



Introduction

IBIS ESG Consulting Africa (Pty) Ltd (IBIS) has been engaged by Agrarius Sustainability Engineered (Agrarius) to perform a pre-issuance Second Party Opinion (SPO) assurance engagement to determine the alignment of its Agrarius Sustainability-Linked Sukuk (SLS) with the International Capital Market Association (ICMA) Sustainability-Linked Bond Principles (SLBP) of June 2020. (The Sukuk is a Shari'ah compliant fixed-income instrument similar to a bond. Any reference to Sukuk in this SPO should be read in terms of the ICMA SLBP requirements.) This report is produced in accordance with the terms of our engagement letter dated 28 September 2022.

IBIS independence and quality control

IBIS is an independent provider of non-financial assurance services. This engagement was conducted by a multidisciplinary team of non-financial assurance specialists led by Petrus Gildenhuys, who has more than 25 years' experience in non-financial performance measurement involving both advisory and assurance work and supported by ESG and Impact specialist Chelsea Markowitz. IBIS conducted the engagement based on the *International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance engagements other than audits or reviews of historical financial information* issued by the International Auditing and Assurance Standards Board, which Standard inter alia requires that the assurance practitioner follows due process and comply with ethical requirements.

Scope and Objectives

The scope of the engagement is confined to undertaking a pre-issuance Limited Assurance engagement on the Agrarius' SLS alignment with the ICMA SLBP of June 2020 (the criteria) in terms of:

- Selection of Key Performance Indicators (KPIs),
- Calibration of Sustainability Performance Targets (SPTs),
- Bond/Sukuk characteristics; and
- Reporting.

IBIS' responsibilities do not extend to any other disclosures or assertions. No assurance is provided regarding the baseline values of the KPI assured by any third party or prospective financial performance of any instrument issued in terms of the Agrarius Sustainable Sukuk Framework (SLSF).

Respective responsibilities

The management of Agrarius is responsible for generating and maintaining accurate and reliable information provided to IBIS for this assessment. IBIS shall not be held liable if any of the information provided by Agrarius's management were not accurate or complete.

IBIS' responsibilities are to conduct an assurance engagement and to report its conclusions to the Directors of Agrarius in accordance with the assurance procedures followed.

Inherent limitations



The evidence gathering procedures performed in a Limited assurance engagement vary in nature, and are less in extent than for, a Reasonable Assurance engagement. As a result, the level of assurance obtained in a Limited Assurance engagement is lower than the assurance that would have been obtained had we performed a Reasonable Assurance engagement.

Restriction of liability

Our work has been undertaken to enable us to express the conclusion on the specified scope and objectives of the engagement to the Directors of Agrarius in accordance with the terms of our engagement, which include the publication of this assurance statement, and for no other purpose. We do not accept or assume responsibility to any third parties i.e., other than to the Directors of Agrarius, for our work or for this report to the fullest extent permitted by law, save where such third parties have obtained our prior written consent.

Summary of work performed

Agrarius provided IBIS with the SLSF document and supplementary information to support the independent assurance process. IBIS' limited assurance procedures were based on our professional judgement and consisted of:

- Management enquiry,
- Inspection and corroboration of the Agrarius SLSF information and statements, and
- Evaluation of the Agrarius SLS characteristics against the ICMA SLBP requirements related to selection of KPIs, calibration of SPTs, Sukuk characteristics, and reporting.

Summary of Findings

Selection of KPIs

The Agrarius' SLS is based on Agrarius' sustainable investment approach. Agrarius' aspirations include one Combined Environmental Protection, Health and Safety, Labour and Working Conditions, and Food Safety thematic component with one supporting KPI with SPTs covering three consecutive years.

Table 1: Agrarius SLS themes, KPI description, and rationale for selection

Themed Component
Combined Environmental Protection, Health and Safety, Labour and Working Conditions, and Food Safety
KPI Description
% Of the portfolio (in Rand value) that is certified with a third-party sustainability standard.
Standards accepted by this KPI include Global G.A.P., GRASP, SIZA Environmental, SIZA Social, LEAF MARQUE, and Rainforest Alliance.
The entities forming part of the portfolio and their respective concentrations within the portfolio will fluctuate regularly throughout the lifespan of the Sukuk. Therefore, Agrarius will employ a time weighted monthly calculation method to determine % of portfolio that is certified each month. This method will both ensure that the certification levels taken at each SPT measurement date are an accurate reflection of the portfolio over the year, and also ensure that there is no



room for manipulation of the portfolio concentrations in order to achieve higher certification levels on the SPT measurement dates.

