



Investing in sustainable agribusinesses to achieve positive social and environmental impact

Annual Report 2022



Welcome from our Chair & CEO

About AgDevCo

AgDevCo is a specialist impact investor in African agriculture. We invest to grow sustainable agribusinesses that achieve positive social and environmental impact at scale.

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I am very pleased to introduce our Annual Report 2022 as the new Chair of AgDevCo. This report sets out details of our activities, investment portfolio, development impact and financial results for the year ended 31 December 2022.



Valentine Chitalu, Chair of the Board

Over the last 13 years, AgDevCo has established itself as one of the most active agribusiness investors in sub-Saharan Africa. To date, we have made over 65 investments in agribusinesses across many sectors and crops, delivering positive impact in ten countries, linking over one million smallholders to markets and creating in the order of 25,000 jobs.

In 2022, our current portfolio of 39 agribusinesses directly created or maintained more than 16,000 jobs and has supported or linked more than 400,000 smallholders to markets. And our investee businesses have

produced millions of tonnes of nutritious food and catalysed wider economic activity by increasing rural disposable incomes.

AgDevCo's success depends on the commitment and expertise of many stakeholders – including our agricultural and investment teams who work with our investee partners. I am immensely grateful for their continued commitment to the business. I would also like to recognise the Foreign, Commonwealth and Development Office (FCDO) and our new Development Finance partners British International Investment (BII), Norfund and the United States Development Finance Corporation (DFC) for their support and funding.

At the end of 2022, Keith Palmer, AgDevCo's founder and Chair, retired from the Board. Keith's vision in establishing the business, and his role in guiding us since then, is an extraordinary achievement. I have been fortunate to work with Keith since AgDevCo's inception in 2009 and can attest to this. We are very grateful to him. We wish him all the best in retirement and look forward to staying in contact with him in his role as member and director of AgDevCo Holdings (AgDevCo's not-for-profit distribution parent company).

As AgDevCo's new Chair, I look forward to continuing to work with our staff, Board and funders to uphold Keith's vision of building AgDevCo's investment portfolio and impact across the African continent.

Valentine Chitalu, Chair of the Board



2022 was a watershed year for AgDevCo in terms of funding and financial performance.



Daniel Hulls, CEO

On funding, we announced \$90m of new capital from BII, Norfund and DFC. This significant investment by leading development finance institutions (DFIs) takes our funds under management to \$280m,¹ underlining our credibility as a specialist agriculture investor in Africa and allowing us to scale up our own investments.

Despite the macro-economic challenges lingering from the global pandemic and rising commodity prices, in 2022 we made \$40m of new and follow-on investments, including in poultry, macadamia, sugar, avocados and forestry. At the year end, our committed portfolio stood at \$147m, invested across ten sub-Saharan African countries.

Our recent strategy rebalances our investment portfolio with larger investments. These and the growth of our portfolio have driven improved

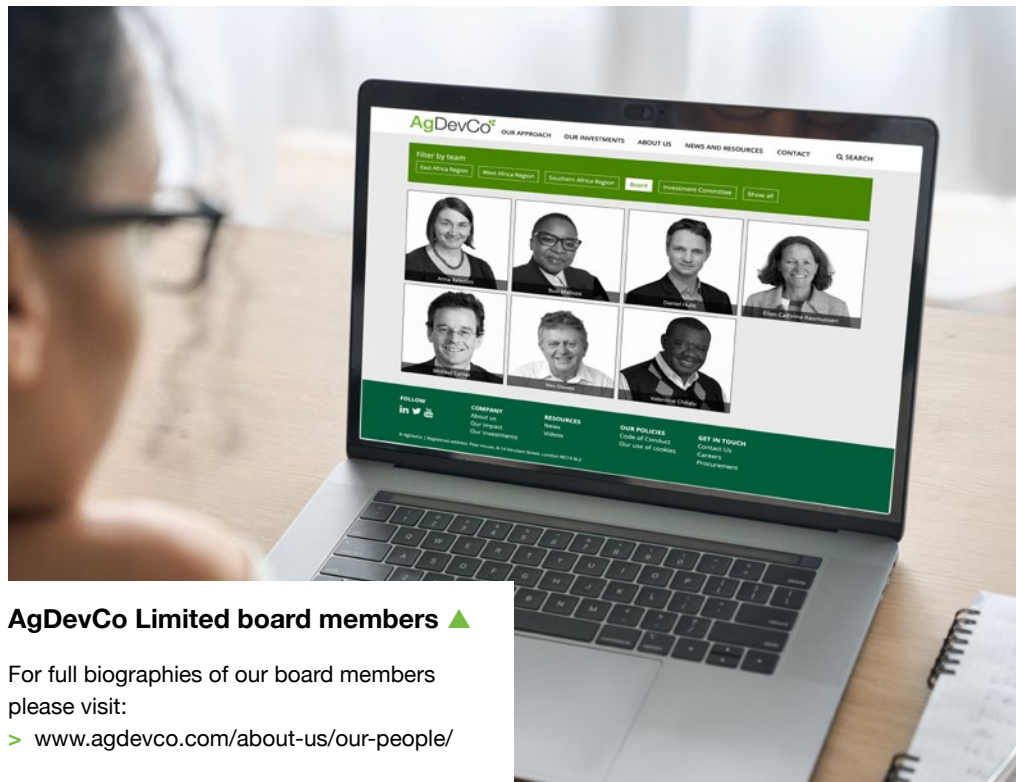
investment income from interest, dividends and fees, which allowed us to move closer to profit in 2022. Had it not been for impairments on working capital exposures in Ugandan coffee and cotton, arising from challenging market conditions, and historic losses incurred by these businesses during the pandemic, we would have achieved profitability in 2022. Our outlook for 2023 and beyond is positive. Our medium-term ambition is to increase assets under management to \$500m, growing both our financial viability and the extent of our impact.

