VP Capital

VISION INVESTMENT DOMAIN

CHALLENGES - SOLUTIONS - PARTNERSHIP

Agrifood

Content

Intro

VP Capital is an actively engaged investor with a long-term perspective based in The Netherlands and Belgium.

VP Capital invests it's capital and engages it's network towards sustainable progress for generations to come. Our family office contributes to solutions for planetary and societal challenges because we see the need, want to take responsibility and believe it's future proof thinking.

VP Capital has an investment policy balancing risk, return and impact. VP Capital is active in 8 investment domains: agrifood, smart industry, energy, media, textile, health, real estate and water.

Our manifesto

We believe in the power of progress.
In results that also benefit the environment and society.

We have been doing so as a family office for 5 generations, for over 150 years now.
We invest our knowledge, experience and resources in progressive
dreamers, daredevils and doers.
We stimulate innovations with an impact on the future.

We want to take our responsibility. We take on challenges
and are not afraid of taking risks.
We aim for positive impact on people and planet.

We support our partners and work closely together for the long term.
We persevere, determined, sometimes stubborn, often opinionated,
but always loyal and focused.

Sustainability should not be vague. We use specific criteria
and strive for sustainable success.
We avoid hypes, we embrace diversification.

We don't do fame or glory.
We just do our job.

Moving forward is what we want, together,
with our capital we are committed to sustainable progress.

VP Capital.
Strong heritage. Sustainable progress.

Domain Agrifood

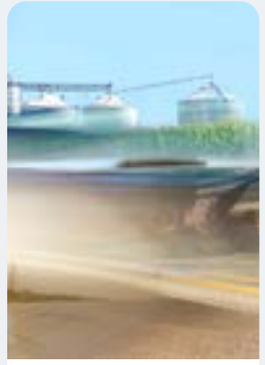
Our interests are diverse and so are the domains in which we invest. Some originated historically such as HAVEP, Mediahuis and Batenburg Techniek. In addition, we are also active with our own companies in digital information systems, agriculture and energy generation and invest in various (impact) funds and (impact) companies as well. We engage with our network and we mostly have an active involvement in our investments.

This report is specific for the domain Agrifood.
We have been building our Agrifood investment portfolio since the mid-40's when family Van Puijenbroek invested for the first time in a farm in the Netherlands.

We have direct and indirect investments in:
- Food system change solutions, e.g. reduction of waste
- Plant based (vegan, vegetarian, healthy food) solutions
- Innovations in the field of protein alternatives, e.g. insects and lab-grown meat
- Technology reducing negative impact, e.g. pesticides and chemicals
- Regenerative solutions

We consider providing food for a growing population within our planetary boundaries a future proof business.

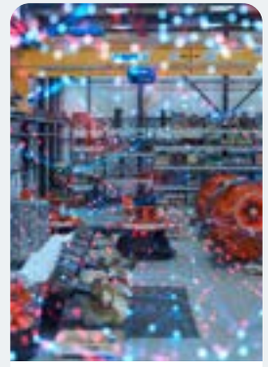
In this summary we will share with our reader the challenges, the investable solutions and philanthropic solutions we see. But also how we measure the impact of our investment portfolio and what kind of investments we are looking for. We share some information on building partnerships as well.



Energy

Agrifood

Media

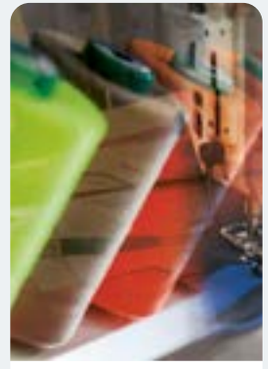


Smart industry

Real estate

Health

Water



Textile

Key challenges in the transition towards sustainable and resilient agrifood system

I

Operate within planetary boundaries

A sustainable food system should remain within planetary boundaries in all of the key biophysical impact areas across the entire life cycle of food production, consumption, and disposal. Though we should continuously strive for full net zero impact within the food system, some areas, such as preservation of biodiversity, should be prioritized over others. In general, severe and irreversible impacts to complex ecological and cultural systems, and the depletion of non-renewable natural resources caused by the food system, should be addressed with the highest urgency.

