

INOKS

CAPITAL



IMPACT REPORT 2021-2022

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Crops in Kazakhstan

FOREWORD

As Rapporteur for the group Leaders for Peace, under the Presidency of former French Prime Minister Jean-Pierre Raffarin, I have had the honour to express a common commitment, on behalf of high-level representatives from more than thirty countries, towards a "new humanism for a new multilateralism". This vision is spelled out in the Leaders for Peace's Annual Report 2022¹, which acknowledges the challenge posed by a combination of rising tensions among the major military powers, as well as the global existential threats posed by climate change and disease. Furthermore, the report points out that wealth is accumulating in the hands of a few at an unprecedented pace, as poverty grows, bringing to the fore of the international agenda the environmental, security, political and moral implications of profound inequality.

The Ukraine crisis has had a series of cascading economic and social effects that raise special concern. Food prices were already high owing to the effects of the Covid-19 pandemic, but now a war involving two major agricultural exporters could drive the global food system into a disaster zone, according to warnings by the Chief Economist at FAO (United Nations Food and Agriculture Organization). Dozens of countries depend on Russia and Ukraine for 30% or more of their wheat. A prolonged conflict could cause the number of chronically hungry people worldwide to increase significantly.

Climate change, in turn, is provoking floods and droughts, while heat waves and cold spells kill crops, degrade soils, deplete fish stocks. As pointed out by the World Food Program (WFP), these circumstances are causing damage to agricultural assets and infrastructure, including transport links between food producers and markets. They are also resulting in forced displacement of population and migration. According to the WFP, global warming has brought down food productivity by 21%, reducing food supplies, as prices continue to rise. The conclusion by the specialised UN program is that, in addition to climate, three other "Cs" are at the root of the current food challenge: COVID, conflict and costs.

United States President Joe Biden addressed these issues at the opening of the 77th Session of the United Nations General Assembly, as he stated that "in every country in the world, no matter what else divides us, if parents cannot feed their children, nothing else matters". This is a message that, in one way or another, was present in a majority of interventions at the UN this year. The deeper truth is that the WFP and FAO had sounded the alarm even before the conflict in Ukraine. Pressures on energy, food prices and global supply chains, however, have been compounded by the war in Eastern Europe. According to the UN 2022 report on "The State of Food Security and Nutrition in the World", nearly 670 million people could be facing hunger in 2030, representing 8% of global population. Let us not forget that 2030 is the year by which we have committed to eradicate hunger, in accordance with Sustainable Development Goal (SDG) number 2, adopted by consensus in 2015.

¹ <https://www.leaderspourlapaix.org/actualites/articles/rapport-annuel-2021-la-reforme-pour-la-paix>

This critical situation requires a renewed sense of collective responsibility, not only on the part of multilateral organisations, but also from individual governments, the private sector, and societies at large. The United Nations system plays a vital role in providing humanitarian assistance on an emergency basis, channelling expertise for sustainable agricultural development, as well as affording a meeting ground for devising strategies and exchanging best practices. The World Trade Organization is discussing a work program, under Egyptian leadership, to create more favourable conditions in trade for net food importing and for least developed countries. But more needs to be done. The private and institutional financial sectors (asset owners, asset managers, as well as advisors and consultants) play a strategic role in fostering the efficient allocation of resources and reorienting capital flows towards sustainable investments. There is a vast array of global initiatives and regulations allowing financial players to support and promote impact management and to better align business and finance with net-zero targets.

Developed countries can provide substantial financial resources as well as scientific and technological support. At the same time there is scope for enhancing South-South cooperation with, or without, the sponsorship of multilateral institutions and assistance from the North. As a leader in tropical agriculture, EMBRAPA (the Brazilian Agency for Agricultural Research), for example, has been at the forefront of ground-breaking experiments that have transformed Brazil into the number one producer or exporter of several products, including soya, beef, and poultry. There are centres of excellence in all parts of the world that can help make a difference in favour of sustainability.

However, as the 2022 FAO report highlights, the current recessionary context makes it even more challenging for governments to increase their budgets to invest in agrifood systems transformation. The FAO recognises that financial resources are less available for food production today and suggests that public-private partnerships will be essential for investments, as we confront the challenges of tomorrow. COP 27 on climate change, hosted by the Egyptian Government in Sharm El Sheikh in November 2022, represents an opportunity for the implementation of previously reached understandings, in line with the 2015 Paris Agreement. By now, it has become sufficiently clear that unsustainable economic models represent an existential challenge to the entire international community, independently of geographic location or level of development.

There are serious gaps in financing for mitigation and adaptation, as well as for loss and damage due to extreme climate conditions - as recently witnessed in Pakistan, the Horn of Africa, Chad, Madagascar and elsewhere - with a temperature increase of only 1,1 degrees Celsius! The flip side of concerted efforts to reduce the level of greenhouse gas emissions is the need for adaptation to the entire array of phenomena that provoke food shortages and constrain sustainable economic and social progress. These gaps and requirements are calculated in trillions of US dollars, which cannot be met by governments alone. Africa and other parts of the developing world, despite a very limited contribution to global warming, are particularly affected by its impact and have been calling for a "climate fairness", capable of taking into consideration their vulnerability in the face of circumstances generated elsewhere.

Structural and contextual circumstances create the need for imaginative forms of financing that will produce concrete results, with a sense of urgency. A focus on effective shifts of capital towards the most impactful businesses to confront environmental and social challenges has become a necessity. The management of investment funds through strategies that benefit emerging economies, through more resilient and sustainable commodity value chains, can meet several objectives at once, in line with the 2030 Agenda on Sustainable Development, the Paris Agreement, and food security emergencies resulting from unforeseen public health and geopolitical constraints.

Unless political momentum is generated by a combination of leadership at governmental level, supported by responsible financial and business choices, humanity will be at risk. In the latest report, "Leaders for Peace" issues a call for a new awareness of our common destiny on Earth, as it becomes increasingly evident that there will be no future to speak of unless we fully recognise the new realities of our planetary interconnectedness. A new global ethic, or humanism, is thus required to rally stakeholders from all quarters, irrespective of their nationalities or beliefs, in coordinated efforts to combat poverty, hunger, disease, illiteracy and environmental decay. Leaders for Peace reminds us that we cannot plant seeds with closed fists and that peace and sustainable development cannot be achieved if we act alone. We are already behind schedule...



Antonio de Aguiar Patriota

*Ambassador of Brazil to Egypt and
Former Minister of Foreign Affairs*

Antonio de Aguiar Patriota (born April 27, 1954) is the current Ambassador of Brazil to Egypt and former Minister of Foreign Affairs. Patriota took office as foreign minister on January 1, 2011, and remained in office until August 26, 2013.

A graduate in philosophy from the University of Geneva and later international relations by the Rio Branco Institute, Antonio Patriota has taken prominent positions within the foreign service such as Brazil's ambassador to the United States between 2007 and 2009, Deputy Secretary General for Political Affairs of the Ministry of External Relations, Cabinet Chief of Foreign Minister Chancellor Celso Amorim and Secretary General of the Ministry of External Relations.

I. Inoks Capital as an **Investment Manager**



01. **Impact** at INOKS

How We Define Impact in 2021-22

2021 to 2022 saw the world grapple with numerous geopolitical, market and environmental shocks, with continued effects of the pandemic and its uneven recoveries exacerbating existing social and economic inequalities. The resilience of global food systems continues to be tested and threatened given the war in Ukraine, supply chain disruptions and food security outlooks.

As an impact investor, INOKS Capital's mission is to contribute to sustainable commodity value chains. INOKS Capital has been providing funding solutions for real-economy companies in emerging markets since 2006. These SMEs contribute to the growth of local value-added activities which have a positive impact on local communities. The focus on essential agricultural and food sectors has proved even more critical to enhance and support the transition to efficient and sustainable food access.

INOKS' approach to impact investment and

creating a positive holistic return is driven by the two-fold strategy of Impact ("Do Good") and ESG ("Do No Harm"), which has been embedded in the investment process since inception. INOKS' Theory of Change and Impact & ESG Frameworks are continuously being adapted in order to meet the requirements of the evolving regulatory frameworks.

All funds managed by INOKS Capital qualify as Article 9 of SFDR as they follow sustainable investment objectives and do no harm across other E&S elements. INOKS belongs to the first 75 adopters of the Operating Principles for Impact Management and published its third disclosure statement, affirming that its impact measurement system and all investments are managed in accordance with the Principles. In 2020 and 2021, INOKS underwent an independent verification on its internal Impact systems, tools and processes conducted by Steward Redqueen.

OUR POSITION IN THE EVOLVING ECOSYSTEM OF IMPACT INVESTMENT AND ESG

Impact investing is continuously growing and gaining traction, yet it remains an emerging industry. The share of impact investments as a proportion of total assets under management at the global level stood at 2.3% in 2020¹. Impact investment goes further than the integration of sustainability risks into investment decisions. It goes further than minimum responsible standards. It means working with companies that demonstrate intentionality and supporting them to maximise positive impact while considering potential adverse impacts, identifying inherent risks and potential negative side effects.

The number of financial products in the market labelled as "sustainable" represents a larger portion of total AUM compared to previous years (35.9% in 2020²). However, this boom has resulted in market confusion as industry actors make different interpretations of regulatory definitions and requirements. In this context, the EU regulatory framework (SFDR and Taxonomy) continues to evolve in order to adapt to the market, ensure greater transparency, and assess the credibility of the financial sustainable products available.

INOKS, as a delegated asset manager of several funds in accordance with its Impact and ESG strategy, complies with the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as amended by the Taxonomy Regulation (EU) 2020/852 of 18 June 2020.

The below chart shows INOKS Capital's positioning within the sustainable finance sector and demonstrates how we integrate the core industry approaches into our Impact ("Do Good") and ESG ("Do No Harm") framework and strategy. Our approach illustrates the principles and tools we implement, which allow us to meet the classifications, objectives and disclosure requirements of the EU SFDR and Taxonomy.

Investment approach	Exclusions	Norms-based screening	Best-in-class	ESG integration	ESG voting	ESG engagement	Sustainable thematic investments	Impact investing
INOKS Capital approach	Do No Harm strategy		Do No Harm strategy		Do No Harm & Do Good strategies		Do Good strategy	
Principles / tools	Exclusion list		ESG risk identification & compliance to standards		Engagement actions (incl. E&S, Impact Action Plans, TA)		Contribute to 1 of INOKS' 4 impact themes	
Product classification	Standard product		Promote E&S characteristics				Sustainable investment	
EU SFDR Objectives	Integrate sustainability risks & consider adverse impact		Select on E&S characteristics		Address adverse impact		Achieve E or S (measurable) objective	
EU SFDR Disclosure Requirement	How sustainability risks are considered (art.6) and if adverse impacts are considered (art.7)		How E&S characteristics are met (art. 8)		Main engagement actions setup (art 4)		How sustainable objective is achieved (art 9)	
EU Taxonomy	Minimum safeguards		Do No significant Harm defined criteria				Substantial contribution to taxonomy objectives	

Figure 1:
Integration of INOKS Capital Approach, SFDR and Taxonomy Regulatory requirements across sustainable finance investment approaches

1. 2.3% of Total AUMs in 2020. Source: IFC, Investing for Impact The Global impact investing Market 2020 own calculations

2. Source: Global Sustainable Review 2020

SUSTAINABLE INVESTMENT AT INOKS CAPITAL - IMPACT AND ESG
TWO-FOLD STRATEGY TO ENSURE RESPONSIBLE INVESTING



IMPACT INVESTING
(DO GOOD)

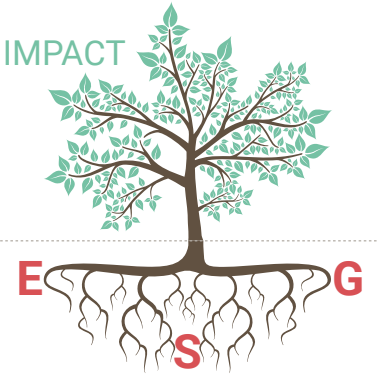
We believe that efficient and innovative companies across commodity value chains have a strong potential to help solve some of the most pressing sustainability challenges that the world is facing today. With this logic in mind, we select companies that contribute to solutions in the following impact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

-  **Poverty alleviation**
-  **Food security**
-  **Environmental quality**
-  **Women empowerment**

ESG INVESTING
(DO NO HARM)

Economic activity affects the environment and society. Focusing on positive impact should go hand in hand with reducing the risks associated with economic growth. INOKS closely analyses the risk management practices that companies have in place to identify and mitigate these risks in order to establish the extent to which their operations are sustainable. We also have an exclusion list of activities deemed unethical and harmful to society. We select companies based on the international standards they adhere to (minimum safeguards) and the commitment they show to further improve their performance in ESG areas:

-  **Environmental risk mitigation**
(e.g. pollution, water use in stressed areas)
-  **Social risk mitigation**
(e.g. health & safety protection, work contracts)
-  **Governance commitment**
(e.g. code of ethics, audit of financial statements)



Vegetable oil production in Eastern Europe

02. INOKS Capital at **a Glance**

Our Business, Our Vision, Our Mission

INOKS Capital S.A. is an asset manager of collective investment schemes authorised by FINMA, with headquarters in Geneva. We manage several funds in Cayman and Luxembourg alongside segregated institutional mandates with assets under management totalling USD 680 million.

