and biodiversity loss. It considers all applicable principal adverse impact (PAI) indicators on sustainability factors during its investment process to screen for potential harm.

(c) Sustainable investment objective of the financial product:

The Fund deploys capital to de-risk innovative investments in smallholder farming and to demonstrate the viability of smallholder farmer finance and Agricultural Small and Medium Enterprise (Agri SME) finance at scale. It invests in Agri SMEs, value chain companies, financial service providers, and technology companies that directly or indirectly target smallholder farmers to change company behavior towards improved service delivery and sourcing from smallholder farmers. The Fund’s overarching sustainable investment objective is social: to achieve responsible business growth, as well as increased access to finance, and efficiency gains for smallholder farmers, thereby contributing to better farmer incomes.

(d) Investment strategy:

The Fund can invest with a diverse range of instruments with tenors of up to 10 years, supporting companies’ capital needs in terms of operating expenses, fixed assets, seed capital, farmer on-lending, etc. The Fund invests with an exclusive focus on smallholder-centric businesses in Africa, Latin America, and Asia, in both food and cash crop value chains. All companies are screened against the social objective, which is integrated in the investment process.

Additionally, the Fund assesses the effectiveness of the leadership of the portfolio company to ensure commitment to achieve success. An opinion is formed on the robustness and integrity of internal control systems, including those related to compliance with policies, laws, and regulations, ensuring adequate safeguards to prioritize risks and detect fraud, bribery, and money laundering. Moreover, the portfolio company’s human resource management is assessed to ensure that recruitment policies are non-discriminatory, fair, transparent, and merit-based.

(e) Proportion of investments:

100% of investments follow social objectives as stated under (c), at minimum. As per its General Investment Policy, the Fund does not plan to make any
investments other than those with a social objective.

(f) Monitoring of sustainable investment:
For each investment, the Fund monitors the financial performance, its social objective(s), as well as environmental and social risks in line with the Fund’s Results Measurement Framework (RMF), ESMS, as well as monitoring requirements set out in the General Investment Policy.

Progress on its social objective is monitored through portfolio companies’ narrative reports, KPIs, and corresponding targets for all portfolio companies. Social objectives are verified through evaluative baseline and endline studies for a proportion of the portfolio.

(g) Methodologies:
The Fund applies a Theory of Change (ToC) throughout the investment process from deal sourcing to exit. The ToC describes the Fund’s impact strategy toward achieving its social objective. Each element in the ToC is underpinned by Key Performance Indicators in the Fund’s Results Measurement Framework, based on which the Fund reports to its investors and key stakeholders. Every (prospect) portfolio company is assessed against its fit within the Fund’s ToC and KPIs are designed in line with the ToC to monitor portfolio companies’ progress toward the social objective.

(i) Limitations to methodologies and data:
The Fund regularly reviews and updates its ESG risk and impact methodologies and tools to ensure alignment with industry standards, best practices, and regulations. However, as the Fund operates solely with companies in emerging markets, some ESG and sustainability data may not be available or of limited quality. To address this issue, the Fund collaborates with portfolio companies to enhance their capacity in reporting ESG and sustainability topics. Additionally, for certain investments, the Fund conducts evaluative studies to validate the self-reported data and measure the achievement of its social objectives.

(j) Due diligence:
All the Fund’s transactions are screened by the Fund’s Manager (IDH Investment Management) on behalf of the Fund. Investment proposals are reviewed by the Fund’s external Investment Committee, which makes an investment recommendation to the Fund’s Management Board, considering financial return, social objective, as well as any potential adverse social or environmental impacts and how these are mitigated.

(k) Engagement policies:
The Fund typically does not invest in listed companies and therefore does not carry out any shareholder engagement in the conventional sense through annual shareholder meetings. However, through its private debt and equity investments and guarantees the Fund engages with portfolio companies to achieve its social objective, with a focus on promoting behavioral changes with companies toward improved service delivery to smallholder farmers.

