

IMPACT REPORT 2018



IMPACT REPORT 2018

INDEX

FOREWORD 5

INTRODUCTION 7

ABOUT INOKS 11

**IMPACT JOURNEY
AND STRATEGY** 19

**IMPACT
AND ESG PROCESS** 25

2018 IN NUMBERS 35

OUR IMPACT STORY: 45
**OPTIMISING LOCAL RICE
VALUE CHAIN IN CÔTE D'IVOIRE
SCOI CASE STUDY**

OUR IMPACT STORY: 57
**IMPROVING UKRAINE SOIL HEALTH
POEX CASE STUDY**

**INSIGHTS
FROM OUR EXPERT** 65

**CLOSING WORDS
FROM INOKS CAPITAL'S CEO** 71

TEAM 75

MEDIA 79

AFFILIATIONS AND PARTNERS 83

FOREWORD

Short-term financing while having a long-term vision for future generations is a challenge. Especially, financing the raw materials' supply chain when our planet cannot support our consumption habits is a major issue, but it is also an opportunity for a deep transformation.

Since the beginning of INOKS Capital 12 years ago, "Earth Overshoot Day" has moved from October 9th to July 29th. This means that by July 29th, our economy has already used up the resources that it can regenerate within one year and is now creating products and services in a resource deficit. The Circularity Gap Report, which was announced in Davos, shows that more than 90% of our GDP comes from the linear extraction, production and consumption of natural resources. Furthermore, the production and consumption of agricultural resources, which are renewable by definition, have become so standardised and globalized that they jeopardize their own renewable conditions which are the soil, biodiversity and pollination.

Three years ago, INOKS Capital published an impact report showing that finance has a role to play and that investments can be profitable while at the same time focusing also on social and environmental positive impact with the investees. INOKS Capital has not changed its approach focused on food security, environmental quality, women empowerment and poverty reduction, and has even completed it with the World Bank Group's eight International Finance Corporation Performance Standards. Finance now understands that extra-financial criteria are entirely part of an investment and that not integrating them will jeopardize future performance, either through regulations or through rejections from commercial partners or consumers. As of now, financing a company requires a reconciliation of the short term with the long term, to think economy AND ecology, to harmonise profitability WITH durability. Being innovative or disruptive does not only come from technology but also from common sense and from the understanding of supply chains, first sector by sector and then globally.

INOKS Capital's impact committee together with Quadia, allows an understanding of environmental challenges around commodities and to anticipate solutions that should be undertaken. Some are urgent and local whereas others are systematic and global. Many are needed for this economic and financing activity to stay a source of value in ten years with the achievement of the UN Sustainable Development Goals 2030. Quadia and INOKS Capital believe that funding allows for a systemic approach across the whole supply chain and therefore it is the duty of investors to support companies in their bold decisions to make a positive impact. To condition funding upon the achievement of impact objectives is a better solution, even more when it allows the company to be better for its stakeholders and its ecosystem. By definition, a healthy ecosystem is well balanced and sustainable, therefore it is the role of the company to preserve it instead of damaging it.

Aymeric Jung, *Quadia*



Khazakstan: Linseed field ready for harvest

1

INTRODUCTION

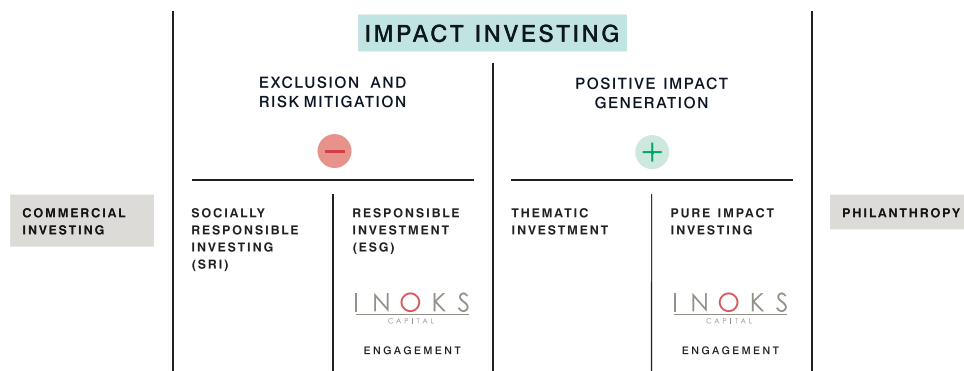


Figure 1:
INOKS Capital's positioning in the Sustainable Finance Sector

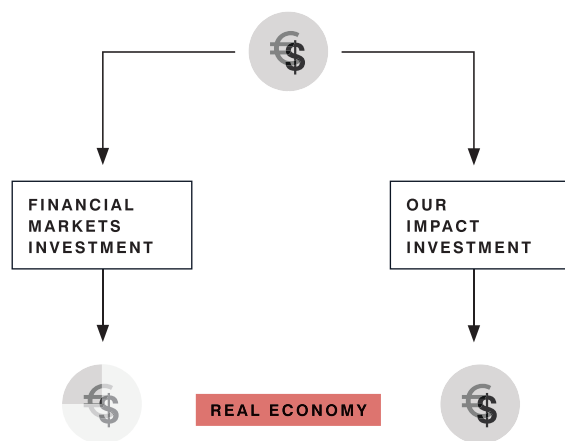


Figure 2:
Investments in the real economy: comparison between financial markets and INOKS Capital

INTRODUCTION

The concept of Impact is becoming increasingly used in politics, economics and finance, sometimes bringing inconsistencies and confusion at a terminological level. As a starting point for this report, we would like to highlight our semantics of Impact Investing and provide clarity on the effect of our direct investment approach.

OUR DEFINITION OF IMPACT INVESTING

For us, Impact Investing is an **engaged financial act** that goes beyond exclusion and footprint, considerably more than a thematic investment or negative screening investment (SRI). It not only relates to how we select companies that bring impactful solutions but also involves informed communication on our Theory of Change as well as support in the field.

At INOKS Capital, we aim to generate positive impact by directing our investees towards 10 defined objectives contributing to sustainable commodity value chains. For that purpose, we leverage a two-fold impact strategy based on Responsible Investing (ESG risk mitigation strategy) and Impact Investing (positive Impact generation strategy).

Through this impact report we want to explain and describe the commitment we have with our investees.

INVESTING IN THE REAL ECONOMY

Finance and investment refer too often to financial markets, which represent greater volumes than the real economy (together, the equity and bond markets represent more than twice the world GDP). The investment flows in these markets **do not meet the immediate needs of the real economy** and do not translate into concrete actions within companies.

INOKS Capital financing solutions target direct investments to support tangible actors of the real economy. In addition to contribute to the growth of resilient value chains, we intend to share a roadmap and a call to action for improving social and environmental aspects of the corporates we support. This innovative approach corresponds to our vision of the role that investment and companies must have to preserve our planet, the living and our climate.

2

ABOUT INOKS

INOKS CAPITAL AT A GLANCE

INOKS Capital is a FINMA-licensed asset manager of collective investment schemes in the alternative credit space, headquartered in Geneva. INOKS Capital manages several investment funds (both Cayman and Luxembourg) next to segregated institutional mandates and has in total over USD 500 Mm Assets under Management.

Since 2006, INOKS Capital's **mission** is to provide customised growth capital solutions to real economy corporates active non-speculatively in sustainable commodity value chains (agriculture, food, renewable energy and recycled metals). Our **vision** is to be the market leader in capital access for added value resilient activities in the real economy, by (a) focusing primarily in fast developing geographies like Sub-Sahara African or Eastern European markets and (b) by applying our proprietary ESG/Impact framework. Rigor and excellence, team work and integrity are the **corporate values** that drive our business.

Among the reasons why existing investors have chosen to work with us: steady returns (high single digits), consistent performance with low correlation to traditional markets, downside protection through asset-based approach and our dedicated ESG/Impact framework.