Calculations will be completed on a monthly basis (in arrears) on total capital relating to the relevant sukuk (the calculation will be based on the Rand value and not the number of transactions). Each month the percentage of capital that is deployed to projects that meet the SPT versus those that don't will be calculated. Capital not yet deployed will count as not meeting the SPT. Monthly values will be weighted for the applicable measuring period. For example, for a 12-month observation period, the value will be divided by 12, and/or by 36 for a 36-month observation period. Those monthly values will be added up and used to determine whether the KPIs have been achieved for the relevant observation period.

Rationale for selection of the KPIs

The rationale for improving third party sustainability standards certification aligns to Agrarius' sustainability objectives to contribute to a circular economy, and also to Agrarius' sustainable investment approach of integrating environmental and social factors into the investment process. Entities that are certified with the standards accepted by this KPI commit to various environmental and social management practices, including waste management, soil management, pest management, land conservation, biodiversity protection, human rights, fair working conditions and health and safety standards for workers.

The selection of the KPI is determined by the following characteristics:

- Relevance and Materiality,
- Measurability,
- Verifiability, and
- Ability to be benchmarked.

The operational boundary for the KPI is aligned to Agrarius's financial and non-financial reporting period. The reporting boundary is Agrarius Sustainability Engineered RF Limited investment vehicle that is managed by 27four and excludes all other entities managed by 27four.

Verification of KPIs against ICMA Principles

An overview of the findings for the selected KPI for the Agrarius SLS are presented in the tables below.

Table 2: KPI – % of the portfolio (Rand value) certified with a third-party sustainability standard

KPI Characteristics	Evaluation Results
Relevance and materiality	<p>The KPI (i.e., third party agricultural sustainability standards certification) is material to Agrarius' mission to transform the global agricultural sector from an extractive economy to a circular economy through meeting both sustainability and investor returns criteria.</p> <p>The external environmental and social standards are internationally recognised as relevant to verify environmental and social sustainability in the agriculture sector. Specifically, the chosen standards cover the following topics:</p> <p>GLOBALG.A.P:</p> <ul style="list-style-type: none"> • Human resources management and training • Food safety • Worker health and hygiene • Land restoration



KPI Characteristics	Evaluation Results
	<ul style="list-style-type: none"> • Biodiversity management • Waste management (use and quality) • Integrated Pest Management • Plant Protection Products <p>GLOBALG.A.P GRASP</p> <ul style="list-style-type: none"> • Human Rights • Forced Labour • Child Labour • Freedom of Association • Grievance Mechanism • Terms and Conditions of Employment • Wages • Working Hours • Disciplinary systems <p>SIZA Environmental Standard</p> <ul style="list-style-type: none"> • Water • Soil • Energy, materials & waste; and • Farm ecosystems & biodiversity <p>SIZA Social Standard</p> <ul style="list-style-type: none"> • Forced labour • Child Labour • Freedom of Association & Collective Bargaining • No Discrimination, Harassment & Abuse • Health & Safety • Working Hours • Wages, Benefits & Terms of Employment <p>LEAF MARQUE</p> <ul style="list-style-type: none"> • Organisation and Planning • Soil Management and Fertility • Crop Health and Protection • Pollution Control and By-Product Management • Animal Husbandry • Energy Efficiency • Water Management • Landscape and Nature Conservation • Community Engagement <p>Rainforest Alliance</p> <ul style="list-style-type: none"> • Forests and biodiversity • Climate • Rural livelihoods • Human rights