(l) Attainment of the sustainable investment objective:
As the Fund is bespoke in terms of its impact objectives, no specific index could be designated as a comparable reference benchmark for achieving the Fund's sustainable investment objective.
(b) No significant harm to the sustainable investment objective

The Fund’s Environmental, Social, and Governance Policy (the ESG Policy) articulates how the Fund embraces environmental and social aspects in its decision-making and operations. The Fund implements its ESG Policy through its Environmental and Social Management System (ESMS). The ESMS is implemented to promote adherence to all relevant regulatory requirements as well as voluntary commitments and best practice standards.

The Fund considers PAI of its investment decisions on ESG factors as part of its investment due diligence process as highlighted in the Fund’s ESG Policy. For all the Fund’s investments this means ensuring that the investments do no significant harm to any environmental or social objective. In particular, the Fund has identified (hazardous) child labor and forced labor, operational health and safety issues (e.g. resulting from agrochemical application), deforestation and (critical and natural) habitat conversation, as well as biodiversity loss as material risks in the smallholder-centric supply chains where it invests.

By mapping the PAI framework to the Fund’s extensive analysis of portfolio companies’ capacity to comply with local and international environmental, social and human rights regulations, each investment is adequately screened for potential significant harm and not pursued further or excluded from the portfolio if the criteria are not met.

With respect to the management of environmental and social adverse impacts, the primary standards that guide the Fund’s relationship with portfolio companies are the IFC Environmental and Social Performance Standards and the associated World Bank Group Environmental Health and Safety Guidelines. They cover the larger part of the ESG requirements in the OECD Guidelines on Multinational Enterprises, which also reference the UN Guiding Principles on Business and Human Rights. In addition, the Fund screens for contextual risks in smallholder supply chains, as outlined above.

(c) Sustainable investment objective of the financial product

The Fund deploys capital to de-risk innovative investments in smallholder farming and to demonstrate the viability of smallholder farmer finance and agricultural Small and Medium Enterprise (SME) finance at scale.

The Fund reaches smallholder farmers by investing in Agri SMEs, value chain companies, financial service providers, and technology companies (Fin-tech and Ag-tech) that target this beneficiary segment directly or indirectly.

The Fund intends to change the behavior of these companies towards implementing or scaling improved service delivery and sourcing from smallholder farmers. Technology and other types of innovation are considered important enablers in this transition.

By investing in and engaging with these types of companies, the Fund seeks to bring about responsible business growth, as well as increased access to finance and efficiency gains for smallholder farmers. It aims to contribute to better incomes through improved agricultural production, thereby improving the lives of a substantial number of smallholder farmers.

With each of its investments, the Fund seeks to be both financially and non-financially additional, ensuring that finance is mobilized and an investment is made that would not have materialized otherwise. From a non-financial additionality perspective, the Fund aims to
deploy its instruments in ways that generate positive social outcomes and impacts that otherwise would not have occurred.

(d) Investment strategy

The Fund’s investment instruments are first loss guarantees, subordinated loans, term loans, equity, and mezzanine financing with tenors of up to 10 years. These instruments support companies’ capital needs in terms of operating expenses, fixed assets, seed capital, farmer on-lending, etc. The Fund may invest in Africa, as well as Latin America and Asia, with a strong emphasis on Africa. It invests in agricultural value chains of both food and cash crops, including cocoa, coffee, cotton, palm oil, aquaculture, soy, cassava, rice, vegetables, fruits, and other commodities.

The Fund sets itself apart from other investors with a unique combination of its farmer-centric mandate and its ability to take risks and catalyze other investors into the farmer finance space. It targets companies within smallholder-based value chains, which are currently outside the scope of development finance institutions and commercial investors due to smaller ticket sizes and high risks.

For further information on the Fund’s investment strategy, please refer to the Fund’s Theory of Change under (g) which outlines the Fund’s impact strategy to achieve its social objective.

