

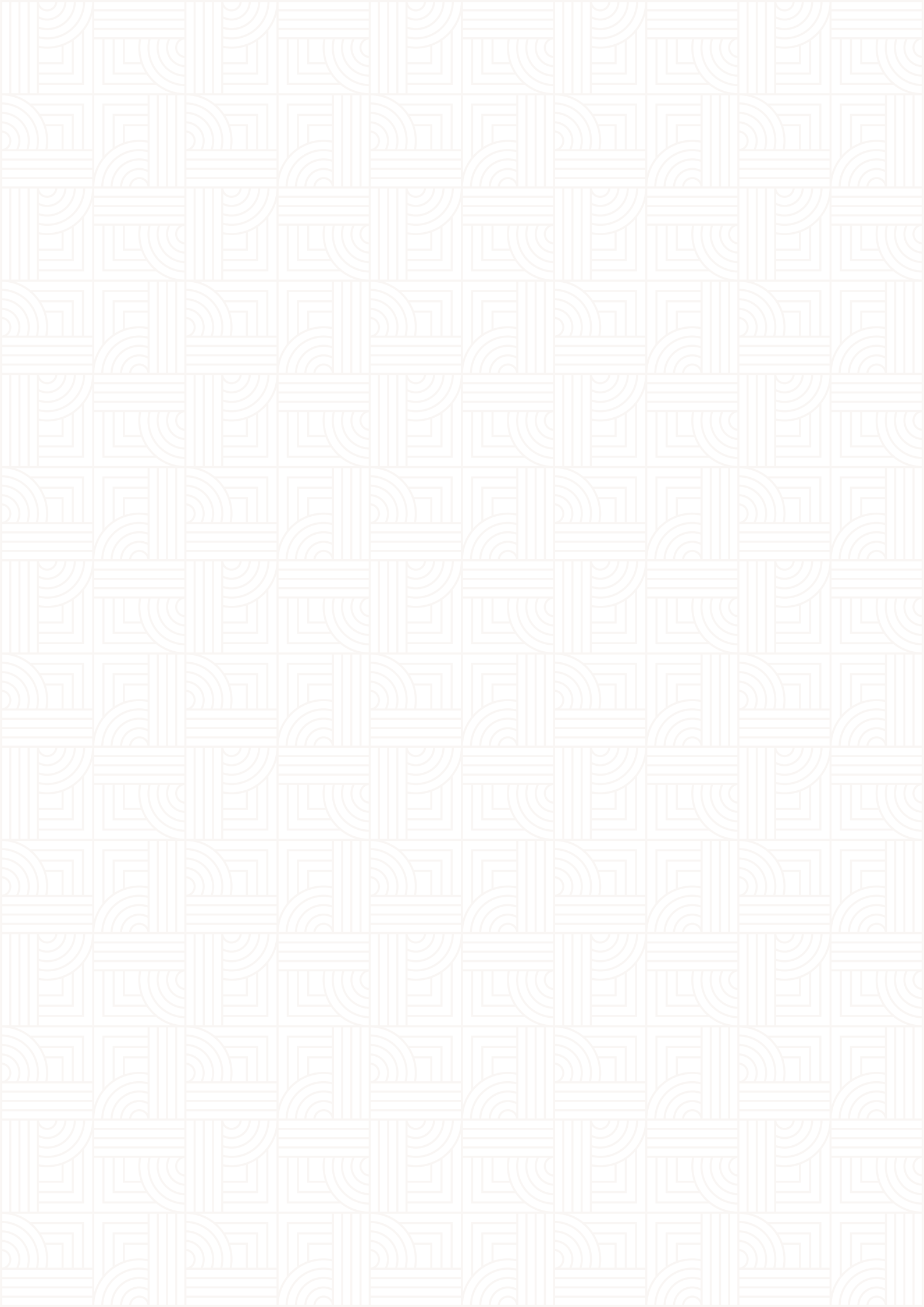


Impact
Statement and
Initial Report

April 2024



Pela Terra
F A R M L A N D



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Impact Statement and Initial Report





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FOREWORD FROM THE ADVISORY COMMITTEE

It's with huge pleasure that we present this initial impact statement and report for Pela Terra Farmland – Fundo de Capital de Risco Fechado ('Pela Terra Farmland').

The fund was set up in 2021 offering a unique proposition: a golden visa-eligible investment vehicle that allowed investors to give back to the country and the planet as they earned their Portuguese citizenship.

At a time when the majority of golden visa investment in Portugal went into real estate, Pela Terra Farmland was launched with a different vision: to help create a world in which agriculture contributes to restoring our planet, rather than being a factor in its destruction.

As relatively recent immigrants to Portugal ourselves, we believe that it's important that we offer our investors the chance to support an environmental and social purpose and contribute to the development of their new home country. This was a driving force behind the creation of the fund.

However, we also understand that the imperative to give back is not simply a moral one: multiple recent studies^{1,2} have suggested funds that pay close attention to Environmental, Social and Governance (ESG) factors perform better than their non-ESG peers, and that corporate performance in the agriculture and forestry sectors is strongly correlated to ESG performance. In an increasingly volatile world, investing where ESG risk is low simply makes good financial sense.

This initial impact report has three goals: first, to lay out the detailed overall impact strategy for Pela Terra Farmland, along with the indicators by which we will measure our performance. This ambitious approach has been developed with extensive expert input. It is founded on detailed, on-the-ground data collection in collaboration with farm managers and ecologists, and leverages internationally-recognised reporting frameworks to aggregate and present the data, giving us a robust, globally comparable benchmark by which to measure our impact. It acts as a guiding framework to ensure investment and management decisions prioritise both return on investment and environmental and social impact over the lifetime of the fund.

Secondly, the report establishes an initial baseline for the assets managed by the fund. This serves as the starting point for all impact measurement and action we take to protect and regenerate our holdings - and will be repeated for each new asset acquired by the fund.

Finally, it sets out an overview of how the fund will build from that baseline to manage assets in line with international best practice, restoring soils, protecting and increasing biodiversity, conserving water, and sequestering carbon.

Social and environmental impact is important to Pela Terra Farmland. Our goal is for the assets managed by the fund to serve as beacons of sustainable and regenerative good practice in Portugal and Europe more widely. We are excited to share our impact journey with readers of this report.



Alex Lawry-White



Nathaniel Hadlock

“Pela Terra has the right objectives in combining sustainability with profitability. We need this vision in the Portuguese agricultural sector.”

José Diogo Albuquerque, CEO of Agroportal.pt and former Secretary of State for Agriculture



EXECUTIVE SUMMARY

Our planet faces huge challenges: degraded soils, biodiversity collapse, water shortages and a rapidly warming climate. The world needs food - but conventional farming is a major contributor to its problems.

At the same time, and in common with many European countries, rural areas in Portugal are facing a crisis as farming communities age and young people migrate to the cities.

Pela Terra Farmland was founded with the goal of offering investors looking at Portugal's renowned golden visa programme the opportunity to become a part of the solution to these challenges and give back to their new home country while earning their European citizenship.

We believe the solution is in the ground beneath our feet. We create impact and return for investors by investing in a uniquely stable asset class - Portuguese farmland. We work with farm managers and other expert partners to protect and regenerate soil, which in turn helps sequester carbon, improve biodiversity, reduce water use, and produce more nutritious food - ensuring that agriculture becomes part of the solution, not part of the problem.

In doing so, we engage with farming and investment communities to share best practices, create jobs, and develop and grow the market for impact-led investment in Portugal.