Alongside increasing job numbers, raising incomes and contributing to wider transformational benefits for local populations, we provide technical assistance support to our investee businesses to improve their environmental, social and governance (ESG) standards. A key objective

in 2022 was to better understand climate risks and the impacts our businesses have on the environment. This will remain a focus for us in the coming years, with an emphasis on reducing the carbon intensity of food production and implementing regenerative agriculture practices across our investment portfolio.

In 2023, with over \$120m of capital to deploy into new investments, an established presence across the African continent and extensive agribusiness networks, we are uniquely positioned to achieve sustainable financial performance and impact at scale. We look forward to working with both existing and new investee businesses to achieve our shared vision of a thriving commercial African agriculture sector that benefits people and planet.

Daniel Hulls, CEO



AgDevCo Limited board members ▲

For full biographies of our board members please visit: > www.agdevco.com/about-us/our-people/

1 Where we use the term funds under management we include committed funding from investors, not yet drawn and subject to typical conditions.

Investment Strategy

AgDevCo aims to deploy up to \$50m of new investments annually, creating a diversified portfolio by country, sector and value chain.

Investment Approach

Key elements of our approach are as follows:

- > We offer a range of financial instruments that meet the needs of small and medium enterprises (SMEs) with a focus on mezzanine debt as our core product.
- > We make investments typically between \$2-10m and are deliberately focused on the upper end of this range as we rebalance our portfolio.
- > We look for opportunities to make follow-on investments with successful partners and to develop geographic clusters and platforms. In these cases, our exposure to groups or single counterparties can increase to \$30m.
- > We have developed industry expertise in tree crops (fruits and nut), poultry, and maize milling businesses. Additionally, we are steadily growing our expertise in other areas (e.g. aquaculture, forestry and floriculture).

Financial return

AgDevCo’s investment objectives are to:

- > maximise our direct and indirect development impact through investments that protect and grow the real value of our endowment capital; and
- > generate a financial return that is at least sufficient to meet the expectations of our external capital providers.

Within these objectives, we aim to build a profitable investment portfolio, generating a financial return necessary to cover our costs, remunerate investors’ capital and grow the value of AgDevCo. We do this through a mix of earlier-stage Ventures investments (40% by value) and later-stage Growth investments (60% by value.)

Once consistently profitable, AgDevCo may also develop sub-investment strategies that involve investing in sectors, countries and stages of business development that are higher-risk or have a lower expected return, provided that this is done with separate capital.

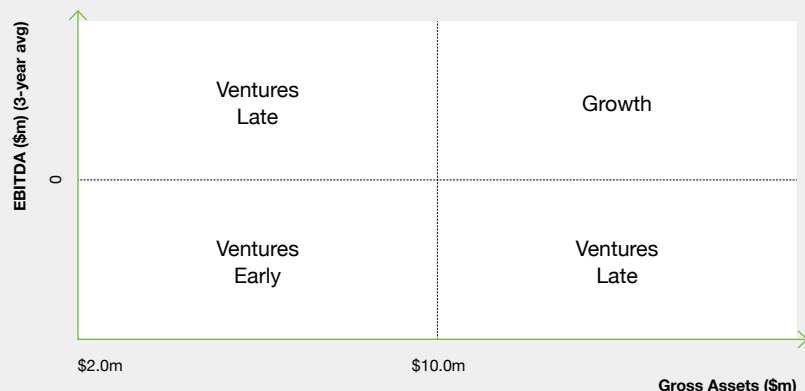
We define investments as being Growth or Ventures (Early and Late) based on gross assets and three-year average EBITDA, as shown in the diagram below.

Introduction ▼

This annual report summarises our performance in 2022 across a range of important areas. These include our financial performance and investment opportunities and progress made against our core development impact key performance indicators (KPIs).

We also provide updates on the activities we have undertaken to improve our environmental, social and governance (ESG) performance, including sustainability and climate, diversity, equity and inclusion (DE&I).

Investment Strategy Definitions



Impact

AgDevCo develops an impact business case for each proposed investment. This captures changes made at the investee business level, including positive impacts in associated markets and livelihoods that are expected because of the investment.

As we have adopted a portfolio investment approach, we do not set impact thresholds for individual investments, but stipulate as a minimum that:

- > each investment must create or sustain positive change (on a net basis) for at least one of the beneficiary groups referred to in AgDevCo's impact framework (i.e. employees, smallholder farmers, entrepreneurs or customers); and
- > AgDevCo's ESG and safeguarding 'do no harm' criteria must be met for each investment.

Additionally, we assess each investment in terms of its impact on climate change, black African representation and gender.

For gender, we assess our impact against the 2X Challenge¹ eligibility criteria (see page 13) as well as our own development impact framework criteria.

Ultimately, we measure our success through the long-term transformational impact that our investments make. By driving the development of new agribusinesses and industries and creating investable opportunities for the private sector, we will help accelerate the transformation of rural Africa to a thriving, commercial agriculture sector.



Neofresh, South Africa and Mozambique ▲

Neofresh is a vertically integrated horticultural enterprise that specialises in growing and distributing papaya in Mozambique, alongside mango, lemon, blueberries, lychee and macadamia grown in South Africa. Neofresh's research and development team is experienced in genetics, agronomy and harvest technology and these skills give Neofresh a competitive advantage in its marketplace. Our new \$10.5m mezzanine debt investment will support the expansion of Neofresh's operations in Mozambique. During the due diligence process, our commercial agriculture team worked closely with the investment team to better understand and advise on fruit production and operations.

¹ See more info here: <https://www.2xchallenge.org/criteria>

Portfolio

We are building a diversified portfolio of high-impact investments, specialising in certain crops where we see opportunities for regional scale.

During 2022, we made new and follow-on investments of \$40m, bringing our committed investment portfolio value to \$147m across ten countries in sub-Saharan Africa.