INOKS Capital offers direct investment opportunities which support commodity value chains across emerging markets. These investments generate a positive impact as they contribute to shortening value chains and fostering their transition towards sustainability.

Since 2006, INOKS Capital has deployed over USD 6bn in customised financing solutions to companies predominantly active in the agriculture and food sector.



Our vision is to **facilitate** emerging and frontier markets' **access to capital** for resilient, value-added activities with a high potential of **positive impact in the real economy**



Our mission is to **provide customised financing solutions for sustainable agricultural value chains**, to contribute to their **growth** and **increase the positive impact on all stakeholders** involved in the commodity life cycle.

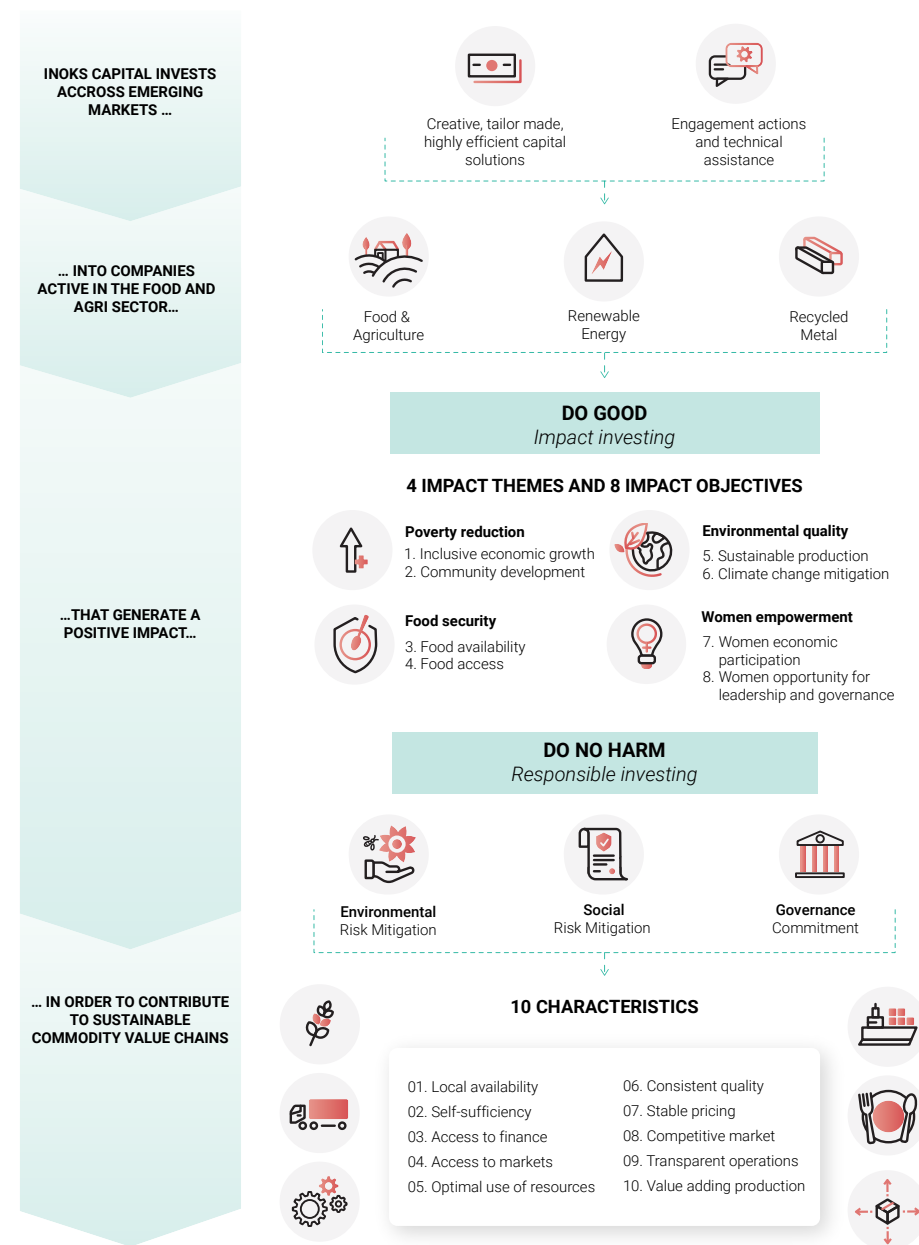


Figure 2:
INOKS Capital's Theory of Change

Our Global Reach ¹

SINCE INCEPTION

USD
6.17 Bn
deployed

Supported
135+
companies

Invested in
20+
countries

Financed production,
processing and trade of
35+
commodities

PORTFOLIO IMPACT IN 2020

12,736
jobs supported

93%
of employees are compensated
above minimum wage

92,000 MT
staple crops produced and mainly
sold locally

11,805
smallholder farmers reached

5%
of women-owned
enterprises

20%
of our investees
are women-led

Map of portfolio companies



REPEAT BUSINESS FROM 2021

NEW TO 2021: CPAM, EPAA

NOT RENEWED: ACOE1, KAKA,
KSHI, LSDL, LSNP, MREO

2021 PORTFOLIO ALLOCATION

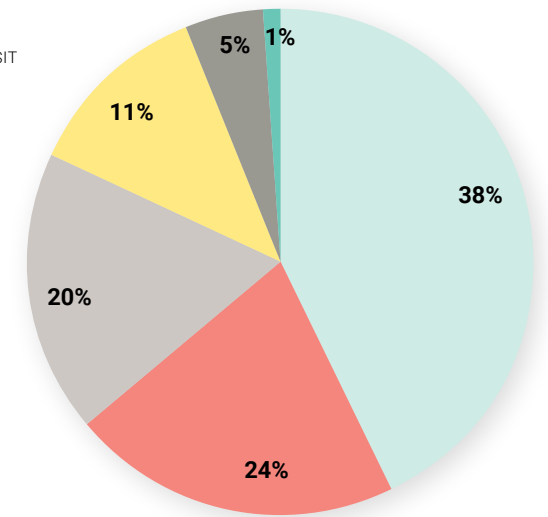
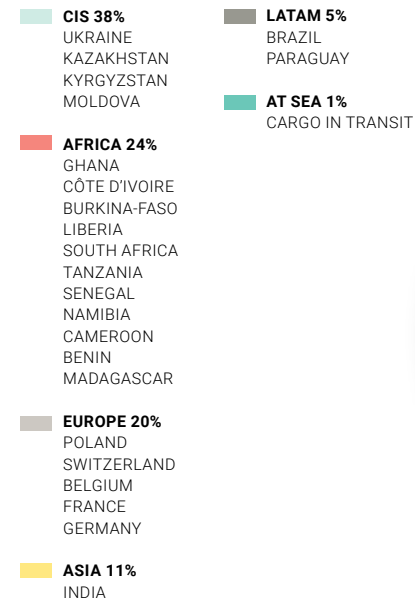
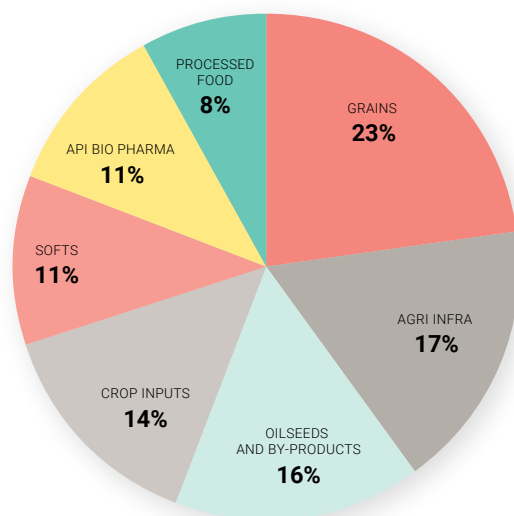
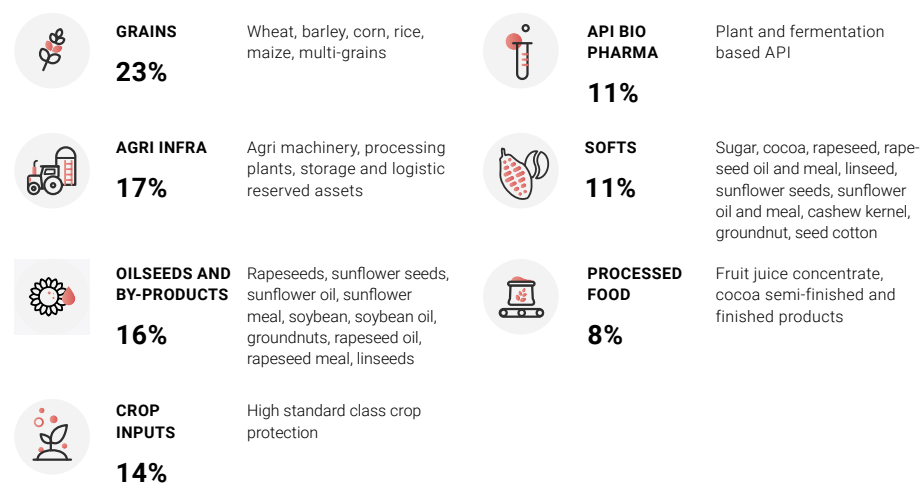
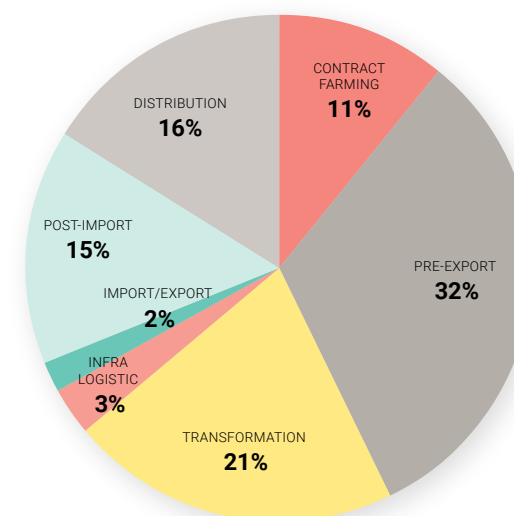
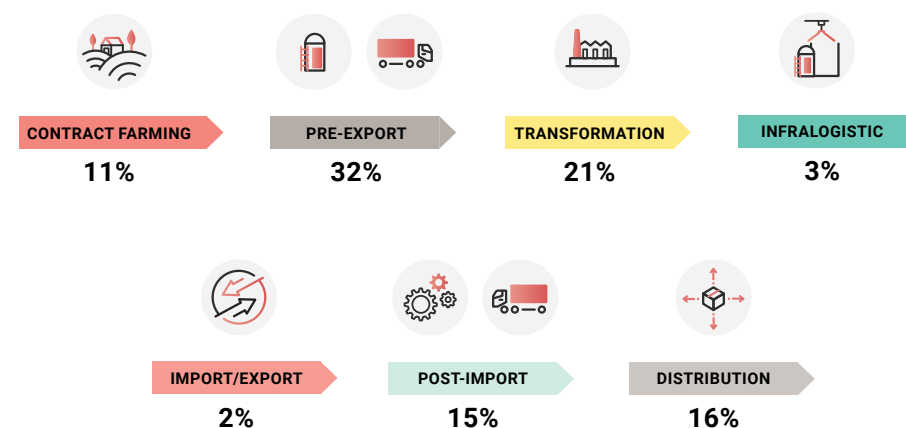