THE PURPOSE OF THIS INITIAL REPORT, THE FIRST IN A REGULAR SERIES, IS THREEFOLD:

1. To set out the fund's approach to creating and measuring impact
2. To establish a baseline for the assets under management
3. To share an initial management plan for these assets



THE FUND TARGETS SIX OVERALL THEMATIC AREAS IN WHICH WE AIM TO ACHIEVE POSITIVE IMPACT:

Soil: we work to protect, nurture and regenerate the soils on our farms to ensure they remain fertile and productive for future generations. Healthy soils are the key to producing impact across all six themes.

Water: healthy soils hold more water. Through reducing the use of fertilisers and pesticides, adopting precision irrigation techniques, and carefully protecting watercourses on land we manage, we can further reduce water use and improve water quality.

Climate: soil is a natural carbon sink. By improving soil health we promote carbon sequestration, helping to combat climate change; in parallel, we work to reduce greenhouse gas emissions from our operations.

Biodiversity: healthy soils are a prerequisite for all biodiversity. In addition to promoting soil biodiversity, we set aside and manage significant areas of each property to protect and nurture a diverse range of plants, insects, birds and animals.

Human health: healthier soils produce more nutritious food. By producing Portuguese staples – olive oil and nuts – at scale using regenerative practices, we will lead the transformation to food systems which work better for both people and planet.

Society: the fund invests 100 per cent of our capital in Portugal, targeting rural areas where it is most needed. We work carefully across our supply chains to ensure fair conditions for all we interact with. We engage with partners and the wider investment and agriculture communities to push for changes where they are needed.

To create impact, we work with land managers and external experts to develop tailored management plans for each property in the portfolio. These transition the farms we manage away from conventional agriculture, characterised by heavy fertiliser and pesticide use and a predominance of monocultures, and towards more organic and regenerative techniques focussed on promoting soil health and reaping its benefits.

To measure the impact the fund creates, data is collected at the farm level, working with experts where needed, both through on-the-ground monitoring and by deploying satellite and drone technology for a top-down view. We aggregate and present this data using globally-accepted frameworks and reporting systems (the Global Impact Investing Network's IRIS+³ and the UN's Sustainable Development Goals⁴) which enable us to benchmark our impact against recognisable international standards and global targets.

We pursue local, regional and global third-party certifications where relevant. As the work of the fund progresses, we will continue to learn from our experience and collaborate with experts to further adapt and strengthen our impact management and



“NBI is pleased to work with Pela Terra on this initial impact report, bringing our experience and expertise as biodiversity and ecosystem managers to help them put into place the baseline, tools and management strategy to create and measure positive impact through their investments in Portugal.

It's great to see a fund so committed to driving a Nature-Positive impact through agriculture”

Nuno Gaspar de Oliveira, CEO, NBI - Natural Business Intelligence



HIGHLIGHTS

UN Sustainable Development Goals targeted



GOAL 2: ZERO HUNGER

**TARGET
2.1**

By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

**TARGET
2.4**

By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality



GOAL 3: HEALTH AND WELL-BEING

**TARGET
3.9**

By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination



GOAL 6: CLEAN WATER AND SANITATION

**TARGET
6.4**

By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity



GOAL 7: AFFORDABLE AND CLEAN ENERGY

**TARGET
7.2**

By 2030, increase substantially the share of renewable energy in the global energy mix



GOAL 8: DECENT WORK AND ECONOMIC GROWTH

**TARGET
8.8**

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment



GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

**TARGET
12.3**

By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses

**TARGET
12.6**

Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle



GOAL 13: CLIMATE ACTION

**TARGET
13.2**

Integrate climate change measures into national policies, strategies and planning



GOAL 15: LIFE ON LAND

**TARGET
15.3**

By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world

**TARGET
15.5**

Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species

**TARGET
15.a**

Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems



GIIN IRIS+ Categories and Themes targeted

 Agriculture <ul style="list-style-type: none"> ◦ Sustainable Agriculture ◦ Food Security 	 Water <ul style="list-style-type: none"> ◦ Sustainable Water Management
 Biodiversity & Ecosystems <ul style="list-style-type: none"> ◦ Biodiversity & Ecosystem Conservation 	 Health <ul style="list-style-type: none"> ◦ Nutrition
 Climate <ul style="list-style-type: none"> ◦ Climate Change Mitigation 	 Energy <ul style="list-style-type: none"> ◦ Clean Energy
 Land <ul style="list-style-type: none"> ◦ Sustainable Land Management 	 Employment

-  446,455 trees planted
-  524 ha total area under management
-  136 ha total area sustainably managed and set aside for biodiversity
-  100% of deployed capital invested in rural areas of Portugal



Location of assets owned





MARKET OVERVIEW

AGRICULTURE IN PORTUGAL

The number of funds investing in food and agriculture has grown rapidly over the past 15 years. While as little as ten years ago many investors looked at European agrobusiness as a volatile and high-risk investment, this paradigm has changed.

The growth in interest is driven in part by strong fundamentals, including:

- **Growing demand** – estimates suggest food production will need to grow by 60-70 per cent by 2050 to feed the world's growing population.⁵ Growth in demand is higher for healthier produce – including olives and almonds.
- **Strong economics** – historically strong returns (of up to 15 per cent), good long-term cash flow visibility and recurrence, and little correlation to most other asset classes with strong resilience to economic cycles.
- **The availability of subsidies** – see 'Regulatory', below.

REGENERATIVE AGRICULTURE

For impact investors, agriculture is an obvious sector of interest. All humans need food to survive, and around ten per cent of global GDP and 40 per cent of jobs come from agriculture. However, unsustainable agricultural practices damage soil, pollute water supplies and impact biodiversity – and the sector also contributes a third of all human-generated greenhouse gas emissions.^{6,7}

A growing recognition of these challenges has driven an understanding among many investors of the need to move towards regenerative agriculture. Definitions of regenerative agriculture vary, but a common understanding is based on a series of practices including reducing tillage, using cover crops, crop rotation, integrating crop and livestock systems, and replacing external or synthetic inputs with on-farm or organic inputs. Outcomes targeted usually include improving ecosystem health, increasing soil and water health, increasing biodiversity, and increasing carbon sequestration.⁸

However, impact is not the only driver for the shift towards regenerative agriculture: market factors contribute too. On the one hand, regenerative agriculture is significantly more resilient to macro shocks than conventional agriculture. To cite just one very simple example, farmers who were able to reduce inputs of synthetic fertilisers were less exposed to volatile natural gas and fertiliser prices following Russia's 2022 invasion of Ukraine.

On the other hand, rapid growth in consumer demand for organic food has created a growing market providing a further push towards regenerative approaches. This trend has been behind the recent commitments made to regenerative agriculture by multiple large food producers.⁹

The rapid shift towards regenerative agriculture is being further facilitated by the evolution of digital technology, including for sensors, and AI-driven tools – which have moved agriculture from being a data poor industry to one that is increasingly data rich.¹⁰



REGULATORY

The fund aligns with relevant regulatory and financial sector directives and initiatives at the local, national and regional level. These include regulations on land and resource use, employment law, and upholding ethical business practices.

The fund's activities benefit from a strongly supportive regulatory and subsidies environment. The 2023 update to the European Union's Common Agricultural Policy (CAP) aims to set 'higher green ambitions' to contribute to achieving the European Green Deal targets.

Of the overall funding on offer, at least 25 per cent of the budget for direct payments is allocated to eco-schemes, providing stronger incentives for climate-and environment-friendly farming practices and approaches (such as organic farming, agroecology, and carbon farming), with at least 35 per cent of funds allocated to measures to support climate, biodiversity, environment and animal welfare.¹¹ In Portugal, more than €830m has been reserved over the course of this CAP to support farmers committing to more ambitious actions such as carbon sequestration, organic fertilisation, organic farming and integrated production.¹²

	60-70% growth in food production needed by 2050
	10% of global GDP comes from agriculture
	40% of global jobs are in agriculture
	€830m in EU subsidies for environmental actions by farmers in 2023-7



OUR APPROACH TO IMPACT

As an agriculture-focussed fund offering an environmentally sustainable route to a golden visa, Pela Terra Farmland represented a completely new product when it was launched. The fund's focus on impact through agriculture in Portugal means the investment pipeline requires a particular type of asset.

