Annual Verification Report about AGBI III CARBON – Green FIAGRO-FIP (1st year – 2024)

Total amount subscribed:	**Start date:**	**Duration:**
R$ 80,818,950.00	November 2022	10 years
Alignment with SDGs		
Alignment with GBP/GLP categories	• Environmentally sustainable management of living natural resources and land use.	

Use of proceeds

a. The total amount subscribed of AGBI III CARBON (FIAGRO-FIP) is R$ 80,818,950.00, according to the portfolio position statement in April 2024. About 4.51% of this amount has already been allocated to cover operational and regulatory expenses.

b. The Fund holds the necessary credentials for labeling as an ESG fund or a fund with environmental and social characteristics, based on a proprietary evaluation methodology inspired by the European Union's Sustainable Finance Disclosure Regulation (SFDR). It is important to note that in Brazil, the Brazilian Association of Financial and Capital Market Entities (Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais - ANBIMA) is the body responsible for the accreditation of financial instruments based on Brazilian regulations.

c. The proceeds raised through the Fund have been allocated to investments in acquisition of degraded pasture farms to be transformed into crop areas with high productivity and carbon storage potential. The proceeds allocation is, thereby, in line with the sustainable objectives of the fund.

d. AGBI Carbon III is categorized as a commitment fund, which means that the capital calls take place at the time of the acquisition of the properties, mitigating the need to temporarily allocate the funds to other instruments until the purchases are completed. ERM has checked all the financial evidence and concludes that there are no proceeds temporarily allocated to high-risk financial instruments.

e. AGBI has committed to monitoring and reporting financial and environmental information regarding the assets invested. Every three months, shareholders receive a Report containing updates on the proceeds allocation and status of the works of the Fund's assets. ERM had access to such reports as evidence of reporting. This practice is in line with what ERM considers to be the best transparency and reporting practices.

f. The Second Party Opinion prepared by NINT in 2022, later acquired by ERM, is available to public on AGBI's website[1], as well as on PRI Data Portal[2].

Impact of projects

a. The portfolio consists of farms with degraded land, which are leased and restored by a third party after acquisition and subsequently sold. In this sense, the projects generate environmental benefits by restoring degraded areas, increasing agricultural productivity, and consequently enhancing carbon storage. The fund is currently carrying out its first acquisitions, so the process of recovering farms is still in its initial stages.

b. ERM evaluated the selection process of the farms that currently make up the fund's portfolio and it was able to ensure that the criteria previously defined were met, since the farms that are in the process of being included in the fund's portfolio have characteristics of degraded pastureland, with good prospects for recovery. ERM verified that the Due Dilligence processes were all in accordance with the criteria informed in the process of selecting and evaluating the farms, in order to guarantee that the farms purchased had no socio-environmental liabilities.

c. At this stage, none of the environmental performance indicators have been reported, since the process of recovering farms is still in its initial stages. According to AGBI, they shall be reported in 2024, from the start of agricultural production in the region**.**

d. The Annual Verification Report will also be disclosed to the public on AGBI's website.

e. No recent controversies related to AGBI or the analyzed farms were identified.

[1] Agronegócio - AGBI
[2] S3 (unpri.org)

About ERM

ERM is a leading global sustainability consultancy with operations in more than 70 jurisdictions and 8,000 employees worldwide. Within its Sustainable Finance practice, ERM has assessed 300+ financial instruments for sustainability, such as green, social and sustainable bonds, sustainable investment funds and goal-linked instruments. ERM is also accredited by the Climate Bonds Initiative at a global level and, since 2020, NINT, now part of the ERM group, has been among the top 10 global second opinion providers for sustainable bonds, according to Environmental Finance.

SUMMARY

1. Scope

The purpose of this Annual Verification Report is to assess the proceeds allocation and the environmental benefits generated by the assets invested by AGBI III CARBON Fundo de Investimento nas Cadeias Produtivas Agroindustriais (FIAGRO) - Participações ("Fund", "Green Fund" or "Green FIAGRO"), constituted as a closed-end condominium, with a duration of 10 (ten) years, managed by AGBI Ativos Reais LTDA ("Manager") and administered by VÓRTX Serviços Fiduciários LTDA ("Administrator").