Figure 3:
2021 average figures

COMMODITIES

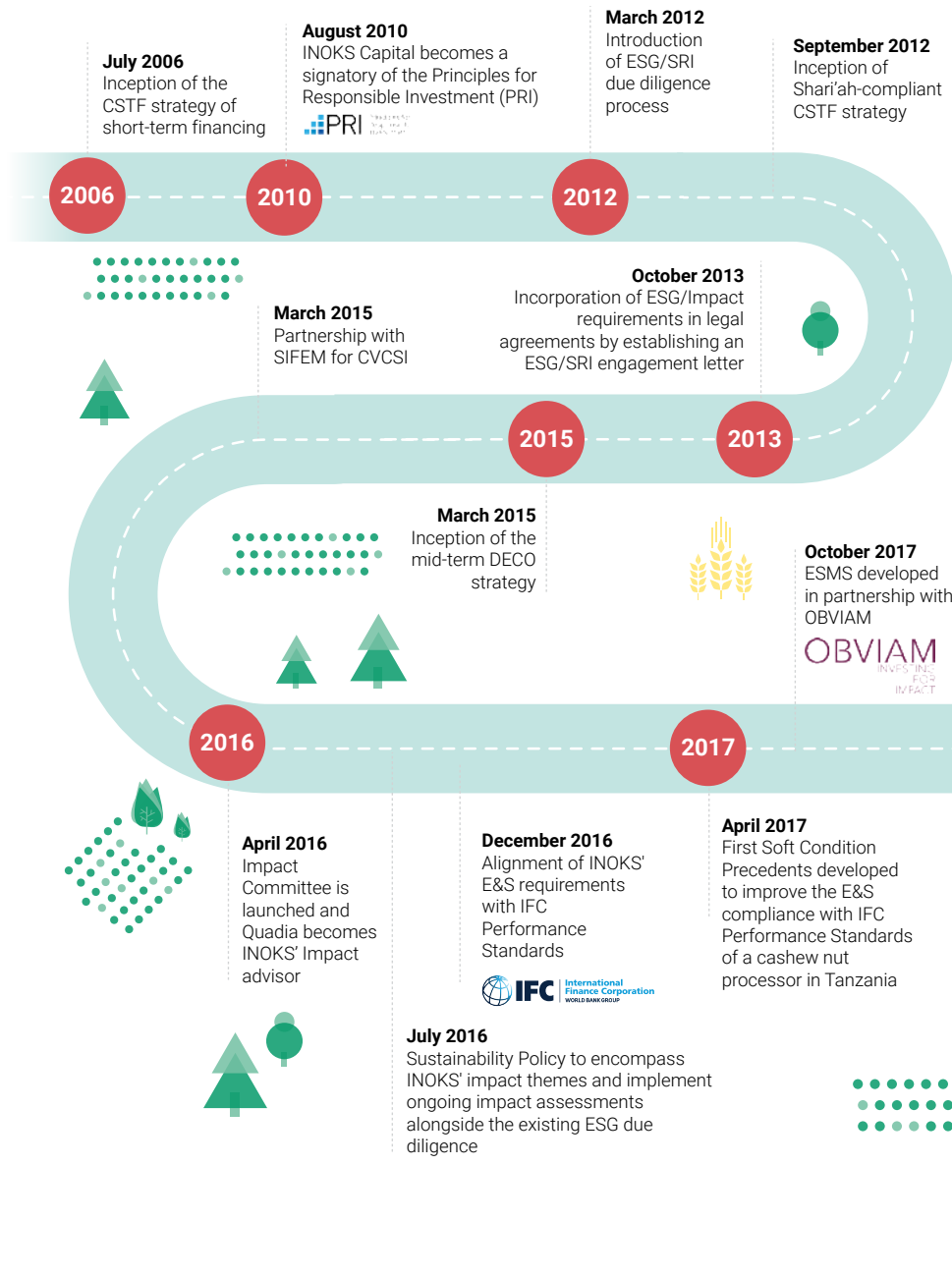
Figure 4:
2021 average figures

VALUE CHAIN SEGMENTS

Figure 5:
2021 average figures

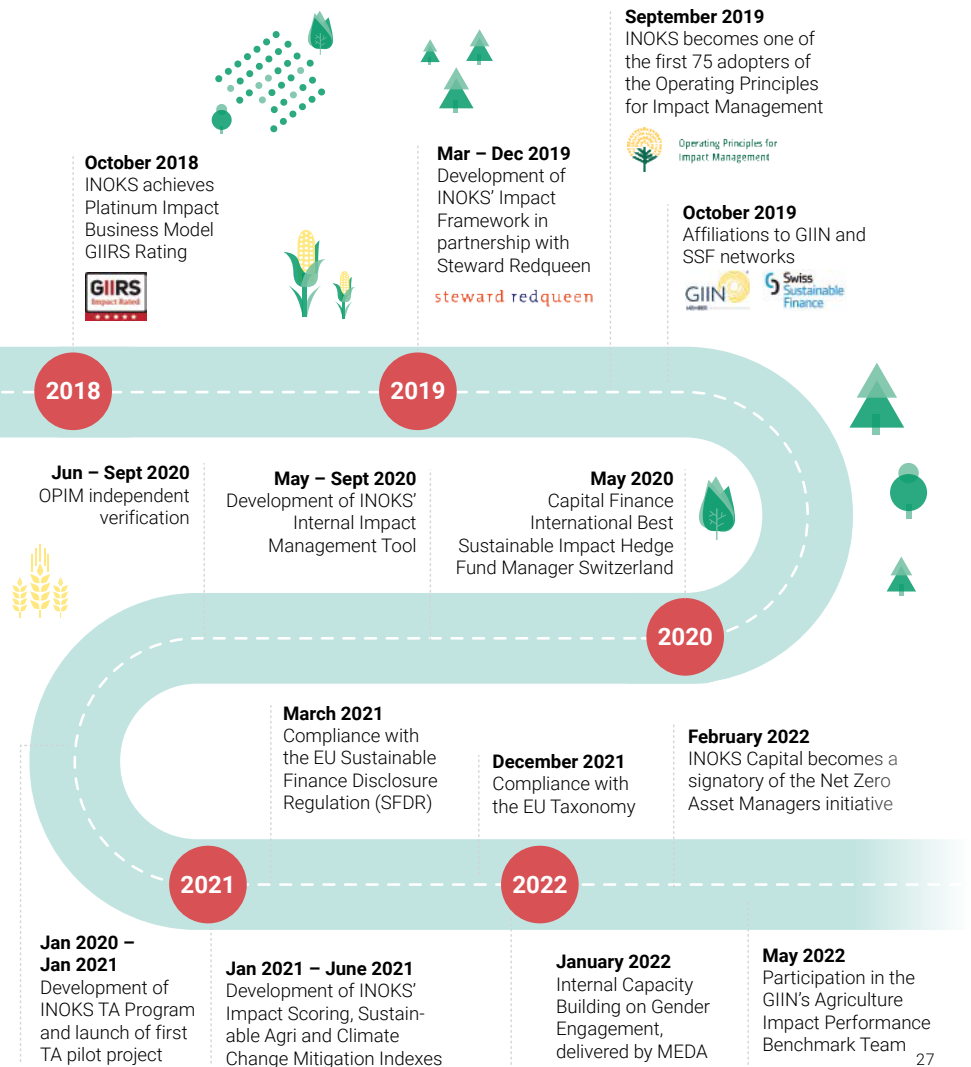


03.
Our **Impact**
Journey



Our Impact Journey¹

CSTF – Commodity Short Term Financing
CVCSI – Commodity Value Chain Sustainable Investment Fund
DECO – Debt to Equity Conversion
ESMS – Environmental and Social Management System
GIIN – Affiliations to the Global Impact Investing Network
GIIRS – Global Impact Investing Rating System
MEDA – Mennonite Economic Development Associates
SIFEM – Swiss Investment Fund for Emerging Markets
SRI – Socially Responsible Investment
SSF – Swiss Sustainable Finance
TA – Technical Assistance





04. Innovative Impact **Management Tool**

The Operating Principles for Impact Management in Practice: A Deep-Dive Into Our Impact Management Tool

A thorough Impact Measurement and Management ("IMM") system ensures that an investment strategy remains in line with a Fund's Sustainable Objective(s) and delivers positive impact results that meet investors' expectations. Over the years, INOKS Capital has developed strong IMM processes and tools to measure, monitor and report on impact. In 2019, INOKS Capital became one of the first 75 adopters of the Principles, which further reinforced the comprehensiveness and reliability of our IMM processes, especially through the external verification by Steward Redqueen. In 2020, our company started to work on developing its proprietary Impact Management Tool, an application where our impact and ESG data is stored, which enables us to monitor the impact performance of an investee by

comparing impact data from the baseline data year and then across subsequent years via the monitoring dashboard. It serves as a basis for follow up on engagement actions and allows us to track the level of INOKS Capital's contribution and additionality. INOKS took this step to develop its own internal platform to integrate data collection and enable advanced impact analysis on an annual basis as well as comparatively over the years of investment. The Impact Management Tool is an innovative and efficient tool that puts the Operating Principles for Impact Management into practice. It is formed on the five foundations of impact investing: intentionality and strategy, impact performance assessment, impact attribution, impact monitoring, and engagement actions.

INTENTIONALITY AND STRATEGY

Corresponding to OPIM Principle 1: Define strategic impact objective(s), consistent with the investment strategy

To achieve its mission, INOKS Capital deploys a two-fold Impact and ESG investment strategy, which encompasses clear principles, standards and tools. This strategy consists of both applying the ESG criteria to ensure that negative effects are mitigated and capital is invested responsibly

and also implementing our impact criteria to address specific sustainability challenges and generate positive impact in line with our four impact themes (poverty reduction, food security, environmental quality and women empowerment). INOKS targets eight specific impact objectives and 14 strategic goals, which are aligned with six of the Sustainable Development Goals (SDGs):

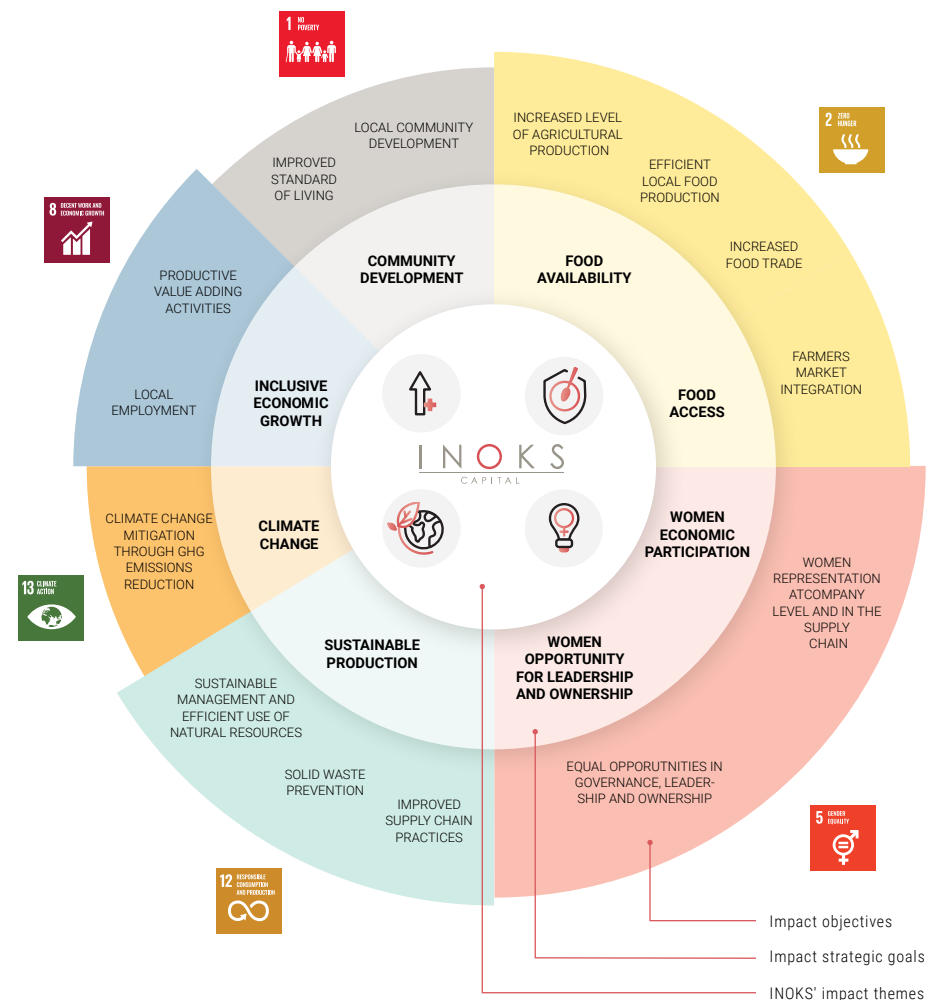
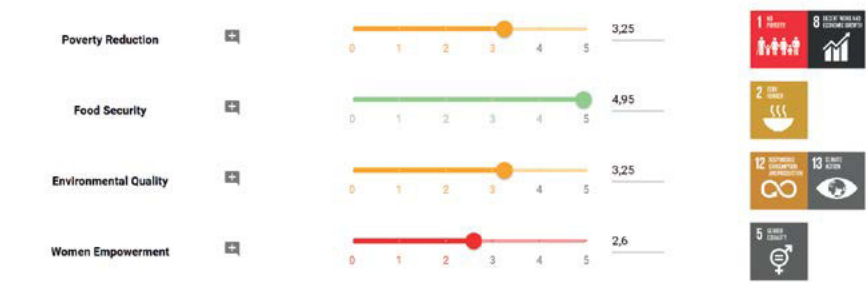


Figure 6:
INOKS Capital's impact themes and strategic goals mapped to the SDGs

In the Impact Management Tool, users can access the results of the Impact Scoring and ascertain the level of contribution of each investee towards each of our impact themes.