Assessing the corporate governance and business integrity of a portfolio company ensures commitment to making the investment a success. As part of its due diligence process, the Fund assesses the company on:

− Commitment to good governance and sustainable development, as well as general mission alignment with the Fund;
− Structure and functioning of the Board of Directors;
− Control environment and procedures;
− Transparency and disclosure of information;
− Shareholder rights, conflict of interest risks, and respect for stakeholders, including complaint mechanism; and
− Fair and transparent human resource management, ensuring non-discriminatory and merit-based practices.

(e) Proportion of investments

100% of investments follow social objectives as stated under (c), at minimum. The Fund will not make any other investments than those with the stated social objective. Therefore, none of the Fund’s investments follow environmental objectives and the investments are not EU Taxonomy aligned.

The Fund invests in smallholder-inclusive agriculture, production of food products and beverages, as well as financial and insurance activities (and any auxiliary activities to financial services) as per the OECD’s STAN industry list.
(f) Monitoring of sustainable investment objective

For each investment, the Fund monitors the financial performance, its social objective(s), as well as environmental and social risks in line with the Fund’s Results Measurement Framework (RMF), ESMS, as well as monitoring requirements set out in the General Investment Policy. Building on these frameworks, the Fund has put in place systems and tools to measure and manage progress towards desired results and to ensure accountability towards its investors and stakeholders. The Fund regularly reports on both the financial and social performance of its portfolio to its investors.

For monitoring of portfolio companies, the Fund applies its Investee Reporting Guidelines, including Annual Planning and Reporting on KPI data, narrative reporting, and other reporting obligations agreed upon with the portfolio company. This includes on a quarterly basis financial reporting (management accounts) and on an annual basis externally audited financial statements of the portfolio entity.

To systematize the review of portfolio companies during field visits, Investee Monitoring Visit Guidelines ensure consistent in-the-field monitoring of impact, environmental and social risk, and financial performance of portfolio companies over time.

(g) Methodologies

The Fund applies its Theory of Change (ToC) throughout the investment process from deal sourcing to exit. The ToC describes the Fund’s impact strategy toward achieving its social objective.

Each element in the ToC is underpinned by Key Performance Indicators in the Fund’s Results Measurement Framework (RMF), based on which the Fund reports to its investors and key stakeholders.

Every (prospect) portfolio company is assessed against its fit within the Fund’s ToC. KPIs are designed in line with the ToC and RMF to monitor individual portfolio companies’ progress toward the social objective.
(h) Data sources and processing

The primary sources of data for assessing the Fund's progress towards its social objectives are gathered directly from the portfolio companies or prospects through interviews, examining company reports, financial statements, (external and internal) audit reports and policies during due diligence, engagement, and monitoring of impact KPIs as well as other reporting obligations that are agreed with portfolio companies as required by the context, social objective and (financial) risk.

Through monitoring, the Fund receives self-reported data of portfolio companies on KPIs, as well as narrative reporting, which the Fund reviews and reports to its stakeholders. Annually, the externally audited financial statements of the portfolio entity are received and discussed with the portfolio company. A bi-annual review is performed on the information reported by each portfolio company to assess the overall progress toward the social goal and its (financial) performance. Where necessary the Fund engages with portfolio companies to improve the quality of reporting or bring performance back on track. Through monitoring visits, the Fund corroborates information reported by portfolio companies over time.

Additionally, the Fund performs evaluative studies on a portion of its portfolio companies to verify several anticipated outcomes and impacts related to its social objective, such as responsible business growth as well as, efficiency gains, and increased access to affordable finance for smallholder farmers. These evaluative studies include professionally operated household surveys that aim to confirm improved access to finance, efficiency gains (e.g. in terms of yield), as well as improvements in smallholder incomes, to provide additional proof to support the Fund’s ToC.

The Fund aims not to rely on estimated data or proxies in relation to its social objective. In some instances, portfolio companies may rely on survey data to approximate farmers’ yields to report these figures to the Fund, as they lack the resources to collect this data for their full farmer base.

