

## **SUSTAINABILITY-RELATED DISCLOSURES**

CapAgro Fund II

### **ARTICLE 10 SFDR DISCLOSURE: WEBSITE PRODUCT DISCLOSURE FOR FINANCIAL PRODUCTS THAT PROMOTE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS**

#### **(a) Summary**

##### No sustainable investment objective

CapAgro Fund II (“the Fund”) is a financial product that promotes environmental or social characteristics but does not have sustainable investment as its objective.

##### Environmental or social characteristics of the financial product

The portfolio companies of the Fund are expected to operate in various sectors across the Agri-Food industry, throughout the entire Agri-Food value chain. The following characteristics, all related to sustainable Agri-Food, will be promoted for each portfolio company during the pre-investment, holding and exit periods:

- Better nutrition
- Sustainability of production systems
- Climate action
- Health & well-being
- Quality & safety
- Biodiversity preservation

##### Proportion of investments

As the assets of the Fund will be identified during the life of the Fund therefore at the time of this disclosure, the precise portfolio composition of the Fund is not presently known. It is anticipated that up to 100% of the Fund will be aligned with the environmental and/or social characteristics promoted. The Management Company does not currently foresee any exceptions to this investment criterion.

##### Investment strategy and monitoring of environmental or social characteristics

The investment strategy includes environmental, social and governance (in short “ESG”) criteria at all stages.

During the sourcing phase:

- The exclusion list, as defined in the Fund’s regulations, is enforced
- A preliminary deal flow analysis is performed by the Management Company

During the pre-investment phase:

- The Management Company collects information on company's ESG policy, the impact of the company given its sector of activity, its positioning, the Sustainable Development Goals that are addressed and the ESG risks identified.
- The Management Company uses its ESG analysis grid to assess the target company's ESG maturity and the related risks and opportunities.
- Based on this analysis, the Management Company defines an action plan (100-day plan) to accompany the company in monitoring its ESG performance evolution and setting realistic yet ambitious goals, in terms of value creation and ESG.

During the holding phase:

- Sustainability indicators will be chosen among a list of predefined criteria for each company at the time of its entry into the portfolio.
- The Management Company measures each company's attainment of the environmental and social characteristics promoted by the Fund.
- The Management Company ensures that good governance practices are followed by the portfolio companies.
- ESG data will be reported annually by the invested companies and consolidated in the annual report of the Management company.

### **(b) No sustainable investment objective**

This financial product promotes environmental or social characteristics but does not have sustainable investment objectives.

### **(c) Environmental or social characteristics of the financial product**

Based on its sectorial focus on Agri-Food companies, the Fund has defined a common set of environmental and social characteristics, which it promotes. The fund's promotion activities consist of supporting improvements in portfolio company policies, processes and/or performance related to these environmental and social characteristics.

The following characteristics, all related to the sustainable Agri-Food sector, are promoted during the pre-investment, holding and exit periods:

Promoted characteristic n°1: Better nutrition

Promoted characteristic n°2: Sustainability of production systems

Promoted characteristic n°3: Climate action

Promoted characteristic n°4: Health & well-being

Promoted characteristic n°5: Quality & safety

Promoted characteristic n°6: Biodiversity preservation

#### **(d) Investment strategy**

##### Investment strategy used to meet the environmental or social characteristics promoted by the financial product

ESG considerations play a key role for CapAgro both internally externally as the fund has developed an ESG and impact strategy based on three levels: the Management Company (ESG Charter), the portfolio companies and its ecosystem.

The ESG integration process begins during the sourcing phase. At this stage, the exclusion list is enforced then a preliminary deal flow analysis is performed by the Management Company. For each company, information is requested on its ESG policy, the impact of the company given its sector of activity, its positioning, the SDGs that are addressed and the ESG risks identified. During the pre-investment phase, once a company of interest is identified, the Management Company uses its ESG analysis grid to assess the target's company's ESG maturity and the related risks and opportunities. This analysis also enables the Management Company to define, post-investment decision, an action plan (100-day plan) to accompany the company in monitoring, among others, its ESG performance evolution and setting improvement targets.

