

FREQUENTLY ASKED QUESTIONS AND ANSWERS

DO THE FARMS COMPLY WITH THE LAWS ON MINIMUM AND LIVING WAGES?

In countries where the minimum wage is very low or non-existent, applicable ILO recommendations and industry guidelines are used as reference. In South Africa, minimum wages for the agriculture sector are set according to Sectoral determination 13. These are revised annually in line with inflation for implementation on 1 March each year.

All farms comply with the national law on minimum wages and these are implemented in line with IFC standards, which include clear working conditions and terms of employment covering wages and benefits; wage deductions; hours of work; overtime arrangements and overtime compensation; breaks; rest days; and leave for illness, maternity and vacation.

In general, skilled workers receive a higher salary in line with ILO standards. In addition, permanent workers are included in a comprehensive healthcare programme. Additional employer benefits may be implemented where necessary, varying from HIV/Aids programmes to crèche or housing upgrades and skills based training.

DO THE FARMS COMPLY WITH FAIRTRADE AND OTHER CERTIFICATION SYSTEMS?

Various certification and accreditation systems are used by the farms to monitor their social accountability.

Compliance with the IFC performance standards is measured, covering the scope of the fund in terms of produce and sectors and incorporates all applicable ethical standards.

Applicable farms are GLOBALG.A.P certified by independent auditors. This certification reassures consumers that food is produced on the farm with minimal detrimental environmental impact and chemical inputs, together with a responsible approach to worker health and safety and animal welfare.

Fairtrade is a certification system where farms are monitored for compliance with Fairtrade Standards. By selling Fairtrade produce to licensed Fairtrade buyers and importers, farms receive a Fairtrade Minimum Price and Premium. It must be noted that vegetables, corn, wheat and livestock are not covered in the Fairtrade scope. Fairtrade (and various

other voluntary certifications) only make sense, socially and economically, to farms and exporters selling to Fairtrade licensed buyers into a Fairtrade market. The Fairtrade importer or wholesaler has to pay the Fairtrade price and premium, which is the key to enabling social and environmental development. In countries in the Middle East, Russia and China, the Fairtrade label is not recognised. As these are key markets for the fund it currently makes no sense for the farms to apply for Fairtrade certification.

If both farm and operator qualify, and if certification makes social and economic sense, the funds will support certification or accreditation with a specific social or organic certification system.

WHAT ARE THE STANDARDS FOR HOUSING AND WORKER ACCOMMODATION ON OUR FARMS?

For those farms where worker housing is provided, housing has to meet with national law and, where feasible, upgraded according to Best Practice from the Worker Accommodation guidelines as set by the IFC.

On all farms, a comprehensive housing audit takes place to assess the status of seasonal and permanent worker housing, hostels and dormitories, as well as ablution facilities.

Where necessary, the funds pre-finance the upgrade of current permanent and seasonal housing as well as construction of hostels and seasonal worker housing. Housing is not built on fertile or arable land. Diversification of land is promoted under IFC Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management.

Housing agreements and contracts, where they are lacking and/or required, are implemented to comply with local legislation. Farm management has to put in place and implement policies on the quality and management of the accommodation and provision of basic services. Basic services requirements refer to minimum space, supply of water, adequate sewage and garbage disposal systems, appropriate protection against heat, cold, damp, noise, fire and disease-carrying animals, adequate sanitary and washing facilities, ventilation, cooking and storage facilities, and natural and artificial lighting.

WHAT ARE THE B-BBEE REQUIREMENTS ON SOUTH AFRICAN FARMS?

All farm operators are required to comply with the relevant Broad-Based Black Economic Empowerment (B-BBEE) codes of Good Conduct before and during the lease term. Farm management may consider self-assessment of B-BBEE contributions with regards to employment equity, skills development and management.

IS THERE ANY REGULATORY RISK FOR THE SOUTH AFRICAN FUNDS RELATED TO INCREASING PRESSURE ON SA GOVERNMENT TO LIMIT FOREIGN LAND OWNERSHIP?

Investors in the SA funds are primarily local institutions and local pension funds, which mitigates against accusations of foreign land grabbing. Stakeholder and investor engagements require our investments to be transparent and regularly monitored, thereby ensuring accountability.

The funds invest only in existing agricultural land with formal ownership and legal entitlement. The funds recognise and respect local laws, entitlements, land tenure and ownership, and land is only bought from legal owners. The funds will not consider any agreement on land with a registered land claim.

The funds integrate (inter)nationally accepted frameworks and guidelines. When making any farm improvements, independent auditors undertake extensive Environmental Impact Assessment (EIA), in accordance with the Environmental Management Act, to determine any adverse impact. If applicable, IFC Performance Standard 5 comes into effect, where mitigation measures, consultation and active participation with the community form part of the due diligence process.

During the farm acquisition stage, due diligence is performed on land title, the seller and the potential lease holder. For each investment proposal, how the current and previous owners acquired the land is examined. The bureau of records, deeds office and courts are the first source of information. Legal due diligence and the funds' own on-site research and agricultural due diligence complement the overall process, providing an effective picture of land rights and land use.