KPI Characteristics	Evaluation Results
	<p>Agrarius' core business strategy is also linked to economic, social and environmental sustainability, with the aim to support the transformation to sustainable agriculture, promote the development of rural economies; and encourage entrepreneurship. Among these three objectives, the KPI covers the first (transformation to sustainable agriculture).</p> <p>The KPI is materially aligned with the target requirements defined by the United Nations Sustainable Development Goals (UN SDGS) 12: Responsible Production and Consumption, and SDG 15: Life on Land.</p>
Measurability	<p>This KPI is feasibly measurable by aggregating the total value of capital deployed to certified portfolio companies (derived based on evidence of certification provided by the companies) and dividing the result by the total value of deployed capital to the portfolio. This result is then time weighted based on the observation period as per the calculation method described above.</p>
Verifiability	<p>This KPI is verifiable through the direct inspection of the certification documents for each accepted standard, as well as subsequent audit documents which reaffirm compliance with the standard. Each standard has its own external assurance/verification process.</p> <p>At each SPT date (12 months, 24 months, and 36 months) documentation will be requested from all entities to ensure that they have undergone the required audits and maintained certification status.</p>
Ability to be benchmarked	<p>A high-level investigation of agricultural industry information conducted by IBIS and Agrarius did not reveal any readily available external benchmarks for third party sustainability standards. This is therefore considered to be a limitation of the chosen KPI.</p> <p>However, Agrarius has made efforts to estimate the baseline and maximum potential certification levels for the portfolio based on internal investigation/research on sustainability certification levels in South Africa, utilisation of publicly available data provided by each of the selected certification bodies, and limited discussions with certification bodies. Both G.A.P and SIZA provide information on the number of certified producers in agricultural subsectors.</p> <p>In the table below, Agrarius has estimated both the baseline and maximum potential third-party certification levels for the transactions in the current SLS working pipeline. This table is used to estimate the baseline pre-capital deployment and develop the SPTs that are detailed in the next section. It is important to note that the portfolio transactions are not yet finalised and the final portfolio transactions are subject to changes. The total capital to be deployed will be R500 million.</p>

Table 3: Baseline and Potential Third-Party Sustainability Standard Estimations for the Current Working Pipeline (Rand, Millions)

Nature of Transaction	Potential Size	Baseline Certification Value Estimate	Potential Certification Value Estimate	Explanation for the baseline and potential estimates
Stock Finance	ZAR 150m	ZAR 60m	ZAR 150m	<ul style="list-style-type: none"> The transaction is a sales agreement with one of the largest co-ops in South Africa (Agrarius sells farming inputs to co-op, co-op sells on to their network of farmers).



Nature of Transaction	Potential Size	Baseline Certification Value Estimate	Potential Certification Value Estimate	Explanation for the baseline and potential estimates
				<ul style="list-style-type: none"> The co-op has indicated commitment to driving sustainability as one of their key strategic focus points. The majority of farmers will be producing high value crops such as citrus, pome fruit, stone fruit and table grapes, where G.A.P and SIZA certification is common¹. Based on the high levels of certification in these sectors and discussions with the co-op, Agrarius believes that they can initially (at baseline) deploy a maximum of 40% of capital to farmers who are already certified and will be able to work with the co-op and network of farmers to reach 100% certification by year 3. This transaction is key to Agrarius meeting sustainability targets over the Sukuk lifespan, as the co-op partner has demonstrated willingness to work towards sustainability standards.
Harvest Finance	ZAR 100m	ZAR 100m	ZAR 100m	<ul style="list-style-type: none"> The transaction is through a partnership with an exporter, and also concentrated in the high value crops identified above (citrus, pome fruit, stone fruit and table grapes). It is likely that the majority of farmers that are exporting in these sectors already have sustainability certification For example, based on internal industry research conducted by Oursource², roughly 88% of export-focused farm operations in the fruit industry in South Africa have either a G.A.P., GRASP, SIZA or RA certification) Agrarius plans to make certification compulsory as a prerequisite for the selection of farmers; hence the estimate of 100% baseline certification. This transaction is key to the baseline estimation of 35% certification.
Cattle	ZAR 120m	ZAR 0m	ZAR 60m	<ul style="list-style-type: none"> The transaction funds cattle to pass through the feedlot, abattoir and distribution routes via export, local markets and processing. No known purely environmental focused sustainability standard available yet for cattle (based on research and industry discussions) that can be easily implemented. Agrarius will aim to work with farmers to achieve social certification, particularly through SIZA. SIZA reports that 28 cattle farmers are currently SIZA social certified. Agrarius estimates that they can achieve 50% of deployed capital as SIZA-certified by the end of year three.
Processing	ZAR 25m	ZAR 12m	ZAR 15m	<ul style="list-style-type: none"> The transaction is purchasing mangoes to be used in the processing of dried mangoes. Currently, a low percentage of mango producers in Agrarius' network are certified because most mangos are purchased towards the end of the season and not destined for export markets.