For the past two years, the advisory committee and fund managers were necessarily focussed on pipeline development and opportunity review. This activity is ongoing; however, with a significant proportion of the capital now invested and a robust pipeline in place, we are in a position to start measuring and communicating progress towards our goal of creating impact for Portugal and the planet.

The following section sets out the challenges we seek to address, how we will make a difference to each, and how we will measure the progress we make.

THE PROBLEM

The challenges facing our world are significant. While the oft-repeated claim that the world 'has just 60 harvests left' due to soil erosion may be overblown, soil health is certainly deteriorating globally, and erosion continues to be a significant issue.¹³

2023 was the hottest year on record, and the tenth year in a row in which temperatures have equalled or exceeded 1.0°C above the pre-industrial period. At the same time, water shortages are becoming more frequent, with Europe experiencing its driest summer in 500 years in 2022.¹⁴

The decline in soil health, rising global temperatures, and a lack of water have in turn sparked a crisis in biodiversity, with the WWF reporting that just 23 per cent of species and 16 per cent of habitats across Europe are in good health.¹⁵

OUR THEORY OF CHANGE EXPLAINED

The Problem

Humans need to eat, but our existing food systems are harming the planet and those they feed: agriculture is a major contributor to degrading soils, shrinking biodiversity, water shortages and a rapidly warming climate.

Our Solution

Pela Terra Farmland applies techniques and technologies that promote soil health. They allow us to sequester carbon, conserve water, and protect and nurture biodiversity while producing nutritious, high-quality food at scale.

In doing so, the fund directs capital towards rural areas of Portugal where it is most needed. We partner with other leading organisations in Portugal and Europe to share and scale up our approaches, learn from best practice, and drive further impact.



Humans need food to survive, but unsustainable agricultural practices are to blame for much of the damage to soil, water supplies and biodiversity.

OUR SOLUTION: IMPACT FOR THE PLANET

We believe that things can be done differently. There is a growing body of scientific evidence demonstrating that with the right farming techniques, agriculture can restore soil health, sequestering carbon in the ground; it can also preserve water and restore and nurture biodiversity. Best of all, we can do all this while scaling up production of the nutritious, high-quality food we need to feed the planet's growing population.

Our theory of change is simple: we address the damage our food systems do to people and the planet by applying techniques and technologies that promote soil health. They allow us to sequester carbon, conserve water, and protect and nurture biodiversity while producing nutritious, high-quality food at scale.

In doing so, we direct investment towards rural areas of Portugal where it is most needed. We partner with other leading organisations in Portugal and internationally to share and scale up our approaches, learn from best practice, and drive further impact.

OUR SOLUTION: SUPPORTING INCLUSIVE, SUSTAINABLE DEVELOPMENT IN PORTUGAL

Portugal's residency through investment ('golden visa') programme launched in October 2012, initially offering investors three routes to obtaining residency: investing in real estate, investing in funds, and creating ten or more jobs in Portugal.

In the first eight years of the programme's existence, 94 per cent of investors acquired real

estate; less than two tenths of a per cent of participants created ten or more jobs through their investment.¹⁶ A rise in the cost of living, in part fuelled by growing housing costs, led the Government of Portugal to reform the programme in 2023, removing real estate from the list of eligible investment categories.

Investors in Pela Terra Farmland know that they are making a positive contribution to their new home country. Rather than fuelling a real estate bubble, our investors are supporting the creation of a greener and more equitable future for Portugal and the planet.

We are proud of the fact that Pela Terra Farmland is the first fund of its type in the market, and that we were well ahead of the curve in anticipating the changes to the golden visa programme made by the Portuguese government in 2023.

We invest one hundred per cent of our capital in Portugal. We collaborate closely with Portuguese farm managers and ecologists to draw up our impact strategy and asset management plans. We work hard to ensure fair employment conditions throughout our supply chain. We continue to advocate for more impact investment in the Portuguese market.

Many rural areas of Portugal, in common with similar areas across Europe, face a population crisis, as farming communities grow older and many young people leave rural areas for the cities. Some rural areas of Alentejo lost as much as forty per cent of their population over the 30 years to 2019 - with corresponding effects on the region's economic development.¹⁷ Through ensuring investment flows to rural areas of Portugal where it is needed most and through demonstrating that a different approach to agriculture is possible, we make sure that an investment in Pela Terra Farmland has a positive impact on Portugal and the planet.



HOW WE WILL MEASURE OUR IMPACT

Pela Terra Farmland attaches great importance to the collection, analysis and reporting of data collected by its subsidiaries on the changes supported through its investments.

The fund adheres to an impact measurement strategy that is built on three major elements:

1. Data collection and expert assessments for each property
2. Reporting frameworks
3. Third-party certifications

The following section looks at each of these in more detail.

1. Data collection and expert assessments for each property

We collect data on the impact of our work in several ways:

- We collect and compile data on all the inputs to the farms we manage - for example, fuel and energy consumption, quantity and type of trees planted, number of employees, type of contract, etc.
- We analyse drone and satellite imagery to give us a 'top down' picture of the properties, helping to identify areas where there are potential issues or areas of particular ecological interest.
- We work with external experts who perform detailed assessments of each farm and collect and analyse data on the ground - for example, soil samples to determine soil health and biodiversity, water quality analyses, and habitat surveys to determine what species are present.

2. Reporting frameworks

To help us decide which indicators are most important and help us present, analyse and compare the data we collect, we use well-respected, globally recognised frameworks. The two primary frameworks we use are the Global Impact Investing Network's IRIS+ framework and the UN Sustainable Development Goals.

Designed with input from impact investors globally, IRIS+ was developed by the Global Impact Investing Network to be the generally accepted system for impact investors to measure, manage, and optimize their impact. A free, publicly available resource, it offers a thematic taxonomy based on generally accepted impact categories and themes and core metrics sets setting out the most useful indicators in each impact category. IRIS+ is directly aligned to the UN Sustainable Development Goals (including both the top-level Goals and the targets feeding into them) and over 50 other commonly used metrics frameworks, standards and platforms.



The recent addition of IRIS+ Impact Performance Benchmarks (including, in 2023, a benchmark for investments in sustainable agriculture) allows investors to compare their portfolios to those of their peers and gain a better understanding of their impact. As such, IRIS+ is a unique tool in the impact investing space and its use forms an important part of Pela Terra Farmland's approach to understanding, measuring and reporting our impact.

Using IRIS+ and aligning to the UN Sustainable Development Goals allows us to benchmark the depth and quality of our impact in relation to global standards and link our work to making progress towards the outcomes that the UN has decided are most relevant for the sustainable future of the world.

3. Third-party certification

Where relevant, we work with partner organisations and apply for third-party certifications for processes, properties and produce. These will help us to better measure and benchmark the impact we're creating, and also ensure that we're implementing processes that are in line with global standards and best practices.

Among the local, national and international certifications that we are targeting in this initial phase are:

- Selling carbon credits through the Climate Farmers programme¹⁸
- Certification through the Olivum (Association of Olive Oil Producers of the South) Programa de Sustentabilidade e Azeite do Alentejo¹⁹
- Certification through the Pollinator Partnership's Bee Friendly Farming programme²⁰
- Setting climate and nature targets through the Science-Based Targets Initiative²¹
- Forest Stewardship Council (FSC) certification for the cork forest (montado) areas of our properties²²
- B Corp certification for the fund overall

Third-party certification case study: Climate Farmers

As of December 2023, Herdade de Maria Pires and Herdade de Soberanas de Cima have been enrolled in the Climate Farmers Carbon Credits+ programme. By working with Climate Farmers, a leading European carbon credit certification organisation, we're able to access global best practice for soil health and carbon sequestration, and can better measure the amount of greenhouse gas emissions that we avoid and reduce. We have also become part of a community of like-minded farmers in Portugal supporting each other to restore soils and sequester carbon.