2022 Performance

In 2022, we expanded investments in sugar, avocado, macadamia and poultry. We also made our first investments in the forestry sector in East Africa and with an agricultural inputs company supplying West Africa. We see potential for additional growth and, potentially, consolidation in these sectors.

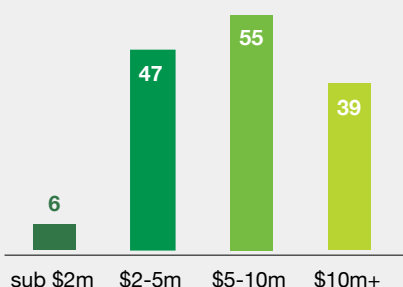
We continue to increase our allocation of capital to mezzanine debt – an instrument that provides flexible, long-term capital to our investees without dilution of ownership, while allowing AgDevCo to share in upside through a modest equity participation (typically as a warrant). In 2022, \$22m of our new investments were in the form of mezzanine debt.

The average size of new investments in 2022 was \$6m. The increase in our average investment size is necessary to maintain a manageable number of investee relationships as our portfolio expands.

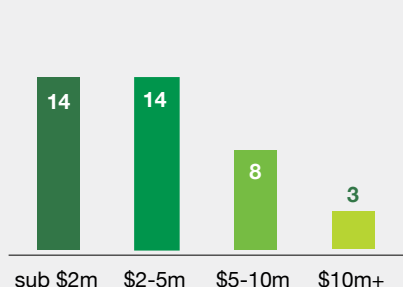
We continue to reach smaller borrowers through our investments in financial intermediaries Lending for African Farming Company (LAFCo) and Equity for Africa Group (EFAG).

In line with our investment strategy, we are also exploring ways to resource a new concessional fund (Venture Plus) to support smaller investments of \$1- \$3m.

Portfolio by Deal Size (\$m)

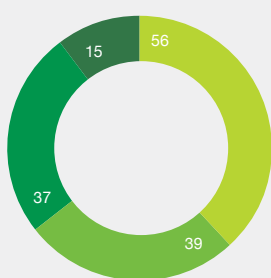


Portfolio by Deal Size (No.)



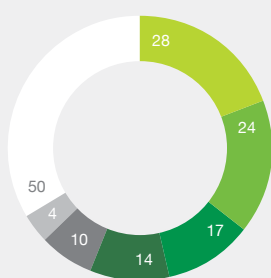
Share of Portfolio by Type of Financial Instrument (\$m)

Senior debt	56
Equity	39
Mezzanine debt	37
Working capital	15

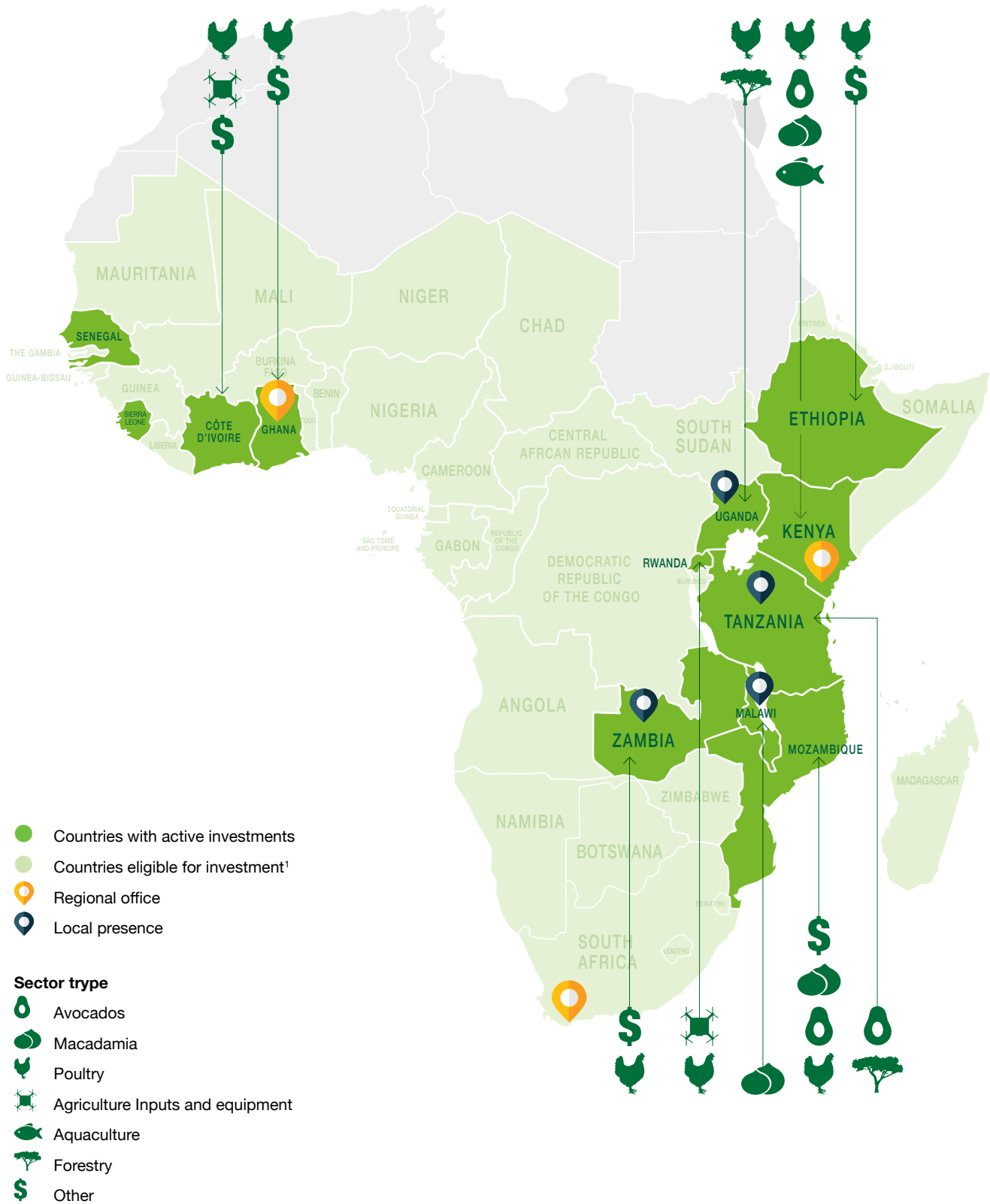


Share of Portfolio by Sector (\$m)