During the holding phase, the Management Company will measure each company's attainment of the environmental and social characteristics promoted by the Fund, sustainability indicators will be chosen among a list of predefined criteria for each company at the time of its entry into the portfolio, depending on the company's position along the value chain. ESG data will also be reported annually by the invested companies. These data will be consolidated and presented in the annual report, thus allowing the Management Company to monitor the evolution of ESG-related risks.

##### Policy to assess good governance practices of the investee companies

The ESG due diligence also takes into account the governance practices of the company, ensuring that good governance practices are in place before investing.

In its annual ESG reporting system, the Management Company also requires the portfolio companies to address governance issues such as independence of Board members, gender equality in senior position, management profit sharing, impact policy, sensitive data governance, code of conduct, business ethics and litigations.

#### **(e) Proportion of investments**

It is anticipated that up to 100% of the Fund's investments, which are predominantly direct investments, will be aligned with the environmental and/or social characteristics promoted.



'#1 Aligned with E/S characteristics' includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#### **(f) Monitoring of environmental or social characteristics**

The portfolio companies of the Fund are expected to operate in various sectors across the Agri-Food industry, throughout the entire Agri-Food value chain. In order to ensure the suitability of the characteristics promoted in respect of the fund's future investments and the materiality of the environmental and/or social characteristics promoted, the sustainability indicators monitored by CapAgro Fund II will be selected from the list presented in Appendix, depending on the position of the invested company in the Agri-Food value chain.

These indicators may be revised according to market developments and investors' expectations. The list of KPIs can be reviewed and improved each year to comply with stakeholders' and regulatory requirements or new material sustainability topics identified.

#### **(g) Methodologies**

As described in the previous section, to measure the attainment of environmental and/or social characteristics defined for each company and promoted by the Fund, sustainability indicators will be defined for each company at the time of its entry into the portfolio. These indicators will be selected from the list presented in appendix, depending on the position of the invested company in the Agri-Food value chain and according to the promoted environmental and/or social characteristics defined for the company. They will be collected via the annual ESG and Impact KPIs reporting campaign.

#### **(h) Data sources and processing**

The data sources used to measure the attainment of the environmental and/or social characteristics defined for each company are the direct data provided by each portfolio company via their answers to the annual ESG questionnaire. To ensure data quality, the responses to the questionnaire are reviewed by the Management Company and used to consolidate data at the portfolio level. The Management Company aggregates this data, compares data from one year to the next to monitor trends and consistency, identifies the opportunities and pain points globally and shares good practices among the portfolio companies and co-investors.

### **(i) Limitations to methodologies and data**

The methodology described in section (g) 'Methodologies' and data sources used and described in section (h) 'Data sources and processing' may be subject to the following limitations:

- Indicators requested as part of the annual ESG reporting may not be available in the portfolio company. However, this limitation does not affect the promotion of the environmental and social characteristics as specific indicators will be defined based on each company's ability to report on them.
- Portfolio companies may not complete the entire ESG questionnaire. However, the Management Company plans to support the portfolio companies in the completion process, ensuring a pedagogic approach to the new reporting requirements.

### **(j) Due diligence**

As described in section (d) 'Investment strategy', the pre-investment phase includes several steps to assess the target company's ESG maturity and related sustainability risks and opportunities. The due diligence phase conducted via an ESG analysis grid enables the Management Company to define an action plan post-investment to accompany the company in monitoring its ESG performance evolution and setting objectives. The indicators remain generic in order to fit all types of companies. If necessary, the Management Company can engage external service providers to assist with due diligence, but the majority of controls remain internal.