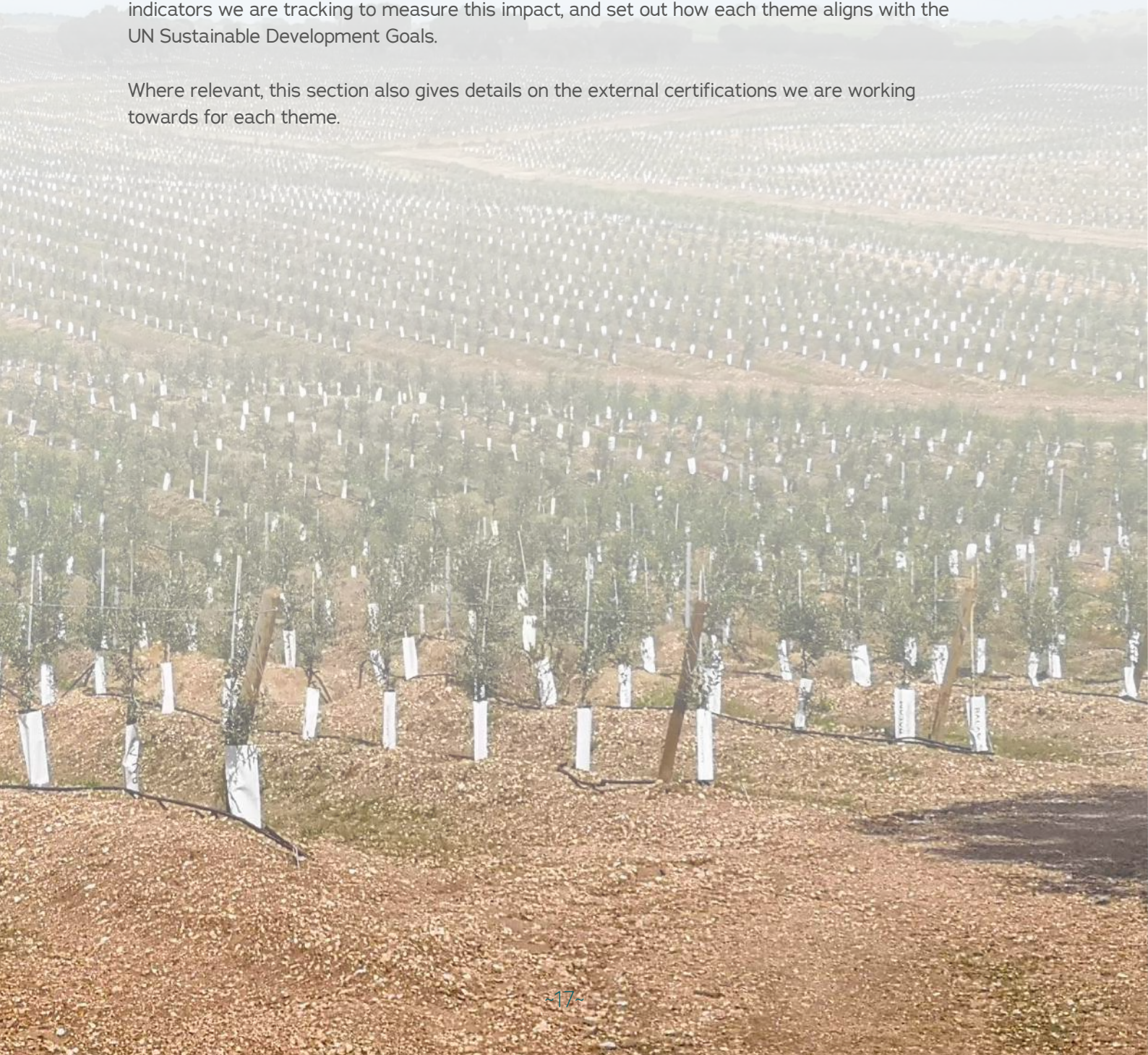


OUR SIX IMPACT THEMES

Pela Terra Farmland aims to create impact through its investments in six key thematic areas. The key thread which ties these categories together and enables the fund to create the majority of its planned impact across each one is soil health. Through improving soil health, we can unlock a wide range of other positive impacts for both people and planet.

The following sections set out the challenges the fund aims to address in each area. They provide detail on the mechanisms through which we will create impact, list some of the key indicators we are tracking to measure this impact, and set out how each theme aligns with the UN Sustainable Development Goals.

Where relevant, this section also gives details on the external certifications we are working towards for each theme.



IMPACT THEME 1: SOIL

Life on earth depends on healthy soils: they are the foundation of our food systems and the basis for almost all biodiversity. When well looked after, they sequester carbon to support a resilient climate and retain up to 25 per cent of their mass in water, contributing to water security and disaster risk prevention.²³

Soil is a fragile resource: one centimetre can take hundreds of years to form but be lost in a single rainstorm. It must be protected and nurtured if we are to continue to be able to grow food and benefit from the wide range of ecosystem services and other benefits it provides.²⁴

However, conventional agriculture, through repeated tilling and heavy use of pesticides and fertilisers, is leading to the rapid degradation of soils across the globe,²⁵ placing future food production at risk, exposing populations to increased flooding, and releasing carbon into the atmosphere that further accelerates the process of climate change.

It's estimated that between 60 and 70 per cent of soils in the European Union are unhealthy, with loss of soil organic carbon and loss of biodiversity the top two degradation factors.²⁶ Regions where intensive agriculture is well established, such as the Alentejo, are among those worst affected.²⁷

SAMPLE INDICATORS: SOIL

- Soil conservation practices implemented (by type and total area in hectares)
- Soil health practices (by type and total area in hectares)
- Overall changes to soil health indicators (organic matter content, soil structure, etc.)

HOW WE WILL CREATE IMPACT

Regenerative agriculture and land management techniques such as reduced tilling, cover cropping, reducing pesticide use, switching from synthetic to organic fertilisers and leaving pruning residues on the ground have a proven effect on improving soil health, helping to rebuild carbon stocks and foster soil biodiversity.^{28,29} In certain circumstances, adaptive grazing of livestock - including undergrazing in orchards - can also contribute.³⁰

Through applying these techniques we can repair the damage already done to soils, conserve water and mitigate the effects of droughts and flooding, help to combat climate change, support biodiversity, and produce more nutritious food.

SDGS TARGETED:



15.3

By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.

2.4

By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.