¹ Citrus, pome fruit, stone fruit and table grapes comprise over 60% of all SIZA certifications and are produced by 1,965 total SIZA members. In South African, 353 table grape producers, 336 peach producers, 383 apple producers, 623 orange producers, 647 lemon producers and 441 pear producers are G.A.P certified.

² Oursource is an independent specialized advisory and solutions company headquartered in Paarl, South Africa. The firm provides services including business evaluation, economic valuations, corporate finance solutions, business plans, and strategies. Source caters to sectors including livestock, aquaculture, fruit, nuts, food processing, forestry, and agri inputs.



Nature of Transaction	Potential Size	Baseline Certification Value Estimate	Potential Certification Value Estimate	Explanation for the baseline and potential estimates
				<ul style="list-style-type: none"> Agrarius is anticipating partnering with a dry mango processor and making the purchase of mangos from certified farmers a covenant of the agreement and/or offering better payment terms to certified farmers. Currently, there are 24 SIZA- certified mango producers, and 10 G.A.P certified mango producers in South Africa.
Packaging	ZAR 60m	ZAR 60m	ZAR 60m	<ul style="list-style-type: none"> The transaction is purchasing and selling packaging material to farmers through a partnership with an exporter. Agrarius' objective to select farmers in crops with high certification rates such as citrus, pome fruit, stone fruit and table grapes, and therefore Agrarius estimates that they can deploy capital to 50% certified farmers at baseline. Certification can be made compulsory as a prerequisite for the selection of farmers, hence the estimate of 90% deployed capital to certified farmers by year 3. Agrarius also aims to achieve sustainability certification for the packaging materials as a longer-term objective within the Sukuk lifespan.³
Packaging	ZAR 25m	ZAR 10m	ZAR 20m	<ul style="list-style-type: none"> The transaction is a potential partnership with a private equity fund to purchase a packaging operation. This will allow Agrarius more operational control, hence the estimation of 80% of capital deployed to certified farmers. As above, Agrarius aims to also certify packaging materials.
Input Finance	ZAR 30m	ZAR 0m	ZAR 20m	<ul style="list-style-type: none"> The transaction is selling inputs to farmers producing vegetable crops such as potatoes, butternuts, and onions for local consumption. While these farmers will likely not be certified at baseline as they are producing for local production, Agrarius aims to work with these farmers to achieve SIZA-social and Rainforest Alliance certification. SIZA social currently has 142 certified fresh vegetable farmers. Rainforest Alliance certification is also possible.
Harvest Finance	ZAR 50m	ZAR 25m	ZAR 30m	<ul style="list-style-type: none"> This transaction focuses on vegetables and fruit produced for the local market, as compared to the above-mentioned harvest finance transaction which is more focused on export-orientated fruit. Agrarius estimates that 50% of baseline capital can be deployed to certified farmers, increasing slightly to 60% through working with farmers to achieve SIZA and G.A.P certifications. Rainforest Alliance certification is also possible.
Commodity Finance	ZAR 12m	ZAR 0m	ZAR 10m	<ul style="list-style-type: none"> The transaction is the purchase of sustainably produced peas for sale to local markets. While the pea farmers in Agrarius' network are currently not certified as they are not export-focused, Agrarius aims to make certification a requirement and/or financial incentive for the next round of financing. As farmers are already producing peas organically, it is envisioned that G.A.P and SIZA environmental certification will be more feasible for these farmers to achieve.

³Sustainable packaging certifications are not currently included in the approved third-party sustainability certifications as a part of this Sukuk. However, as per the terms of this SPO, Agrarius has the option to present additional certifications for review and verification by IBIS throughout the lifespan of the Sukuk (an example of a packaging certification is the Forest Stewardship Council packaging certification).