The preparation of this report was foreseen in the Second-Party Opinion prepared by NINT, later acquired by ERM, in September 2022, which aimed to provide an independent opinion on the AGBI III CARBON fund as a 'Green Fund'.

The proceeds subscribed by the Fund at the time of conclusion of this report, whose total amount was R$ 80,818,950.00, are set to be directed to the acquisition of degraded farmlands.

ERM's verification was based on the characteristics of the Fund, the analysis of the Fund's regulations, its management practices and investment process, and the information and evidence relating to the projects financed at the time this report was developed.

ERM's analysis is based on a proprietary evaluation method, which uses as a reference the *European Union's* Sustainable Finance Disclosure Regulation, in force since March 2021. The evaluation process was conducted in accordance with relevant general principles and professional standards of independent auditing, and in line with the International Standard on Valuation Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000), International Standard on Quality Control (ISQC 1, 2009) and Code of Ethics for Professional Accountants of the International Ethic Standards Board for Accountants (IESBA, 2019).

This verification has used information and documents provided by AGBI Real Assets, some of which were confidential, along with desk research. This process was carried out between June and August 2024.

It should be noted that during the process, AGBI demonstrated a high level of responsiveness and proactivity in accessing information. ERM had access to all documents requested and was thus able to provide a reasonable level[3] of assurance regarding completeness, accuracy, and reliability.

[3] "An assurance engagement in which the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria " (ISAE 3000).

Disclaimer

ERM is not a shareholder, investee, customer or supplier of AGBI, nor of its subsidiaries. In 2022, NINT, integrated to ERM in 2023, issued a Second-Party Opinion Report on the Fund's green credentials, characterizing it as a "Green Fund", or "Green FIAGRO". ERM, therefore, declares that it has no conflict of interest and is able to issue this Annual Verification Report.

The analyses contained in this report are based on a series of documents, some of which are confidential, provided by the company. We cannot vouch for their completeness, accuracy, or even veracity. Therefore, ERM is not responsible for the use of the information contained in this report.

THIS IS NOT A RECOMMENDATION

We emphasize that all evaluations and opinions indicated in this report do not constitute an investment recommendation and should not be considered to attest to the profitability or liquidity of the fund.

2. Verification

ERM verified that the allocation of proceeds of the AGBI III Carbon (FIAGRO-FIP) is in accordance with what was assessed in the Second-Party Opinion – which evaluated the fund as a Green FIAGRO-FIP - and, therefore, is also in line with the concepts linked to Article 9 of the SFDR, following ERM proprietary methodology.

ERM assesses that, in all material aspects evaluated, the verification process indicated that the Fund continues to be aligned with the credentials necessary to be considered a "Green Fund" or "Green FIAGRO".

This analysis is detailed in the items Proceeds Allocation (section 3) and Project Impact (section 4) of this report.

Responsible technical team

Bruno Magno
Consulting Associate
bruno.magno@erm.com

Camila Horst Toigo
Principal Consultant
camila.toigo@erm.com

Cristóvão Alves
Partner
cristovao.alves@erm.com

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3. Proceeds Allocation

The funds of the AGBI III Carbon (FIAGRO-FIP) are in the process of being allocated in the acquisition of farmlands with degraded land in Mato Grosso (Brazil). This objective is in accordance with what was foreseen in the Second-Party Opinion. By the time this report was completed, the fund was acquiring two farms, located in the municipality of *Gaúcha do Norte,* as shown in the table below.

Table 1: AGBI III Carbon farms

Farm name	Allocation status	Municipality/State	Estimated date of acquisiton	Area (ha)[4]
Entre Rios	**Acquisition process**	Gaúcha do Norte/Mato Grosso	May 2024	2,075.47
5 Estrelas	**Acquisition process**		May 2024	3,530.85
Total	**-**	**-**	**-**	**5,606.32**

Source: Prepared by the authors based on data provided by the company.

AGBI presented the fund's first investment memorandum, disclosed to investors 15 months after the first subscription to the fund. During this period, the asset manager evaluated several potential targets to add to the portfolio, completing the acquisition of the two farms presented in the table above, at the beginning of 2024.