IMPACT THEME 2: WATER

Water is essential for life, and is a critical input to any agricultural system. Agriculture is the biggest user of fresh water globally, consuming 72 per cent of all water withdrawals.³¹ However, water scarcity is an increasing problem on every continent, with poorer communities worse affected. The FAO estimated in 2020 that 3.2 billion people - almost half the world's population - now live in agricultural areas with high to very high water shortages or scarcity.³² Climate change is making the situation worse: water is becoming more unpredictable, and terrestrial water storage (water held in soil, snow and ice) is depleting. Already, one fifth of the world's river basins are experiencing rapid changes in the area covered by surface waters, indicative of flooding and droughts caused by climate change.³³

While the regions worst impacted by water stress are in Northern Africa and Western Asia, Europe is affected too, experiencing its driest summer in 500 years in 2022. In many regions of Portugal droughts are becoming more and more common, with 2022, 2023 and 2024 all bringing warnings from farmers and government of severe drought.³⁴

However, water scarcity is only one part of the problem, with water quality also an issue. Here, too, conventional agriculture is a contributor: heavy use of pesticides and fertilisers pollutes runoff and results in the eutrophication of water bodies, loss of freshwater diversity, and even the creation of 'dead zones' around the coast where runoff enters the sea. As well as being harmful to wildlife, agricultural water pollution can also have negative effects on humans, if conventional water treatment methods are unable to deal with fertilisers and other chemicals in water sources.³⁵

HOW WE WILL CREATE IMPACT

Regenerative agricultural approaches hinge on carefully managing and conserving water. They also enable a reduction in the use of pesticides and fertilisers, ensuring less pollution of downstream runoff.³⁶

The application of modern precision irrigation techniques helps to reduce the volumes of water needed per hectare and per tonne of yield.³⁷ Careful management of waterlines and ditches, including planting with suitable indigenous species, helps to reduce soil erosion and filter runoff water, improving its quality. It also helps to support biodiversity, both in water and on land.³⁸

SAMPLE INDICATORS: WATER

- Level of water stress
- Actions taken to improve farm waterlines and ditches (by type and area covered)
- Implementation of water-saving technologies (by type and by area covered)

SDGS TARGETED:



6.4

By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.

12.6

Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

15.5

Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.



IMPACT THEME 3: CLIMATE

The Paris Agreement commits governments to holding the increase in the global average temperature to well below 2°C above pre-industrial levels, with a target of limiting the increase to 1.5°C. However, 2023 was the hottest year on record, and the tenth year in a row in which temperatures have equalled or exceeded 1.0°C above the pre-industrial period.³⁹

Agriculture and the global food system are significant contributors to climate change: over a third of anthropogenic greenhouse gas emissions are produced by the food system, with the largest contribution (71 per cent) coming from agriculture and changes to land use.^{40,41}

Drilling down further, much of agriculture's greenhouse gas emissions are attributable to two main factors: the overuse of fertilisers, leading to significant emissions of greenhouse gases including nitrous oxide and methane; and tillage, which leads to carbon sequestered in the soil being converted to atmospheric carbon.⁴²

HOW WE WILL CREATE IMPACT

Soil is a natural carbon sink. Globally, soils store three to four times the amount of carbon locked into vegetation and between two and three times the amount in the atmosphere.⁴³ Research has estimated that soil carbon represents 25 per cent of the potential of natural climate solutions, of which 40 per cent can come from protection of existing soil carbon and 60 per cent from rebuilding depleted stocks.⁴⁴

Regenerative agriculture techniques such as cover cropping, reducing tillage over the long term, and changes to fertiliser use can protect and improve soil health, preventing erosion, protecting carbon already sequestered and promoting further sequestration - all without reducing crop yields.^{45,46}

Farmers and landowners can further reduce the greenhouse gas emissions from their operations through reducing their consumption of fossil fuels and switching to renewable sources of energy to power processes and operations.

SAMPLE INDICATORS: CLIMATE

- Renewable energy generated (kWh)
- Total greenhouse gas emissions (tonnes)
- Greenhouse gas emissions sequestered (tonnes)
- Trees planted (total and native species)
- Decrease in use of artificial fertilisers

THIRD-PARTY CERTIFICATIONS

We aim to set and work towards a fund-level climate target in line with the Forestry, Land and Agriculture guidance published by the Science Based Targets Initiative.⁴⁷

SDGS TARGETED:



7.2

By 2030, increase substantially the share of renewable energy in the global energy mix.

13.2

Integrate climate change measures into national policies, strategies and planning



IMPACT THEME 4: BIODIVERSITY

Biodiversity is essential for healthy ecosystems that provide vital services like food, clean water, fertile soils, climate regulation, and crop pollination. Portugal has a rich biodiversity, with over 3,500 plant species and numerous important animal species. However, agricultural intensification, land abandonment, urbanization, and climate change pose major threats to this biodiversity. Only 23 per cent of species and 21 per cent of habitats currently have a favourable conservation status in Portugal.⁴⁸

Conventional agriculture contributes significantly to biodiversity loss through habitat destruction, pesticide use, monocultures, and soil degradation. The expansion of crop and grazing lands is the biggest driver of terrestrial biodiversity loss globally.⁴⁹ High levels of pesticide use cause parallel declines in insect, bird and plant biodiversity in areas of high agricultural intensity.⁵⁰

HOW WE WILL CREATE IMPACT

Regenerative approaches that move away from monocultures and integrate a variety of crops, trees, and even livestock on the same land in a sustainable way have been shown to substantially increase biodiversity and environmental benefits compared to conventional monocultures.⁵¹

Setting aside areas as ecological corridors and biodiversity hotspots is an important aspect of this approach. Restoring native vegetation, hedgerows, ponds and other semi-natural areas has proven benefits for pollinator conservation, pest control, soil health and overall biodiversity. The fund aims to balance agricultural production with biodiversity conservation measures on properties owned by its subsidiaries. This synergistic approach aims to make working landscapes fully sustainable - providing food while restoring ecosystems and rural

SAMPLE INDICATORS: BIODIVERSITY

- Pesticide use (type, tonnes per hectare)
- Plant species observed (of which RELAPE - Rare, Endemic, Local, At risk, Protected or Endangered)
- Animal species (of which of high conservation interest)
- Ecological restoration management area (hectares)

THIRD-PARTY CERTIFICATIONS:

We aim to work towards recognition of our biodiversity work through the Science Based Targets Network's emerging targets for nature programme, through the Pollinator Partnership's Bee-Friendly Farming programme, and through Olivum's Programa de Sustentabilidade e Azeite do Alentejo.

SDGS TARGETED:



15.5

Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

15.a

Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems.



IMPACT THEME 5: HUMAN HEALTH

Although global production of calories has kept pace with population growth in recent decades, the FAO still estimates that 9.2 per cent of the world's population, or around 750 million people, suffered from chronic hunger in 2022.⁵² Many more consume low-quality diets leading to micronutrient deficiencies, obesity, and non-communicable diseases. Globally, unhealthy diets pose a greater risk to morbidity than unsafe sex, alcohol, and tobacco use combined.⁵³

Our current food systems are not only damaging the planet; they are damaging the people they feed. It is therefore imperative that we reorient them towards providing sustainable, healthy diets – focussing on producing high quality, nutritious food with a low environmental impact.

HOW WE WILL CREATE IMPACT

Portuguese agriculture is well positioned to contribute to the production of safe, healthy, nutritious foods. Research shows that the traditional Portuguese diet, also known as the 'Atlantic diet', with its focus on unprocessed foods, fish, eggs, dairy, fruit, vegetables and nuts, has significant health benefits.⁵⁴ Along with its neighbour, the 'Mediterranean diet', it shares many elements of the universal healthy reference diet outlined by the EAT-Lancet Commission.⁵⁵

Among the key ingredients of the Atlantic diet are locally-produced nuts and good quality olive oil. Long considered a staple food in Southern Europe, olive oil, and particularly extra virgin olive oil, has been shown to have a positive effect on health among those who consume it frequently.⁵⁶ Similarly, nuts such as almonds are widely acknowledged to have significant health benefits.⁵⁷ Pela Terra's farms target the production of large volumes of both olive oil and almonds – doing so using regenerative farming practices that lead not just to high yields, but also to healthy soils and thriving ecosystems. Multiple studies have shown the links between reduced fertiliser, pesticide and herbicide use and better health outcomes.⁵⁸ Increasingly, research also points to strong links between healthy soil, nutritious food, and overall human health.^{59,60}

We will also share knowledge and disseminate best practice through partnerships and other outreach activities. By focussing on producing high quality, nutritious food at scale and with a low environmental impact, Pela Terra Farmland can play a part in addressing the crises of hunger and malnutrition.