IMPACT THEMES, SCORING AND SDGs



IMPACT PERFORMANCE ASSESSMENT

Corresponding to OPIM Principle 4: Assess the expected impact of each investment, based on a systematic approach

Our analysts conduct extensive quantitative and qualitative ex-ante impact analysis summarised in a factsheet. The Impact Management tool displays the Impact Narrative of an investment, as well as a summary of key impact KPIs. See below an example of impact narrative of our investee that we can see on Impact Management tool.

IMPACT NARRATIVE

The challenge
[ILLUSTRATIVE, SAMPLE TEXT]
Approximately 2/3 of the country's population works in the agricultural sector. The country is however highly reliant on the cultivation of three main cash crops: cotton, cacao and coffee. To reduce this dependency and avoid high economic and social negative impacts resulting from change in market price or yields of one of these three crops, the country is diversifying into soy. Almost 60% of soy production is organic. In 2019, organic soybeans accounted for 95% of the country's exports to the EU. To develop further the agri sector and achieve development impacts, the main achievements must be reached: professionalisation of the soy sector, improved access to markets, provision of technical assistance and training to farmers as well as improved access to financing of value chain actors (esp. pre-harvest financing).

The expected impact
[ILLUSTRATIVE, SAMPLE TEXT]
INOKS Capital provides USD XXXX M to fund the following activities in the respective company: purchase of organic soybeans from contract smallholder farmers, finance of storage, transport and export costs. INOKS' financing will play an important role by supporting a key player in the organic soy sector, which promotes the sustainable development of the soy value chain and local value addition. In particular, INOKS financing will help the company to increase the quantity of soybeans bought from farmers, which will have the following expected impact and targets:

- XXXX increased number in contract farmers (XXXX cooperatives and supporting XXXX farmers in transitioning from conventional to organic farming)
- Increased agricultural yields of farmers from X MT to X MT/ha by 2027, +100% via training on organic sustainable practices
- Increased women representation at both company and value chain level by implementing its Women Empowerment Policy and strategy

Results
[ILLUSTRATIVE, SAMPLE TEXT]

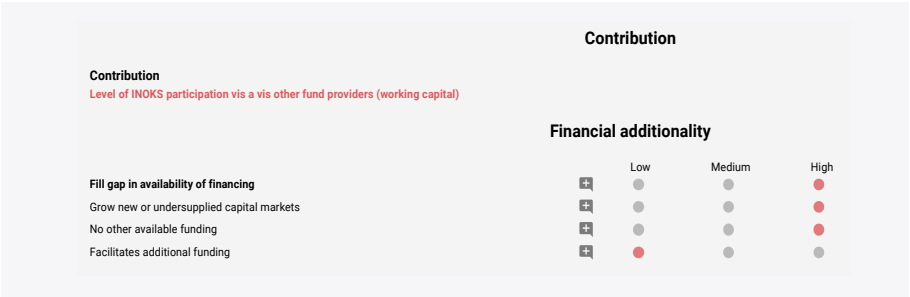
- The company substantially contributes to increased income for smallholder farmers by improving access to market for ~9000 SHFs
- The company employs 138 workers, 90% from local communities, who earn a wage premium of 50%
- The company contributes highly to food security through improved level of production resulting from increased yields and sustainable soy production (100% organic-certified)
- The company provides quality inputs and agronomic support (including soil preparation) to affiliated smallholder farmers. The company gets a score of 2.8/4 in INOKS' Sustainability Agriculture Index.
- The company contributes substantially to mitigate GHG emissions and improve resilience of farmers to climate change. The company achieves a Sustainable Score in INOKS' Climate Change Mitigation Index (3.11/4).

Theme	Dimension	Average Score	Score	Sub-theme	Indicator	Indicator Source	Indicator Unit	Indicator Data	Indicator Value	Indicator Target
Poverty Reduction	SDG 1: No Poverty	3.25	3.25	Total employees	IN0001	IN0001	#	26	26	26
	SDG 2: Zero Hunger	4.95	4.95	Employees Trained	IN0006	IN0006	#	0 (0%)	0 (0%)	0 (0%)
	SDG 12: Responsible Consumption and Production	3.25	3.25	Wage Premium	IN0007	IN0007	%	1.80	1.80	1.80
	SDG 13: Climate Action	2.6	2.6	Producer Price Premium	IN0009	IN0009	%	10%	10%	10%
Food Security	SDG 5: Gender Equality	2.6	2.6	Average supplier payment period	IN0011	IN0011	Days	30	30	30
	SDG 5: Gender Equality	2.6	2.6	Revenue growth	IN0008	IN0008	%	29.0%	29.0%	29.0%

IMPACT ATTRIBUTION

Corresponding to OPIM Principle 3: Establish the manager's contribution to the achievement of impact

INOKS Capital conducts annual monitoring of its contribution to the achievement of impact, as well as its financial and non-financial additionality. Contribution relates to the share of investees' impact that INOKS can attribute to its intervention and is measured by tracking our level of participation vis a vis other fund providers. Additionality corresponds to the unique solution (financial or non-financial) that INOKS Capital brings to a private investment that is not typically offered by other financial providers that solely pursue commercial objectives. Contribution and additionality are both assessed each year during the course of the investment and formalised within INOKS' Impact Management Tool.



IMPACT MONITORING

Corresponding to OPIM Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately

The achievement of positive impact is monitored on an annual basis. We require our investees to report on a set of quantitative and qualitative indicators by responding to our Annual Impact Survey. The responses are used to calculate an impact score, which enables us to determine the level of impact contribution of an investee. The impact scoring consists of five levels:



- ▶ Additionally, follow-up emails, calls and on-site visits may also be planned to complement and complete the monitoring analysis.
- ▶ By comparing these results with the baseline data (incl. initial impact score) and the expected impact targets, we are able to monitor the impact generated by our investees’ products, services and activities across INOKS Capital’s four impact areas and understand how our financing has helped contribute to the positive impact achievement.
- ▶ All monitoring results are stored in the Impact Management Tool. This approach facilitates comparative analysis and serves as a useful tool to discuss achievements, engagement actions and improvements collaboratively with each investee.

	2017	2018	2019	2020
Poverty Reduction				
MONITORING ANALYSIS				
INCLUSIVE ECONOMIC GROWTH				
Support of local jobs				
Total employees	26	28	32	26
Permanent employees: Total	24 (92 %)	24 (86 %)	23 (72 %)	15 (58 %)
Temporary Employees: Total	2 (8 %)	4 (14 %)	9 (28 %)	11 (42 %)
Middle managers	-	-	1	0
Top managers	Not Available	Not Available	2	2
Non-management employees & first level managers	-	-	29	24
Employees & 1st level managers from Local Communities: Total	0	0	0 (0 %)	19 (79 %)
Managers (middle and top) from Local Communities: Total	-	-	0 (0 %)	2

ENGAGEMENT ACTION

Corresponding to OPIM Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately

The outcome of due diligence and monitoring assessments may require that INOKS discusses areas of improvement with an investee. This could result in various engagement actions to improve our investees’ compliance with applicable international standards such as the IFC Performance Standards, unlock new impact opportunities or scale existing ones. The dashboard of the Impact Management Tool illustrated below is used to track and measure progress on all the engagement actions (or opportunities) implemented with our investees.

Actions							
Theme	Type	Description	Nature	Start Date	End Date	Status	Next Action
Environmental Quality	TA	Technical Assistance project to improve value chain traceability and linkages with smallholder farmers	Implementation	30.04.21	30.04.22	OG	



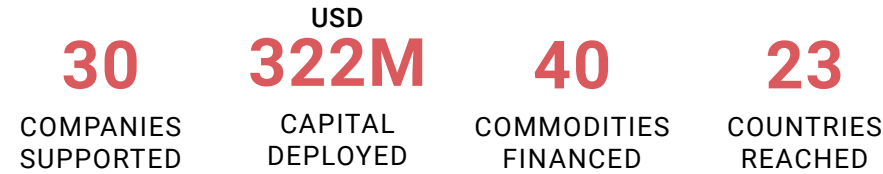
05. Impact Highlights



Wheat harvesting in Eastern Europe

Our Investees' Impact¹ Across the SDGs

OUR GLOBAL REACH



ACROSS ALL VALUE CHAIN SEGMENTS

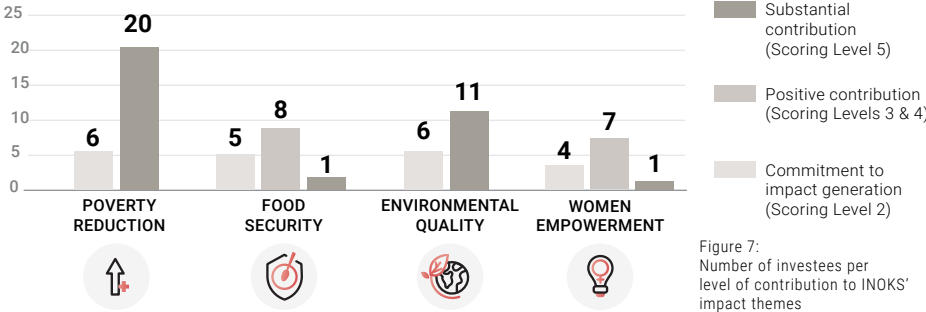
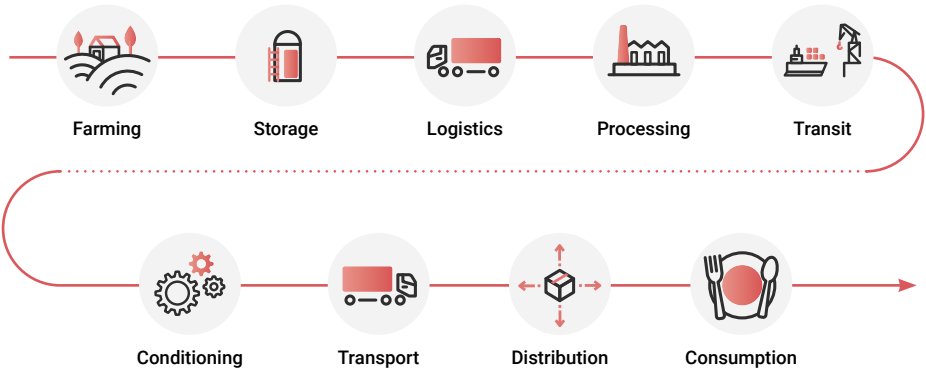


Figure 7:
Number of investees per
level of contribution to INOKS'
impact themes



Farmer clinic, led by our investee in Ghana

Poverty Reduction



In 2021, we channelled over 90% of our capital towards emerging and frontier markets. We target real contributions to reduce the number of people below the national poverty line and build resilience among vulnerable communities. Our support fosters gainful employment, decent jobs, and safe and secure working environments.



INCLUSIVE ECONOMIC GROWTH

Direct jobs supported

12 736

% local employment

85%
of employees
hired from the local communities

67%
of managers

% employees paid above minimum wage

93%
earn above

% employees trained

70%

Total revenue

USD 1,111,533,296

Total revenue generated
for Smallholder Farmers

USD 13,103,023

Local value addition

2,414,173 MT

of food products conditioned and processed (from raw to finished or semi-finished products) increasing local value generation



COMMUNITY DEVELOPMENT

Contribution to community development

11

investees have a **medium to high** contribution to community development

Community projects include:

- ✓ Professional training for local communities to increase employability
- ✓ Local farmers provided with agronomic support and training to boost yields
- ✓ Investments into local infrastructures (bridges, roads) to improve transportation
- ✓ Financial support to build or maintain health care and education facilities
- ✓ Support local businesses to increase local procurement, pay for maintenance and energy costs
- ✓ Provision of local food baskets
- ✓ Various donations and CSR actions

The above impact data is collected from 26 counterparties featured in the CSTF portfolio in 2021.

Impact Story ¹

REDUCING POVERTY THROUGH AGRICULTURE

INOKS has worked with a West African cotton ginner for five years. The company purchases seed cotton from small-scale farmers and gins it into cotton lint for export. In 2021, it supported more than 2600 local smallholder farmers to produce seed cotton by providing them – on credit – an input package which contains seeds, fertilisers and crop protection products. The company has also provided capacity building to farmers on agricultural techniques and application. In this case study, our investee shares a glimpse of the extensive work it is doing with the farmers and the impact it has on poverty reduction.

▶ **How does cotton production help to increase income for farmers and low-income households?**

Cotton is a cash crop which provides an additional revenue stream to farmers in parallel of other food crops such as maize, sorghum and soya. The Ministry of Food and Agriculture (MOFA) holds an annual price fixation meeting to agree and set a fair offtake price from farmers in correlation to West African and international markets.