WHAT WE'VE ACHIEVED SINCE 2006

INVESTMENT TICKETS:

FROM

**USD
1 MILLION**



TO

**USD
75 MILLION**

TOTAL DEPLOYED:

**USD
4.4 BILLION**

DEALING WITH:

**600 +
STAKEHOLDERS**

SUPPORTING:

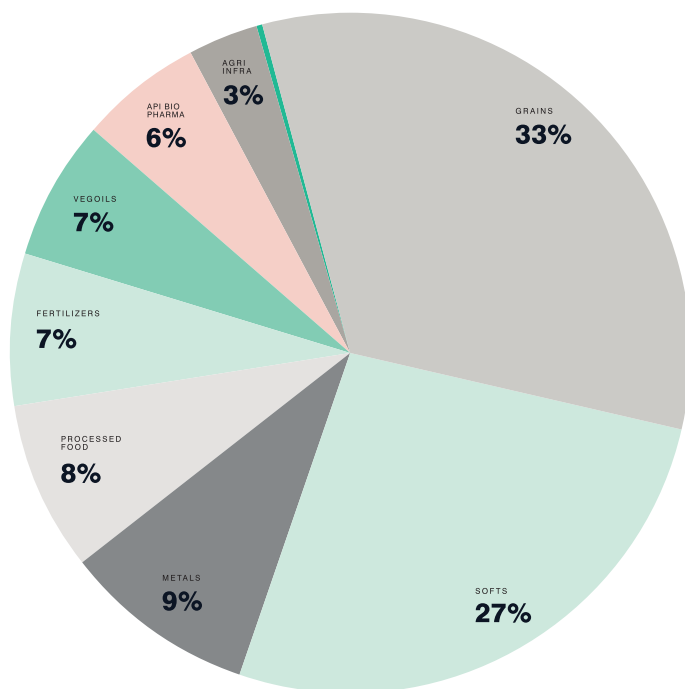
**130 +
COMPANIES**



Ukraine: local worker of an oilseeds processing plant

2018 PORTFOLIO ALLOCATION

COMMODITIES



GRAINS
33%
CORN, SPECIALITY GRAINS,
RICE, SOYBEAN, SUNFLOWER
SEED, WHEAT



SOFTS
27%
COCOA, COTTON LINT,
GROUNDNUT, NUTS, SUGAR,
WHEAT FLOUR



METALS
9%
STEEL PRODUCTS



**PROCESSED
FOOD**
8%
A.J.C, ORGANIC FRESH JUICE,
COCOA SEMI-FINISHED
AND FINISHED PRODUCTS



FERTILIZERS
7%
SUSTAINABLE AND BEST-IN
CLASS CROP PROTECTION



VEGOILS
7%
SUNFLOWER OIL



API BIO PHARMA
6%
PLANT AND FERMENTATION
BASED API

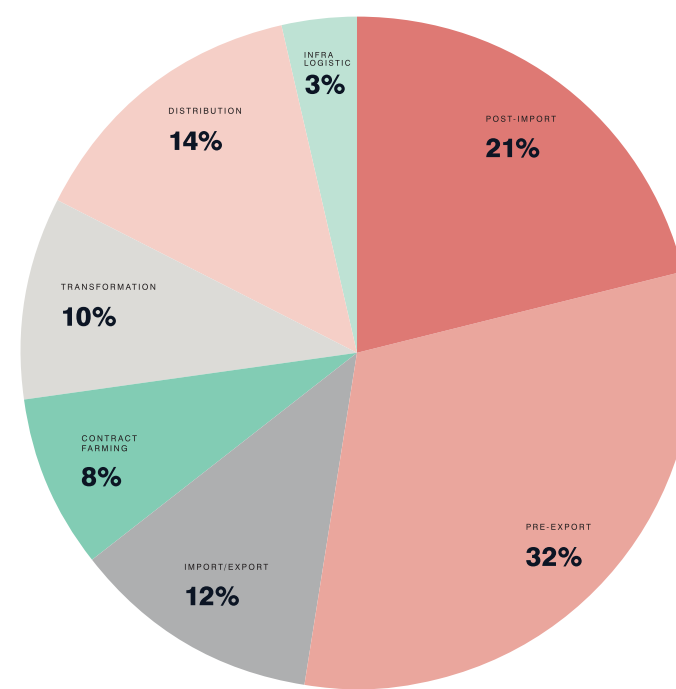


AGRI INFRA
3%
AGRI MACHINERY, PROCESSING
PLANTS, STORAGE AND
LOGISTIC RESERVED ASSETS



ENERGY
0.05%
COAL, ETHANOL

VALUE CHAIN



**CONTRACT
FARMING**
8%



PRE-EXPORT
32%



TRANSFORMATION
10%



IMPORT/EXPORT
12%



POST-IMPORT
21%

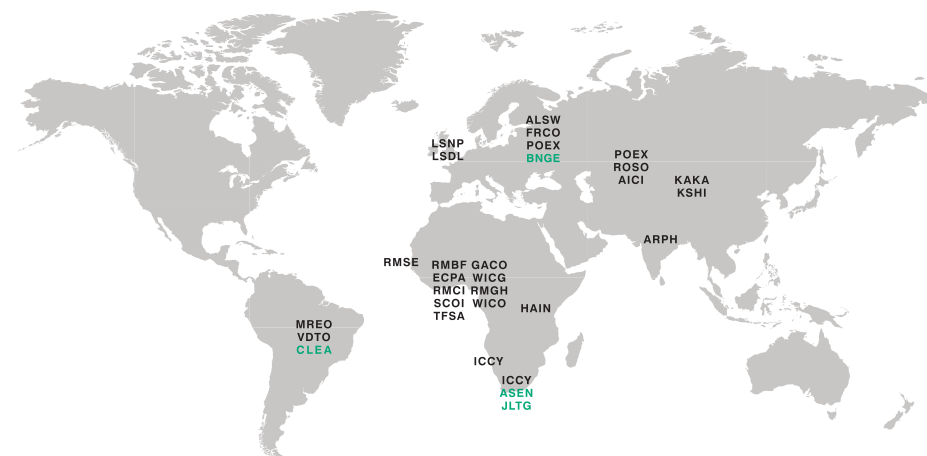


DISTRIBUTION
14%



**INFRA
LOGISTIC**
3%

MAP OF PORTFOLIO COMPANIES



REPEAT BUSINESS FROM 2017
NEW TO 2018

NOT RENEWED: KSLR

GEOGRAPHIES

CIS 31%:

UKRAINE
KAZAKHSTAN
KYRGYZSTAN
TAJIKISTAN
AZERBAIJAN

LATIN AMERICA 14%:

BRAZIL

AFRICA 21%:

GHANA
CÔTE D'IVOIRE
BURKINA-FASO
LIBERIA
SOUTH AFRICA
TANZANIA
SENEGAL

EUROPE 16%:

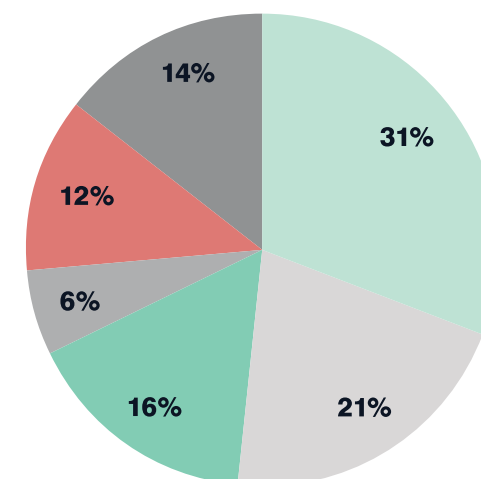
UNITED KINGDOM
POLAND
CZECH REPUBLIC

ASIA 6%:

INDIA
VIETNAM

AT SEA 12%:

CARGO IN TRANSIT



Côte d'Ivoire: Corn harvest has started

3

IMPACT JOURNEY AND STRATEGY

INOKS Capital's impact journey started in 2006 when it first launched its impact-driven CSTF strategy designed to improve access to working capital for companies in the commodity value chain in emerging markets. Since then, INOKS Capital has continuously refined its investment processes by developing strong proprietary Impact and ESG management tools while aligning with best industry standards and practices.

INOKS IMPACT HIGHLIGHTS

SINCE INCEPTION

USD
4.4 BILLION
DEPLOYED

Supported
130+
COMPANIES

Invested in
20+
COUNTRIES

Financed production,
processing and trade of
25+
COMMODITIES

2018 PORTFOLIO'S IMPACT

78.4
MILLION TONS
LOCAL SALES

3.9
MILLION TONS
COMMODITIES PRODUCED

60% EMPLOYEES
from **LOCAL**
COMMUNITIES

82% of EMPLOYEES
earn a salary
ABOVE MINIMUM WAGE

28'308
SMALLHOLDER
FARMERS reached

66%
AGRICULTURAL
WASTE recycled

OUR IMPACT JOURNEY

August 2006:

Inception of the short-term
CSTF strategy

February 2009:

Trade Finance Magazine "Deal
of the year" for support of
smallholder cotton farming in
conflict-stricken Côte d'Ivoire

August 2010:

INOKS Capital becomes a sig-
natory of the Principles for
Responsible Investment (PRI)

March 2012:

Implementation of the ESG/SRI
due diligence

September 2012:

Inception of Shari'ah-compliant
CSTF strategy

October 2013:

Incorporation of ESG/Impact re-
quirements in legal agreements
by establishing an ESG/SRI en-
gagement letter

March 2014:

Inception of the mid-term
DECO strategy

July 2016:

Development of a Sustain-
ability Policy to anchor INOKS
Capital's impact themes and
implement impact on-going as-
sessment aside existing ESG
due diligence

December 2016:

Alignment of INOKS Capital's
E&S requirements with IFC Per-
formance Standards

April 2017:

First Soft Condition Precedents
developed to improve the E&S
compliance with IFC Perfor-
mance Standards of a cashew
nut processor in Tanzania

October 2017:

ESMS developed in partnership
with OBVIAM

October 2018:

INOKS Capital achieves
Platinum Impact Business Model
GIIRS Rating

2019 (next steps):

- ▶ Development of an Impact Framework in partnership with Steward Redqueen
- ▶ Affiliation to the Operating Principles for Impact Management

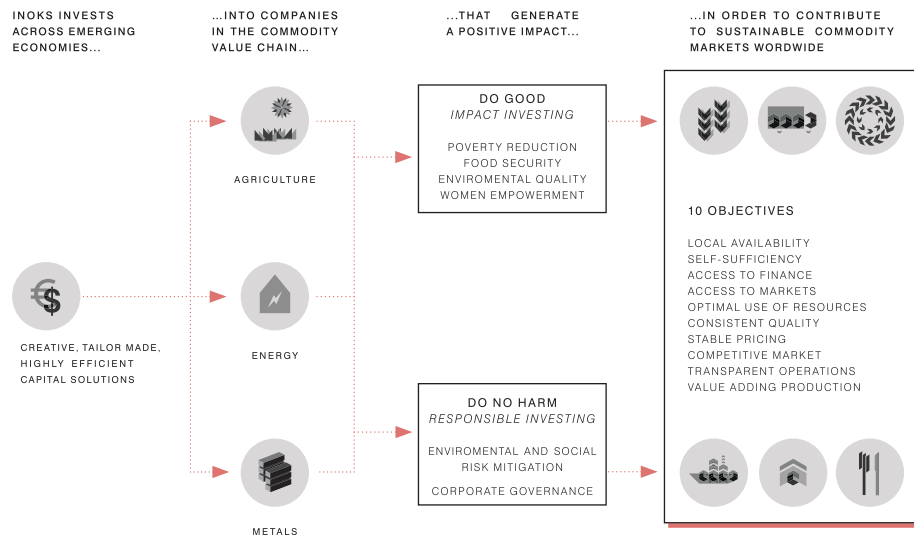
IMPACT STRATEGY

INOKS Capital's Impact Strategy is to invest across (predominantly) **emerging economies** into companies in the **commodity value chain** that generate a **positive impact**, in order to contribute to **sustainable markets** worldwide.

We target three investment sectors with a high focus on **agriculture and food** and selected interventions in the **energy and metal sectors**.

Our impact strategy outlines how we intend to invest our capital responsibly by **doing good** (contributing to solutions that address specific sustainability challenges) and **doing no harm** (mitigating the negative effects of its investments on people and planet).

INOKS THEORY OF CHANGE



THREE INVESTMENT SECTORS

AGRICULTURE

INOKS Capital has the capacity to intervene at each segment along the agricultural value chain and support companies involved in value-adding activities such as production, aggregation, processing, conditioning, transport and distribution that contribute to the development of sustainable agriculture and food markets.

METAL

INOKS Capital invests in metal companies that maximise production efficiency and adhere to strict environmental standards. We also support companies that leverage innovative processes such as recycling and circularity into their business models to avoid resources depletion.

ENERGY

By helping energy companies to provide reliable electricity from renewable sources, INOKS Capital seeks to improve access to (cleaner) electricity for rural households. We also support energy companies in producing higher standard fuels, to reduce those environmental effects of transportation.

TWO-FOLD IMPACT STRATEGY

IMPACT INVESTING (Do good)

We believe that efficient and innovative companies in the commodity value chains have strong potential to help solve some of the most pressing sustainability challenges that our world is facing. With this logic in mind, we select companies that contribute to solutions in the following impact areas:

- ↑ Poverty reduction
- 🌾 Food security
- 🌳 Environmental quality
- 👩 Women empowerment

RESPONSIBLE INVESTING (Do no harm)

Economic activity also brings a risk of harmful effects on the environment and society. Yet, there are ways to mitigate, and sometimes even eliminate these risks by operating a company in a sustainable way. We select companies based on international standards they adhere to and the commitment they show to further improve their performance in the following areas:

- ▶ Environmental risk mitigation
- ▶ Social risk mitigation
- ▶ Governance commitment

4

IMPACT AND ESG PROCESS

INOKS Capital has implemented processes, standards and tools at each stage of the investment cycle to bring its Impact Strategy into action.

Following a global overview of our Impact Process accross the investment cycle, this section describes with granularity our Impact Management Process and ESG Risk Management process

OUR IMPACT PROCESS

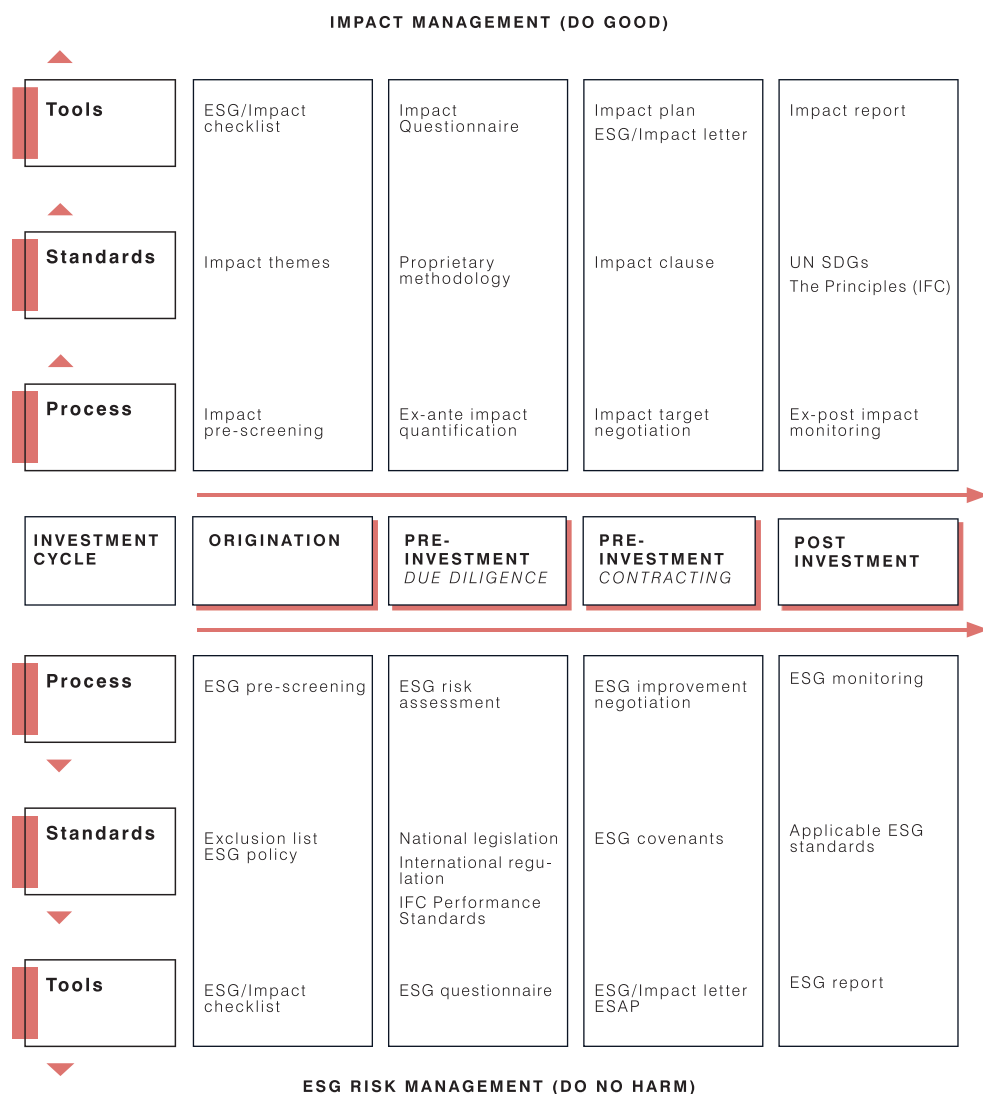


Figure 1:
Processes, standards and tools used to implement our Impact Strategy along the investment cycle.

ORIGINATION

INOKS Capital's investment process starts with a top-down market analysis to identify High Impact Areas that warrant participation, while keeping in mind potential synergies or conflicts with the existing portfolio. Opportunities are pre-screened against our Impact and ESG Principles.

PRE-INVESTMENT

Due diligence investigates whether the company's activities follow INOKS Capital's ESG and Impact requirements. An on-site visit concludes the impact analysis and ESG risk categorization in order to confirm previously established deliverables and identify potential uncovered risks. Following approval by our Investment Committee, beneficiaries execute an Impact/ESG letter to certify the information provided whilst agreeing to comply with INOKS Capital's requirements.