Nature of Transaction	Potential Size	Baseline Certification Value Estimate	Potential Certification Value Estimate	Explanation for the baseline and potential estimates
				<ul style="list-style-type: none"> Currently two pea producers are G.A.P certified in South Africa. Rainforest Alliance certification is also possible.
Processing	ZAR 50m	ZAR 0m	ZAR 30m	<ul style="list-style-type: none"> The transaction is the purchase of macadamia nuts to be sold for processing. While the macadamia nut farmers in Agrarius' network are currently not certified as they are not export-focused, Agrarius aims to make certification a requirement and/or financial incentive for the next round of financing as there is less pressure from primarily Asian buyers in this subsector. Some macadamia producers are also producing certified citrus, and therefore Agrarius will target these farmers for the macadamia transaction. Currently, ten macadamia nut farmers are G.A.P. certified in South Africa, 102 (general) nut producers are SIZA-social certified and 72 (general) nut producers are SIZA-environmental certified. Rainforest Alliance certification is also possible.
Commodity Finance	ZAR 100m	ZAR 0m	ZAR 0m	<ul style="list-style-type: none"> The transaction is financing the production of maize. Certification in this sector is uncommon and will be challenging to achieve. Agrarius will aim to work with some farmers to achieve SIZA social; however, this may not be possible and hence a conservative estimate is made that 0% of capital can be deployed to SIZA-certified farmers by the end of year 3.
TOTAL	ZAR 722m	ZAR 255m	ZAR 495m	
Estimated Baseline Certification: 35% of portfolio value (equation: total baseline certification value /total transaction value) Estimated Potential Certification: 69% of portfolio value (equation: total potential certification value/total transaction value)				

Calibration of SPTs

The SPTs are time bound targets set for the KPI. The SPTs indicate the ambition levels of Agrarius and consider whether these ambitions are realistic. The SPTs must:

- Materially improve the KPI from a Business-as-usual (BAU) scenario,
- Align with Agrarius' business strategy, and
- Be set on a predetermined timeline.

The selected SPTs related to Agrarius' expressed ambitions beyond BAU are described below.

Table 4: Agrarius' SLS SPTs and description of the ambition level

Themed component	SPT	Baseline Year	Baseline Performance
Combined Environmental Protection, Health and Safety, Labour	<p>A time-weighted calculation method has been chosen, to provide for the expected low percentage of certification levels at the beginning of the Sukuk lifespan.</p> <p>Targets of 30%, 45% and 60% are chosen as the Sukuk</p>	2022	The exact baseline performance will be determined 6 months post- initial capital deployment when



Themed component	SPT	Baseline Year	Baseline Performance								
and Working Conditions, and Food Safety	<p>SPTs.</p> <table border="1"> <thead> <tr> <th>Target Date</th> <th>SPT</th> </tr> </thead> <tbody> <tr> <td>12 months post-capital deployment</td> <td>30%</td> </tr> <tr> <td>24 months post- capital deployment</td> <td>45%</td> </tr> <tr> <td>36 months post- capital deployment</td> <td>60%</td> </tr> </tbody> </table> <p>Calculations will be done on a monthly basis (in arrears) on total capital relating to the relevant Sukuk. The calculation will be based on the Rand value and not the number of transactions. Each month the percentage of capital deployed to projects that meet the KPIs versus those that don't, will be calculated. Capital not yet deployed will count as not meeting the KPIs. Monthly values will be weighted for the applicable measuring period. For example, if it is for a 12-month observation period, the value will be divided by 12, and/or by 36 for a 36-month observation period. Those monthly values will be added up and used to determine whether the KPIs have been achieved for the relevant observation period.</p>	Target Date	SPT	12 months post-capital deployment	30%	24 months post- capital deployment	45%	36 months post- capital deployment	60%		the full amount of capital has been deployed.
Target Date	SPT										
12 months post-capital deployment	30%										
24 months post- capital deployment	45%										
36 months post- capital deployment	60%										

Table 5: KPI - % of the portfolio (Rand value) certified with a third-party sustainability standard