(i) Limitations to methodologies and data

The Fund Manager reviews and updates its ESG and impact methodologies and tools on a regular basis to ensure that these are aligned with the latest industry standards, best practices, and regulations.
As the Fund works exclusively with companies in emerging markets, the availability of certain ESG and sustainability-related data may be unavailable or of limited quality. To address these limitations, the Fund strives to closely work with portfolio companies to build their capacity in reporting on ESG and sustainability-related topics. Self-reported data is assessed by Fund staff on a sample basis during field visits to ensure that inadequate quality does not remain unaddressed.

For a portion of its investments, the Fund employs evaluative studies to support the self-reported data with professionally conducted data collection methods and analytics to verify the achievement of its social objectives. This is further described under (h).

Therefore, the Fund considers the described limitations as sufficiently mitigated to not affect its sustainable investment objective.

(j) Due diligence

All the Fund’s transactions are screened by the Fund’s Manager (IDH Investment Management) on behalf of the Fund. Investment proposals are reviewed by the Fund’s external Investment Committee, which makes an investment recommendation to the Fund’s Management Board, considering the financial return, social objective, as well as any potential adverse social or environmental impacts and (operational) risks and how these are mitigated. The Fund’s investment process is structured in the following phases:

- **Deal Sourcing:** The Manager engages in preliminary discussions with the prospect to assess general portfolio fit, alignment with the Theory of Change, as well as compliance with the Fund’s General Investment Policy and Exclusion List.

- **Clearance in Principle:** Before spending funds and other resources on Due Diligence, the Manager will prepare a Clearance in Principle proposal (CIP) for review and recommendations by the Investment Committee. The CIP proposal will include: Problem statement and potential solution, company description, description of envisioned transaction and transaction-rational from impact and financial perspective, financial summary, (E&S) risks and mitigants, problem, alignment with the Fund’s Theory of Change.

- **Due diligence:** Due diligence (DD) is tailored to any specific situation and addressed the general and specific risks of the transaction. Due diligence normally covers:
  - Financial DD: Audited annual accounts, management accounts, corporate organization charts, internal organization charts, portfolio overviews, tax applications, registrations
  - Operational DD: Assessment of internal control processes, including business integrity and corporate governance
  - Market DD: Market reports, interviews with experts
  - E&S Risk DD: E&S DD Report, Interviews with management and other stakeholders
  - Legal and tax DD: Assessment of ownership titles, contractual risks, (potential) claims and lawsuits, and compliance with local laws (labor, commercial, etc.)
  - Compliance DD: Check on sanctions lists, Know Your Client questionnaire, Integrity check

- **Finance Proposal:** The Finance Proposal will be the main source of information for the Investment Committee to make investment recommendations to the Management Board. The Finance Proposal, including conclusions of a thorough risk and impact
analysis (financial, client protection, gender, environmental and social, reputational etc.), as well as the commercial terms will be prepared by the Manager and sent to the Investment Committee after completion of the due diligence. The Finance Proposal (including the due diligence findings) will document KPIs and targets (see the section below on Monitoring) that will form the basis of quantitative performance monitoring at both project and portfolio levels.

- **Legal Documentation**: On the basis of the approved term sheet and confirmed by the Management Board, the Manager will enter into negotiations with the borrower or portfolio company on agreements to legally document the transaction. This includes a legally binding ESAP for improved management of E&S risks, as well as an impact-focused development action plan which sets out the agreed actions towards improved service delivery to smallholder farmers.

- **Exit**: Exits of equity investments are preferably pre-negotiated, for instance through buy-back arrangements or put options. The Fund may also invest in equity for which no pre-agreed exist is negotiated, albeit based on a solid exit strategy.

The Fund carefully tracks all its investments to ensure that they align with the positive selection and negative screening criteria and do not compromise its sustainable investment goals. If any issues arise, the Fund will initiate a dialogue with the investment partners, and if this fails to resolve the concerns, the investment relationship may be terminated.

**(k) Engagement policies**

The Fund has limited to no exposure to publicly traded securities or listed companies and therefore does not carry out any investor engagement in the conventional sense, within the scope of exercising rights of shareholders in listed companies.