SAMPLE INDICATORS: HUMAN HEALTH

- Yield of food products with significant health benefits (tonnes per year)
- Partnerships for research and dissemination of new methods for regenerative and/or sustainable farming (number of partnerships)

THIRD-PARTY CERTIFICATIONS

We aim to set and work towards a fund-level climate target in line with the Forestry, Land and Agriculture guidance published by the Science Based Targets Initiative.⁴⁷

SDGS TARGETED:



2.1

By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.

3.9

By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

12.3

By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses



IMPACT THEME 6: SOCIETY

Across Portugal, rural areas are often those which are most disadvantaged. For several decades, young people have left rural areas looking for better paid work in urban centres, resulting in challenges for those who remain, including withdrawal of basic services.⁶¹ Agricultural work, once a source of employment for many, is increasingly carried out by immigrants who are vulnerable to exploitation.⁶²

While multiple government programmes have targeted funds at areas of low population density, private investment has historically been concentrated in the large cities and along the coast, meaning the development of Portugal's interior has often lagged behind that of other areas.

HOW WE WILL CREATE IMPACT

The fund is committed to ensuring that its investments provide good working conditions free from exploitation. Through channelling international investment to rural areas of the country where it is most needed, our approach helps to support the regeneration of rural communities through supply chain investments and job creation.

The farmers and land managers we work with have decades of experience but are often unfamiliar with the latest international best practice in sustainable and regenerative farming techniques. Through our work we support them to integrate new methodologies and practices into their work, which in turn can be rolled out across other properties they work on.

We also work to build partnerships with universities and research organisations in Portugal and across Europe to support further innovation and investment into the economies of rural areas.

SAMPLE INDICATORS: SOCIETY

- Per cent of deployed capital invested in areas of low population density (per cent)
- Jobs created in directly supported / financed enterprises (number, of which rural)
- Training / behaviour change for partners / farm managers (type, number)
- Actions taken to promote impact investing in Portugal (type, number)

SDGS TARGETED:



8.8

Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.





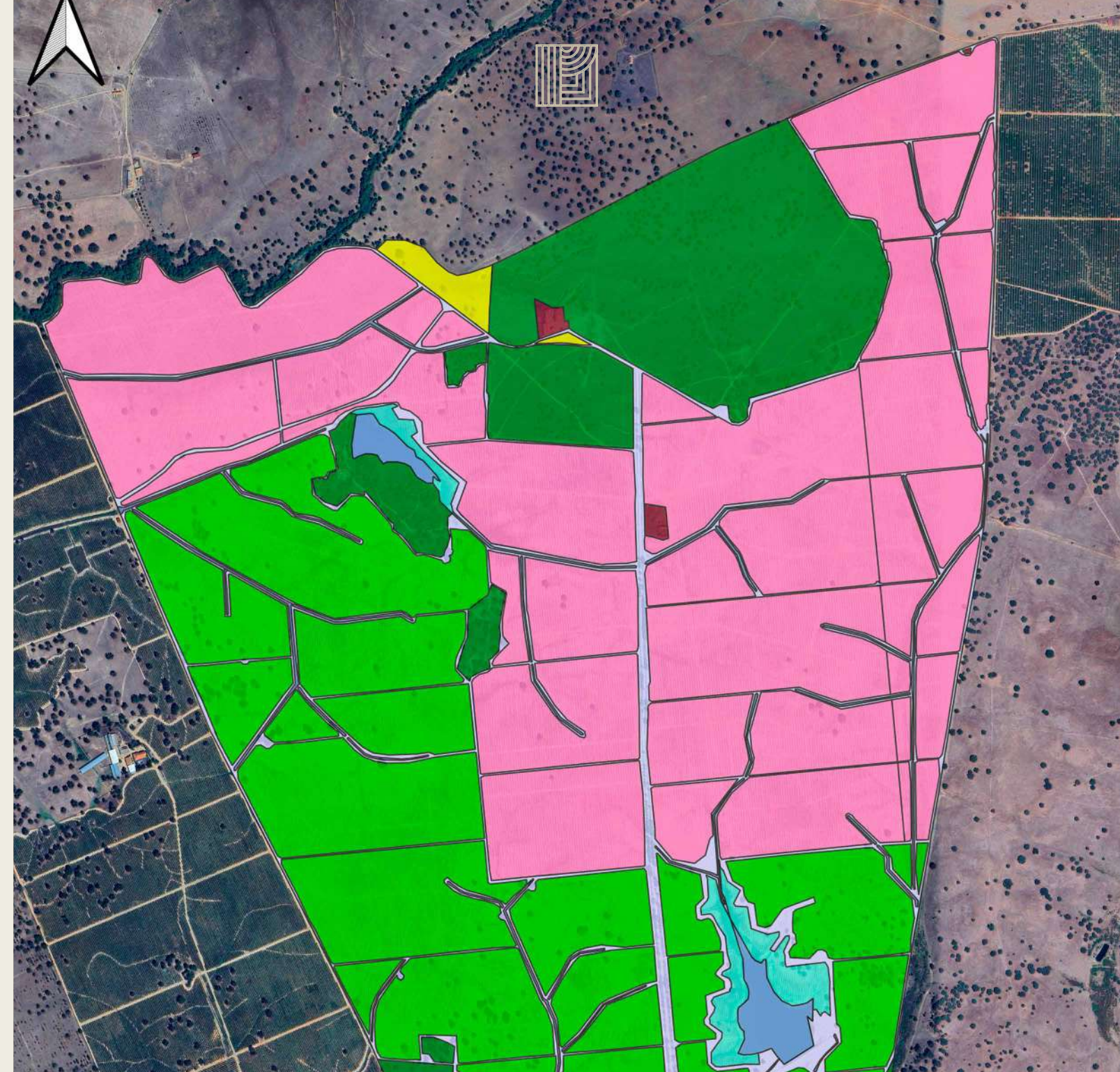
BASELINE FOR ASSETS CURRENTLY OWNED

THE FARMS

Companies owned by Pela Terra Farmland currently own and manage two properties: Herdade de Maria Pires and Herdade de Soberanas de Cima. The properties are located in the Alentejo agricultural region, near the municipalities of Alvito and Alcácer do Sal. Herdade de Maria Pires has an area of 384 hectares, and Herdade de Soberanas de Cima has an area of 140 hectares.

The primary commercial crops grown are almonds (the varieties are guara, belona, lauranne and soleta) and olives. These orchards were planted in 2023. Significant areas, amounting to 26 per cent of the total area of the properties, have been set aside for biodiversity and are mostly grassland and shrubland.

The two properties share a common border and are therefore treated as a single unit for the purposes of the baseline assessment and management plan ('Herdade de Maria Pires and Soberanas de Cima').



LEGEND

Land use

- Almond grove
- Dam
- Ditch
- Fallow land
- Infrastructure
- Main road
- Montado
- Olive grove
- Paths
- Water stream
- Wet grassland



BASELINE ASSESSMENT

This table sets out the main indicators we have used for the baseline assessment of Herdade de Maria Pires and Soberanas de Cima. These cover all six impact themes and all eight UN SDGs that we are targeting. They are derived from the IRIS+ core metrics set for those themes, with some additional indicators added to reflect the specific nature of the impact our strategy aims to achieve.

Future impact reports will give details of progress against the same set of indicators, enabling us to obtain a clear picture of the impact the fund is achieving through its investments and management strategy.