POST INVESTMENT

INOKS Capital monitors its investees' progress and performance throughout the life of the investment with annual reviews. We also conduct periodic ad hoc on-site visits and continuously work with our investees to ensure the stability and growth of their business.



South Africa: Bags of maize bran are stored before delivery to local livestock farmers

IMPACT MANAGEMENT PROCESS – DO GOOD

PRINCIPLES

INOKS Capital uses two explicit 'do good' principles to decide whether it wants to engage with a prospective investee:

1 A company generates positive impact on INOKS Capital's impact areas (poverty reduction, food security, women empowerment and environmental quality) by the nature of its products, services or activities

2 A company offers solutions to help achieve sustainable commodity value chains worldwide in the long term

STANDARDS

INOKS Capital reports the achievements of its own operations as well as those of investees on impact in alignment with the SDGs.



IMPACT MANAGEMENT PROCESS

Impact pre-screening to ensure alignment with INOKS Capital's Impact Principles

Ex-ante Impact analysis to quantify the actual impact performance of a company across INOKS Capital's four impact themes

Impact target negotiation (if any) to increase the company's impact that INOKS Capital deems necessary and feasible

Impact monitoring and ex-post Impact quantification to monitor impact performance and report on impact achievements

1

2

3

4



Ukraine: Unloading freshly picked apples to be processed into nutritious and high-quality apple juice



United Kingdom: slabs are delivered by boat on the tidal river and processed into semi-finished steel products in the factory located 100 meters from the dock



Figure 2 :
Link between INOKS Capital's 4 impact themes, 6 related SDGs and 18 impact outcomes

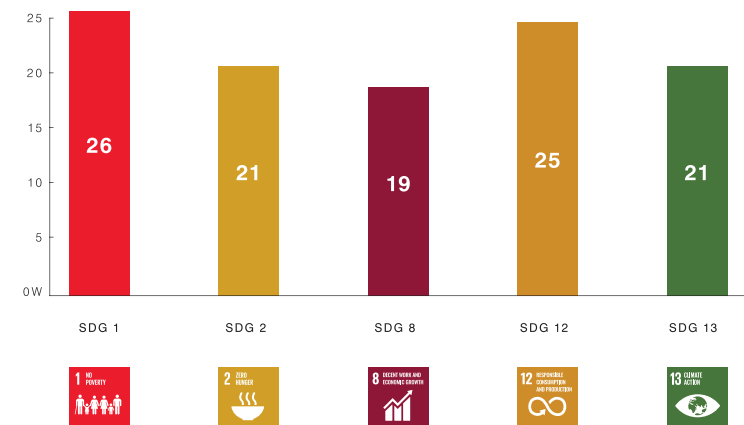


Figure 3:
Number of investees contributing to INOKS Capital's target SDGs

IMPACT MANAGEMENT PROCESS – DO GOOD

PRINCIPLES

INOKS Capital applies three 'do no harm' principles to judge if a company is eligible for financing:

- 1** A company **does not develop any activities** mentioned in INOKS Capital **Exclusion List**
- 2** A company is in compliance with the **Environmental, Social and Governance (ESG)** standards of INOKS Capital
- 3** A company is **committed and capable to mitigate** its negative environmental and social effects



Kazakhstan: Following several rainy days making fields impassable, employees buckle down and start wheat harvest

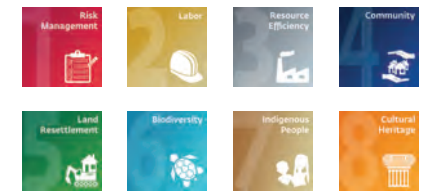
STANDARDS

INOKS Capital evaluates prospective investees against all applicable local laws on environment, health and safety as well as the IFC Performance Standards. Any red flag will stop the process.

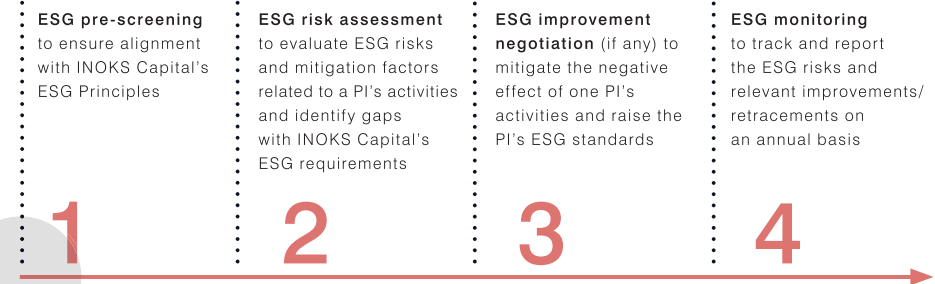
Regulatory framework: INOKS Capital requires companies to comply with all local legislation or international treaties applicable to its operations.

IFC Performance standards: As part of its due diligence process, INOKS Capital uses the IFC PS to identify and assess environmental and social risks associated with a prospective investee and its operations. If a specific IFC PS is triggered by the nature of the operation, INOKS Capital will verify if the company complies with the performance criteria of that standard.

Additional standards: INOKS Capital may agree with an investor, such on an ad-hoc or continuous basis, to additional standards of terms, conditions and obligations



ESG RISK MANAGEMENT PROCESS



5

2018 IN NUMBERS

2018 CSTF ACTIVITY

INOKS Capital invests across emerging markets into companies in the commodity value chain...

Throughout 2018
we deployed over

**USD
790 MILLION**

Towards

34 COMPANIES

Operating **24**
different
COMMODITIES

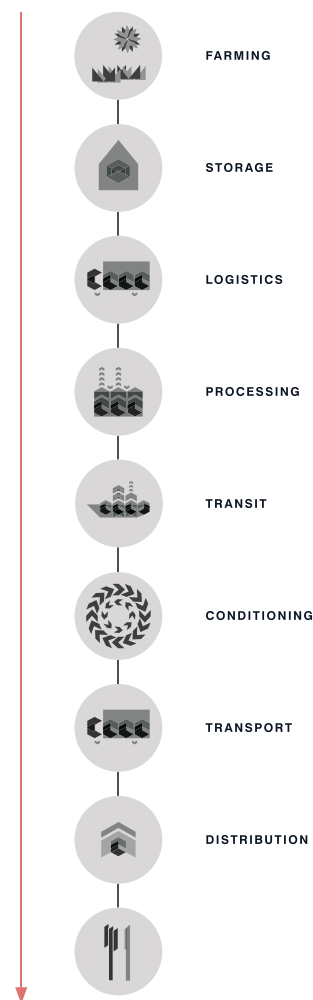
Across

**22
COUNTRIES**

...that generate
a positive change...

At all stages
of the **VALUE CHAIN**
from

THE FIELD



to

YOUR PLATE



Kyrgyz Republic: Refined white sugar is conveyed to packing and storage



Tanzania: Women are sorting cashew nut kernels in up to 15 grades

2018 CSTF PORTFOLIO'S IMPACT

The following impact data spans 24 of the counterparties featured in the CSTF portfolio in 2018



POVERTY REDUCTION



SDG 1: NO POVERTY

In 2018, our portfolio counterparties generated an **aggregate revenue of USD 1.7 Bn**

60% of workers are from local communities

87% of employees earn a salary **above local minimum wage**

15 investees have contributed to **programs** for the benefit of their **local communities**



SDG 8: ECONOMIC GROWTH AND DECENT WORK

13 counterparties **registered revenue growth**

The working capital supplied by INOKS Capital contributed to fund the wages

of **8'832 workers**

Including **1'985 women**

24% have received **training** during the year

We supported **19 SMEs** of which **17** previously **struggled to access finance**

11 counterparties developed **additional policies** in 2018 enhancing workers protection and rights

20 have strong **HR policy** and **18** promote equal opportunities by enforcing an **anti-discrimination policy**

2018 CSTF PORTFOLIO'S IMPACT



FOOD SECURITY

SDG 2:
ZERO HUNGER

INOKS Capital's working capital contributed to support the production of **59 K** tons of agricultural commodities and **3.5 Mm** tons of processed food

Technical assistance and training to increase agricultural productivity have been delivered to

6'489 farmers

INOKS Capital's counterparties reached **28'308 smallholder farmers**

56.5 Mm tons of food commodities have been sold locally

Including **3'676 women**

through direct purchase of raw materials and/or provision of inputs

Generating

USD 91.6 Mm

revenues for **smallholder farmers**



Namibia: Corn kernels are unloaded

2018 CSTF PORTFOLIO'S IMPACT

ENVIRONMENTAL
QUALITYSDG 12:
SUSTAINABLE PRODUCTION

18 counterparties have an **Environmental and Social policy** to promote environmentally sound and sustainable development

16 actively **track** the provenance of their **raw material** purchases

Focus on resource conservation and recovery is maintained with **66%** of **agricultural waste** generated and **43%** of **water** used being **recycled**

SDG 13:
CLIMATE ACTION

Total portfolio companies' **energy consumption** amounts **3Mm** GJ with renewable energy accounting for **14%**



Kazakhstan: Wheat field growing

6^A

OUR IMPACT STORY:

**OPTIMISING LOCAL
RICE VALUE CHAIN
IN CÔTE D'IVOIRE**

SCOI CASE STUDY

OPTIMISING LOCAL RICE VALUE CHAIN IN CÔTE D'IVOIRE

SCOI CASE STUDY

Over the last century, rice has incrementally replaced endemic african crops such as millet and soghum to become a fundamental staple food playing a very important role in the local economy of most West African countries. Rice consumption in West Africa demonstrated a twelvefold increase between 1965 and 2018 (FAO). With millions of people relying on rice as the bulk of their daily diet because of its high nutritional properties, low consumption price and all year-round availability, rice is a target commodity whose availability needs to be ensured to face food insecurity challenges.