However, through its private debt and equity investments and guarantees, engagement with portfolio companies is a core component of the Fund’s impact strategy toward achieving its social goals. The Fund not only addresses environmental and social risks through E&S action plans (ESAPs) when engaging with portfolio companies but also focuses on promoting behavioral changes through impact-focused development action plans that lead to better outcomes for smallholder farmers. These are included in the legal agreements with portfolio companies. The goal of the Fund’s engagement is to bring about responsible business growth, as well as improved service delivery, resulting in efficiency gains and access to finance for smallholder farmers.

Additionally, the Fund has an effective grievance mechanism in place. This provides external stakeholders a tool to raise issues regarding the Fund's investments in an anonymized manner. Based on any grievances raised by the Fund’s stakeholders the Fund can take appropriate action for remediation of those issues.

**(l) Attainment of the sustainable investment objective**

As the Fund is bespoke in terms of its impact objectives, no specific index could be designated as a comparable reference benchmark for achieving the Fund's sustainable investment objective.

(b) Geen significante negatieve impact aan de doelstelling van duurzame investeringen:

(c) Duurzame beleggingsdoelstelling van het financiële product:
Het Fonds zet kapitaal in om innovatieve investeringen in kleine boeren minder risicovol te maken en om de levensvatbaarheid van financiering van kleine boeren en van kleine en middelgrote landbouwbedrijven (MKB in de landbouw) op grote schaal aan te tonen. Het Fonds investeert in agri-MKB, waardeketenbedrijven, financiële dienstverleners en technologiebedrijven die zich direct of indirect richten op kleine boeren om het bedrijfsverlies te veranderen in de richting van verbeterde dienstverlening en inkoop van kleine boeren. De overkoepelende duurzame beleggingsdoelstelling van het Fonds is sociaal: het realiseren van verantwoorde bedrijfsgroei, betere toegang tot financiering en efficiëntieverbeteringen voor kleine boeren, en zo bijdragen aan betere inkomens voor de boeren.

(d) Beleggingsstrategie:
Het Fonds kan investeren in diverse instrumenten met doorlooptijden tot 10 jaar, ter ondersteuning van de kapitaalbehoeften van bedrijven op het gebied van bedrijfskosten, vaste activa, startkapitaal, verstrekken van microleningen aan boeren, enz. Het Fonds investeert uitsluitend in bedrijven die gericht zijn op kleinschalige boeren in Afrika, Latijns-Amerika en Azië die producten groeien voor voedselvoorziening of ter verkoop.
Alle bedrijven worden getoetst op hun positieve impact op de sociale investeringsdoelstelling, die in het hele investeringsproces is geïntegreerd.

Daarnaast wordt een beoordeling gemaakt van de doeltreffendheid van het leiderschap van het bedrijf waarin wordt geïnvesteerd, om te garanderen dat het zich inzet om succes te boeken. Er wordt een oordeel gevormd over de degelijkheid en integriteit van de interne controlesystemen, onder meer met betrekking tot de naleving van beleid, wet- en regelgeving, het waarborgen van adequate waarborgen in de procedures en praktijken om risico’s te prioriteren en fraude, omkoping en het witwassen van geld op te sporen.

Bovendien wordt het personeelsbeleid van de onderneming waarin wordt geïnvesteerd, beoordeeld om te waarborgen dat het aanwervingsbeleid niet-discriminerend, eerlijk en transparant is en op verdiensten is gebaseerd.

(e) Proportie van de investeringen:
100% van de beleggingen volgt ten minste de onder c) genoemde sociale doelstellingen. Overeenkomstig de algemene doelstelling is het Fonds enkel voornemens beleggingen te doen met een sociale doelstelling.

(f) Monitoring of sustainable investment:
Voor elke investering controleert het Fonds de financiële prestaties, de sociale doelstelling(en) en de sociale en milieurisico’s in overeenstemming met het resultaatmeetkader (RMF), het ESMS en de monitoringvereisten in het algemene investeringsbeleid.