Both farms were evaluated on site by AGBI in order to verify that the degraded land conversion strategy of the fund was compatible with the physical characteristics found. Through a series of reports and technical analyses, the fund manager was able to verify the feasibility of transforming the degraded land in a cultivation area. More details are presented in Section 4.

After the sales contracts were signed, further rounds of in-depth due diligence (DD) were carried out, with the aim of confirming the soil conditions and legal and environmental regularity. It's important to mention that the DD involved soil and deforestation analysis and was carried out by AGBI's specialised partners. There was also a detailed analysis of land aspects and compliance with Brazilian environmental legislation. ERM had access to the documents and verified that the process was properly conducted. In February 2024, the due diligence process was over and the last addendum to the sales contract was signed.

Being a commitment type fund, capital calls are required in order to fulfill the payments regarding the acquisitions. The payment schedule is illustrated below. The land acquisitions includes a down payment of R$ 61,8 million, that was executed in May and August 2024, and two remaining installments expected to occur in August 2024 and May 2025 - one in the amount of R$ 20,7 million and the other in the amount of R$ 22,6 million.

[4] According to one of the Technical Reports issued by an external consultancy in January 2024.

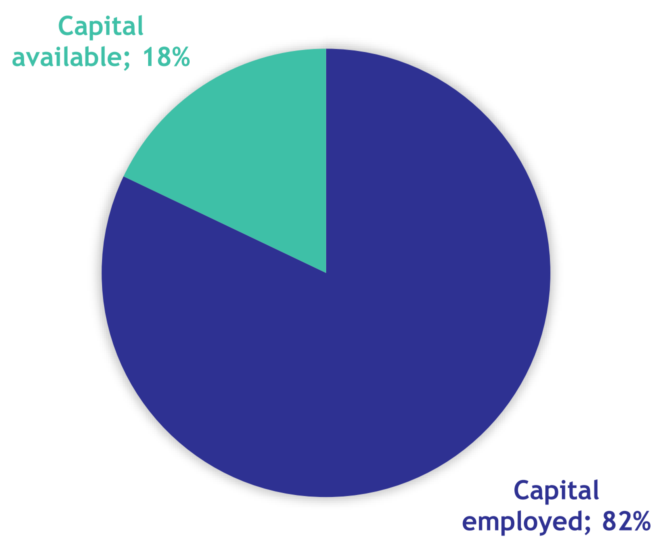
Table 2: Payment schedule

Executed	
Date	Amount (R$)
May 2024	53,293,291.65
August 2024	8,511,229.36
Expected	
Date	Amount (R$)
August 2024	R$20,796,605.19
May 2025	R$22,639,638.69

Source: Prepared by the authors based on data provided by the company.

The manager shared all the quarterly reports issued up to the first quarter of 2024, which contain information about the evolution of the fund's net equity and a comprehensive overview of the actions carried out by the controlling shareholders. The total amount subscribed by the fund so far, according to information provided by AGBI Real Assets[5], was R$79,965,000.00. According to the pre-issuance SPO of September 2022, the Fund's expected net asset value was up to R$ 300,000,000.00 (three hundred million *reais*). The proceeds used so far have totalled R$65,641,339.00, leaving a balance of R$14,323,661.00 available. The financial information of the fund's portfolio is presented in the chart below.

Chart 1: Financial Information of the Fund – AGBI III Carbon Portfolio (Position April 2024[6])



Source: Prepared by the authors based on data provided by the company.

As previously informed, AGBI Carbon III is categorized as a commitment fund, which means that the capital calls take place at the time of the acquisition of the properties. It reduces the need to temporarily allocate the proceeds raised to other financial instruments until the purchases of the assets are completed.

[5] Provided by the fund's Financial Reports.
[6] Date of the last quarterly report.

According to the fund’s Regulations, temporarily unallocated investments may represent up to 10% of the Fund's net equity. Thus, the fund must invest at least 90% of its net worth in the acquisition and recovery of eligible lands. Also, from the perspective of the Fund's regulations, temporary investments will necessarily be highly liquid assets, with a low risk of contamination.

As such, the fund does not have temporary investments, which reduces the risk of contamination of proceeds. In addition, the asset manager plans to allocate the majority of the available proceeds to its core activities, excluding fees and operating expenses.