THE CHALLENGE OF SELF SUFFICIENCY

Although local rice production in West Africa expanded by 890% between 1960 and 2018 (USDA) to meet local growing demand, West African countries still largely rely on importations which amounted 11,040,000 MT in 2018 and supplied almost half of consumption rice needs.

In 2008, cereals prices reached a record leading to severe food insecurity issues. This world food crisis has shown the vulnerability of African food systems - with a high dependence on imported rice - to disruptions in the global rice supply. This unbalanced situation calls for initiatives and solutions to intensify local rice production through improved agricultural practices and irrigation systems.



Ghana: A local rice field

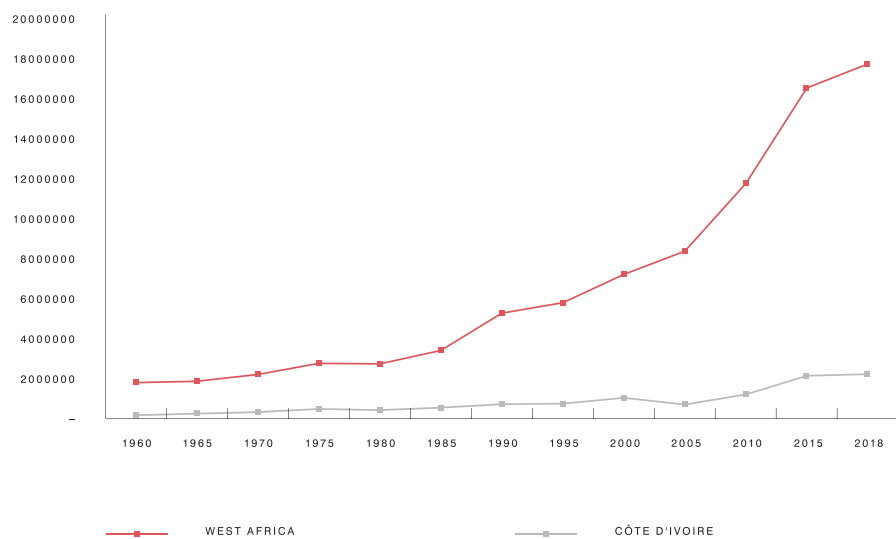


Figure 1:
Total paddy production in tonnes

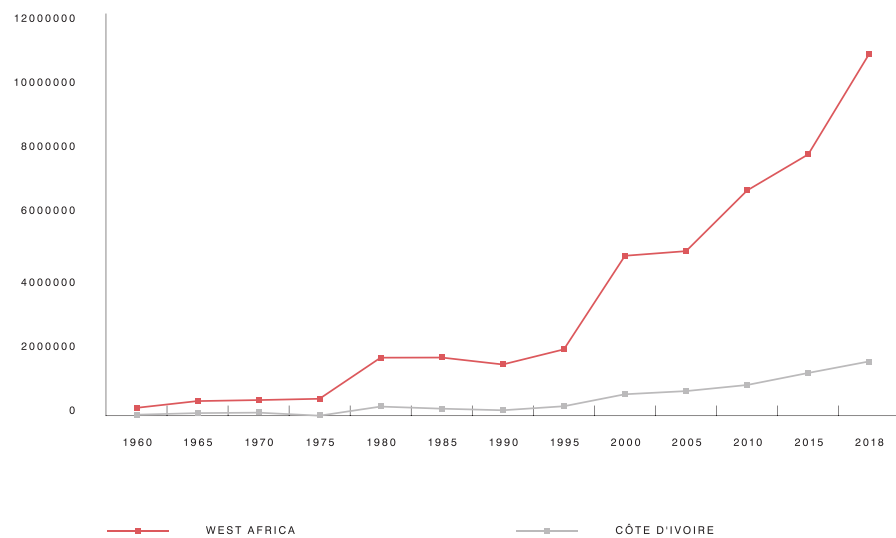


Figure 2:
Total rice import quantity in tonnes

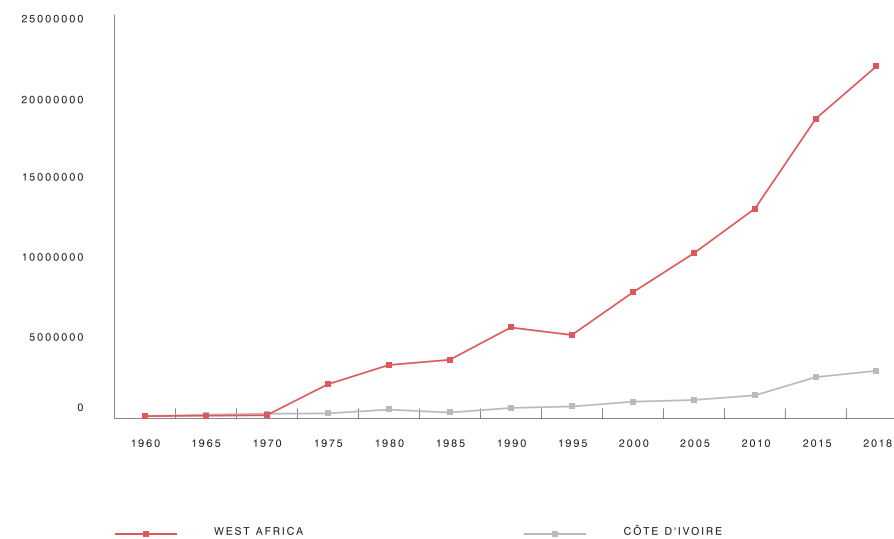


Figure 3:
Total rice consumption in tonnes

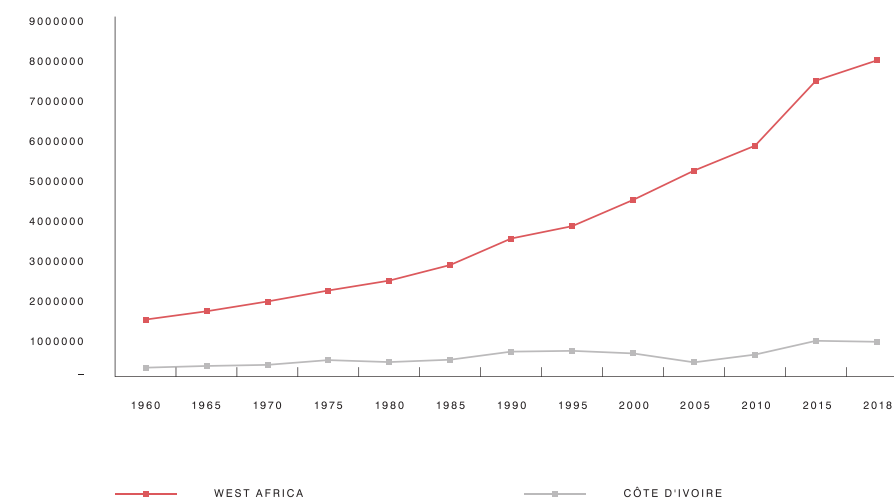


Figure 4:
Total rice harvested area in HA

THE CASE OF CÔTE D'IVOIRE

In the 1960's, 75% of Ivorian rice consumption was met by national production. Today, Côte d'Ivoire is among the world's top ten rice importers with 1.7 million tons imported in 2018 (56.7% of total national milled rice consumed, USDA). Although rice demand rapidly increased, the country also faces several rice value chain challenges which constrain national production to remain below local level of demand.

1 Low productivity

The development of the Ivorian's rice value chain hinges on the capacity of producers and processors to improve productivity. Central and West Africa have the lowest average paddy rice yields in Africa (0.9 and 2.1 tons/Ha respectively, FAO Stat 2017). Low productivity of farmers and processors are due to several constraints, including:

- ▶ poor access to quality and affordable seeds and fertilizers,
- ▶ low-yielding rice varieties susceptible to pests and diseases (according to IRRI, farmers lose on average 37% of their rice crop due to pests and diseases every year),
- ▶ reliance on artisanal production (poor access to farm machinery and animal traction) and old milling facilities (15% of rice losses occur during post-harvest operations such as drying, milling and storage according to the FAO),
- ▶ unreliable water sources with poor irrigation system and water control.