II

Establish an adaptive & resilient food system

An adaptive and resilient food system is one that will be able to respond to changing circumstances and new challenges as they emerge. This is one of the most important systemic criteria for a sustainable food system, since we cannot predict all of the conditions or changes that will emerge in the future. Adaptive capacity and resilience must be built into both biophysical aspects of the system (through the preservation of biodiversity, maintenance of healthy soil systems, maintenance of buffering capacity in water bodies, etc.) and socioeconomic aspects of the system (knowledge transfer, development or organizational capacity, elimination of poverty cycles, etc.).

III

Guarantee livelihoods and wellbeing

The food system should structurally support the livelihoods and well-being of people working within it. It should be possible to fully nourish and support oneself and earn a reasonable living wage in exchange for average work hours within the food system. Ensuring that the food system supports livelihoods and wellbeing is more than an end in itself; it is also essential for addressing the other three challenges. Without secure livelihoods, smallholder farmers and fishermen will continue to struggle in building the necessary capacity and resource base to transition to sustainable models of production. A resilient system cannot be built upon an unstable foundation. Therefore, addressing the systemic structures that perpetuate poverty is critical to the success of achieving a sustainable and resilient food system.

IV

Access to nutritious food for all

The most basic and fundamental challenge that the food system must address is to ensure the supply of adequate nutrition for the world's population, especially for those below the poverty line. Ideally, it should achieve the objective set out by the World Food Summit in Rome, which states that food security is addressed when, "all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life." Some of the priority objectives for addressing this challenge should, at minimum, include: reducing overall food demand (e.g., through reducing food waste); progressively shifting to lower-impact, less-resource-intensive food sources; ensuring that scarce resources (land, water) are allocated to food production as a priority over non-food uses; improving economic access to food; and improving farmer productivity in the developing world.

The preservation of ecosystems and the future wellbeing of the human population are all centrally dependent on a structural transformation of the food system towards a sustainable and resilient state.

Key solutions and impact areas in agrifood

I

Operate within planetary boundaries

Conventional farming practices such as deforestation, monocropping and the use of chemicals destroy habitats, thereby eradicating species and accounting for vast losses in biodiversity. More sustainable practices like no-till, agroforestry, agroecology, regenerative agriculture, holistic grazing, permaculture, forest restoration and conservation agriculture aim to preserve the land already in use and restore (some) biodiversity. An important aspect of that is to restore soil life (microbes), as they are part of the food web. Some companies guarantee responsible handling of the (ecological) environment with certified labels (e.g., Rainforest Alliance; Rodale Institute). There are also collaborative platforms that aim to holistically incorporate biodiversity and environmental issues into business strategy, like the Biodiversity & Industry group; or into investments, like the Regenerative Food System Investment Forum.

II

Reducing harmful substances and chemicals

Intensive land use, irrigation and agro-chemicals were once seen as beneficial for development of the food system, but had many negative effects: land degradation, salinization of irrigated areas, over-extraction of groundwater, build-up of pest resistance, chemical leaching intro ground water, and decline in biodiversity. Farmers using the methods described under solution 1 can reduce the negative impact our food system has on the environment. Farmers actively improving soil microbiology make nutrients available through biological nutrient cycling rather than addition of chemical nutrients – this reduces the amount of harmful chemicals present in the environment. Access to quality seeds (indigenous ones are suited to the environment) is also key.

III

Decreasing use of natural resources

Agriculture currently takes up roughly half of the earth's surface that is habitable for plants and uses 69% of extracted fresh water. Additionally, the amount of arable land is scarce, as a result of desertification, (chemical) pollution, erosion, monocropping etc. Companies that adopt or encourage sustainable agricultural practices address this by restoring degraded soil and biodiversity. The specific practices required to improve soil and respond to future challenges differ according to local conditions and needs, but revolve around efficient use of resources (land, labour, other inputs), technological progress, social innovation and new business models based on local cycles.