SPT criteria	Agrarius alignment
Improvement in relation to BAU	<p>Based on industry knowledge and research conducted by IBIS, Agrarius and industry expert Oursource, third-party sustainability certification levels are understood to be low and/or non-existent in most subsectors outside of the export-focused fruit subsector (see table 3 and footnote 2).</p> <p>Therefore, Agrarius' commitment to work with farmers and farming entities to improve their agricultural practices and achieve certification represents an improvement from Business-As-Usual. In the absence of this Sukuk, the farmers that are not certified at baseline would not have these requirements from their existing buyers and therefore would normally not seek certification or necessarily implement the required improved agricultural practices.</p> <p>Agrarius' approach is also innovative and ambitious in that Agrarius has chosen a KPI that has not yet been tested in the market and has the potential to set a new precedent for sustainability-linked agricultural instruments that are issued by other market players in future.</p>
Alignment with business strategy and timeline	<p>Agrarius' sustainability strategy is first and foremost to support the transition from an extractive economy to a circular economy, with the following specific objectives: support new, or expand existing, local production, processing or manufacturing capacity, integrating environmental and social sustainability criteria into the investment process,</p>



SPT criteria	Agrarius alignment
	<p>contributing to economic development and benefiting the rural economy through the creation of new jobs, facilitating increased exports, and enhancing competitiveness, utilising technologies and business practices that contribute to environmental health, supporting food security and facilitating a just transition.</p> <p>The chosen KPI and its supporting third-party sustainability standards contribute to achieving a circular economy by including provisions on waste management, water and energy use. The standards also support social standards (e.g., safe and healthy working conditions for workers, human resources management, fair labour standards) and additional environmental standards (biodiversity, pollution prevention).</p> <p>A shortcoming of the chosen KPI is that it does not cover the economic development aspect of Agrarius' sustainability strategy (rural economic development, job growth, increased exports and competitiveness), which is central to Agrarius' business model and approach. This may be a consideration for future Sukuk issuances and is addressed in the recommendations section of the supplementary management report.</p>

Sukuk Characteristics

The Agrarius SLS was developed in accordance with the ICMA SLBP, dated June 2020. The Sukuk includes financial characteristics to ensure that a coupon benefit and penalty are implemented based on performance against SPTs associated with the KPI. The SLS has been structured with a target per KPI up movement in the margin. For the chosen KPI there is a maximum penalty of 25 basis points (bps) at each SPT date (i.e., each year). This means that if the third-party certification target is not met the margin will increase by 25bps. This is applicable at each target date. The Sukuk structure also allows for retrospective achievement of targets. For example, if the year one target is achieved in year two, the margin will remain the same to accommodate for the retrospective achievement of the year one target (decrease in 25 bps) but missing the year two target (increase in 25bps). The rate hike of 0.25% (25bps) was chosen as this is the common interval of South African Reserve Bank interest rate hikes.

The relevant benefit and penalty structure, defined as a basis point adjustment at each target observation date is in line with South African market standards and present a meaningful relief and/or penance for Agrarius.

Reporting and Verification

Agrarius has committed to report on the performance of the KPI in a Sustainability or similar report on an annual basis made accessible on the Company's website. The report will include information on the performance of the KPI, including any adjustments to previously disclosed data. It will also include performance against the Sustainability Performance Target and any relevant information regarding verification. Material issues arising will also be included in the annual reporting.

In the absence of any historical information on reporting considering that Agrarius is a newly developed investment vehicle, Agrarius's stated commitments made to report performance against the KPIs in a sustainability report and publication of verification results on the company website is considered to be aligned to ICMA Principles.



Assurance Conclusion

We believe that the information provided by Agrarius, and the assessment performed by IBIS are sufficient and appropriate to form a basis for our Limited Assurance conclusion.

In our opinion, and based on our Limited Assurance procedures conducted, nothing has come to our attention that causes us to believe that the Agrarius SLS does not conform in all material respects to the ICMA SLBP of June 2020 with regard to:

- Selection of KPIs,
- Calibration of SPTs,
- Bond/Sukuk characteristics; and
- Reporting.

A comprehensive management report detailing our observations and recommendations for improvement has been submitted to Agrarius management for consideration.



Petrus Gildenhuys

Director, IBIS ESG Consulting Africa (Pty) Ltd

Johannesburg

17 October 2022