Poultry	28
Macadamia	24
Avocado	17
Agricultural inputs	14
Forestry	10
Aquaculture	4
Other	50






Our Diversified Portfolio by Sector



¹ Investing in or through upper middle income countries like South Africa subject to additional requirements in relation to impact

Our Diversified Portfolio by Sector continued

Avocado	Macadamia	Poultry
		
New investments in 2022 \$2m	New investments in 2022 \$3m	New investments in 2022 \$12m
Committed exposure \$17m	Committed exposure \$24m	Committed exposure \$28m

We approved two new greenfield investments in avocado – Dowson in Mozambique and Evergreen Avocados Limited in Kenya. These will bring the total hectareage of avocados within our portfolio to 1,700ha across four companies, increasing our total committed investments to over \$17m in early 2023.

Two of our earlier investments (Westfalia Fruto and Africado) have grown to become leading exporters of avocados in Mozambique and Tanzania respectively.

We are excited about the potential to pioneer new routes to market from Africa to India and China, where East African producers have a competitive advantage in terms of transport costs versus South American growers.

▲ Africado, Tanzania

A pioneer of the avocado export industry in Tanzania, Africado produces and exports avocados from its own estate and outgrowers to international markets including the EU and India. AgDevCo continues to support this growing business.

Macadamia is another tree crop where there is potential for East and Southern African countries to establish themselves as globally important players.

We have investments in sophisticated commercial farming operations (Jacoma-Tropha in Malawi and Murrimo in Mozambique) as well as in processing facilities (Sagana Nuts in Kenya) that source from smallholder farmers.

The recent fall in prices, largely due to lower Chinese demand, will put pressure on macadamia producers in 2023. However, high-quality, low-cost producers should be able to survive the cyclical downturn and, in the medium term, we expect to see a price recovery as macadamia becomes more popular as a snack food as well as an ingredient in healthy oils and spreads.

▲ Sagana Nuts, Kenya

Sagana Nuts sources macadamia nuts from Kenyan smallholders and processes them for export. AgDevCo's \$1.2m term debt investment supported capital expenditure for Sagana Nuts business expansion and complements previous trade finance activities.

With further investments during the year in Flow Equity Group (operating in East and now West Africa) and Ovos de Ouro (in Mozambique), we now have investments in three poultry business covering eight countries across Southern, East and West Africa. Our investments in Zambia and Mozambique are in traditional broiler and egg-laying operations, providing low-cost protein for local markets.

With Flow Equity Group, we have helped pioneer the dual-purpose poultry (DPP) model which sells improved “backyard” chicken breeds to smallholder farmers. In 2022, Flow Equity Group expanded into three new countries (Kenya, Ghana and Côte d’Ivoire), adding to its established presence in Ethiopia, Uganda and Rwanda. Its performance in Ethiopia was particularly impressive during the year, with millions of households now buying from the company.

▲ Transurban, Mozambique

Transurban is an integrated poultry and retail business in Mozambique. AgDevCo made a second-round investment (as a follow-on to the initial debt/equity investment) to expand the business through the acquisition of a feed mill and hatchery. AgDevCo has provided an additional grant for the development of a broiler school.

Agricultural Inputs and Equipment



New investments in 2022	\$5.9m
Committed exposure	\$14m

In 2022, we made our first investment in an agricultural inputs company, Afrique Phyto Plus (A2P). A2P has built its core business in Côte d'Ivoire and is now expanding across West Africa, offering safe, high-quality crop protection products and other agricultural services (including drone spraying) to smallholder and commercial farmers.

We are the second largest shareholder (21%) in the Equity for Africa Group (EFAG), a leasing business with subsidiaries in Tanzania and Kenya. After the disruption of the pandemic, we were pleased to see Equity for Tanzania (EFTA) moving to profitability in 2022. In Kenya, EfKen is growing strongly as it becomes an established and trusted brand. As EFAG develops, we see potential for wider regional growth and partnerships.

▲ Afrique Phyto Plus (A2P), West Africa

A2P is an agro-inputs trading and manufacturing business with operations in Côte d'Ivoire, Mali, Burkina Faso and wider West Africa. AgDevCo's \$5.5 million mezzanine debt investment supports continued growth and impact, including the construction of a new warehouse and geographic expansion.

Aquaculture



New investments in 2022	\$0m
Committed exposure	\$8m

Victory Farms is East Africa's leading tilapia producer, supplying fresh, affordable and sustainably produced fish in Kenya to an estimated 17,000 individual small-scale traders. We are pleased to have supported the business over the last two years – building our experience in aquaculture – and look forward to growing with Victory Farms as the business expands in the region.

▲ Victory Farms, Kenya

Victory Farms is an aquaculture business that creates high impact by providing affordable fish protein to the Kenyan market and substituting imported tilapia. AgDevCo's \$4.0m mezzanine debt supports Victory Farms' production expansion.

Forestry



New investments in 2022	\$10m
Committed exposure	\$10m

In 2022, we committed \$10m of investment to New Forests Company, the leading FSC-certified forestry company in East Africa with production and processing facilities in Uganda and Tanzania.

Alongside helping to realise New Forest Company's potential to create long-term impact, this investment is also of strategic importance to AgDevCo, as we investigate how we can optimise carbon sequestration opportunities across our portfolio (see page 16).

We are confident, for example, about the carbon sequestration potential of New Forest Company's sustainably managed forestry, especially where engineered wood products can be used for construction.