### **(k) Engagement policies**

The Management Company has implemented engagement policies as part of its environmental and social investment strategy. Environmental, Social and Governance policies have been defined, annual ESG reports are requested from the investee companies to involve them in the ESG process. The Management Company is committed to support the investee companies generating a positive impact and improvements over time. Thanks to the reporting campaign, progress reports are monitored by the portfolio companies for this purpose. The Management Company also publishes for its investors an annual report that includes a specific report on ESG progress and is committed to addressing ESG issues at the Board at least annually to discuss actions and improvements.

### **(l) Designated reference benchmark**

No reference benchmarks have been identified for the Fund.

## APPENDIX

### Sustainability indicators

Promoted characteristic	Indicators
<p><b>BETTER NUTRITION</b></p>	<ul style="list-style-type: none"> <li>• Organic products referenced or sold (number #)</li> <li>• Share of organic food/crop (%)</li> <li>• GMO policy (Yes/No)</li> <li>• Share of products sold (# of products compared to the total # of products sold) whose packaging indicates the Nutri-score (%)</li> <li>• Share of products sold (# of products compared to the total # of products sold) with A or B Nutri-scores (%)</li> <li>• Share of products sold (# of products compared to the total # of products sold) containing at least one ultra-processing marker (%)</li> <li>• Share of products sold (# of products out of the total # of products sold) with SIGA or NOVA scores 1 or 2 (%)</li> <li>• Quantity of meals/products delivered with only natural ingredients (#)</li> <li>• Projects for developing nutritionally enhanced products (#)</li> <li>• Calorie reduction compared to market leading brands (%)</li> <li>• Share of products not containing any added sugar and artificial sweeteners (%)</li> <li>• Food labels (text or MCQ)</li> </ul>
<p><b>SUSTAINABILITY OF PRODUCTION SYSTEMS</b></p>	<p><b>Water</b></p> <ul style="list-style-type: none"> <li>• Amount of water consumed (kL)</li> <li>• Amount of water saved (kL)</li> <li>• Low water consumption practices (QCM)</li> <li>• Average percentage of water recycled and reused by the company (%)</li> <li>• Quantities of direct emissions to water generated by the company (priority substances, nitrates, phosphates, pesticides, nitrogen, phosphorus) (Tons)</li> </ul> <p><b>Waste</b></p> <ul style="list-style-type: none"> <li>• Rate of organic recovery (composting, methanization, land application) of waste (%)</li> <li>• Initiatives implemented to reduce the waste of food products and packaging (recovery of packaging waste or food material, reduction of single-use packaging, etc.) (Yes/No)</li> <li>• Quantities of hazardous waste generated: Quantity of hazardous waste generated during the year (Tons)</li> <li>• Quantity of food saved from waste (reused or donated) (Tons or kg)</li> </ul>