▶ **Your company provides input packages to smallholder farmers. What kind of inputs do you provide and what are the outcomes for farmers?**

A mixture of herbicides, hybrid seeds and fertilisers for agricultural use. Thanks to the introduction of new hybrid seeds imported from Cameroon, the company can see positive effects on both production and yield. Farmers are pleased with the resilience of the new seeds as well as the trial fields showcasing the new input packages and protocol for application.

▶ **Why did you decide to provide farmers with these agri inputs?**

To boost both productivity and yield, but also to decrease labour costs for weeding and other land preparation activities. It increases farmers' household income and resilience as cotton endures the hardships of weather conditions such as severe drought, common in the north of the country.



Cotton farmers in Ghana

▶ **What are the challenges in establishing efficient outgrower schemes and, more generally, in working with smallholder farmers?**

Traceability, farmer resilience and adaptability to climate change remain the biggest challenges to tackle with smallholder farmer programs aside the ever-increasing cost of raw materials (inputs).

▶ **How does INOKS' financing support your company and its engagement with smallholder farmers?**

It enables financial support to offtake all produce from farmers and trade it for export in the international market, providing direct market access to farmers and ensuring a fair buying price. In addition, INOKS has continuously supported our company by financing the purchase of inputs that are offered on credit to smallholder farmers who produce seed cotton.



Wheat production in Eastern Europe

Food Security

In 2021, **90%** of our financing directly supported companies engaged in the agricultural sector (including agricultural production, processing, trading, or the provision of agri-inputs). Our aim is to increase food availability and access through improved productivity, resilient agricultural practices, local and sustainable food production systems, and efficient channels of food trade.

KEY INVESTEE METRICS



FOOD AVAILABILITY

Agricultural yields

Climate in 2021 was harsh and most of our investees experienced longer periods of drought that impacted yields, leading to an average 1% **decrease** on the main crop produced across all INOKS' investees

Training for farmers

93%
of smallholder farmers (11,003) trained and provided with technical assistance

Staple food production

92,000 MT
of staple crops produced (rice, maize, wheat...)

Local staple food availability

73%
of staple food produced or traded by INOKS' investees are sold locally

Level of food trade

323,344 MT
of agriculture and nutritious food products distributed locally or exported



FOOD ACCESS

Smallholder farmers reached (< 15Ha)

11,805

The above impact data is collected from 26 counterparties featured in the CSTF portfolio in 2021.

Impact Story

IMPROVING FOOD SECURITY IN GHANA

INOKS supports a Ghanaian rice producer and processor distributing its products to retailers that supply the local market. The northern, rural regions where the company operates is subject to a high level of food insecurity.

▶ **How would you evaluate the company's contribution to local food security?**

Local households' access to sufficient, safe and nutritious food has been decreasing as a result of dwindling availability of major staples like maize and cassava. The company's contribution to local food security consists of replacing maize and cassava-based meals, which is increasingly hard to find, with milled rice products. Households can now compensate the lack of maize and cassava with dishes made from locally produced milled rice products.

▶ **The purchase of staple foods makes up a large portion of consumer spending of low-income households. What are the current constraints to local market sales? Do you notice any changes in behaviour / buying tendencies of offtakers and/or end consumers especially considering global tendencies and volatility?**

The current constraint to local market sales is customer affordability. Consumers complain about the rise in food prices and soaring costs, while their income stays unchanged. Our company is working on introducing 1kg and 2kg packets of milled rice for low-income households as they may not be able to afford our current 4.5kg packets.

▶ **On the supply side, the lack of access to markets is a major hurdle for smallholder farmers and their inclusion plays an important role in strengthening local food value chains. Your company has been working directly with local smallholder farmers for a considerable amount of time now. What are the main barriers to the integration of smallholder farmers (SHFs) in local markets?**

The major barriers to local market integration for SHFs are: **(1)** Non repayment of inputs on credit given by our company to SHFs (which should be paid at the end of the farming season with SHFs' production). The rate of default is increasing as the economic conditions worsen; **(2)** SHFs selling to other companies; **(3)** diversion of inputs by SHFs to other crops instead of rice production which affects their productivity/yield.

The current input package support programme faces considerable challenges as listed above. Therefore, we are trialling an informal model of offtaking the paddy rice from farmers at the end of the season even when an input package is not provided. The farmers are paid directly for the paddy they deliver.

▶ **What initiatives have been introduced to strengthen the inclusion of SHFs and consequently the development of local food value chains?**

We have a Connect Programme, through which over 2,000 SHFs have been trained in rice production, across five locations of Southern Ghana. We provided a market SHFs who hitherto struggled to sell their paddy at the end of the season. SHFs were given access to quality farm inputs for rice production and their yield improved from an average 3MT/ha to 5MT/ha.

As a result of current global environmental challenges affecting our local economy, future development plans will be based on non-financial programmes. Indeed, the challenges mentioned above have affected farmers' ability to repay credit. and the company needs to reduce the risk of losses by adopting models that support SHFs while also ensuring the sustainability of the business.

▶ **The impacts of climate change on agriculture are well-known and require increased efforts to adapt to climate variability and improve the resilience of agriculture and food systems. Could you please detail some of the measures and technical support that your company has introduced to strengthen capacities of suppliers and implement sustainable agriculture techniques?**

Higher yields have been observed thanks to the introduction of new seed varieties though productivity remains stable mainly due to the current water management practices. Our company is evaluating drought resistant and short duration varieties of rice for its production needs. This will mean reduced amount of irrigation water required. SHFs who could not produce as a result of reduced rainfall will be able to produce and supply our company. The crop research institute (CRI) will provide samples for demonstration on farmers' fields as well as at our premises.

▶ **How does INOKS' financing enable your company to enhance its production capacity, staple foods processing, and local distribution?**

In 2021, INOKS has supported our company by financing the purchase of inputs essential to producing paddy rice at the nucleus farm, which are offered on credit to the smallholder farmers.



Reforestation projects by a sugarcane producer in Brazil

Environmental Quality

We support companies that contribute to climate change mitigation through the implementation of sustainable agricultural practices (agriculture being one of the eligible sectors for the EU Taxonomy). These include sustainable management, efficient use of natural resources, and waste reduction through prevention, recycling, and reuse.

KEY INVESTEE METRICS



SUSTAINABLE PRODUCTION

Environmental policy in place

11

investees have an environmental policy in place

Resource efficiency targets

5

investees have set up clear targets to improve resource efficiency (water and energy efficiency and/or waste reduction targets)

% water consumed recycled

47%

of total portfolio water consumption was recycled in 2021

% waste generated recycled or reused

100%

of total portfolio waste generated in 2021 was reused or recycled

Influence over supply chain

7

investees have medium to high influence over their supply chain to improve sustainable practices among suppliers of raw materials



CLIMATE CHANGE MITIGATION

Climate change mitigation measures

50%

of our investments towards companies active in agricultural production contribute to the mitigation of climate change through the establishment of advanced agricultural practices to reduce GHG emissions (zero or reduced tillage, increased soil organic matter, use of organic fertiliser, shallow flooding, etc.).

Renewable energy

78%

of the total energy consumed by 2021 portfolio's companies was from renewable sources (mainly sugarcane-based ethanol, the biofuel with the lowest WTW GHGs emission profile able to replace gasoline).

The above impact data is collected from 26 counterparties featured in the CSTF portfolio in 2021.

Impact Highlights

COMMITTING TO A NET ZERO INVESTMENT STRATEGY TOGETHER WITH OUR INVESTEES

INOKS Capital joined the Net Zero Asset Managers initiative in February 2022, an international group of asset managers aligned to net zero. We thereby commit to support the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius.

AGRICULTURE AND CLIMATE CHANGE

Agriculture – especially in emerging markets – is both a major contributor to and a victim of climate change.

On one hand, the food supply chain contributes 19-29% of global GHG emissions according to Eurostat¹, mostly at farm level (80-90%), depending on the type of agricultural practice and/or livestock farming. For instance, enteric fermentation, manure left on pasture, synthetic fertilisers and rice growing are the highest emitters.

On the other hand, agriculture is one of the most vulnerable sectors to climate-related events, which are set to increase dramatically as conditions worsen. A 2009 IFRI food policy report already stated the overall impact of climate change on agriculture are expected to be negative, threatening global food security².

THE IMPORTANCE OF BUILDING CLIMATE RESILIENCE IN EMERGING MARKETS

Emerging markets, which already experience the challenge of food insecurity, are likely to be the most seriously affected by climate change. In 2005, nearly half of the economically active population in developing countries – 2.5 billion people – relied on agriculture for their livelihoods³.

Emerging markets generated more than a third of global food products (in value) in 2020⁴, representing major food providers for most economies especially because they are involved in the first stages of the food chain where value is low, but volumes are high.

Emerging markets are also more prone to climate-related disasters than developed markets⁵, and their means to adapt are lower.

The trends mentioned above are likely to worsen if practices do not change. Global population is projected to reach nearly 10 billion people by 2050. As such, food demand is expected to grow by 50% and there will be increased pressures on the climate, the environment and society, without even considering the consistently increasing trend of per capita calorie intake.

TAKING ACTION

Agriculture has an important role to play when seeking solutions to reducing GHG emissions and increasing carbon sinks. By investing in the food and agriculture sectors, INOKS Capital can have a significant impact through scaling regenerative agriculture and supporting investees. Our investees are mainly involved in food processing or trading and INOKS is able to support them to influence their supply chains and implement practices that support Climate Change Mitigation and Adaptation. We can highlight two main actions that have been implemented at our level:

▶ The development of a Sustainable Agriculture and Climate Change Mitigation Index

With the aim to strengthen our overall assessment methodology on non-perennial and perennial crop cultivation, INOKS Capital has developed and embedded two proprietary indices. The Sustainable Agriculture Index provides insights on the level of advancement of an investee regarding the implementation of sustainable agriculture practices and identifies areas of improvement. The Climate Change Mitigation Index, which is based on the analysis of agricultural practices (rather than the achievement of performance outcomes), gives an indication of the substantial contribution of an investee to Climate Change Mitigation. This index has been guided by the first version

of the Technical Screening Criteria of the EU Taxonomy and will be refined according to the CAP guidelines. Both indices have been reviewed by our Impact Committee member and agriculture specialist Virginie Bernois.

▶ The development of our Net Zero Investment Strategy

INOKS Capital commits 15% of its AUM to be managed in line with our Net Zero Investment Strategy. This proportion is intended to increase over time and ideally cover the full scope of our AUM. Due to the nature of our investment strategy – investing through private debt into private SMEs in agriculture across emerging markets – there are numerous constraints to implementation. For the time being, we intend to focus on a small proportion of assets because of the difficulties our investees face in access to the information and resources required to quantify their GHG emissions. Our role will thus be to support them in this exercise as well as to accompany them in determining an appropriate strategy to reduce and mitigate their emissions.

1 http://www.ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:grienvironmental_indicator_greenhouse_gas_emissions

2 http://www.unscn.org/web/archives_resources/files/CC_impact_on_agriculture.pdf

3 http://www.unscn.org/web/archives_resources/files/CC_impact_on_agriculture.pdf

4 <http://www.fao.org/3/cb0665en/cb0665en.pdf>

5 <https://www.maalot.co.il/publications/gmr20140518110900.pdf>



Input package support programme for rice farmers, led by our investee in West Africa

Women Empowerment



Through this impact theme, our financing targets companies that contribute to increasing women’s economic participation at both company and value chain levels and/or ensure equal opportunities for ownership or leadership at decision-making level.

KEY INVESTEE METRICS



WOMEN ECONOMIC PARTICIPATION

Direct jobs supported for women	
1421	
Female smallholder farmers reached	Training to female smallholder farmers
1995	98%
accounting for 17% of total SHFs	of female SHF received training



WOMEN OPPORTUNITY FOR LEADERSHIP

% women in senior management	Average % women in board of directors
15%	5%
% women-owned enterprises (2x Challenge Criteria)	% women-led enterprises (2x Challenge Criteria)
5%	20%

The above impact data is collected from 26 counterparties featured in the CSTF portfolio in 2021.

Impact Story¹

IMPROVING ACCESS TO MACHINERY FOR WOMEN RICE FARMERS IN CÔTE D'IVOIRE

INOKS Capital supports an Ivorian company involved in the transformation of paddy to white rice and the conditioning of imported white rice. In 2021, we partnered with MEDA, a Canadian development organisation, to provide a Farmer Impact Grant ("FIG") to our investee. Five combine harvesters adapted to small areas, 25 tillers and 25 threshers will be made available to five local women cooperatives producing paddy rice for our investee. In Côte d'Ivoire, access to mechanisation for agricultural production remains an obstacle to improving output value and return rates, especially for women farmers who are often left with poor quality land to cultivate. The objective of this program is to improve agricultural yields (double results to achieve at least 1.2MT/Ha), reduce drudgery, and increase income of women farmers while contributing to women's empowerment and improving gender equality.

In the case study below, we collate the views of the Technical Director of our investee company and two women producers who benefit from the project.