2 Uncompetitive national rice quality

A major concern is the quality of local rice which struggles in meeting norms to compete with imported rice. A high level of impurities remains throughout the processing cycle up to the final product due to lack of modern milling facilities and technologies. Lack of effective farmers' organizations and cooperatives that would improve access to credit, farm inputs and extension services is also a main constraint to produce rice of high quality.

3 Distribution and market access challenges

Inexistent or ineffective farmers' organization hinders local rice promotion. Rice farmers' organizations have indeed an important role to play in collecting and disseminating market information to farmers, in order to improve access to local rice markets.

Poor road networks constitute another major challenge for rice distribution and penetration of local rice into urban markets.



Côte d'Ivoire: Rice plantation

SCOI CASE STUDY

With the aim of improving local rice availability for all Ivorian through increased quantities and more stable market prices, SCOI, an agri-business company created in 2014 and supported by INOKS Capital since 2017, has built-up its strategy around two pillars:

1 Development and structuring of the local rice sector to promote the production of smallholder farmers

SCOI aims to increase local rice yields and quality by structuring the Ivorian rice sector. For this purpose, the company is largely involved in local agricultural communities: since 2014, it has contributed to the creation of 40 smallholder farmers' cooperatives and targets to achieve 80 cooperatives by 2023, which would enhance the production efficiency and coordination of nearly 50,000 local rice producers. Moreover, the company is engaged in various projects in order to improve access to seeds and inputs, increase the adoption of modern agriculture and irrigation techniques as well as reduce manual labour through mechanization. The company expects to multiply farmers' yields by 2.5 within five years.

2 Development of industrial facilities to increase local milling capacities

In 2017-2018, the company started operating two rice milling factories and plans to run two additional factories by 2023 to achieve 88,000 MT of paddy rice processed. The facilities will be equipped with modern equipment to produce high-quality milled local rice that would compete favorably with imported rice.

TRANSACTION FACTSHEET

Country: Côte d'Ivoire
Commodity: Rice
Financed activities: **Purchase, storage, conditioning and processing, distribution**
Year: **2017**
Transaction size: **EUR 7,500,000**
Number of employees: **34**

SCOI IMPACT TARGETS

- ▶ 80 cooperatives
- ▶ 50,000 farmers
- ▶ Agricultural yields x 2.5
- ▶ 4 rice facilities employing 320 factory workers
- ▶ 88,000 MT paddy rice processed and sold locally



Côte d'Ivoire: Local rice bagged and ready to be distributed to Ivorian supermarkets and school canteens

SCOI RELATED SERVICES AND DEVELOPMENT PROJECTS

1 Training program for small-holder farmers

In partnership with various foundations, SCOI has developed a training program to provide technical assistance and training to 7,750 farmers of 11 cooperatives over three years. The program has two major components:

- ▶ **Cooperative assistance:** improve organizational capacity, contracting, traceability and logistics, preparation and administration of upcoming agricultural season
- ▶ **Farmers assistance:** improve crop production management, harvest and post-harvest activities, raise awareness and improve child labor risk management

2 Inputs financing

In June 2019, SCOI has launched a project with the goal to finance seeds, fertilizers and herbicides for 300 smallholder producers of 8 cooperatives. The company is simultaneously overseeing a pilot project to pre-finance 100% organic inputs and increase yields up to 4 tons / ha over 195 cultivated Ha.

3 Rice distribution to school canteens

SCOI sells half of its rice volumes to 30 women-led cooperatives which manage the distribution of rice to school canteens. Through this project, the company aims to reduce child hunger at school and de-schooling, improve school success, child health and reduce inequalities.

4 Agricultural mechanization

Manual labor still accounts for 74% of total agricultural work while animal traction and mechanization represent 22% and 4% respectively. In order to reduce arduous working conditions and increase farmers productivity, SCOI aims to mechanize farmers' cooperatives through the provision of "agricultural mechanization kits" composed of combine harvesters, tractors and other equipment.

5 Agricultural training center

An agricultural training center will open by the end of 2019 in the region where SCOI operates. During this two-year training program, 35 students - aged between 16 and 25 years-old - will be provided with courses on agronomy, life sciences, economics, finance, management, citizenship education and social sciences.

Students will learn and implement sustainable agricultural practices and cultivation of local crops over a cultivable area of 15 Ha.

SCOI commits to support all students after graduation who are engaged in rice production through the financing of inputs and purchase of all paddy rice produced.



Côte d'Ivoire: Agronomist providing technical assistance to SCOI's cooperative farmers

6^B

OUR IMPACT STORIES:

**IMPROVING UKRAINE
SOIL HEALTH**

POEX CASE STUDY



Ukraine: Black soil field recently sown

IMPROVING UKRAINE SOIL HEALTH

UKRAINE'S SOILS DECREASING FERTILITY

60% of Ukraine's arable land is endowed with "Chernozem", or black earth, a highly fertile and humus-rich type of soil. With 1/3 of world's black soil stocks, Ukraine has exceptional conditions for agriculture.

However, Ukraine's black soils have been degraded over the years resulting in soil erosion as well as a loss in fertility. Ukrainian soil scientists estimate that water erosion affects 13.4 million hectares, including 10.6 million hectares of arable land (FAO, 2019). Soil erosion is mainly caused by poor land management, excessive tillage and is exacerbated by climate change.

Unsustainable land management which includes practices such as continuous cropping (no rotation), soil preparation methods based on mouldboard tillage, overuse of chemical fertilizers and pesticides, overgrazing and burning of rangelands, reduces consistently productive capacities of croplands. Degraded and less fertile soils are in turn at greater risk from climate change. They contain less organic matter and are less aerated, which decreases the resistance to disturbance (heavy rains) and the capacity to retain moisture and to protect against winter cold.

In May 2019, the Ukrainian Soil Partnership (USP) was established to facilitate collaboration among relevant stakeholders and develop sustainable soil man-

agement, improve governance as well as provide natural land degradation monitoring system.

In addition to the USP, private initiatives have also been developed by key stakeholders such as agri-businesses and farming companies. This case study sheds light on the improvement measures developed by POEX, one of INOKS Capital's investees, in order to support regenerative agriculture and improve Ukraine's soils.

POEX IN UKRAINE

POEX is a global integrated company engaged across several agricultural commodity value chains. The company started its operations in Ukraine in 2012 by buying and exporting greens (pulses) in bulk ships. In 2016, POEX developed its own farming activities by renting over 500 hectares of farming land. Today, POEX cultivates more than thirty different crop varieties over a farming area of 24,500 hectares of rented land. The company also owns four storage sites, two processing facilities, one logistic support site and employs 920 persons. INOKS Capital has been helping and financing POEX at each step of these developments.

In continuation of their growth journey, POEX is shifting from classical crops to organic farming. Out of its 24,500 hectares, POEX operates several farms in the South of Kherson over an area of 3,800 hectares for organic production and is planning to extend the organic cultivation area to Odessa region over a total area of 12,000 hectares.

In addition to its organic production, the company is working toward the implementation of sustainable agricultural practices. Its objective is to maintain and improve soil health and quality to obtain higher yields durably. By leveraging different sources of expertise (internal experts, consultants, academics and agronomists) and internal facilities (experimental greenhouse in Rozdolnye and a laboratory in Odessa), the company conducts various experimentations to develop efficient ecological solutions that we describe below such as crop rotation, biopreparations, minimum tillage and precision farming.

POEX'S SOIL IMPROVEMENT PROJECT IN UKRAINE

From the very first days, the company has implemented soil improvement practices to replenish its land using various methods.

Crop rotation

Crop rotation to improve plant nutrition: crop rotation is planned with legumes on at least 20% of the total area. This practice increases soil fertility by enabling the accumulation of nitrogen into the fields (peas fix nitrogen from the air and release it into the soil).



Ukraine: Agronomists experiment biodiversity soil conservation practices in POEX's experimental greenhouse

Crop rotation to improve soil structure: crop rotation is used with crops having different types of root system (such as winter wheat and rapeseed) which allows to maintain an optimal structure of the arable layer of the soil and reduce soil compaction. As a result, POEX conducts less mechanical tillage and reduces fuel consumption as well as carbon emissions.

Multi-crop parallel planting to reduce disease and control pests: POEX uses the alternation of grain crops (continuous sowing) with row crops (crops of different biology which are sown in rows), to achieve a reduction in weeds, diseases and pests contamination. This gives a possibility to decrease the use of plant protection products.

Biopreparations

By containing soil microorganisms with agronomically valuable properties, biopreparations are prepared for different purposes: crop growth, crop protection, accelerated decomposition of plant wastes, restoration and preservation of soil fertility. The diversity and balance of microorganisms is fundamental for soil health and fertility. While still relying on third-party biopreparations, POEX is currently conducting various experimentations and plans to produce its own preparations.