▲ New Forests Company, Tanzania and Uganda

New Forests Company develops sustainable African timber production and has an outgrower programme for 6,000 smallholder farmers. AgDevCo's \$10m investment supports the ongoing development of the business.

How we Help Create Value with our Investees ►

Value creation is central to our strategy. We provide more than just capital – we partner with our investees, using our knowledge, experience and connections to add value to each investment.

As a specialist agribusiness investor, we help our investees achieve their growth, profitability and impact objectives in a number of ways. For example, we take board seats with our key partners and have regular dialogue with senior management on strategic and agronomic matters, with the ability to call on technical expertise (e.g. in irrigation and pest management) from across our networks where needed.

Through our Technical Assistance Facility, we have matched grant funding for improvements in financial management systems, the development of digitised outgrower schemes, and the introduction of regenerative farming practices.

We also support our investees to adopt best ESG practices. For example, AgDevCo specialists provided finance and tax expertise to help poultry business, Flow Equity, expand into several new countries. Working closely with the Group CFO, we helped scope and review tax compliance work, interviewed new finance staff using an in-house tool to help set up a robust finance function, and identified recommendations to address areas of improvement. Alongside expertise, we provided technical assistance funding to help the business improve its governance of financial and tax matters and internal controls by forming an Audit and Risk Committee.





Development Impact and Environmental, Social and Governance (ESG) Activities

AgDevCo's investments support, among others, job creation, increased incomes, food security and export development. Ultimately, our biggest impact is where our investments lead to transformational change.

Our Approach

We are driving the development of new agro-industries and creating investable opportunities for the private sector, through an approach aligned with the UN's Sustainable Development Goals.

Our ESG team supports investees with advice on best practice systems making businesses more resilient, impactful and investment-ready.

Development Impact

In 2022, employees in AgDevCo's investments received income of over \$22m and farmers, traders, and customers received income of more than \$123m, almost \$150m in total. By increasing personal incomes, our investments contribute to food security at the household level by improving people's ability to purchase more and higher-quality food. For example, in 2022, our investments produced over 106 million eggs and 38,066 tonnes of locally-produced, nutritious food, all sold to low-income households.

This equates to around 76 million affordable nutritious meals or enough meals to feed 69,528 people a year. By helping our investee businesses to produce better quality local food we also contribute to food security at the national level.

We enhance impact creation through our Technical Assistance Facility which, in 2022, included several

projects to strengthen the value of our supply chains: improving climate resilience; widening access to markets for female farmers; creating robust environmental and social management systems and financial controls; and supporting the development of regenerative agricultural practices. Ultimately, our biggest impact is where our investments lead to transformational change. This occurs over time and, we believe, can be far greater than the direct impacts in the business itself.

Examples include the demonstration effect of introducing successful new business and production models to a country or region; building critical mass which attracts other investors and economic actors; and the related benefits of wider local or regional economic uplift driven by key businesses. In 2022, we continued to demonstrate our commitment to making transformative investments, including:

- > supporting the large-scale expansion of Victory Farms and its commercial aquaculture business to bring high-quality, affordable, locally produced fish protein to urban areas of Kenya;
- > growing lychee production in Mozambique through our Westfalia Fruto investment, by linking local producers with European lychee markets and benefiting from the positive impact of geographic

concentration of investments in the Sussundenga region; and

- > working with Flow Equity Group to support ongoing expansion of their highly impactful, dual-purpose poultry model into several new countries.

Diversity, Equity and Inclusion

We aim to make sure our services are delivered equally and meet the diverse needs of our partners. We have mandatory policies on zero tolerance for discrimination and harassment for all new partners.

Influencing Through Engagement

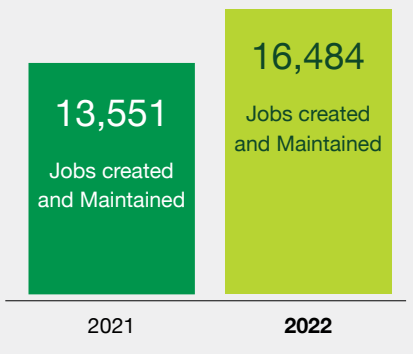
We are committed to improving Black African representation and gender equality across our investment portfolio. We have various opportunities to engage directly with our investee businesses and their teams – for example, through our interaction with senior management and by taking board positions. We use these opportunities to influence and encourage businesses to consider ways to improve Black African and female representation. Additionally, through our investee support and Technical Assistance Facility activities we improve overall ESG standards.

These include monitoring and improving a range of ESG measures, including metrics relating to diversity, equity and inclusion in our investees' workforces and along their supply chains.

Black African representation in our investee businesses is growing although more remains to be done. At the end of 2022, around one third of our investment portfolio had Black African ownership.

Development Impact Performance 2022

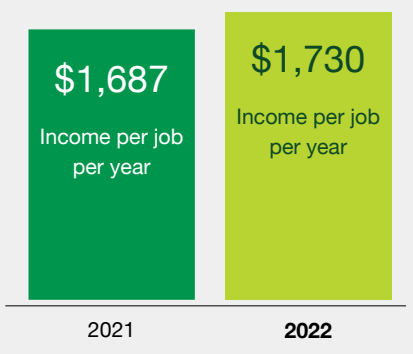
16,484 jobs (22% for women) attributable to AgDevCo's investments



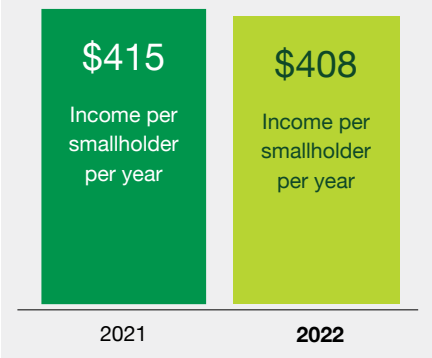
Benefits for 403,896 small-scale farmers, customers, and traders (36% women) attributable to AgDevCo investments.