AGBI has committed to monitoring and reporting financial and environmental information regarding the assets invested. Every three months, shareholders receive a Report containing updates on the proceeds allocation and the legal status of the farms, as well as the processes of recovering degraded soil and associated impact indicators. The asset manager also shares information about the fund with the Brazilian Association of Financial and Capital Market Entities (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais* - ANBIMA) and the Principles for Responsible Investment. As evidence, the company sent ERM all the quarterly reports issued so far, as well as the PRI Portal Data link.

The financial indicators related to proceeds allocation, defined in the SPO prepared by ERM in 2022, were properly reported. The Second-Party Opinion was disclosed in AGBI website and shared with investors and other stakeholders. As mentioned previously, ERM has verified all the information disclosed.

This Annual Verification Report prepared by ERM is the first external verification report that confirms the use of proceeds of AGBI III Carbon. The report will be disclosed to the public on AGBI website as well.

AGBI expects that by 2024 the processes of recovering farms and transforming pasture areas into crops will have made significant progress. In this way, the asset manager will prepare its own report on the environmental performance indicators of the two farms acquired so far and any other land that may be added to the fund’s portfolio. The environmental benefits and impacts of the fund are presented in section 4 of this report.

We were able to verify that the proceeds raised by the Fund are being allocated to investments in degraded farmlands in the state of Mato Grosso, Brazil. ERM verified that there are no temporarily unallocated proceeds. In terms of transparency, financial information is reported both to public and shareholders. It is also important to notice that the SPO elaborated by ERM in 2022 was shared in AGBI website. This verification report will also be disclosed there. The Fund's own report on the environmental benefits, to be prepared by AGBI, will be carried out in 2024.

4. Impact of Projects

4.1 Social and environmental benefits

The main environmental benefit associated with the use of proceeds is related to the contribution to a low-carbon economy and sustainable development, through restoration of degraded agricultural farmlands.

The objective of the AGBI III Carbon fund is to thoroughly analyze a range of possible farms to determine whether they fit as a viable option for their land restauration methods. The company has an extensive pipeline of farms of interest, which must meet a series of technical environmental criteria in order to qualify for acquisition, such as average rainfall in the region, soil quality, deforestation and legal compliance.

Since the structuring of the fund, the asset manager has analyzed a series of lands, which undergo three different screenings to assess their compatibility and suitability for the portfolio. These screenings include the realization of soft and hard due diligences and on-site visits, with further deliberation by the investment committee.

In this sense, the **5 Estrelas** and **Entre Rios** farms were the first two lands chosen to enter the fund's portfolio, after undergoing all the pre-established evaluation stages. AGBI presented a series of technical documents and due diligences regarding the purchase of both farms. In the Second-Party Opinion, the following criteria were defined as essential for the selection of said farms:

- Presence of degraded pasture, with a clay percentage above 15%;
- Minimum average annual rainfall of 1,500 mm;
- Flat topography;
- Legally compliant environmental documentation;
- Quality road logistics.

ERM evaluated the evidence presented to verify compliance with all criteria and processes defined by AGBI farms acquisition process.

In addition, the fund has a well-defined process for evaluating, selecting, and monitoring assets through geospatial analysis and technical studies that assess the conditions of the sites and verify their proximity to areas of socio-environmental sensitivity. AGBI also has a zero-deforestation policy with a cut-off date of 2012. Evidence was provided that none of the acquired farms had been deforested since 2012. AGBI also provided an analysis carried out by its team which excluded one farm from the fund's portfolio because it had a history of suppressed vegetation.

Both **5 Estrelas** and **Entre Rios** presented suited soils ready for agricultural practices, reforestation, and pasture. Considering both farms, 9.42% of the total area is in pasture with sandy loam texture (20-35%), 20.85% in pasture with sandy loam texture (15-20%), 12.96% in pasture with sandy loam texture (10-15%), 7.65% in open area with sandy loam texture (10-15%), 1.7% in pasture with a sandy texture

(0-10%), 0.03% in infrastructure, 0.62% in pasture with erosion processes, 0.03% in pasture with rocky outcrops and 46.73% in APP, legal reserve, native vegetation and hydrography.