Herdade de Maria Pires



Herdade de Soberanas de Cima



Herdade de Maria Pires



Herdade de Soberanas de Cima

IMPACT THEME	IRIS+ REFERENCE (where relevant)	INDICATOR	BASELINE RESULT	TARGETS (where relevant)
CROSS-CATEGORY AND OVERALL METRICS	ID9608	Assets under Management : Total	€34.5m	
	OD4108	Environmental Impact objectives	Agriculture—Sustainable Agriculture - Mitigating Climate Change through Sustainable Agriculture Biodiversity and ecosystems - Improving Biodiversity through Nature-Based Solutions and Green Infrastructure - Improving Biodiversity through Terrestrial Ecosystem Protection and Restoration Climate—Climate Change Mitigation - Mitigating Carbon Emissions from Forestry and Land Use - Mitigating Climate Change through Carbon Capture and Sequestration - Mitigating Climate Change through Clean Electricity and Heat Production Water—Sustainable Water Management - Improving Agricultural Water Use Practices	
	OD6247	Social Impact objectives	Employment - Other - Creation of jobs in rural / disadvantaged areas Health - Nutrition	
	OD4091	Social and environmental targets	Yes, across 6 themes: soil, water, climate, biodiversity, health and society	
	OI4732	Social and environmental performance reporting	Yes, disclosed through public reports at least annually	Target to report impact at least annually
	OI9106	Social and Environmental Performance Risk Assessment	Not currently	Target to produce this in the 2024/5 reporting period
	OI5408	Land directly controlled: total (ha)	524 ha	
	OI1674	Land directly controlled: cultivated (ha)	389 ha	
	OI6912	Land directly controlled: sustainably managed (ha)	136 ha	
	OI2569	Land directly controlled: treated with pesticides (ha)	389 ha	
	PD1620	Crop type	Permanent crops: olives, almonds	
	OI1120	Operational certifications	0	Targeting several, as detailed in this initial report
PD2756	Product / service certifications	0	Targeting several, as detailed in this initial report	
THEME 1: SOIL	OI6381	Soil conservation practices implemented (by type and total area in hectares)	None currently	Our strategy targets the following soil conservation practices in the 2024/5 reporting period: - Application of regionally appropriate practices to minimize disturbance of and physical damage to soil, cropland, and pasturelands (planting of cover crops no-till) - Prevention of soil erosion, acidification, salinization, and accumulation of adverse compounds not otherwise specified (reduction in use of pesticides, replacement of synthetic fertilisers with organic alternatives, leaving pruning residues on the ground)
	OI1047	Soil health practices (by type and total area in hectares)	None currently	In addition to the soil health practices listed above, our strategy targets the following soil health practices in the 2024/5 reporting period: - Monitoring of those soil health characteristics, including nutrients from different sources, that are necessary to maintain or enhance appropriate nutrient balance and soil health - Development and maintenance of an up-to-date nutrient management program that efficiently uses nutrient inputs and nutrients in the soil and crops to create optimum conditions for production and avoids nutrient loss to water and air
		Overall changes to soil health indicators (organic matter content, soil structure etc.)	None (baseline year)	Given this is a change, will only be known in later years
THEME 2: WATER	OI7365	Water Quality Practices	None currently	We are targeting water quality practices including management of waterlines and ditches, including planting with suitable indigenous species, to help reduce soil erosion and filter runoff water, improving quality. We are also targeting a reduction in pesticide and fertiliser use.
	OI9326	Water conservation strategy	Yes	Precision irrigation; careful management of waterlines and ditches to ensure water quality.
	OI2799	Level of water stress	Extremely High	Source: https://www.wri.org/aqueduct
	OD7536	Water type	Irrigation system, surface water	

Data sources: Lagar do Vale, NBI



IMPACT THEME	IRIS+ REFERENCE (where relevant)	INDICATOR	BASELINE RESULT	TARGETS (where relevant)
THEME 3: CLIMATE	OI2092	Climate resilience strategy	None currently	Target to produce this in the 2024/5 reporting period
	OI8237	Greenhouse gas emissions strategy	None currently	Target to produce this in the 2024/5 reporting period
	OI1479	Total greenhouse gas emissions	Calculation in progress	For this baseline it has not been possible to generate an accurate calculation of total GHG emissions; our aim is to be able to do so in the 2024/5 reporting period
	PI2764	Greenhouse gas emissions avoided due to carbon offsets sold (tonnes)	0	As detailed above, we are working with Climate Farmers to certify and sell carbon credits
	PI9878	Greenhouse gas emissions sequestered (tonnes)	0	Target to sequester GHG emissions through land use, land use change, and forestry
	OI9839	Greenhouse gas emissions mitigation types (tonnes)	None currently	Target to sequester GHG emissions through land use, land use change, and forestry
	OI2622	Forest management plan	No	Target to create a management plan for the areas of montado and other forest managed
	PD3922	Type of land area	Agricultural land, forest land, rangeland	See the biodiversity deep dive section for an in-depth assessment of the habitats present on our properties
	PD8494	Ecosystem services provided	The following ecosystem services are currently provided: Regulating Values/Services - Regulation of Climate - Erosion control - Maintenance of soil quality Supporting Values/Services - Habitat	Target is to strengthen provision of the existing services provided and add the following services: Provisioning Values/Services - Food Cultural Values/Services - Recreation and ecotourism
	PI4127	Area of trees planted: total (ha)	344 ha	Area planted is area covered by trees only and does not include roads, access paths and other infrastructure. In total 446,455 trees were planted in 2023.
	PI3848	Area of trees planted: native species (ha)	0 ha	
	OI2496	Renewable energy generated for use (KwH)	0	Target is to install at least 150 KW of solar panels on Herdade de Maria Pires and Soberanas de Cima in the 2024/5 reporting period to power irrigation pumps and mixers
	Decrease in use of artificial fertilisers	None (baseline year)		
THEME 4: BIODIVERSITY		Ecological restoration management area (ha)	0 ha	
	OI9891	Pesticide use (litres per hectare per year)	Total pesticide use on cultivated areas was 1.66 l / ha / year	Aim is to decrease starting in the 2024/5 reporting period
	OI5929	Biodiversity assessment	Yes	Assessment carried out by NBI; details in biodiversity deep dive section of this report
	PI9151	Plant species observed (of which RELAPE)	126 (16)	
	PI9151	Animal species (of which of high conservation interest)	97 (23)	
	PI6887	Biodiversity footprint	2.86	Biodiversity Footprint assessed according to NBI's methodology; see biodiversity deep dive section of the report for more details
THEME 5: HUMAN HEALTH		Yield of food products with significant health benefits (tonnes per year)	0	Orchards were planted in 2023 and have yet to produce a yield
		Partnerships for research and dissemination of new methods for regenerative and/or sustainable farming (number of partnerships)	0	
THEME 6: SOCIETY		Per cent of deployed capital invested in areas of low population density (per cent)	100	
	PI4874	Jobs in directly supported / financed enterprises	1.5	
	PI2998	Individuals receiving training / advice on more regenerative or sustainable farming methods	0	
		Actions taken to promote impact investing in Portugal (type, number)	0	

Data sources: Lagar do Vale, NBI





BASELINE DEEP DIVE – BIODIVERSITY ON HERDADE DE MARIA PIRES AND SOBERANAS DE CIMA

During the course of the initial baseline assessment, ecologists visited Herdade de Maria Pires and Soberanas de Cima on multiple occasions to develop a clear picture of the existing state of biodiversity and overall agroecological value on the properties. The following section presents a summary of their most important findings.

HABITATS

The habitats on the properties were assessed based on observations during site visits, knowledge of the region and bibliographic analyses. A total of thirteen habitats were identified, of which one is abundant, seven are present and five are vestigial. Four of them can be considered a priority habitat for conservation: Mediterranean temporary ponds, Alluvial forests of *Alnus glutinosa*, European heath, and Pseudo-steppe with grasses and annuals.