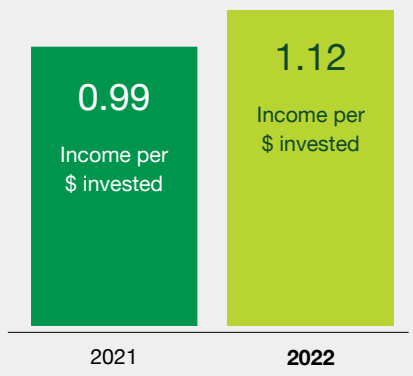
Employees working in AgDevCo's portfolio earned more money than in 2021.



Estimated earnings by small-scale farmers, customers, and traders in AgDevCo supply chains fell slightly in 2022.



For every dollar invested, household income improved by more than a dollar in 2022.



Gender Equality

AgDevCo is eligible for the 2X Challenge (2X) Flagship Fund, with over 60% of our portfolio meeting 2X's requirements. Gender equality at AgDevCo, however, goes beyond the 2X gender lens criteria as our aim is to support enhanced job quality, livelihoods and equality at all levels of our investee businesses, including in smallholder suppliers. At AgDevCo, we take a holistic approach by encouraging our investee businesses to engage women at each stage in the value chain – as employees, leaders, entrepreneurs, farmers, and consumers. In 2022, for example, we helped our investees to adopt employment policies which protect and improve opportunities for women, increasing the proportion of investee companies with anti-discrimination and anti-harassment policies from 60% in 2021 to 83% in 2022.

ESG and Sustainability Reporting

In addition to undertaking due diligence on new pipeline opportunities, during 2022 our ESG team worked with businesses across our investment portfolio to understand ESG risks and opportunities and to help develop management systems in line with international good practices. We complemented this work through a programme funded by our Technical Assistance Facility to support improved job quality, risk management and sustainability. Our legal team works alongside investment teams to promote business integrity, by helping to identify risks and to suggest improvements to controls.

ESG and sustainability workstreams often overlap with the work of our commercial agriculture teams, particularly in areas such as crop protection, animal welfare and responsible agricultural practices, including regenerative agriculture. Similarly, we deploy our enterprise development and financial controls skills to improve commercial, financial

and ESG management. The overall impact of these integrated support services is to improve the governance of sustainability practices and reporting of the businesses we work with.

Preparing our Investees for Emerging ESG Good Practice

In 2022, we introduced new ESG and sustainability metrics to help our investees, and AgDevCo, meet the latest industry expectations and to manage increasing scrutiny.

Our work on key metrics spanned several areas, including: supply chain traceability controls and risk; job quality; and the use of sustainable agricultural practices. An important output has been the development of improved performance indicators for

the efficiency and impact intensity of investments and production, for example how much food is produced per unit of land, unit carbon, water or dollar invested and the level resource use per job created, etc.

In a similar manner to our carbon accounting work, this new ESG and sustainability monitoring will enable us to work with sponsors to improve resilience, impact and sustainability of operations. Feeding directly into environmental and social management systems, it may help to make them more investable in future, and will support alignment with emerging export markets, such as the evolving requirements on due diligence and traceability of supply chains in the EU.



Support for Women in our Investee Businesses ▲

AgDevCo's investee company in Kenya, Sagana Nuts, has set up a childcare centre for female employees and engaged a Health Officer who provides monthly checkups for their children. A number of our investee businesses also ringfence hours to allow mothers to breastfeed their children, and female employees receive training on topics such as hygiene, health, and safety. At Victory Farms in Kenya, female employees were given sanitary pads.

These various childcare and employee benefits help to reduce female employee turnover and to promote a more sustainable skilled workforce.

AgDevCo Technical Assistance Facility

Recognising that our investees sometimes need additional support to improve their businesses and to increase their impact, in 2021, AgDevCo launched its Technical Assistance Facility.

About AgDevCos' Technical Assistance Facility

The Technical Assistance Facility is a pool of donor funding that supports three types of projects:

- > Core business support: support to improve investees' internal systems, processes and internal resources and expertise in relation to agronomy, finance and ESG.
- > Inclusive business support: support to build capacity in the value chain and to strengthen market linkages between commercial agribusinesses and smallholder farmers, as well as employees.
- > Thematic initiatives: initiatives where similar projects are rolled out across multiple investees to ensure a consistent approach. Projects typically cover one or more of the following three key themes: smallholder value chain development; gender equality; and climate resilience.

Where successful, AgDevCo's Technical Assistance Facility may also de-risk the investment for AgDevCo and future investors, thereby enabling agribusinesses to leverage additional capital.

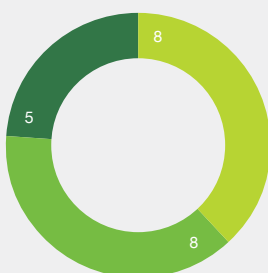
Performance

At December year end 2022, the Technical Assistance Facility had engaged over 10,000 smallholder farmers (51% women) through climate-smart, good agricultural practices training.

Additionally, it helped 11 investees to improve their processes and systems in ESG, financial management, governance and outgrower management. As of May 2023, the Technical Facility Assistance portfolio consisted of 21 projects with committed investment of \$4m. A breakdown of the number of projects by project type and theme is provided below.

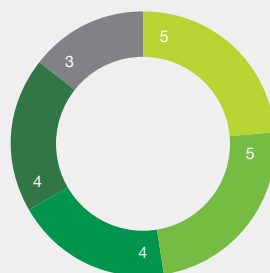
Breakdown of TA Facility Projects by Project Type (No.)

Core Business Support	8
Inclusive Business Support	8
Thematic Initiatives	5



Share of Portfolio by Sector (No.)