POEX uses humic and fulvic acids to **improve soil's chemical and physical properties**. They are stable and long-lasting biomolecules used as nutrient carriers and essential for healthy and productive soils (improved soil tilth and porosity, improved water availability for conservation, etc.). Modern bio-preparations based on amino acids, algae,

trace elements and humates, are also used to improve root growth, promote seed germination, improve moisture retention and reduce moisture stress.

Bacterial preparations are used as **bio-insecticides** (*Bacillus thuringiensis* and neem oil), as **bio-fungicides** (*Trichoderma viridae*, *Bacillus subtilis*) and **bio-rodenticides** (*Bacterodendrid*).

Preparations based on soil nitrogen-fixing bacteria are used to ensure **soil fertility** and **enhance soil biodiversity** by preserving useful microorganisms.

Minimum tillage

Tillage is an agricultural method for preparing soil by mechanical agitation. While helping to mix harvest residue, organic matter and nutrients as well as facilitating crop sowing, it also brings several damaging effects such as soil compaction, loss of organic matter, degradation of soil aggregates and soil erosion.

As an alternative, the company uses energy-saving and **soil-protective technologies in tillage**, such as strip-till and no-till on, respectively, 43% and 25% of total cultivated area. Strip till consists in creating narrow strips of tilled soils in which seeds are sown, leaving the rest of the area untouched. This technique combines both advantages of conventional tillage (seedbed, soil drying and warming benefits) and no-till (soil conservation benefits).



Ukraine: Thousands tons of onions are harvested each year

Precision farming

Cropio

POEX uses Cropio, a system of remote monitoring of agricultural land, which allows **real-time monitoring of cultivated areas**, auto-documentation, forecasting and planning of agricultural operations.

The system allows real-time updates on current fields and crop conditions:

- ▶ Level of vegetation of crops,
- ▶ Nutrient contents,
- ▶ Soil moisture of different layers
- ▶ Machine performance and movement
- ▶ Weather forecasts

and enables POEX to anticipate and quickly respond to changes in their fields (e.g. onset of a disease, readiness of the field for harvesting) and make the right decision.

Controlled Traffic Farming (CTF)

The CTF is a management tool which aims to **reduce excessive soil compaction and damage to fields** caused by repeated or heavy agricultural machinery driving. By using a CTF system, agricultural equipments are moved along fixed tracks leaving 80 – 90% of fields permanently without compaction. This practice increases yields and reduces fuel consumption per hectare while improving soil health.

Differentiated fertilizer application

The company has introduced differentiated fertilizer application (i.e. a tailored application of fertilizer for different areas) in accordance with information obtained from satellite images of vegetation (NDVI), yield mapping from combines and soil analysis maps.

By using fertilizers in the right amount and the right place, the company leverages the potential of each field and inputs **decreasing costs** and **improving germination rate**.

RESULTS

Using all these above practices and technologies, POEX has achieved positive changes over the past three years in improving its soils' health:

- ▶ Increased fertility and crop germination
- ▶ Better soil quality and structure
- ▶ Improved soil biodiversity (earthworms)
- ▶ Preservation of soil moisture
- ▶ Decrease in the use of mineral fertilizer by 30% (goal is to achieve – 60%)
- ▶ Higher yields and reduced production costs through precision farming
- ▶ Reduced carbon emissions by using energy-saving technologies (15% decrease in diesel consumption per Ha for soil preparation)

Up to December 2018, INOKS Capital has disbursed USD 95 millions to support POEX's long-term profitability and enable the company to pursue its sustainability journey with the aim to bring thousands of hectares of precious Ukrainian arable land back to health and sustainable agriculture.

7

INSIGHTS FROM OUR EXPERT



Ghana – Cotton and maize fields in Northern Ghana

INSIGHTS FROM OUR EXPERT

Three questions to Dominique Bourg.

QUESTION 1:

In line with the IPCC report on soil and climate change (August 2019), could you highlight the impact of climate change on the agricultural and food sectors – and vice versa, due to the interconnection between agriculture, soil conditions, food security and greenhouse gas emissions.

DOMINIQUE BOURG:

The report emphasizes the close and mutual relationship between soil and climate change. The Earth's ecosystems absorb one third of our emissions, but their use – through agriculture and forestry – emits 23% of global emissions. Let us begin by recalling that global warming of 1,5°C to 2°C will be reached, as it has been pointed out by the French research center, the IPSL. By 2030, we will have reached 1,5°C and by 2040, 2°C more than the pre-industrial average temperature. These forecasts have already been determined given that a degree of GHG concentration in the atmosphere is not immediately fully expressed.

It would therefore be necessary to work towards negative emission technologies in the second half of the century and achieve a drastic reduction of our emissions – from 45% to 58% by 2030. Negative emissions technologies consist in pumping carbon from the atmosphere. Today, a technically reachable solution would be to produce almost exclusively

INSIGHTS FROM OUR EXPERT

all global electricity from biomass, using plants such as miscanthus or fast-growing trees. The carbon pumped would be captured from the chimney stacks of these thermal power plants and would then not return to the atmosphere. One third of the energy thus produced would be reallocated to a new industrial sector of capture, liquefaction or solidification, transport and storage of CO2 emissions.

Yet, this solution raises an issue. This would result in a thorny competition over land use, when our food production capacities would be continuously declining. Furthermore, such monocultures would contribute even more to the collapse of life, while the climate is nothing if not the optimal conditions for the development of living species on Earth.

Finally, the impacts of ongoing climate change on rainfall patterns could be appalling, as more severe rainfall will exacerbate soil destruction through erosion.

There are numerous additional threats to our food production capacities: global warming itself, plants stopping their photosynthetic activity between 40° to 45° or the fact that we will have to start counting days at more than 40° in temperate regions. In June 2019, the temperature climbed to 46° in broad daylight in a village in Hérault (France). Cereals are very sensitive to heat and slow their photosynthesis down as soon as the thermometer rises above 30°. One should bear in mind that conventional agriculture requires 10 fossil calories to produce 1 calorie.

Lastly, one may notice that it is the first time the IPCC is comparing emissions scenarios (RCP) with scenarios (SSP)

regarding global political organization, ranging from knowledge sharing information associated with major international cooperation to a self-reliance and highly unequal scenario. The same emissions scenario leads to diverse social consequences depending on the political scenario to which it is linked. Undoubtedly, an unequal scenario is inconsistent with fair and equal access to food.

QUESTION 2:

What changes and questioning need to be made to our agricultural and production systems? Should these changes also consider or anticipate more “conscious” consumption patterns?

DOMINIQUE BOURG:

The answer is clear, we are facing two vast issues: the destruction of living organisms and the blast of our greenhouse gas emissions. Agriculture is largely contributing to this – directly through methane and nitrous oxide, and indirectly through the current food system and the upstream industry for agricultural inputs. There are three types of answers: 1) change our eating habits; 2) move towards agricultural practices that instead of consuming fossil fuels, store carbon; 3) adopt agricultural practices that instead of destroying life and soil, regenerate them. One should also consider the fight against food waste.

Regarding the first point, the solution is known: it is a question of reducing meat quantities in our diets – it takes 7 to 10 kilos of cereals for 1 kilo of red meat. Meat production must come back to its inherent quantitative limits. The IPSL report emphasizes the variety of local

solutions. On the second and third points, alternatives are known – agroecology, including permaculture for market gardening, conservation agriculture and agroforestry.

One should point out that, compared with conventional market gardening, permaculture market gardening enables to increase the yield by a 10-factor, but by multiplying the working hours by a factor of 20. One should also underline that (research is ongoing), unlike old varieties, conventional varieties grown no longer contain endophytes – microbiota internal to plants. It would therefore seem that, applied to living organisms, the standard rationality of the Enlightenment – i.e. the quest of universality with the same variety used almost everywhere, the use of abstraction soils, geographical specificities, and other living organisms, the use of simple and limited decision-making criteria (long conservation, resistance to transport, flattering form, etc.) – is as devastating as dire.

QUESTION 3:

In your views, what role plays finance, and particularly INOKS Capital, whose mission is to contribute to the creation of more sustainable agricultural value chains, in order to provide concrete solutions to these current problems?

DOMINIQUE BOURG:

It is a question of taking almost the opposite position of what a certain understanding of modernity has led us to do. This is a considerable challenge, which must be tackled rapidly. It is impossible to achieve this and move up the flow quickly without newly oriented financing, with accurate and rigorous

conditionalities.

As we raised it through our first point, one solution can create multiple new issues. It is hence a global and systemic approach across the entire value chain that is needed. Investors have the possibility to support this by providing – or not – financing according to food practices and value chains.