IV

Greenhouse gas reduction

The entire food system is responsible for 25-30% of overall greenhouse gas emissions, mostly due to livestock and rice cultivation. It is important to invest in healthy, living soils full of aerobic microbial life (these soils store carbon), quality cattle feed that reduces methane emissions, low-GHG emitting fertilizers, reduce food waste, efficient agriculture & manure treatment, local farm-to-plate chains to reduce transport emissions, low-carbon food scaling and initiatives that encourage a change in diets (from animal- to more plant-based) in order to solve this challenge.

V

Improving supply of sustainably produced food

In order to increase the supply of sustainably produced foods, there is a need for:

- Education and training of existing farmers to understand and transition to more sustainable models; and to better communicate/market the added value of their sustainably produced food
- Integration of sustainable farming knowledge into traditional farming education curricula
- Investments to support the actual transition of farmers, as the first few years during transition from conventional to regenerative models may not be profitable. Long-term loan notes (5-10 years) are recommended for transitioning or new farmers.
- Improved access to inputs for sustainable farmers: land, water, seeds, organic fertiliser
- Improved market access through cooperatives and direct-to-consumer models
- Connections between actors in sustainable food production (farmers, large buyers, consumers, academic sector, governments, social movements)
- Technologies that meet the needs of sustainable farmers such as smaller, more versatile and more affordable machinery
- Technologies for measuring soil carbon, soil health and food nutrient density to prove the added value and business case of sustainable farming
- Supportive policies for sustainable agriculture (for example, elimination of subsidies for tilling and positive rewards for sustainable practices)

VI

Improving local communities' livelihoods

The livelihoods of those dependent on food systems as an income source are an important aspect for the creation of a sustainable agrifood system. If local farmers or fishermen struggle to provide sufficiently for themselves, they will not be incentivized to adopt more sustainable practices. Companies should take responsibility for their supply chains and the needs of their suppliers, if these are currently unmet. Environmental abuse, poor working conditions, unequal distribution of profits, and inefficient use of resources are amongst the issues that should be acknowledged and addressed by agrifood operating companies. Indigenous communities should also be included in decision-making about agriculture in their locality to utilize their traditional knowledge and improve the impact on their environment.

VII

Enhancing animal welfare

Quality feed and fodder for animals is essential to their wellbeing and the reduction of GHG emissions. As for diseases, on the one hand access to veterinary medicines and services needs to be improved in underserved areas to prevent diseases from spreading. On the other hand, the spread of transboundary pests and diseases of plants and animals calls for new solutions, as some of them are becoming resistant to antimicrobials. Keeping animals in healthy ecosystems, limiting transport, investing in quality veterinary services and reducing antibiotic use could help mitigate the spread of diseases.

Matching challenges and solutions in agrifood sector

Matching challenges and solutions

	ECOLOGICAL				SOCIAL		
	Solution 1 Biodiversity conservation	**Solution 2** Reducing harmful substances and chemicals used	**Solution 3** Decreasing use of natural resources	**Solution 4** Greenhouse gas reduction	**Solution 5** Improving supply of sustainably produced food	**Solution 6** Improving local communities' livelihoods	**Solution 7** Enhancing animal welfare
Challenge 1 Operate Within Planetary Boundaries	X	X	X	X	X		X
Challenge 2 Establish Adaptive and Resilient Food System	X	X	X	X	X	X	X
Challenge 3 Guarantee Supporting Livelihoods and Wellbeing	X	X	X	X	X	X	
Challenge 4 Ensure Nutritious Food For All		X			X	X	X

