Sathguru

Sathguru Catalyser
Advisors Private Limited

Innovation in Food and Agriculture Fund – ESG Policy

Introduction

The Environmental, Social and Governance (ESG) considerations are fundamental elements of value proposition in every investment by Innovation in Food and Agriculture Fund. The goal of IFA Fund is to provide long-term sustainable returns to the investors. The ESG elements are fundamental to accomplishing this goal. These factors are material financially, economically and socially and hence a core strategy for mitigation of investment risk.

The Fund will factor ESG in fundamental evaluation of the investment opportunity. Every investment opportunity for the fund will be benchmarked to critical ESG determinants that are tailored to the focus sector. Investments that are materially non-compliant to the ESG considerations do not merit investment by the Fund. The investment evaluation will reflect the baseline strata of the key considerations and factor improvements that can be sustainability accomplished by the investee company as compared to baseline determinants. The key performance indicators are uniquely assessed for each of the investments, duly factoring contributory elements that are unique to the investment opportunity. These KPI are monitored during the tenure of the investment to measure improvements over baseline parameters. The contributing elements will be quantified duly adopting sound metrics. Our dialogue with investee management entities fundamentally bring our ESG goals in sync with the investee company goals so that the investee companies perceive them as their own goals.

Environmental determinants

Environmental determinants contribute to the sustainable agriculture and food value addition. Food and agriculture can contribute significantly to UN sustainable development goals and our investment objectives are focused on contributing to UN sustainable goals, more specifically SDG 1,2,3,5,8,9,10,12,13,15 and 17. Agriculture has potential to contribute to carbon absorption. Agriculture is vulnerable to climate change and adaptation measures are necessary for sustainable food production. Our investments have the potential to deploy innovation to overcome the challenges of climate change and contribute positively to food production and sustainable income of small holder farmers. Contributions towards water use efficiency, carbon absorption, nitrogen fixation, food waste reduction, supply chain optimisation and other interventions will have significant positive adaptation or mitigation impact. We will factor all such potential contribution that our investment can bring towards positive change to sustainable food production.

There are other aspects of environmental determinants such as the avoidance of use of toxic chemicals in a manner to harm human health and the disposal of agri residues in a manner causing hazard to environment. Human health in agriculture is impacted by improper and inappropriate application of chemicals and improper disposal of residues. The key investment criteria will be to eliminate these environment hazards by ensuring investee companies adopting measures that protects the human health and eliminates the hazards from disposal of agri waste.

Occupational Health And Safety

In the realm of Occupational Health and Safety (OHS) there are several hazards that are innate in small farm practices. Employment of child labour and adopting farming systems that expose the farm worker to hazards are essential requisites to be adopted in farm input management or produce handling. In the area of food processing it is important to ensure food safety practices in compliance with the national regulations as well as international regulations to safeguard consumers against food borne diseases and to safeguard workers from health hazards.

Safety of operating workforce in production units, farm units, supply chain handlers and producers storing entities is paramount to healthy morale of workers and the protection of the workers from health hazards. Investee companies will adopt best practices of occupational health and safety. The Fund will periodically review and engage with investee companies to see continuous improvement in adoption of best practices in the realm of OHS.

Employee hiring will be a key practice area that can bring considerable focus on OHS. Employee exposure to safety practices, orientation to emergency measures and exposure to legal compliances will go a long way in ensuring employee cohorts adopt best practices right from the first day of their career with investee company. The best practices in employee orientation will be a key element of compliance the Fund will look forward to in investee companies.

Preserving biodiversity is essential for future of agriculture. The investment assessment will review and ensure that there is no harm to biodiversity created by the potential investment by the Fund.

Farm and post farm activities in areas such as meat animal production and processing there is necessity to ensure that animal welfare practices are adhered to as prescribed by OIE and national agencies.

Governance and Business Integrity

Good corporate governance is a key factor in all the investment perceived by the Fund to ensure integrity and efficiency of the investee company. The Fund will assess the state of the current in potential investments and carry out detailed due diligence in key aspects covering, but not limited to the following:

- Compliance to all applicable laws of the country and international laws and cross-border legal compliances, upholding transparency and reporting to compliance.
- Adherence to high standards of business integrity and honesty;
- Understanding of regulatory needs and high standards of compliance to regulatory frameworks
- prohibit all employees from making or receiving gifts of substance in the course of business;
- prohibit the making of payments as improper inducement to confer preferential treatment;
- prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest;
- Adherence to financial and statutory disclosure standards

- promote transparency and accountability grounded in sound business ethics;
- use information received from its partners only in the best interests of the business relationship and not for personal financial gain by any employee;
- Avoidance of conflicts of interest
- Financial oversight audit and reporting duly complying with national regulations
- Transparent whistle-blower policy

The Fund will have dedicated, trained senior investment officer who will review ESG policies of the investee companies periodically, secure and validate ESG reports and pursue continuous improvement in compliance by the companies. The Investment Committee will review the ESG baseline in all proposals of investment and abstain from investing in companies that are found to be deficient that will be detrimental to the proposed investment. The Investment manager proposing the deal will carry out detailed assessment of the ESG determinants in all investment proposals. The ESG is not limited to basic compliance but a vital necessity all through the investment span of the Fund.

Above all responsible investing requires responsible reporting. We will diligently measure, monitor and report the progress in all aspects of ESG that are reflective of the contribution the investment is making for creating a better world.

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