Smallholder Agribusinesses	5
Financial Systems	5
ESG	4
Management / Governance	4
Commercial Agribusinesses	3





Gender-Focused Technical Assistance Partnership with Uzima in Uganda ◀

Uzima is a day-old-chick provider that supplies hybrid “backyard” chickens via agents to smallholder farmers who raise the chickens for meat and eggs that they eat or sell. Using technical assistance funding, AgDevCo conducted a gender value chain assessment to better understand how outcomes can be improved for women in the supply chain and rolled out district training to agents and smallholder farmers. It also expanded Uzima’s brooding unit network by partnering with non-profit organisation FINCA, which provided working capital loans to brooding agents (based on a guarantee provided through technical assistance funds).

By the end of 2022, 2,477 agents, village ambassadors (who give agents marketing support) and smallholder farmers (36% women) had been trained in good livestock practices and marketing skills. As part of the gender value chain assessment, Uzima invited both household spouses to its district trainings to help increase the number of women involved.

Based on a survey conducted by Uzima, 93% of attendees reported they are applying improved chick livestock practices as a result of the training. Chick mortality, a key performance indicator, remains under 2% at the agent level. Additionally, by the end of 2022:

- > 177 FINCA loans (47% for women agents) were extended across 54 districts;
- > 69,690 day-old-chicks were dispatched to brooding unit agents;
- > Over 4,600 smallholder farmers purchased chickens from brooding unit agents; and
- > 37 brooding unit agents (35% women) became cash agents (and no longer require working capital loans).

Climate Change and Greenhouse Gas Emissions

Climate Change and Extreme Weather Effects

Climate change and extreme weather risks are critical considerations in our investment strategy. Key factors within our investment horizons include extreme or acute weather events, for example, the effects of the El Niño and La Niña cycles.

Chronic climate change effects may exacerbate these weather cycles and our investees’ long-term ability to maintain development impact.

We will not invest in any business without assessing these risks (in line with industry-leading techniques and tools) and we maintain a diversified portfolio of products and locations.



We will seek to achieve at least net zero carbon emissions over time. This will start with our corporate activities and be followed by our investment portfolio. In some cases, we may need additional support from our funders to fully achieve this objective.

Once invested, we engage with our investee businesses to support adaptation and to build resilience in their businesses and supply chains. For example, the implementation of regenerative agricultural principles can lead to more efficient production, better resilience to climate change factors and reductions in carbon intensity of food production. Using our Technical Assistance Facility, we are currently encouraging regenerative agricultural practices in a number of our investee business.

Greenhouse Gas Emissions

At AgDevCo, we believe that we are part of the solution to reducing the impact of climate change. We do this by supporting carbon-efficient and climate resilient food production systems in geographies that need investment in the agricultural sector.

To make progress against our climate objectives, we are working with all investee businesses to calculate their carbon footprint from annual estimates for Scope 1 and 2 emissions and to use this information to set and implement reduction strategies.

Across our investment portfolio, the main Greenhouse Gas emission sources in 2022 included: grid electricity (31%); on-site waste disposal (20%); fuel usage (15%); soil fertility (11%); and emissions from fish production (11%).

We use emissions information both in our investment decision making and choice of initiatives to reduce the carbon intensity of food production in our portfolio and, in 2022, we worked on establishing emission intensity ratios for different types of production. Examples of the indicators that we track can be found in the following table.



Environmental and Social Management Systems (ESMS) Development and Implementation in Malawi ►

AgDevCo supported four investees in Malawi to develop and implement ESMS in alignment with AgDevCo’s Responsible Business Principles and International Finance Corporation performance standards. A well-designed ESMS can help to reduce risk, improve operational and financial performance, facilitate access to finance as well as enhance ESG/sustainability performance.

AgDevCo undertook an ESMS gap analysis of existing documents and practices, conducted a site visit to understand the company’s operations, trained management on ESMS, and developed ESMS materials. As of December 2022, a total of 319 employees (42% women) had been engaged in related ESMS improvements.

For the first time in 2022, we attributed our investment portfolio emissions, using Task Force on Climate-related Financial Disclosures (TCFD)-based methodologies, to better understand AgDevCo’s overall impact. Since many of our investees have significant amounts of farmland, we are looking increasingly at the roles that both regenerative agriculture and natural capital play in emission reduction and carbon sequestration across our investment portfolio.

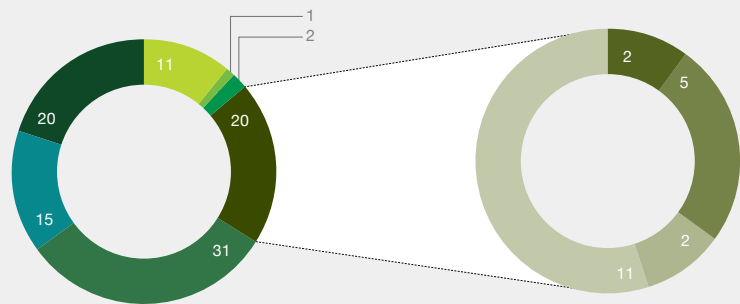
Non-production land assets were the largest source of carbon sequestration across the portfolio, followed by plantation crop tree growth. We are therefore focusing on understanding the role that unused land assets can play in our overall approach to reducing carbon emissions and our future net zero transition planning.

In 2022, after applying the attribution factor to our investees’ total emissions and excluding the sequestration from non-production land assets, our portfolio’s net operational carbon emissions were ~14,000 tCO₂e and gross emissions were ~41,000 tCO₂e.

Our experience is that there is significant year-on-year variability in emissions due to factors such as wildfire and project development activity. As we seek to achieve portfolio net zero operational carbon emissions over time, we will consider our performance based on long-term moving average emissions.