INSIGHTS FROM THE TECHNICAL DIRECTOR

▶ **According to your experience, what major challenges/issues do women rice producers face?**

Women face multiple problems that are common to West African farmers in general: lack of

training, lack of inputs financing (such as good quality seeds and fertilisers), lack of mechanisation, and inefficient management. Women farmers are particularly affected by these issues because they are often alone and left with the least fertile soils.

▶ **Do your affiliated women producers receive training and technical support in order to respond to these challenges/issues? If yes, can you give us more details?**

Yes, they receive technical assistance from our supervisors and support from our partners such as OCP (for access to inputs) & IFC (for training). The company's assistance is structured as follows: there are eight internal supervisors looking after the technical aspects of rice production across four regions and one supervisor in charge of professionalisation of cooperatives. We estimate that, given the surface areas to be covered, we are likely to plan an average of four visits per year on each plot, for a target of 2000 Ha, corresponding to 2000 farmers, with a share of women of about 50%.

▶ **Do women rice farmers receive support during harvest (extra labour, access to machinery, machine rentals, etc.)?**

We provide technical training through the FIG program, jointly with MEDA, concerning the use and maintenance of small machines (motorised threshing machines for instance). Without this program, we only have access to large machines, and these are not suitable for use for women producers, given the small size of the women producers' plots (from 0.5 and 2 ha). As mentioned before, we support women produc-

ers through the provision of the supervisors on technical and professionalisation topics, no further harvesting assistance is provided currently.

▶ **What do you think would be the impact of the FIG program on improving the sustainability of women's farms and increasing their income?**

The FIG program will contribute to the empowerment of women farmers who work the poorest lands (rainfed crops) and have no start-up capital to better cultivate their land: no funding for inputs and no assistance towards small mechanisation.

▶ **How will the FIG program benefit your company?**

Adapting mechanisation for these small-scale farms will contribute to increasing paddy rice yields and allow for a small increase in paddy volumes, which are necessary for the optimal utilisation of our rice processing factories.



Women rice suppliers to our investee in Côte d'Ivoire



Corporate hampers for investee in West Africa

GIVING A VOICE TO WOMEN PRODUCERS

▷ ***Have you heard of the FIG program? Would you like to be part of it?***

Yes, we met the supervisors and discussed the FIG program.

▷ ***What are the challenges/issues you face today in managing your farm? Is access to machinery one of them?***

Challenges include access to inputs, manual labour, lack of machinery for land preparation, transplanting and harvesting.

▷ ***To what extent, does the company (INOKS' investee) help you overcome these challenges?***

The company gives us the inputs on credit, which we pay back with the harvest. But they do not provide support for labour.

▷ ***How will the FIG program help you overcome your farm management issues?***

Mainly by providing farm machinery, as it will allow us to cultivate greater surfaces. We current cannot use the entirety of our land as we do not have the appropriate tools.

▷ ***How will the rice harvesting machines help you?***

Harvesting machines would help us obtain quality rice and a better income. Harvesting would be faster and the paddy would be protected from the rain. Manual harvesting makes us lose rice and thus reduces our income. The machines must be adapted to our fields; they should be easy to use, easy to repair, available on time and in sufficient number for the members participating in the program.



Rice production in West Africa

Our Contribution¹

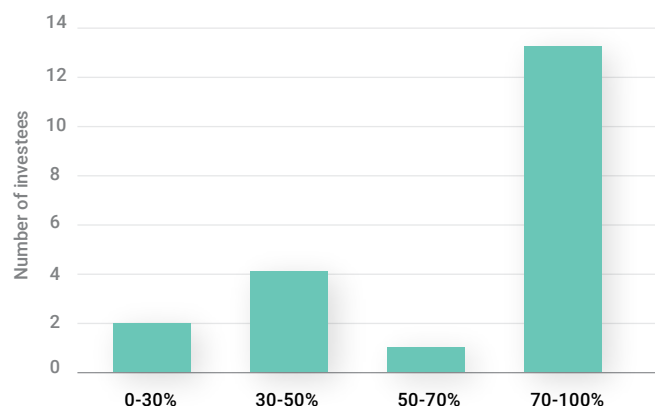


Figure 8:
INOKS Capital's financing contribution to investee vs other financiers



Figure 9:
Achievements directly attributed to INOKS' financing

Our Additionality¹

FINANCIAL ADDITIONALITY

▷ Grow new or undersupplied capital markets

In 2021, investments were made in **13** emerging markets and **15** frontier markets, where access to capital for agribusinesses is often limited.

▷ No other available funding

In 2021, INOKS Capital supported **12** companies that had previously faced barriers to accessing finance.

▷ Additional funding

INOKS Capital's financing helped **8** counterparties access additional funding.

NON-FINANCIAL ADDITIONALITY

▷ Ongoing dialogue with counterparties to monitor and improve impact and ESG performance

▷ 19 Engagement Actions have been implemented:

- ✓ 2 ESG audits conducted by external auditors
- ✓ 9 improvement actions requested to reduce environmental risks (reduce the use of hazardous products, set up environmental policy, obtain ISO certification, CMiA certification)
- ✓ 4 actions requested to improve our investees' social risk mitigation process (introduction of HR policy, supply chain mapping, traceability system)
- ✓ 2 engagement actions set up to improve our investees' compliance with IFC Corporate Governance Guidelines (succession plan, decision-making process)

▷ 1 Technical Assistance project: implementation of different models resulting from the mini-market systems' analysis conducted in 2020, to improve one of our investees' business profitability while generating development impact through job opportunities and increase farmers' income.

▷ 1 development project in partnership with MEDA: Farmer Impact Grant delivered to one of our investees in order to improve access to machinery (combine harvesters) for women cooperatives that are active in rice cultivation in Côte d'Ivoire.



06. Not Doing Things **Alone**

Not Doing Things Alone: Our Impact Committee

INVESTING IN THE EUROPEAN AGRICULTURAL TRANSITION: A NECESSITY TO ENSURE EUROPE'S FOOD SOVEREIGNTY

Whilst Europe has always been considered a major global agricultural power, it has continued to face many challenges that question its agricultural resilience and, this year, even more acutely. In addition to a political crisis that has impacted the availability of agricultural resources, this summer Europe suffered a historic drought, which affected the agricultural yields of cereals (drop in yields estimated at 20% in France) and the quantity of fodder necessary for breeding for this winter. In this context, investing in the European agricultural transition seems the only way to ensure the continent's food sovereignty across the medium to longer term.

THE QUESTION THEREFORE ARISES: WHAT ARE THE STRATEGIC INVESTMENT PRIORITIES?

The Green Deal and the Farm to Fork strategies, introduced in 2020, lay the foundations and provide clear guidelines for the systemic and holistic deployment of sustainable and competitive agriculture for healthy food. It is important to note that the Farm to Fork strategy highlights that the transition of European agriculture cannot take place without a profound change in our diet, for example, at least halving our consumption of red meat.

The main objectives of the Farm to Fork strategy are:

- ▷ 50% reduction in the use of pesticides
- ▷ 50% reduction in the use of antibiotics in livestock and aquaculture to limit the risks of antibiotic resistance transmissible to humans
- ▷ at least 20% reduction in synthetic inputs
- ▷ a 50% reduction of food waste (32% at production level, 21% at processing level, 14% at distribution level and 33% at consumption level¹)
- ▷ 25% of the European agricultural area dedicated to organic farming.

Among these objectives, some translate into real research and development opportunities, but will require further financing to support the growth of companies in the sectors of bio control, organic inputs, disease prevention and health management in farms, in the creation of intelligent storage, conservation, and green logistics.

In addition to the aforementioned objectives, the Farm to Fork strategy aims to reduce agricultural greenhouse gas emissions in accordance with the commitments made by Europe on climate change. Indeed, agriculture

represents 14% of GHGs in Europe, with wide disparities between countries and their agricultural sectors. For example, 20% of GHGs in France are agriculture-related, due in particular to its very large cattle herd. If the European agriculture is today a net emitter of GHGs, these can drastically be reduced by adopting agricultural practices that favour agroecology. By changing agricultural practices and, in particular, by considerably reducing tillage, maximising soil cover, incorporating trees into agricultural

systems via hedges or agroforestry, and combining polyculture systems with livestock, it will be possible to reduce agricultural emissions and even to capture carbon while increasing resilience in the face of climatic events such as droughts, heavy rains or strong winds. Financiers, too, have an essential role to play and can further the acceleration by specifying that their investments into agriholdings are contingent on the level of commitment to agroecology. Our food security is at stake.



Fruit production in Eastern Europe

1 <https://www.ecologie.gouv.fr/gaspillage-alimentaire-0>

INOKS Impact Report:

BII Introduction

► **What are the mission and objectives of British International investment (BII)?**

British International Investment is the UK's development finance institution and impact investor with a mission to help solve the biggest global development challenges by investing patient, flexible capital to support private sector growth and innovation.

We invest to create more productive, sustainable and inclusive economies in Africa, Asia and the Caribbean, enabling people in those countries to build better lives for themselves and their communities.

We are a patient and flexible investor unconstrained by exit time pressures. Our capital solutions span the full range of equity, debt and funds. We also have a broad risk appetite - we can offer capital under terms and circumstances that are difficult for mainstream investors. Especially when we can work with businesses to unlock real development impact. Often this is through Catalyst Strategies, where we take a more flexible approach to risk in exchange for pioneering impact to shape nascent markets and build more inclusive and sustainable economies.

► **How does a Development Finance Institute (DFI) differ in their investment approach?**

Development finance institutions are publicly owned organisations that invest in private sector businesses, banks and projects in less economically developed countries to bring about

positive economic, social and environmental change. DFIs are willing to take greater commercial risk on their investments compared to private sector investors, as their aim is to invest to drive greater development impact. This means DFIs like BII can invest in countries that most need financial support and which are too often deemed too risky for private investors.

As a development finance institution and impact investor, we measure success in two ways.

First, we look at whether the businesses in which we invest can make a positive economic, environmental or social impact over the long-term. Impact is at the heart of what we do. We focus on three strategic objectives: to support productive, sustainable and inclusive development. We've developed a world-class impact management approach to help us do this.

Second, we look at how commercially sustainable and successful a business can be. The second of these measures – financial return – also matters because we can reinvest the returns to help other businesses grow and generate further impact.

These two measures of success, impact and financial return, go hand in hand, meaning when we invest, the potential development impact and the commercial viability of the business, as well as our ability to make a positive contribution, all need to be aligned.

Because we seek to make a modest financial return on our investments, we can recycle this money into new investments. In steady

state we are able to be entirely self-financing. We only require additional capital from the UK Government to increase our activities. There has been steady build-up of our work over the last decade in order to meet the huge financing gap laid bare by the UN Global Goals and the climate emergency. When we receive new capital from the UK Government, it comes from the part of the Official Development Assistance budget that is reserved for investment, which represents a small proportion of the overall aid budget.

► **How does BII select new investments and what support is offered to portfolio companies?**

To deliver on our 2022-2026 strategy we look to:

- ✓ be sector-led, specialised in the economic sectors we invest in, continually updating our expertise in how these sectors contribute to the fabric of the economies we support
- ✓ deploy a broad range of investment and capital tools, so we can fully respond to the needs of different businesses and projects
- ✓ take a targeted approach towards different countries, to reflect diverse and different needs, and those which require different investment approaches
- ✓ work with the best, and mobilise commercial investors, including working with other world-class financial or operational companies who share our objectives, as well as working closely with the UK

Government, and the wider development finance community

- ✓ be world class in impact management and responsible investment

add new capabilities across advisory, grant, and blended-capital tools that would broaden our offer for private-sector development and mobilisation

BII is impact-led and commercially rigorous, and our investment process includes specialists from both our investment and impact teams. We are a team of over 500 people across 12 locations, so we understand local challenges and opportunities and we invest across a broad range of sectors so we can spot trends ahead of the curve. Viable investments are further researched by our deal team, which includes specialists from our investment and impact teams, to decide whether the deals should be put before our Investment Committee. Our Investment Committee is made up of senior staff from British International Investment, as well as external representatives with an expertise in investing in the regions and sectors where we focus. The Investment Committee process is made up of several stages that a prospective investment must pass through before it is made.

Our deal team works closely with the potential investee to carry out due diligence and deal structuring, and they examine how the prospective investment meets BII's criteria, and understand the opportunities for impact. This includes producing an 'Impact Dashboard' which articulates the development impact that

we expect. To complement our detailed assessments of individual investments, we use the Impact Score, a tool which helps us manage our performance against our three strategic impact objectives: productive, sustainable and inclusive development.

We partner with businesses across Africa and Asia to add value beyond capital, helping create cutting edge environmental, social and governance (ESG) and impact strategies to build capacity, resilience and sustain long term success. We also provide access to our extensive network of senior business leaders and policy makers.

We are currently invested in over 1,300 businesses in emerging economies, and we have total assets of £7.7 billion. We work with our investee partners to support them to succeed and grow impactful businesses.