Examples of solutions VP Capital can invest in or donate to

Investible solutions

- Transition capital for conventional farmers wanting to convert to regenerative / agroforestry / holistic farming
- Farms/producers that implement aforementioned sustainable practices and can ideally prove improvements in soil biology, local biodiversity, reduction of chemical inputs
- Training & consulting firms for regenerative agriculture / agroforestry
- Producers/suppliers of regenerative / organic inputs (compost (teas), indigenous non-GMO seeds, beneficial microorganisms, cattle feed that reduces methane (e.g. with asparagopsis, or pasture-fed cattle)
- Large buyers (supermarkets, retailers) that help the producers they buy from transition to sustainable agricultural practices, provide fair wages, etc.
- Producers / suppliers of sustainable technologies (for example, tools compatible with clean energy inputs; precision agriculture machinery; drones; technologies for measuring soil and plant health)

Philantropic opportunities

- Donate to organisations that protect, preserve or re-establish biodiversity, natural resources and / or fragile ecosystems
- Organisations aiding farmers to produce sustainably or regenerate arable land in water deprived or infertile areas
- Partnerships aiming to enhance the resilience of the agri-food sector, focussing on either mitigation of negative environmental effects, water related challenges or food and basic livelihood security
- Initiatives to develop sustainable agriculture curricula for vocational schools
- Community-supported agriculture
- Local initiatives to help farmers transition to sustainable agriculture
- Local initiatives setting up local farm-to-plate chains
- Certification organisations for regenerative/organic products

Metrics: How we measure sustainable progress

(more information can be found on our website)

I

Defining progress

We believe that progress is made through sustainable investments that are both driven by the inherent contribution of the investment to planetary and societal challenges, as well as the way that the investment has integrated this.

ESG MGMT.

The extent to which ESG factors are incorporated into investment and management decisions.

IMPACT

The extent to which investments contribute to planetary and societal challenges.

II

Measuring progress

We rank the performance of each investment on ESG management and Impact on a 5-point scale, specific to each asset class. These scores are aggregated to give each investment a total score out of 10.

ESG MGMT.

1 2 3 4 5

+

IMPACT

1 2 3 4 5

=

X / 10
TOTAL SCORE

III

Reporting on progress

We weigh the scores of all our investments against the invested capital for each investment, resulting in an overall portfolio score of 2-10. By measuring annually, we can track sustainable progress.

X / 10
TOTAL SCORE

×

INVESTED CAPITAL (%)

=

PORTFOLIO SCORE

Close-up impact score

This is an example of 2020. Yearly updates can be found on our website.

Impact Score

1. Does cause harm	2. May cause harm	3. Acts to avoid harm	4. Benefits stakeholders	5. Contributes to solutions
0	4	9	25	41