Located in the Gaúcha do Norte municipality, with an average rainfall of 1,681 mm per year, the acquired lands meet the criteria defined in the pre-issuance phase. Also, the ground slope found using geoprocessing tools was predominantly low, showing that the area has a flat topography over most of its length. At last, the investments considered the logistics and infrastructure access in the area. The farms are 40 kilometers away from state highways (MT 129) and have access to municipal roads that facilitate transportation, which demonstrates the region's suitability for agricultural production.

About the legal environmental documentation, AGBI hired an external consultancy to assess the situation of the properties. According to the reports shared with ERM, there is a need for environmental regularization on the lands, through the recovery of anthropized areas and the restoration of Legal Reserves and areas of native vegetation, and these demands are presented below. Table 3 shows the technical information presented by the consultancy in its report.

Table 3: Technical analysis of the AGBI III Carbon farms

Land	Entre Rios Farm	5 Estrelas Farm	Total
Total Property Area - ATP[7]	2,075.46 ha	3,530.85 ha	**5,606.32** ha
Current Consolidated Area – AC	921.17 ha	1,947.40 ha	**2,868.57** ha
Proposed Legal Reserve area - RL[8]	1,303.2081 ha (62,84%)	2,544.96 ha (72,11%)	**3,848.17** ha **(68,68%)**
Current Legal Reserve area – RL	1,116.31 ha	1,567.84 ha	**2,684.15** ha
Legal Reserve Deficit – liability	186.89 ha	977.11 ha	**1,164.01** ha
Anthropized Land Use Area – AUAS	33.91 ha	14.02 ha	**47.94** ha
Degraded Permanent Preservation Area – APPD	3.57 ha	0.02 ha	**3.60** ha
Restoration on site (AUAS + APPD)	**37.49 ha**	**14.05 ha**	**51.55 ha**
Legal Reserve Offsetting (RL deficit – AUAS)	**152.97 ha**	**963.08 ha**	**1,116.06 ha**
Final productive area[9]	**917.59 ha (44,21%)**	**1,933.34 ha (54,76%)**	**2,850.94 ha**

Source: Prepared by the authors based on data provided by the company.

The Current Consolidated Area represents the total area available for productive agricultural use at the time of analysis, while the Legal Reserve Deficit, Anthropized Land Use Area and the Degraded Permanent Preservation Area represent areas to be

[7] Including water bodies. The percentage of the Legal Reserve considers the Total Net Area (5,603.13 ha), excluding the stretches of hydrography.
[8] According to the Forestry Code (Law no. 12.651/2012) and the Art. 41 of Decree 1.031/2017.
[9] After compliance changes.

restored or compensated, in the case of the Legal Reserve. The Final productive area is the expected area available for use after the necessary vegetation corrections and restorations.

The Proposed Legal Reserve area is established by the Brazilian Forest Code[10] and aims to preserve biodiversity, protect water resources, and maintain ecological balance. The specific percentage of land that must be designated as a legal reserve varies depending on the region and the type of vegetation: 80% in properties located within the Amazon rainforest; 35% in properties located in the Amazon's savanna region (Cerrado); 20% in properties located in other regions of Brazil.

Due to its location within a forest biome, the properties analyzed are required to maintain a minimum legal reserve equivalent to 80%, as stipulated by Article 12 of Federal Law 12.651/2012. However, given that the area in question will undergo land parceling, the evaluation of the legal reserve will adhere to the percentages and location of the larger area prior to the parceling, in accordance with Article 34 of Instruction Normative (IN) 04 of June 21, 2023.

Considering the larger area before parceling, for the determination of the legal reserve percentage, it was calculated that less than 50% of the area had been converted as of the year 2000. This finding aligns with Article 41, Section III of Decree 1.031/2017[11], which allows the property to maintain the legal reserve percentage that existed as of May 26, 2000. According to satellite images dated May 2000, presented in the technical report, the Legal Reserve areas of the Entre Rios and 5 Estrelas farms represented 62.84% and 72.11% respectively, in relation to the larger area prior to the parceling. Therefore, considering the legislation presented in the report, the proposed Legal Reserve areas should adhere to these same percentages.