	<ul style="list-style-type: none"> <li>• Quantity of food waste prevented (Tons or kg)</li> <li>• Quantity of product/raw material saved from waste (Tons or kg)</li> </ul> <p><b>Materials and Recycling</b></p> <ul style="list-style-type: none"> <li>• Proportion of eco-responsible sourced materials (%)</li> <li>• CSR supplier selection process (Yes/No)</li> <li>• Recycling/material recovery rate (recycling and reuse) (%)</li> <li>• Proportion of plastic in packaging (%)</li> <li>• Proportion of recyclable packaging (%)</li> </ul> <p><b>Production processes optimization</b></p> <ul style="list-style-type: none"> <li>• Money saved by farmers/producers thanks to the company (€)</li> <li>• Hours saved by farmers/producers thanks to the company (Hours)</li> <li>• Area of the farm covered autonomously (Ha)</li> <li>• Reduction of production losses compared to other players in the sector (%)</li> <li>• Full traceability of raw materials (Yes/No)</li> </ul>
<b>CLIMATE ACTION</b>	<ul style="list-style-type: none"> <li>• Share of production (in value) respecting the seasonality of food (%)</li> <li>• Climate plan: Greenhouse gas reduction policy (commitments and objectives) (Yes/No)</li> <li>• Carbon footprint: Total GHG emissions (tCO<sub>2</sub>eq)</li> <li>• Reduction of CO<sub>2</sub> emissions (%)</li> <li>• Reduction of the energy consumption (%)</li> <li>• Share of non-renewable energy produced and consumed (%)</li> <li>• Climate change vulnerability: Assessment of the company's vulnerability to climate change (including regulatory changes, market risks, extreme weather events, global warming, sea level rise, etc.). If significant risks, initiatives have been implemented to mitigate them. (Yes/No)</li> <li>• Investments made by the company in devices to prevent climate change-related impacts (Yes/No)</li> <li>• Promotion of local production: Initiatives put in place to encourage local purchasing (better knowledge of the local fabric, referencing of local producers, installation of digital platforms, etc.) (Yes/No)</li> <li>• Average distance traveled from the producer to the final consumer of the products sold (km)</li> <li>• Share of local production (%)</li> <li>• Share of locally sourced raw materials (%)</li> <li>• Share of green deliveries (%)</li> <li>• Environmental certifications (text or MCQ)</li> </ul>
<b>HEALTH &amp; WELL-BEING</b>	<ul style="list-style-type: none"> <li>• Consumer awareness - healthy and sustainable food: Are there any actions implemented to raise consumer awareness</li> </ul>

	<p>of healthy, nutritional and sustainable food practices? (Yes/No)</p> <ul style="list-style-type: none"> <li>• Share of products pesticide and/or herbicide-free (%)</li> <li>• Quantity of air pollutant emissions generated by the company (Tons)</li> <li>• Animal welfare policy (Yes/No)</li> <li>• Potential negative impacts on consumers (QCM)</li> <li>• Potential risks related to health claims on products (QCM)</li> </ul>
<p><b>QUALITY &amp; SAFETY</b></p>	<ul style="list-style-type: none"> <li>• Accident frequency rate (%)</li> <li>• Work-related accidents (#)</li> <li>• Processes that the company have in place to ensure the traceability and safety of food products (raw, processed and finished products)</li> <li>• Official quality certification (Yes/No)</li> <li>• Products recalled post-market due to safety concerns (#)</li> <li>• Exposure to food safety and quality non-compliance issues (Yes/No)</li> <li>• Specific safety tests according to the targeted consumer categories (babies, children, pregnant women, etc.) (Yes/No)</li> <li>• Net promoter score (#)</li> <li>• Customer satisfaction (%)</li> </ul>
<p><b>BIODIVERSITY PRESERVATION</b></p>	<ul style="list-style-type: none"> <li>• Biodiversity protection policy (Yes/No)</li> <li>• Share of products with an Eco-score or Planet-score with an A or B grade (%)</li> <li>• Impacts on biodiversity: If the company's sites are located in or near a sensitive area from a biodiversity point of view, do the company's activities have a negative impact on these areas? (Yes/No) Measures implemented to prevent and/or mitigate them.</li> <li>• Sustainable sourcing charter (Yes/No)</li> <li>• Reduction in the use of phytosanitary products (%)</li> <li>• Land occupation (Ha)</li> <li>• Reduction of land used compared to traditional farms (%)</li> <li>• Share of products free from palm oil (%)</li> <li>• Assessment of the impact of the supply chain and suppliers on biodiversity (Yes/No)</li> <li>• Measures implemented to mitigate or reverse the supply chain impact on biodiversity (text)</li> <li>• Biodiversity preservation certifications (FSC, MSC, RSPO, RTRS, etc.) (text or MCQ)</li> <li>• Policies in place to protect marine species (Yes/No)</li> <li>• Responsible fishing policy (Yes/No)</li> <li>• Measures to mitigate the soil and water pollution risks (Yes/No + description)</li> <li>• Diversity of cultivated species (#)</li> </ul>