3.4

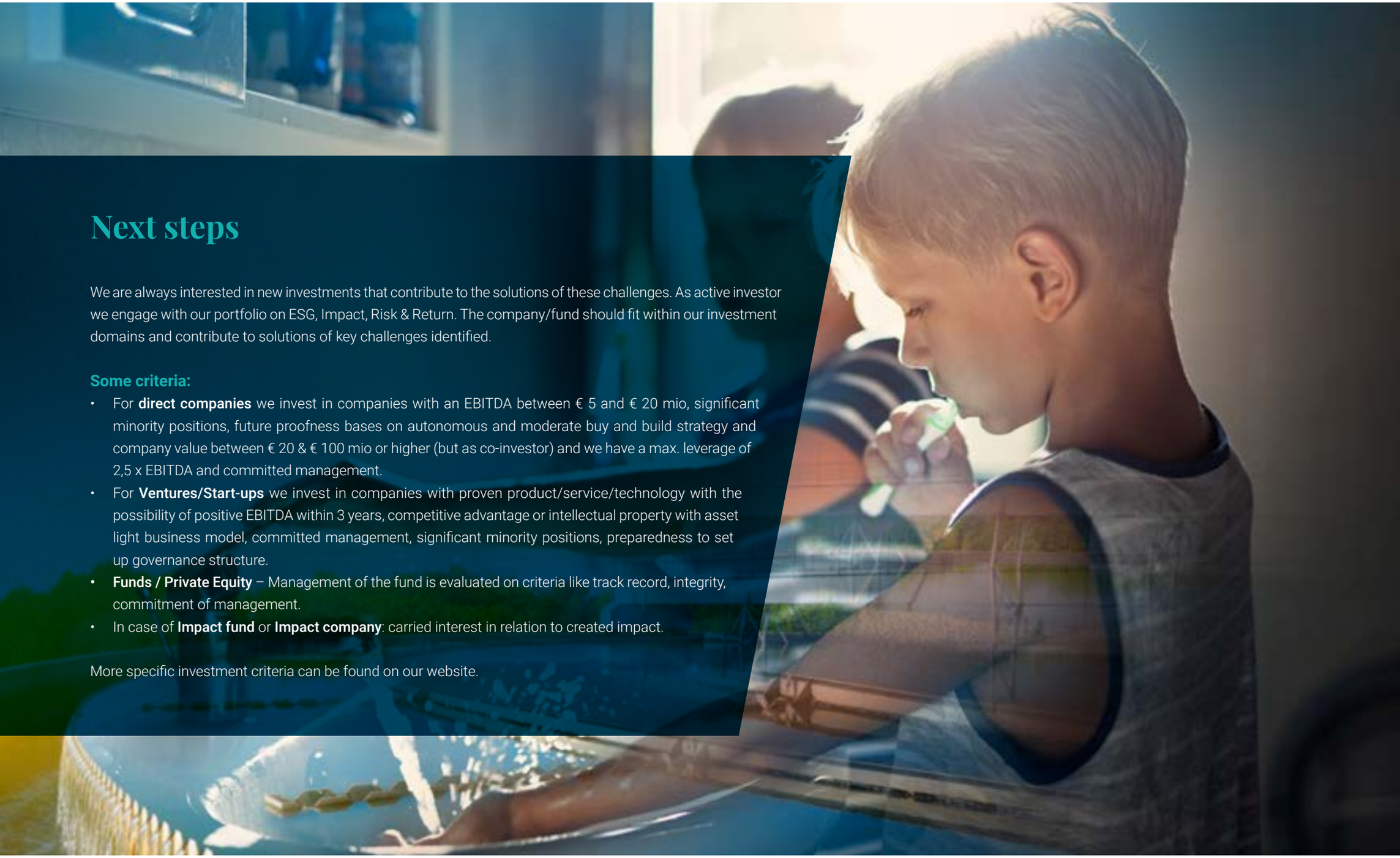
Weighted average Impact Score

Vision

The preservation of ecosystems and the future wellbeing of the human population are all centrally dependent on a structural transformation of the food system towards a sustainable and resilient state.

Number of companies providing solutions to key challenges

Operate within Planetary Bounderies	Establish Adaptive and Resilient Food System	Guarantee Supporting Livelihoods and Wellbeing	Access to nutritious food for all
38	22	14	18



Next steps

We are always interested in new investments that contribute to the solutions of these challenges. As active investor we engage with our portfolio on ESG, Impact, Risk & Return. The company/fund should fit within our investment domains and contribute to solutions of key challenges identified.

Some criteria:

- For **direct companies** we invest in companies with an EBITDA between € 5 and € 20 mio, significant minority positions, future proofness bases on autonomous and moderate buy and build strategy and company value between € 20 & € 100 mio or higher (but as co-investor) and we have a max. leverage of 2,5 x EBITDA and committed management.
- For **Ventures/Start-ups** we invest in companies with proven product/service/technology with the possibility of positive EBITDA within 3 years, competitive advantage or intellectual property with asset light business model, committed management, significant minority positions, preparedness to set up governance structure.
- **Funds / Private Equity** – Management of the fund is evaluated on criteria like track record, integrity, commitment of management.
- In case of **Impact fund** or **Impact company**: carried interest in relation to created impact.

More specific investment criteria can be found on our website.

Become a partner of VP Capital

We actively engage in dialogue with all our investments. We share our assessments, insights to accelerate sustainable progress. This requires a lot of time from our team and our investees. We bring companies together around certain sustainable progress themes. We actively use our network to support companies in building capital, knowledge and network to create sustainable progress.

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