The AUAS areas must be restored on site, as well as the Degraded Permanent Preservation Area. Restored AUAS can be used to reduce the Legal Reserve deficit of properties, while APPD areas are not included in the Legal Reserve classification and are a separate action. In addition, Article 21 of Decree 6.514/2008 indicates that AUAS areas opened after 2008 may be subject to a fine, except for those opened more than five years ago. The technical reports explain that 15.5224 ha of the AUAS of the Entre Rios farm and 8,0717 ha of the 5 Estrelas farm are subject to fine according to these criteria. The remaining hectares of Legal Reserve deficit that are not restored on site shall be recovered through compensation mechanisms.

Although the farms to be acquired have Legal Reserve deficits, ERM believes that AGBI will act on the benefit of these lands, speeding up regularization, recovering Permanent Protection Areas and increasing the percentage of Legal Reserves on the farms. It is important to note that AGBI is committed to reporting on the progress of the regularization of the lands included in its portfolio to investors, through the disclosure of external verification reports.

[10] Landowners are responsible for ensuring that the designated legal reserve area is not deforested and remains covered with native vegetation. This area is in addition to the "Permanent Preservation Areas" (*Áreas de Preservação Permanente*, APPs) that must also be conserved

[11] Decree 1.031/2017

AGBI also sent a Technical Opinion for the Characterization of Consolidated Areas, containing a detailed analysis of the expansion of human presence in the region and the conversion of land use over the years. The report confirms that there was no deforestation, burning or land conversion events after 2012 on the farms. ERM also conducted a geospatial analysis, using its proprietary method, to confirm whether areas of natural vegetation have been converted after the year of 2012, and found results compatible with the AGBI's report.

After acquiring the farms, AGBI has focused on finding producers interested in transforming the pasture areas into crops. The manager is targeting potential tenants from the agricultural sector or third-party operators who can carry out outsourced soil transformation and grain planting services.

For the scope of the AGBI III Carbon FIAGRO Fund, the following socio-environmental indicators were defined to be quarterly shared with the investors:

- Total area acquired with fund proceeds (hectares);
- Acquired area already recovered with the fund's proceeds (hectares);
- Estimated land productivity (tons/hectare);
- Amount of food produced (tons);
- GHG emissions avoided by not converting native vegetation on the farm or GHG emissions sequestered by recovering degraded areas (tons of CO_2);
- Amount generated in carbon credits (tons of CO_2);
- Carbon fixed in the soil.

Indicators on greenhouse gas emissions, land productivity, food produced, recovered area and carbon fixed in soil, as well as reforestation actions were not reported by AGBI in 2023, since, at the time, no farm had been acquired. However, the environmental indicators of AGBI III Carbon will be reported by the manager asset itself when as the recovery process progresses, and agricultural production begins on the properties.

According to AGBI, as the activities on the land progress, the evaluation of these indicators will be considered to ensure responsible management and transparency in the Fund's environmental credentials.

Location and sensitivity analysis

The evaluation of the socio-environmental performance associated with the projects financed by the Green Fund was carried out considering the farms where the acquisition process had progressed furthest – 5 Estrelas e Entre Rios. The analysis verified possible interference of the projects with areas of socio-environmental sensitivity (such as conservation units[12], quilombola areas[13], INCRA settlements[14], indigenous territories[15], archaeological sites[16], among others).

[12] http://mapas.mma.gov.br
[13] http://certificacao.incra.gov.br
[14] http://certificacao.incra.gov.br
[15] http://www.funai.gov.br
[16] http://portal.iphan.gov.br

None of the farms analyzed has interference in the aforementioned areas or impacts on traditional communities, settlements, archaeological and cultural sites.

In addition to the analysis of the location and sensitivity of the projects, the legal status of the rural properties was analyzed, to confirm the information handed out by AGBI. The analysis was carried out through the information found in the National Rural Environmental Registry System (Sistema Nacional de Cadastro Ambiental Rural - SICAR)[17], which presents the status of the Rural Environmental Registry (CAR) of the rural properties acquired.