Prof. Dominique Bourg,
Université de Lausanne



While presiding over INOKS' Impact Committee Professor Dominique Bourg teaches at the Faculty of Geosciences and Environment at Université de Lausanne. He is a philosopher and specialist of the environment, global changes and sustainable development. He has published many works, most recently the Une Nouvelle Terre (2018). He also participates in various committees related to the environment, and was part of the Coppens Commission which prepared France's Charter for the Environment in 2004.

8

CLOSING WORDS FROM INOKS CAPITAL'S CEO

CLOSING WORDS FROM INOKS CAPITAL'S CEO

Dear readers,

With the aim of becoming the market leader in capital access for added value resilient activities in the real economy, we have placed Impact and ESG at the heart of what we do since we incepted.

While we reflected on 2018 and are about to close 2019, the last has seen important milestones in our Impact journey that started 13 years ago:

- ▶ with the educated concourse of Steward Redqueen, we completed (a) the stabilization of our Impact & ESG due diligence and monitoring processes and (b) true to our DNA, further refined our impact strategy with the development of a solid Impact Framework, and
- ▶ we early adopted and straight worked towards practical implementation of the IFC Operating Principles for Impact Management.

Noting the much welcomed and positive global market efforts to normalize notions and standards of ESG and now Impact, we naturally seek beyond conformity and are resolute to head for tomorrow. Looking at our history to define our forward-looking pathway, it came natural for our Impact Committee and Board to steer towards an increased engagement, moving much beyond compliance with criteria and standards.

Our belief is that increased collaboration enables unlocking and accelerating the potential for impact of our counterparties and investees. Hence for the years to come our approach will seek no less with:

- ▶ **On the Impact side:** work on the development of our own internal Technical Assistance (TA) program with the perspective of granting bespoke assistance (geography, sector and activity based) on sustainable agricultural practices, productivity and efficiency, waste management, green energy and energy efficiencies, market access and penetration, shorter and income-equilibrated value chains, youth integration and training into the real economy, women equality and upward-mobility/empowerment.

- ▶ **On the ESG side:** further develop our ESG risk assessment process spreading from comprehensive commodity/country risk analyses combined with specific risk analyses based on the IFC Performance Standards as risk identification guiding framework, up to the development of relevant mitigation measures through "hands-on" ESAP. For that purpose, we are reinforcing our team with a dedicated ESG analyst. Our department will then be consistently divided into two distinct expertise: Impact and ESG.

Our methodology and approach are in constant evolution to better embrace the specificities of our investment thesis and philosophy that constitutes our DNA, while always seeking to align with best industry practices. Notwithstanding our already solid Impact Framework, we did not shy in becoming one of the first adopters of the Operating Principles for Impact Management. Our reading is non-dogmatic but practical, the adoption will enable INOKS Capital to reinforce its Impact Measurement and Management process by implementing the nine principles and certify their application via an annual audit.

Thank you to our investors, partners and investees for providing resourceful support to help us achieving our mission and reaching our finality of generating positive impact in our 10 defined objectives contributing to more sustainable markets and efficiently shorter value chains worldwide.

Nabil Marc Abdul-Massih, CEO

9

TEAM

TEAM



IMPACT COMMITTEE

¹ DOMINIQUE BOURG,
Professor Emeritus -
University of Lausanne, President

² ANDREA BROWN,
Quadia, Member

³ AYMERIC JUNG,
Quadia, Member

⁴ NABIL MARC ABDUL-MASSIH
INOKS Capital, Member

⁵ IVAN AGABEKOV
INOKS Capital, Member

INOKS CAPITAL IMPACT TEAM

⁶ JULIE MONTELS,
Impact Analyst



South Africa: Peas and pulses are packed before distribution to processors and food companies

10

MEDIA

PRESS HIGHLIGHTS:

10.10.2018

INOKS CAPITAL ACHIEVES PLATINUM IMPACT BUSINESS MODEL RATING

GIIRS delivers a comprehensive account of a portfolio's impact on workers, customers, communities, and the environment. INOKS capital earns credit for its provision of trade financing to agricultural companies in emerging markets with a focus on supply chain impact and poverty alleviation.

https://www.inokscapital.ch/wp-content/uploads/2018/10/INOKS-CAPITAL_GIIRS-RATING-REPORT.pdf

25.10.2018

LE FORUM MONDIAL SUR L'INVESTISSEMENT 2018 BAT SON PLEIN

6'000 délégués dont INOKS Capital se réunissent au Palais des Nations dans le cadre du forum mondial UNCTAD porté sur l'investissement durable. La Genève internationale affirme son rôle de "Silicone Vallée" de la finance durable, souligné par Ivan et repris par la Tribune de Genève

<https://www.tdg.ch/geneve/actu-genevoise/grand-raout-onusien-2018-c-se-main/story/10071572>

TWITTER HIGHLIGHTS:**[HTTPS://TWITTER.COM/INOKSCAPITAL](https://twitter.com/INOKSCAPITAL)**

12.04.2018:

'Environ un tiers de notre chiffre d'affaires est aujourd'hui africain' – Phoenix Global pour @jeune_afrique

01.06.2018 :

The Swiss Financial sector affirms its drive for #SustainableInvestment as volumes jump 82% over 2017, according to the 2018 @SwissSustFin Market Study

11.06.2018:

Companies which positively impact society generate more stable and durable long term returns according to @Citywire_CH @unigestion

10.10.2018:

'We work with the entire supply chain to build sustainable food-production systems'. Inspiring stories of private sector #Impact in the #IFCAR18

TWITTER HIGHLIGHTS:**[HTTPS://TWITTER.COM/INOKSCAPITAL](https://twitter.com/INOKSCAPITAL)**

22.10.2018:

We have the privilege of discussing the 'Main Obstacles and Solutions to Investment in Africa' alongside esteemed panelists at #WIF2018 tomorrow 4pm, room XI @ UN. See you there!

05.11.2018:

"Fantastic 1st day @AfricaCEOForum, great to catch up with @RainbowUnlimit & @tdgch amongst others, looking forward to more tomorrow #ACF2017"

28.11.2018:

INOKS Capital is pleased to attend #GSSF2018 on 07/12/2018, one of Europe's biggest sustainable finance events. Join us by registering via <https://events.eventzilla.net/e/gssf-2018-2138950058>

CONFERENCES HIGHLIGHTS:

22.03.2018:

Our panel discussed the opportunities arising in Africa, more specifically in the agriculture sector, at JETRO 'Entering African Markets' conference. This conference was conducted to give Japanese companies and government a full view of the opportunities arising in Africa and the benefits in collaborating with European companies in Africa.

17.05.2018:

At TXF's Natural Resources and Commodity Finance event in Amsterdam, our panel discussed the rise of innovative financiers and financing techniques.

23.10.2018:

INOKS Capital attended the World Investment Forum (WIF) dedicated to sustainable investments and explored the main obstacles and solutions to investment in Africa in a panel debate.

07.12.2018:

We attended the 4th Geneva Summit on Sustainable Finance (GSSF), which provides a platform to explore key emerging issues in sustainable finance.

11

AFFILIATIONS AND PARTNERS

AFFILIATIONS

PARTNERS

		ALTERNATIVE INVESTMENT MANAGEMENT ASSOCIATION (AIMA) www.aima.org
		SUSTAINABLE FINANCE GENEVA (SFG) www.sfgeneva.org
		PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI) www.unpri.org
		EUROSIF www.eurosif.org
		FORUM NACHHALTIGE GELDANLAGEN (FNG) www.forum-ng.org
		SWISS-AFRICAN BUSINESS CIRCLE (SABC) www.sabc.ch

		QUADIA www.quadia.ch
		SWISS INVESTMENT FUND FOR EMERGING MARKETS (SIFEM) www.sifem.ch
		SIDRA CAPITAL www.sidracap.com
		STEWARD REDQUEEN (2019) www.stewardredqueen.com

THANK YOU

We wish to thank everyone who contributed directly or indirectly to this report and in particular:

- Our investees for their availability
- Our analyst for her resourcefulness
- QUADIA for their guidance
- And Ismini Adami for the art direction and design,
(www.isminiadami.com)

Printed at:
Pureprint Group Limited
www.pureprint.com

If you have any questions or comments about the content of the report please contact:

INOKS Capital SA
Rue de l'Athénée 32
CH-1206 Geneva
Email: info@inokscapital.com
Phone: +41 22 718 74 10

All photos are copyrighted material and all rights are reserved by INOKS Capital.

This report was written by INOKS Capital's staff. It reflects INOKS Capital's impact philosophy and activities but does not reflect third party views and opinions, including those of our partners. Opinions and views expressed in this report relate to INOKS Capital's bespoke analysis and opinions. The report aims to demonstrate as accurately as possible the impact of INOKS Capital's investments since the inception of Commodity Structured Trade Finance operations in 2007, up until December 2018. Data was primarily collected from INOKS Capital's portfolio companies. The report is meant to be up-dated and published annually.