▷ **What are the most pressing issues and challenges that BII seeks to address in the context of today's world?**

Our 2022-2026 strategy responds to the opportunities and challenges facing developing and emerging economies. To ensure our capital is used in the best way possible to meet these challenges and opportunities, our strategy sets out our clear objectives to invest in productive, sustainable and inclusive development. They mean we will focus on:

- ✓ Investing in green infrastructure and climate change: Over the next five years, at least 30 per cent of our total new commitments by value will be in climate finance. This will make us one of the world's largest climate investors in Africa. We will also start providing climate finance in

Southeast Asia, with a particular emphasis on green, renewable infrastructure.

- ✓ Financing digital transformation: We will invest more in early-stage, disruptive businesses that offer radical solutions to global challenges. Technology-based businesses, including those that can build major digital infrastructure, require responsible, patient capital and BII will step in to support them.

- ✓ Driving inclusive outcomes: We will continue to strengthen our approach to gender and diversity finance. We are already a leader in the field of investing for women's economic empowerment as BII is a founding member of the 2X Challenge, an initiative to boost financing for women which has raised US \$10 billion. We have set a new target for 25 per cent of all new investments to qualify under the 2X Challenge. We have also set out our ambition to invest for broader diversity outcomes over the next five years, including increasing the representation of black African-owned and led businesses in our Sub-Saharan Africa portfolio.

▷ **Could you please provide an overview of the first-of-its-kind Africa-focused Trade Access Program that has recently been launched in partnership with INOKS Capital as its first Investment Manager?**

The Africa-focused Trade Access Program ("TAP") with INOKS Capital being its first Investment Manager was launched in April 2022 with an initial capital of US\$ 25million allocated to INOKS Capital to manage via a segregated account. The program is part of a larger trade access platform undertaken by BII to directly fund SMEs and trade intermediaries, such as agritech, fintech and alternative

trade financiers (ATFs) whose technological and digital solutions will help BII reach much smaller borrowers that are active members of local supply chains. BII will do this by partnering with various Investment Managers that can deploy the capital in scale, across the African continent.

In addition to fostering trade, job creation, local income, and positive impact generation on climate change, TAP will boost economic inclusion by specifically seeking to improve access to finance for women by targeting investments that qualify for the 2X Challenge. The 2X criteria will be used to determine whether an enterprise can be considered woman-owned, woman-led or woman-supporting. The platform will also back climate positive trade, which will help boost productivity across local and vital value chains, increase food security and accelerate sustainable and inclusive economic growth.

Access to funding is limited for African SMEs, agritech and fintech, particularly those in the agriculture and food sector. TAP funding will help extend credit to such businesses, including ATFs such as trade-based services and product providers, including aggregators, e-commerce platforms, SME-focused banks, and non-bank financial institutions. For example, since its launch, TAP via INOKS Capital has invested in two farmers' co-operatives in Côte D'Ivoire important for food security. One buys cocoa beans from local small-holder farmers and processes them for delivery and the other purchases white rice from small-holder farmers and national producers to distribute within West Africa. This program and platform will contribute toward bridging Africa's US \$81 billion trade gap and help drive long-term economic prosperity across the continent.



Women rice farmers during manual harvest in Côte d'Ivoire



Rice producers from our investee in Côte d'Ivoire

Not Doing Things Alone: Our Participation in the Ecosystem

CONFERENCES

In 2021-2022 we have met our industry peers and partners through conferences to discuss the challenges and opportunities of impact investing and in particular sustainable agricultural value chains finance:

05.04.2021
OPERATING PRINCIPLES FOR IMPACT MANAGEMENT, WORKSHOP, Online
Workshop on impact performance benchmarks, regulatory framework (including Social Taxonomy), impact management

17.06.2021
LEADERSPAIX WEBINAR, Online
Second edition of Agora for Youth, a dialogue platform for African youth, Financing African economies,

01.07.2021
IGRAVITY'S WEBINAR, Online
Discussions about impact and attractive returns when investing in the agricultural value chain in emerging markets

28.10.2021
GALLAGHER'S WEBINAR, Online
Credit and Political Risk Practice, Impact Investing in Africa

11,12,13.05.2022
LEADERSPAIX ANNUAL CONFERENCE, Geneva
To adopt its 2022 report "Un nouvel humanisme pour un nouveau multilatéralisme" / New humanism for a new multilateralism

18.05.2022
FORUM FOR SUSTAINABLE INVESTMENT, Zurich
Impact Investment and Positive Holistic Returns

07.06.2022
ALTERNATIVE CREDIT COUNCIL GLOBAL SUMMIT'S, London
New Frontiers in Private Credit

09.06.2022
COMMODITYTRAD16'S WEBINAR, Online
Financing Energy Transition

29.06.2022
SSF 2022 ANNUAL CONFERENCE, Berne
Discussions on sustainable finance

AWARDS

The Ancile Luxembourg Fund SICAV-FIS Ancile Mature Fund won the Hedge Week European Award 2021, in the credit category.

In 2022, INOKS Capital has been shortlisted for various awards which are HFM European Performance Awards 2021 in the category 'Credit Long Term Performance (5y)' and Alternative Credit European Performance & Services Awards, in the category 'Private Debt - Specialty Finance'.

Last but not least, INOKS was included in the Top50 Impact Asset Managers from ImpactAssets for the third consecutive year.

ECOSYSTEM PUBLICATIONS & REPORTS

In 2021-22, INOKS Capital also participated in and/or sponsored various publications and reports to raise awareness of impact investing and ensure that the sector continues to improve.

✓ **Impact Investment Decision-Making: Insights on Financial Performance**, GIIN

✓ **Private Credit and the Trade Finance Opportunity**, TXFMedia

✓ **INOKS Capital's case study on financing sustainable value chains**, ACC's Financing the Economy Research

✓ **Private Asset Impact Fund (PAIF) Report 2021**

✓ **IFZ Sustainable Investments Study**, IFZ

✓ **Understanding Impact Performance: Quality Jobs Investments**, GIIN

✓ **Standards and Investments in Sustainable Agriculture**, IISD

✓ **Kickstarting a Career in Hedge Fund: A Guide to the Global Hedge Fund Industry**, AIMA - The Alternative Investment Management Association's paper

✓ **Podcast to share INOKS Capital insights on Impact (Do Good), ESG (Do No Harm) and Food Security**

AFFILIATIONS



ALTERNATIVE INVESTMENT MANAGEMENT
ASSOCIATION (AIMA)
www.aima.org/about.html



SUSTAINABLE FINANCE GENEVA (SFG)
www.sfgeneva.org



PRINCIPLES FOR RESPONSIBLE INVESTING (PRI)
www.unpri.org



EUROSIF
www.eurosif.org



FORUM NACHHALTIGE GELDANLAGEN (FNG)
www.forum-ng.org/en



SWISS-AFRICAN BUSINESS CIRCLE (SABC)
www.sabc.ch/fr/accueil



SWISS SUSTAINABLE FINANCE (SSF)
www.sustainablefinance.ch/



GLOBAL IMPACT INVESTING NETWORK (GIIN)
www.thegiin.org



OPERATING PRINCIPLES FOR IMPACT
MANAGEMENT (OPIM)
www.impactprinciples.org



IA 50 MANAGERS (IA)
www.impactassets.org



SWISS IMPACT INVESTMENT ASSOCIATION (SIIA)
www.siiia.ch



ALTERNATIVE CREDIT COUNCIL (ACC)
www.acc.aima.org

THE NET ZERO ASSET MANAGEMENT INITIATIVE
<https://www.netzeroassetmanagers.org/>

PARTNERS



QUADIA
www.quadia.ch



SIDRA CAPITAL
www.sidracap.com



STEWARD REDQUEEN
www.stewardredqueen.com



AGORA GLOBAL
www.agoraglobal.org



MEDA
<https://www.meda.org/>



BRITISH INTERNATIONAL INVESTMENT
<https://www.bii.co.uk/en/>

DONATIONS



CIVITAS MAXIMA
<https://civitas-maxima.org/fr/>



FONDATION ARCHE DES ABEILLES
<https://www.mielsdestephanie.ch/>



LEADERS POUR LA PAIX
<https://www.leaderspourlapaix.org/>

Leaders pour la paix



LIVE TO LOVE
<https://www.livetolove.org/>

II. INOKS Capital as a **Company**



07. Our Governance

Our Governance ¹

INOKS Capital is majority-owned by its longstanding partner and CEO Nabil Marc Abdul-Massih. Al Murjan International Holding has been the second shareholder of the company since 2013.

COLLEGIAL MANAGEMENT

The executive committee is composed of three members collegially deciding of all strategic, investment and daily operations. All decisions require a majority.

- ▷ **Nabil Marc Abdul-Massih** in the position of Chief Executive Officer
- ▷ **Nicolas Malky** in the position of Chief Operating Officer
- ▷ **Ivan Agabekov** in the position of Chief Financial Officer

BOARD OF DIRECTORS

The Board of Directors is composed of six members, two being independent, two representing shareholders, and two being executives. Skills and experience as well as cultural and international backgrounds are well-balanced and enable a good supervision and guidance of INOKS Capital's strategy in its geographic perimeter of action. All FINMA requirements are respected, including Swiss domiciliation of the Vice-Chair.

MEMBER	GENDER	FUNCTION	INDEPENDENCE	BIRTH	DATE OF FIRST APPOINTMENT	FIELDS	GEOGRAPHY
Hani Baothman	M	Chairman	Representing minority shareholder	1969	2013	Engineering, Investment, Development	Europe Asia
Olivier Nicod	M	Vice Chairman	Independent	1978	2014	Compliance, Business law	Europe America
Muhammad Currim Oozeer	M	Member	Non independent (Sidra Capital)	1971	2013	Finance	Asia
Philippe Perles	M	Member	Independent	1961	2019	Sales, Consulting, Investment	Europe
Nabil Marc Abdul-Massih	M	Executive Member	Majority shareholder	1975	2009	Commodities, Investment	Europe Africa
Ivan Agabekov	M	Executive Member	Non independent	1978	2012	Commodities, Investment, Law	Europe Africa

The Board of Directors meets at least four times a year. In 2022, it met four times with **92% attendance rate.**

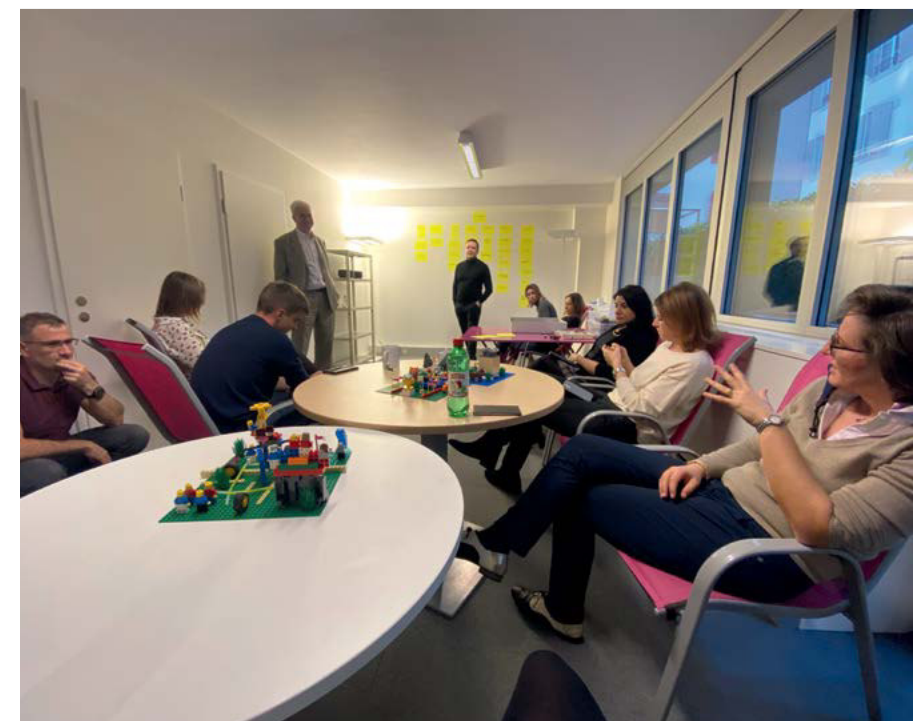
BUSINESS ETHICS

Considering its activities and geographical reach, INOKS Capital is exposed to ethical risks.

A Compliance Department ensures that all staff members' decisions comply with both national / sectorial regulations, directives and internal rules.

The company applies the FinSA code of conduct (art. 7ss FinSA), annually reviewed. All new staff members are required to acknowledge it.

In 2021-2022, 100% of our employees attended the annual anti-money laundering (AML) and cross-border activities trainings provided by Ochsner & Associés.



INOKS' team Corporate Day



08. We Value **Our Team**

We Value Our Team

INOKS Capital is a team of 31 professionals based in Geneva and Zurich (Switzerland).