The Rural Environmental Registry (CAR) is a mandatory electronic public registry for all rural properties in Brazil. Created by Law No. 12,651/2012, its purpose is to integrate the environmental information of rural properties and possessions related to Permanent Preservation Areas (APPs), of restricted use, of Legal Reserve (RL), of forest remnants and other forms of native vegetation, and of consolidated areas, in order to maintain a database for control, monitoring, environmental and economic planning and combating deforestation.

According to Law 12,651/2012, every rural property with over 4 fiscal modules must maintain an area covered by native vegetation, as a Legal Reserve. For properties located in the Legal Amazon: (i) 80% (eighty percent), in the property located in a forest area; (ii) 35% (thirty-five percent), in the property located in a *Cerrado* area; (iii) 20% (twenty percent), in the property located in the area of *Campos Gerais*. For properties located in other regions of the country: 20% (twenty percent).

Detailed information about both farms is available in Table 4. ERM verified the CAR information informed by AGBI through the SICAR and has found the same level of inconsistencies mentioned before.

Table 4 – SICAR information regarding the acquired farms

Info	Entre Rios	5 Estrelas
Rural Environmental Registry (CAR)	MT-5103858-3616070079B0446992E6E018A4BE3CAA	MT-5103858-A5D392DF73984B7E8F2DF104C1D7F2CE
Total area	4,404.64 ha	3,530.85 ha
Permanent Preservation Area (APP)	63,94 ha	33,46 ha
Legal Reserve Area (ARL)	2,360.33 ha	1,593.08 ha

[17] SICAR website

Legal Reserve déficit - Liabilities	1,163.39 ha	1,232.49 ha
Date of last rectification	08/12/2021	30/04/2024

Source: Prepared by the authors based on data provided by SICAR, 2024.

The values indicated in SICAR are different from that one presented in the technical reports submitted by AGBI. These discrepancies are associated with pending issues in the system itself, according to the due diligence report, and will be updated as soon as AGBI completes the process of acquisition. The timeframe for regularizing this information will depend on the agility of SICAR and is outside AGBI's scope of action, although the asset manager is committed to speeding up this process as much as possible.

As part of the assessment of the socio-environmental performance of the projects, ERM conducted an analysis of environmental, social and governance controversies by searching news portals, environmental inspection authorities and other government portals. The survey aims to verify whether projects have caused significant damage to stakeholders, and what the response of the company responsible has been. No ESG controversies were found in relation to either the manager or the farms mentioned in this report.

We verified that the manager has shared the process of acquisition and associated financial indicators with the investors. ERM was unable to estimate the environmental benefits of the fund's activity and/or attest to AGBI's disclosure of such information, given that the land still in process of entering the fund's portfolio at the time of writing. AGBI is committed to continuing to update its investors on the fund's activities and the status of the farms, as well as reporting on the financial and environmental indicators defined in the Second-Party Opinion.

Annex I - Methodology

NINT's SPOs and Verification Reports are based on a proprietary methodology, based on internationally recognized standards, such as the Sustainable Finance Disclosure Regulation, Climate Bonds Initiative, Green Bond Principles, Social Bond Principles, CFA Institute, European Union Taxonomy, among others. Each of these methodologies has its own criteria and particularities. The Fund was analyzed according to the following analytical steps:

Eligibility criteria and fund objectives: This item assesses the fund's sustainability objectives, i.e. what environmental and social characteristics the fund intends to promote through its investments. The fund's eligibility criteria and the minimum investment percentages that must be allocated to sustainable investments are also assessed.

ESG management of investments: This item assesses the criteria adopted for selecting and managing the ESG impacts of the fund's investments. It also assesses the contributions that the fund makes towards achieving environmental and social objectives and the proceeds management process to ensure that these contributions are achieved.

Reporting: This item assesses the fund's reporting and transparency actions towards its shareholders and the market. It is checked whether the fund has a robust process and commitments to communicate the allocation of proceeds and the environmental and social characteristics of investments.

The definitions used and their respective references are described below.

SUSTAINABLE FINANCE DISCLOSURE REGULATION - SFDR

The European Union's Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 defines two types of funds in terms of their eligibility criteria. Their nomenclature has been adopted throughout this opinion:

Sustainable investment product (dark green): financial products whose main objective is to invest in economic activities that contribute to environmental and social goals. The achievement of these environmental and social goals must be binding and cannot be neglected by the manager, as well as being measurable on the basis of objective criteria. All investments must qualify as sustainable investments. All investee companies must have good governance.