The Agri-funds look for demand-driven investments, based on a need for capital, with the aim of delivering long-term returns as opposed to short-term gains. The potential risks involved with land ownership are further reduced by investing in agricultural businesses as opposed to only investing in isolated land ownership. This implies that the investment will be able to contribute to a significant extent towards the economic and personal development of the workforce and the local communities.

DO THE FARMS INVEST IN TRAINING, LOCAL CAPACITY BUILDING AND AGRICULTURAL EXPERTISE?

In addition to numeracy and literacy training, specific practical and tailor-made training is organised. Active participation by

the workforce is encouraged and the transfer of technical, managerial and financial skills takes place.

As part of the investment guidelines, selected agricultural students receive practical agricultural experience, including on-site farm work experience, and farm investment experience with the Agri-fund team. The Fund Advisor oversees the work experience.

The funds invest in job creation and engage in B-BBEE projects in support of the development of the local community. With the agricultural expansions implemented up to the end of December 2015, over 1000 new jobs were created. As the investments take place in agricultural businesses as well as land ownership, the investments are able to contribute to a significant extent towards the economic and personal development of the workforce and the local communities.

WHAT STEPS ARE TAKEN TO ENSURE THAT THE USE OF AGRICULTURAL CHEMICALS DO NOT CAUSE ENVIRONMENTAL DAMAGE?

Each farm is screened and an environmental management plan is drawn up outlining the environmental risks of the farming operation and recommendations to improve its risk and impact profile.

In line with GLOBALG.A.P. and IFC Standard 1: Management of Environmental and Social Risks and Impacts, the farm, its environmental management plans and recommendations are monitored regularly and implementation is enforced. The funds make use of environmentally sustainable methods of agriculture, as agriculture's long-term vitality and profitability go hand-in-hand with its ability to co-exist on a sustainable basis with the natural environment.

In managing environmental responsibility, the funds focus on analyzing, addressing and mitigating environmental risks in line with IFC Performance Standard 3: Resource Efficiency and Pollution Prevention and Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.

The following key areas are addressed:

- Improving the quality and availability of water, with key priority areas being water conservation and reducing pathogens and pesticides;
- Improving the health of soils, with key priority areas being soil organic matter and reducing soil erosion caused by water, wind or tillage;
- Improving the health of the air and atmosphere, with key priority areas being reducing particulate emissions, odours and emissions of gases that contribute to global warming; and
- Ensuring compatibility of agricultural activities with biodiversity, with key priority areas being habitat availability, species at risk, reducing economic damage to agriculture from wildlife and preferably making use of renewable natural resources.

HOW IS SOIL FERTILITY MAINTAINED AND IMPROVED?

An important aspect of the due diligence process is a technical and agronomical assessment of the property to be performed by an agronomist. This assessment includes but is not limited to investigating:

- Soil profiles to get an insight into long-term sustainability and soil samples to establish the fertility of the soil;
- The water supply to determine the sustainability of the resource and water samples of surface and ground water to identify the misuse of herbicides, pesticides and fertilizer;
- Plant and tree quality and risks;
- Precipitation variances and history in the area assessed, in detail;
- Environmental impact; and
- The relevant agribusiness, in general.

HOW DOES THE FUND MANAGER ADDRESS THE IMPACTS OF THE INVESTMENT ON WATER QUALITY AND QUANTITY?

No investment is made without a proper due diligence by an experienced agronomist. In terms of this agricultural due diligence, soil profiles are investigated and samples taken to determine the soil fertility. Water resources are investigated and sampled to determine the availability of sufficient water for farmland operations and to identify the use and misuse of herbicides, pesticides and fertilizers. In addition, precipitation variances and history in the area are assessed in detail.

Before acquiring farmland, the in-house agronomists or independent third parties are required to draw up a plan for maintaining and upgrading the farmland.

During the investment period the farmland is closely monitored for, amongst others, soil quality development, efficient use of water resources and the use and maintenance of the agricultural infrastructure.

WHAT IS THE APPROACH TOWARDS FOOD SECURITY, THE USE OF ARABLE LAND AND BIOFUELS?

The Agri-funds are committed to ensuring food security through the continuous improvement of production capacity in rural areas and decreasing dependency on food imports and food aid. By using more efficient and sustainable farming techniques, transport, and logistics; increased productivity and profitability is achieved whilst ensuring fertile lands for future generations.

Housing is never built on fertile or arable lands and diversification of land is promoted under IFC Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management.

Production of biofuels on arable land does not fall within the scope of the Agri-funds. Similarly, sustainable biofuel, or so-called second generation biofuel, produced from inedible biomass which is a low value waste for many industries, does fall within the scope of the funds. The exception for the funds is biomass derived from waste produced in the clearing of invasive bushes, which is recycled into biomass biofuel that can be used as energy for coal plants.