Greenhouse Gas Emissions in 2022 by Source (Investment Portfolio %)

Soil Fertility	11	Electricity (grid)	31
Enteric Fermentation/manure	1	Fuel Usage	15
Agricultural Practices	2	On-site Waste Disposal	20
Other	20		
Flaring	2		
Refrigerants	5		
Sugarcane burning (non-biogenic)	2		
Fish production / waterbody	11		



Example intensity indicators (Investment Portfolio %)

Indicator	Emission Intensity Ratios	Rationale
Water use (m₃)	<ul style="list-style-type: none"> > Per 'meal' produced > Per unit of land > Per tonne of end product > Per job created > Per \$ invested 	Water use efficiency and water scarcity are key issues for responsible production and climate change and product and investment water footprint will increasingly be seen as a KPI.
GHG emission tCO₂e	<ul style="list-style-type: none"> > Per 'meal' produced > Per unit of land > Per tonne of end product > Per job created > Per \$ invested 	GHG emission intensity is critical in understanding how to efficiently produce agricultural products, to understand the carbon footprint of investment and job creation and to drive net zero transition.
Land use (Ha)	<ul style="list-style-type: none"> > Per 'meal' produced > Per tonne of end product > Per job created > Per \$ invested 	Efficient use of land to minimise the need for additional land use change and to mitigate associated emissions and biodiversity loss is critical to a just transition in agricultural production.

Financial Performance

AgDevCo is on track to achieve financial sustainability. In 2022, we demonstrated our ability to make new investments, grow funds under management and improve profitability through scale.

2022 Results

During 2022, we invested an additional \$40m into new and existing businesses. This was a 43% increase on the prior year (2021: \$28m) and confirms our ability to deploy capital at a level consistent with our business plan, post-pandemic.

These new investments supported a 13% increase in investment income which totaled \$6.7m for the year (2021: \$5.9m). We were able to achieve this with a similar level of resource and, despite inflationary pressure, operating costs increased by only 6% to \$8.7m (2021: \$8.2m). With additional other income of \$0.6m (2021: \$0.3m) and improved treasury yields – as global interest rates rose – we moved closer to a break-even position, reporting an operating loss of \$0.6m (2021: loss of \$1.9m).

Portfolio Movements

We ended the year with a disbursed portfolio value of \$122m (2021: \$105.4m). The majority of our investees performed well, holding or growing in value.

However, this growth was offset by impairments on working capital exposures in Ugandan coffee and cotton, arising from issues including challenging market conditions and [historic] losses incurred during the pandemic.

Continued Scale and Path to Profitability

Achieving financial sustainability is necessary to ensure that AgDevCo continues to deliver impact over the long term. It will also allow us to support the development of early-stage agribusiness that require the smaller investments that we made in our early years.

Following the most recent round of fundraising, our funds under management now stand at \$280m (2012: \$190m), of which \$147m had been committed by 2022 year end. Our income yield on invested capital in 2022 was 5.3% (2021: 5.0%). As we invest our remaining funds under management, we are confident of moving into profitability, expecting to break even as a minimum in 2023.

AgDevCo Group Summary Financials, 2018 to 2022

	2018 (\$m)	2019 (\$m)	2020 (\$m)	2021 (\$m)	2022 (\$m)
Summary Profit and Loss:					
Investment income	3.0	4.3	5.0	5.9	6.7
Other income	0.7	0.7	0.5	0.3	0.6
Treasury income	1.0	1.5	0.5	0.0	0.9
	4.7	6.5	6.0	6.3	8.1
Core operating costs	(11.8)	(10.1)	(8.0)	(8.2)	(8.7)
Finance costs	-	-	-	-	(0.1)
	(11.8)	(10.1)	(8.0)	(8.2)	(8.7)
Core Operating Loss¹	(7.2)	(3.6)	(2.1)	(1.9)	(0.6)
Key Performance Indicators:					
Funds under management (FUM)	190.0	190.0	190.0	190.0	280.0
Disbursed portfolio value	54.7	91.5	95.1	105.4	122.0
Operating costs/FUM %	6.2%	5.3%	4.2%	4.3%	3.1%

¹ Core operating loss is AgDevCo's internal measure of profitability from the operation of its core investment business. It is stated before grant-funded costs, grant income, fair value movements on investments, the impact of currency movements, other exceptional items and tax.

Governance

AgDevCo Limited (“AgDevCo”) has robust policies, procedures and systems in place and is supported by a team of non-executives with extensive experience in impact investment and African agriculture.

Our funders are represented on our Board and Investment Committee as well as our Portfolio Risk Committee (PRC), Audit and Risk Committee (ARC) and Remuneration and Nominations Committee (RNC). The RNC is responsible for decisions regarding executive remuneration, and recruitment of non-executive directors. In accordance with AgDevCo’s delegated authorities, all investment decisions must be approved by the Executive Committee before being presented to the Investment Committee and Board.

The PRC meets quarterly to review the performance of investments and periodically agree valuations. The ARC oversees strategic risk within the business as well as having oversight of our Business Integrity, Development Impact and ESG commitments and reporting.

Our Responsible Investment Policy is aligned with industry good practice and all investees must commit to our Responsible Business Principles and zero tolerance requirements on safeguarding and harassment. We have strong commitments to diversity and inclusion and we were independently audited and awarded ‘Practice Leader’ status for our impact management system in line with the operating principles for impact management (OPIM) requirements.

AgDevCo is wholly owned by AgDevCo Holdings Limited (“AgDevCo Holdings”) which is a company limited by guarantee established to preserve AgDevCo’s mission.

AgDevCo Holdings has five members, four individuals, and the Secretary of State for Foreign, Commonwealth and Development Affairs of the United Kingdom.



Developing Women’s Careers Across our Portfolio ►

Across our portfolio, we champion opportunities for women to take up leadership roles and to develop their careers. Our investee business Uzima Chicken in Rwanda, for example, has partnered with Killimo Trust to provide professional training internships for women in roles such as technicians, supervisors, and managers. In 2022, five women from this programme were appointed as Farm Managers. At Jacoma-Tropha in Malawi and ECA in Mozambique, our investee business successfully hired women as technicians, tractor drivers, builders and workshop clerks. These appointments help demonstrate to other female employees the potential to explore career opportunities that they may have assumed were not open to them.



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