Product with environmental and social characteristics (light green): financial products whose objective is not to invest in sustainable activities, but which promote at least one environmental and/or social benefit. Environmental and social characteristics must be binding and measurable. These funds can invest in sustainable activities, with no defined minimum limit. All investments must meet the criterion of not generating adverse negative social and environmental impacts and have adequate management of their ESG impacts (do not significant harm, in SFDR nomenclature).

With regard to the investment types that can be made by funds seeking a sustainability label, the SFDR classifies them into two levels:

Sustainable Investments: These are assets that contribute to achieving sustainability objectives, such as climate change mitigation and adaptation, reusing water, reducing inequality or access to basic services. In addition, these investments have good practices for managing their ESG externalities and do not generate significant adverse impacts in relation to other sustainability objectives;

Investments or projects with adequate ESG impact management (do no significant harm in SFDR nomenclature): These are assets that do not contribute directly to achieving sustainability objectives and are not aligned with green, social or sustainable product labeling standards, and cannot be classified as sustainable investments. However, these projects do not generate adverse social and environmental impacts either, as they have good ESG management practices.

ESG investment management requirements: the SFDR establishes that the fund must provide transparency on the following elements:

- Process for identifying adverse socio-environmental impacts on investments;
- % of equity allocated to sustainable investments;
- Approach adopted to achieve its environmental and social objectives;
- Minimum safeguards for activities aligned with the taxonomy have been expanded to refer to the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, including the principles and rights set out in fundamental conventions identified in the International Labor Organization's Declaration on Fundamental Rights and Principles at Work and the International Bill of Human Rights.

Disclosure requirements: Under the Regulation on Sustainability-related Disclosures in the Financial Services Sector (SFDR), financial products must adopt a broader disclosure regime related to sustainability. SFDR requirements include pre-contractual, website and periodic reporting.

- Pre-contractual: Information on how environmental and social characteristics or objectives are met (Articles 8 and 9);
- Website: Description of the environmental or social characteristics or objectives of the fund, information on the methodologies used to assess, measure and monitor the characteristics or impact of the underlying investments, source data and selection criteria (Article 10);
- Periodic Report: overall impact related to the sustainability of the financial product through relevant sustainability indicators (Article 11).

Controversies

As part of the assessment of the socio-environmental performance of the projects, ERM conducted an analysis of environmental, social and governance controversies by searching news portals, environmental inspection authorities and other government portals. The survey aims to verify whether projects have caused significant damage to stakeholders, and what the response of the company responsible has been. The classification of the levels of severity and responsiveness in the case of identifying controversies is shown in the following tables.

Levels of Severity and Responsiveness related to controversies

Severity Levels	
Low	It does not comply with the law and/or negatively affects *stakeholders*, but does not cause harm or causes minimal harm that does not require remediation.
Medium	It does not comply with the law and/or negatively affects stakeholders, with the level of difficulty and cost of remediation being average.
High	It does not comply with the law and negatively affects stakeholders, with damages being irreparable or difficult or costly to remedy.

Levels of Responsiveness	
Proactive	In addition to the company acting in a remedial manner in the face of a controversy, it adopts measures that go beyond its obligation. In addition, the company carries out systematic procedures to prevent the problem from recurring.
Remedial	The company takes the necessary actions to correct the damage and communicates appropriately with the impacted stakeholders.
Defensive	The company takes insufficient actions to correct the damage or issues a statement without taking corrective action.
Non-responsive	There is no action or communication from the company regarding the controversy.

Source: ERM

Report Levels of Assurance

Levels of Assurance	
Reasonable	An assessment in which the risk of assurance is acceptably low under the circumstances of the engagement undertaken. The conclusion is expressed in a way that conveys the professional's opinion about the result of the evaluation in relation to the observed criteria.
Limited	An assessment in which the risk of assurance of the engagement carried out is greater than for a reasonable level of assurance, but still capable of supporting the main arguments used in the analysis.

Source: ERM

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