De voortgang van de sociale doelstelling wordt gemonitord aan de hand van kwalitatieve en kwantitatieve rapportages over de investeringen en gegevens over KPI’s en bijbehorende doelstellingen voor alle ondernemingen waarin wordt geïnvesteerd. Voor een deel van de portefeuille van het Fonds worden de sociale doelstellingen geverifieerd aan de hand van evaluaties.

(g) Methodologie:
Het fonds hanteert een interventielogica (Theory of Change, ToC) gedurende het gehele investeringsproces, vanaf de initiatiefase tot en met exitstrategie. De ToC beschrijft de strategie van het Fonds om zijn sociale doelstelling te bereiken. Elk element van de ToC wordt onderbouwd met indicatoren (KPIs) in het kader voor resultaatmeting van het Fonds, op basis waarvan het Fonds rapporteert aan zijn investeerders en belangrijkste belanghebbenden.

De activiteiten en doelstellingen van elke (toekomstige) investering wordt beoordeeld op aansluiting met de ToC. Het Fonds heeft standaard KPIs opgesteld, welke op elke investering van toepassing zijn. Deze standaard KPIs zijn gekoppeld aan de sociale doelstellingen van het Fonds. Gedurende de gehele looptijd van de investeringen worden deze standaard KPI’s gemonitord door het Fonds.

(i) Beperkingen van de methoden en data:
Het Fonds herziet en actualiseert regelmatig zijn ESG-risico- en impactmethoden en -instrumenten om ervoor te zorgen dat deze in overeenstemming zijn met de normen van de sector, de beste praktijken en de geldende wet- en regelgeving. Aangezien het Fonds uitsluitend werkt met bedrijven in opkomende markten, is het mogelijk dat sommige ESG- en duurzaamheidsdata niet beschikbaar of van beperkte kwaliteit zijn. Om dit probleem aan te pakken, werkt het Fonds uitsluitend met bedrijven in opkomende markten, is het mogelijk dat sommige ESG- en duurzaamheidsdata niet beschikbaar of van beperkte kwaliteit zijn. Om dit probleem aan te pakken, werkt het Fonds samen met bedrijven waarin wordt geïnvesteerd om hun capaciteit op het gebied van ESG- en duurzaamheidsrapportage te vergroten. Daarnaast voert het Fonds voor bepaalde beleggingen evaluatie studies uit om de zelfgerapporteerde gegevens te valideren.
en de verwezenlijking van zijn sociale doelstellingen te meten.

(j) Due diligence: Alle transacties van het Fonds worden namens het Fonds beoordeeld door de beheerder van het Fonds (IDH Investment Management). Investeringsvoorstellen worden beoordeeld door het externe investeringscomité van het Fonds, dat een investeringsaanbeveling doet aan de Raad van Bestuur van het Fonds, rekening houdend met het financiële rendement, de sociale doelstelling en mogelijke negatieve sociale of milieueffecten en hoe deze worden beheerst.

(k) Engagement beleid: Het Fonds belegt doorgaans niet in beursgenoteerde ondernemingen en voert daarom geen aandeelhouders-betrokkenheid in de conventionele zin van het woord door middel van jaarlijkse aandeelhoudersvergaderingen. Via particuliere schuld- en aandelenbeleggingen en garanties werkt het Fonds samen met ondernemingen waarin wordt geïnvesteerd om zijn sociale doelstelling te bereiken, waarbij de nadruk ligt op het bevorderen van gedragsveranderingen bij ondernemingen met het oog op een betere dienstverlening aan kleine boeren.

(l) Realisatie van de doelstelling van duurzaam beleggen: De impactdoelstellingen zijn specifiek gelinkt aan het mandaat van het Fonds. Gezien het unieke mandaat van het Fonds kan geen specifieke index worden aangewezen als vergelijkbaar referentiekader voor het bereiken van de duurzame beleggingsdoelstelling van het Fonds.