WE ARE A MULTI-CULTURAL AND MULTI-DISCIPLINARY TEAM

Our team is composed of more than 10 different cultural backgrounds, and countless years of experience in the commodities universe and frontier & emerging markets.

Number of countries of origin: 10

Number of people working from INOKS

Capital's representation office in regions of investment: 5



KPI	2019	2020	2021	2022 (09/22)
NUMBER OF EMPLOYEES (FTE, END OF PERIOD)	22	24	29	31
NUMBER OF TRAINEES (FTE, OVER THE YEAR)	1	5	1	1
% OF PERMANENT CONTRACTS	100	100	100	100
% OF WOMEN	48	46	43	47
% OF WOMEN IN MANAGMENT	0	0	0	20
% OF TRAINED PEOPLE	0	100	100	100
NUMBER OF HOURS OF TRAINING PER EMPLOYEE	0	2	2	2
ABSENTEEISM RATE	2.9	1.7	-	4.26
NUMBER OF DEPARTURES	3	5	3	3
INCL. NUMBER OF VOLUNTARY DEPARTURES	1	3	3	3
NUMBER OF HIRES	3	7	7	5
NUMBER OF TRAINEES HIRED POST INTERNSHIP	1	1	0	0
% OF INTERNAL MOBILITY	0	0	0.4	0

Figure 10:
Key HR Indicators



09. Our **Environmental** Impact

Our Environmental Footprint

CONSIDERING THE CARBON FOOTPRINT ASSESSMENT OF AN ASSET MANAGER

INOKS Capital conducts a tertiary industry activity, whose direct adverse environmental impacts are limited. The main potential adverse impacts arise from INOKS’ investments, which we intend to mitigate, limit and avoid by implementing our responsible investment strategy (ESG screening, due diligence, monitoring and engagement).

With that being said, whilst our key operational focus is to support our investees in the identification and mitigation of ESG risks and potential adverse impacts, INOKS continues to assess how we can improve our daily impact and reduce our carbon footprint as a company. The main adverse impacts that are under the operational control of the company are predominantly related to the use of IT equipment and our team’s business travel to visit potential investees’ warehouses, agricultural plots, and offices.

INOKS Capital engaged a third-party external consultant in a voluntary CO2 audit to better understand our current carbon footprint across the two main INOKS offices, Geneva and Zurich, and from this, better target efforts and resources in reducing emissions.

The report was conducted in 2021-22 to analyse the data from the reporting year 2020. The carbon footprint analysis is based on the internationally recognised standard ‘The GHG Protocol: A Corporate Accounting and Reporting Standard’ and focuses on analysing data related to the climate-relevant greenhouse gases that are under INOKS’ control as a company.

Our 2020 survey revealed a total consumption of 104 t CO₂e. Greenhouse gas emissions were broken down into categories as follows:

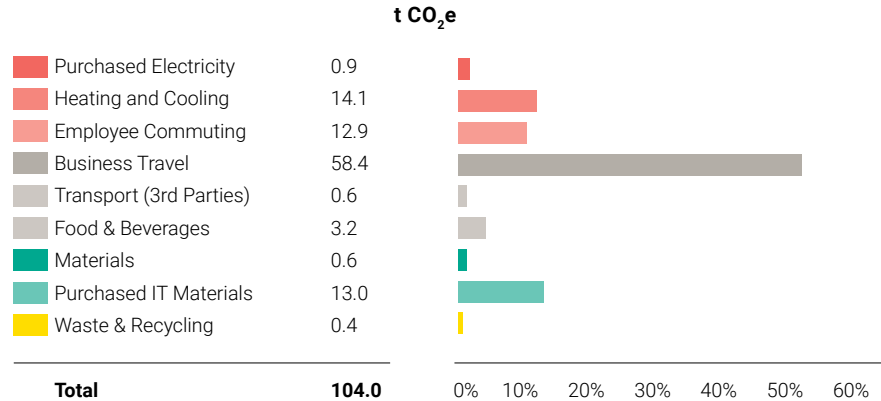


Figure 11: Greenhouse gas emissions broken down by categories

As shown above, business-related travel accounts for over half of our greenhouse gas emissions, followed by heating and cooling (of office spaces). Given that our investees are predominantly based in emerging markets, this often requires transport via air travel when on-site due diligences or meetings need to take place. Over the course of the next few years, INOKS will look to reduce and compensate for this travel, to the extent possible. One feasible interim route to reduction is thinking strategically about which team members will travel to meet investees, given our African-based representative offices in Côte d'Ivoire and South Africa.

Greenhouse gas emissions are categorised into three scopes, depending on where the emissions occur - at the company itself or in upstream or downstream processes for manufacturing and transporting goods.

Scope 1: includes all direct emissions from owned or controlled sources, such as business travels in company cars or the combustion of fuels in heating systems.

Scope 2: includes all indirect emissions from the production of purchased energy consumed by the company, for example from the burning

of coal to produce electricity. If, for example, renewable energies are used to produce electricity, no emissions are reported here.

Scope 3: includes all other indirect emissions resulting from the production of raw materials, products or services used by the company and from business travels in vehicles not owned by the company.

In 2020, Scope 3 accounted for 85% of total greenhouse gas emissions produced by INOKS Capital.



10. Our **Contribution** Towards Society

Our Contribution Towards Society

LEADERS POUR LA PAIX

INOKS Capital is a partner of the organisation "Leaders pour la Paix" which includes experts, business directors, representatives of international organisations, and politicians, with the former French Prime Minister Jean-Pierre Raffarin as the organisation's President.

Leaders pour la Paix brings together international stakeholders from the business and investing world with the aim to promote innovative approaches towards restoring and maintaining peace (before, during and after a conflict).

In May 2022, INOKS's CEO met Dr. Ngozi Okonjo-Iweala, the Director-General of the World Trade Organisation (WTO) during Leaders pour la Paix's annual conference held in Geneva. Ms. Okonjo-Iweala shared WTO's views on the tense international environment, which poses a serious challenge to global trade order. Indeed, several multilateral trade agreements have yet to be concluded, such as the complex framework for Fisheries Subsidies and the WTO Agriculture Agreement, both subject to ongoing negotiation. Finally, Dr. Okonjo-Iweala highlighted the importance of WTO as an efficient platform for multilateralism and consensus, as well as the organisation's engagement on tomorrow's eServices and Digital Trade.

During one of the plenary sessions, kindly hosted by the World Economic Forum in Geneva, participants had the opportunity to comment on the Annual Report of Leaders pour la Paix. The session was concluded by Professor Klaus Schwab who shared his views on the state of

world affairs, their impact on global economy and the six main challenges (but also opportunities) for business people, political leaders and civil societies to build a better tomorrow.

CIVITAS MAXIMA – INDEPENDENT LEGAL REPRESENTATION OF VICTIMS OF WAR CRIMES AND CRIMES AGAINST HUMANITY

INOKS Capital partners with Civitas Maxima as a donor and Ivan Agabekov, one of our directors, sits on the executive board. INOKS supports the mission of Civitas Maxima, which seeks to enable victims of international crimes to have access to justice by documenting crimes, coordinating a network of investigators and lawyers, and generating awareness and informed debate around victims' cases.

In 2022, Kunti K., former ULIMO commander, accused of crimes against humanity and torture allegedly committed during the first Liberian civil war, is expected to be tried in Paris, from the 10th of October to the 4th of November 2022. This will be the first time that the atrocities committed in Liberia during the civil war are heard in a French court, and the second time that an ULIMO commander faces trial in Europe. Civitas Maxima represents several victims who have become civil parties in the proceedings against Kunti K. and is itself a civil party in the case in France.

BEEHIVE

On the 1st of July, INOKS Capital visited the Fondation Arche des Abeilles, providing an opportunity to remember the essential role played by bees: no bees, no pollination, no local production. As simple as that... There are 30,000-40,000 bees (70% female, 30% male) living and working in the beehive sponsored by INOKS Capital. The harvest in May produced a thick and pale honey (from fruit tree flowers), whereas July's harvest was darker and more liquid (from field flowers). We're more than happy to taste both...



Visit to the beehive

KUNG FU NUNS AND DRUK PADMA KARPO SCHOOL

Supporting access to education in Ladakh Region (Northern India)

In September 2022, INOKS Capital provided a USD 15,000 grant to fund scholarships of 25 children in the Ladakh Region (Northern India) for youth from marginalised ethnic groups, in particular young girls, who noticeably struggle with access to basic education. The grant will cover total yearly school costs (tuition fees, transport, accommodation & food, technology, laboratory, and co-curricular activities) noting that these expenses represent a high financial burden for students' families, whose average household income stands below USD700 per year. The children will attend the Druk Padma Karpo School, founded in 2001 to provide a holistic curriculum integrating contemporary knowledge and indigenous wisdom of the region. Since the Himalayas face extreme effects of global warming including cloudbursts and flash floods, the school features award-winning sustainable design to mitigate flood and earthquake risks. Its design, by the Arup Group, won the BBC World's Most Beautiful School Award, the Best Green Building Award, the Emirates Glass LEAF Award 2012, among many others. Today, the school is 887 students and 1,000+ alumni strong.



Children at Druk Padman Karpo School

The founder of the school, His Holiness the Gyalwang Drukpa, is also the founder of the Kung Fu Nuns which is an inspiring organisation whereby nuns from the Himalayas have started to learn Kung Fu to build their inner and outer strength and are now empowering youth and girls of the Himalayas to champion gender equality, physical fitness, environmentally friendly ways of living, and respect for all living beings through Kung Fu training and other actions. Each year the Nuns perform an Eco-Pad Yatras of thousands of kilometres by foot to pick up plastic waste and educate locals on respecting the environment. They also travel by bicycle to the most remote, vulnerable villages in the Himalayas to fight against human trafficking (families selling off their girls) by raising awareness among the local communities, teaching girls how to defend themselves and helping them attend school. The Kung Fu Nuns also teach self-defence at the Druk Padma Karpo School.

The Kung Fu Nuns work as on-ground partners with Live to Love International to identify and address challenges affecting the people of Ladakh. One such challenge is the economic development of the region. To tackle it, community leaders partnered with Live to Love International to launch The Naropa Fellowship, a one-year graduate program with a view to teaching post graduate students from the local communities to develop social enterprises. The aim is to develop grassroots solutions to global problems and boost the local ecosystem to provide job opportunities in the Ladakh region. The Fellowship boasts 181 graduates over three graduating classes and has already launched 78 social enterprises. As a further step, INOKS Capital intends to support alumni by providing seed funding to develop and scale their activity. Our team is currently working on the organisation of a pitching session to select outstanding and innovative start-up entrepreneurs.



Crops in Kazakhstan

THANK YOU

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

- ▶ Our investees for their availability
- ▶ Our ESG/Impact team members for their work and meaningful contribution
- ▶ Our Corporate, Investor and Marketing departments for their support and coordination
- ▶ Talent-id for the creative design, *talentid.es*
- ▶ Our Impact Committee members for their resourcefulness
- ▶ Mrs. Celine Kohler for her guidance on EU Regulations

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

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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 2020. Data was primarily collected from INOKS Capital's portfolio companies. The report is meant to be updated and published annually.

2022 marks a turning point in climate change. Since 2018, boreal summers have included recurring heatwaves, whereas, in the past, they rarely occurred, and a particular region would only experience this phenomenon a few times per century. Previously unknown megafires are now occurring on several continents. The phenomenon of humid heat which has been studied for less than 10 years, and only for human health, although it concerns living beings in general, is beginning to occur regularly. It should be noted that the combination of heat and humidity hampers our ability to regulate heat and condemns us to brief outdoor exposure, especially when we are engaged in professional or sporting activities. The challenge of climate change, namely the alteration and reduction of the Earth's habitability, is clear.

The summer of 2022 has been particularly noteworthy in terms of extreme events: France, for example, experienced four successive heat waves and its first ever mega-fire in the Gironde; Western Europe experienced unprecedented drought; Pakistan, after two months of temperatures around 50°C, suffered a monsoon that was three times more severe than average, resulting in extreme flooding and the devastation of a third of its surface area with millions of inhabitants displaced and exposed to epidemics after losing their homes; etc. Other phenomena such as hailstorms outside the usual patterns and with oversized shape have also occurred frequently. Temperatures approaching or even exceeding 50° have been recorded in numerous locations: in August, the thermometer in the city of Abadan in Iran reached 53 degrees, and even 53.6 in Shuh. The level of extreme events observed is more in line with what would be expected for an average temperature increase of 2° Celsius, whereas it is 1.1° above pre-industrial temperatures.

One of the consequences of the changing climate that we are experiencing is a significant weakening of our capacity to produce food. We do not yet have the results for all crops by category, but the projected decline is expected to be significant given the extent of systemic difficulties.

It would be dangerous for investors to overlook this reality as we enter into a climatically different world.

Honorary Professor Dominique Bourg (UNIL)

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