The following table sets out the types of habitat on the properties along with their classification according to the Natura 2000 protected areas network⁶³ and their current state of conservation.

The accompanying maps show the distribution of the habitats on the properties and the location of Areas of High Natural Value.⁶⁴

HABITAT	COMMON NAME	N2000 CODE	RELEVANCE	CONSERVATION STATUS	TENDENCY FROM 3 TO 5 YEARS	
					WITHOUT RESTORATION OR CONSERVATION MEASURES	WITHOUT RESTORATION OR CONSERVATION MEASURES
NATURAL EUTROPHIC LAKES	Eutrophic lakes	3150	Present	🟡	Stable	Connectivity improvement between water and earth elements; Increase in functional biodiversity
MEDITERRANEAN TEMPORARY PONDS	Temporary ponds	3170*	Present	🔴	Stable and decreasing	Improvement of habitat
TEMPORARY MEDITERRANEAN WATER STREAMS FROM <i>PASPALO-AGROSTIDION</i>	Temporary stream	3290	Present	🔴	Stable and decreasing	Improvement of habitat



HABITAT	COMMON NAME	N2000 CODE	RELEVANCE	CONSERVATION STATUS	TENDENCY FROM 3 TO 5 YEARS	
					WITHOUT RESTORATION OR CONSERVATION MEASURES	WITHOUT RESTORATION OR CONSERVATION MEASURES
<i>SALIX ALBA</i> AND <i>POPULUS ALBA</i> GALERIES	Riparian woodland	92AO	Present	○	Decreasing	Improvement of ecosystem services
ALLUVIAL FORESTS OF <i>ALNUS GLUTINOSA</i>	Ash forest	91EO*	Vestigial	○	Stable and decreasing	Improvement of ecosystem services
MERIDIONAL RIVER INTERMITTENT GALERIES (<i>NERIO-TAMARICETEA</i> AND <i>SECURINEGION TINCTORIAE</i>)	Barranco	92DO	Vestigial	○	Stable and decreasing	Improvement of ecosystem services
EUROPEAN HEATH	Heath	4020	Vestigial	○	Stable	Habitat conservation
EUROPEAN DRY HEATH	Dry heath	4030	Potential	○	Stable	Improvement of ecosystem services
THERMO-MEDITERRANEAN AND PRE-DESERT SCRUB	Shrubland	5330	Present	○	Stable	Increase in functional biodiversity
PSEUDO-STEPPE WITH GRASSES AND ANNUALS	Perennial grassland	6220*	Present	○	Stable and increasing	Improvement of ecosystem services
<i>DEHESAS/ MONTADOS</i> WITH EVERGREEN <i>QUERCUS</i> SPP.	Montado	6310	Abundant	●	Decreasing	Improvement of ecosystem services
MEDITERRANEAN TALL HUMID GRASSLANDS	Wet grassland	6420	Present	○	Stable	Improvement of ecosystem services
<i>QUERCUS SUBER</i> FORESTS	Cork oak forests	9330	Vestigial	○	Stable	Improvement of habitat

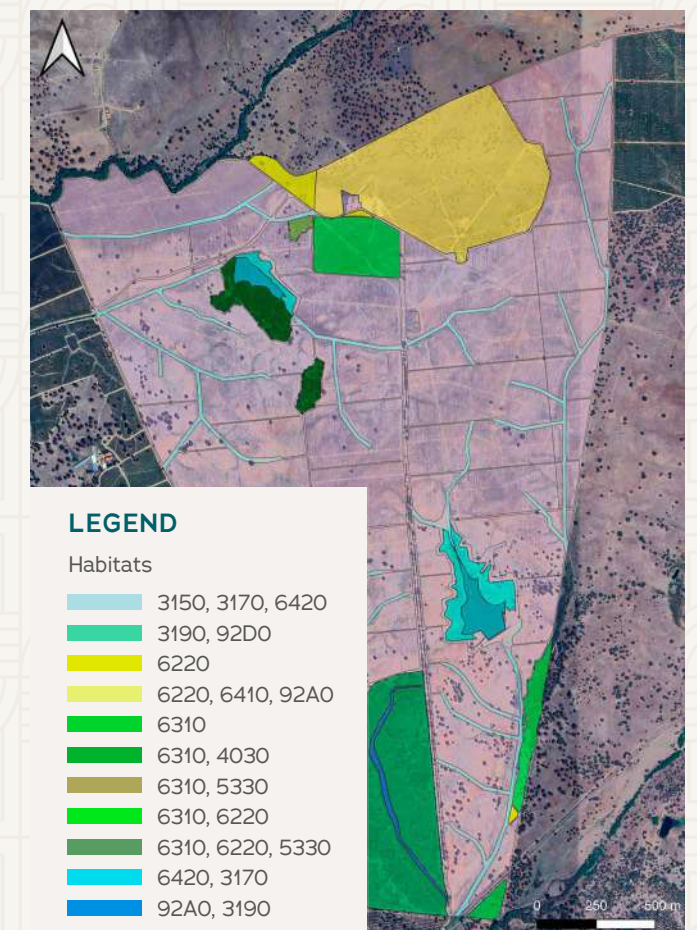
Conservation status: ● High; ○ Medium; ○ Low

N2000 stands for Natura 2000 Network

* denotes priority habitat



Data source: NBI





FLORA

The site visits identified a total of 126 species were identified, of which 16 (or 13 per cent of the total) are classified as RELAPE (Rare, Endemic, Local, At risk, Protected or Endangered). These are set out in the table that follows.

Species	Common name	Ecology	Conservation RELAPE Typology
<i>Arisarum simorrhinum</i>	Friar's cowl	Mediterranean forests	Iberian-Maghrebi endemic
<i>Carlina racemosa</i>	Racemed carline thistle	Pastures and fallows	Iberian-Maghrebi endemic
<i>Cynara humilis</i>	Wild thistle	Pastures and fallows	Iberian-Maghrebi endemic
<i>Elaeoselinum foetidum</i>	Deadly carrot	Scrubland clearings and Mediterranean forests	Iberian-Maghrebi endemic
<i>Helminthotheca spinosa</i>	Bristly ox-tongue	Scrubland clearings and Mediterranean forests	Iberian Peninsula endemism
<i>Isoetes setaceum</i>	Iberian quillworts	Temporary wetlands	Iberian Peninsula endemic, rare
<i>Lavandula pedunculata</i>	Iberian lavender	Scrubland	Iberian-Maghrebi endemic
<i>Narcissus bulbocodium bulbocodium</i>	Petticoat daffodil	Meadows	Protected, Iberian Peninsula endemic
<i>Pyrus bourgaeana</i>	Iberian pear	Scrubland	Iberian-Maghrebi endemic
<i>Quercus rotundifolia</i>	Holm oak	Mediterranean forests	Protected
<i>Quercus suber</i>	Cork oak	Mediterranean forests	Protected
<i>Retama sphaerocarpa</i>	Yellow broom	Scrubland, pastures	Iberian-Maghrebi endemic
<i>Ruscus aculeatus</i>	Butcher's broom	Mediterranean forests	Protected
<i>Ulex australis subsp. welwitschianus</i>	Moorish gorse	Scrubland	Portuguese endemic



FAUNA

The probable occurrence of species was analysed based on field observations, atlases, scientific literature and citizen science databases (with identification verification).

A total of 97 species were identified (from a potential of 131), of which 23 (out of 43 potential) are of conservation interest.⁶⁵



Mediterranean tree frog
(*Hyla meridionalis*)



Eurasian otter
(*lutra lutra*)



Common kingfisher
(*Alcedo atthis*)



Petticoat daffodil
(*Narcissus bulbocodium*)

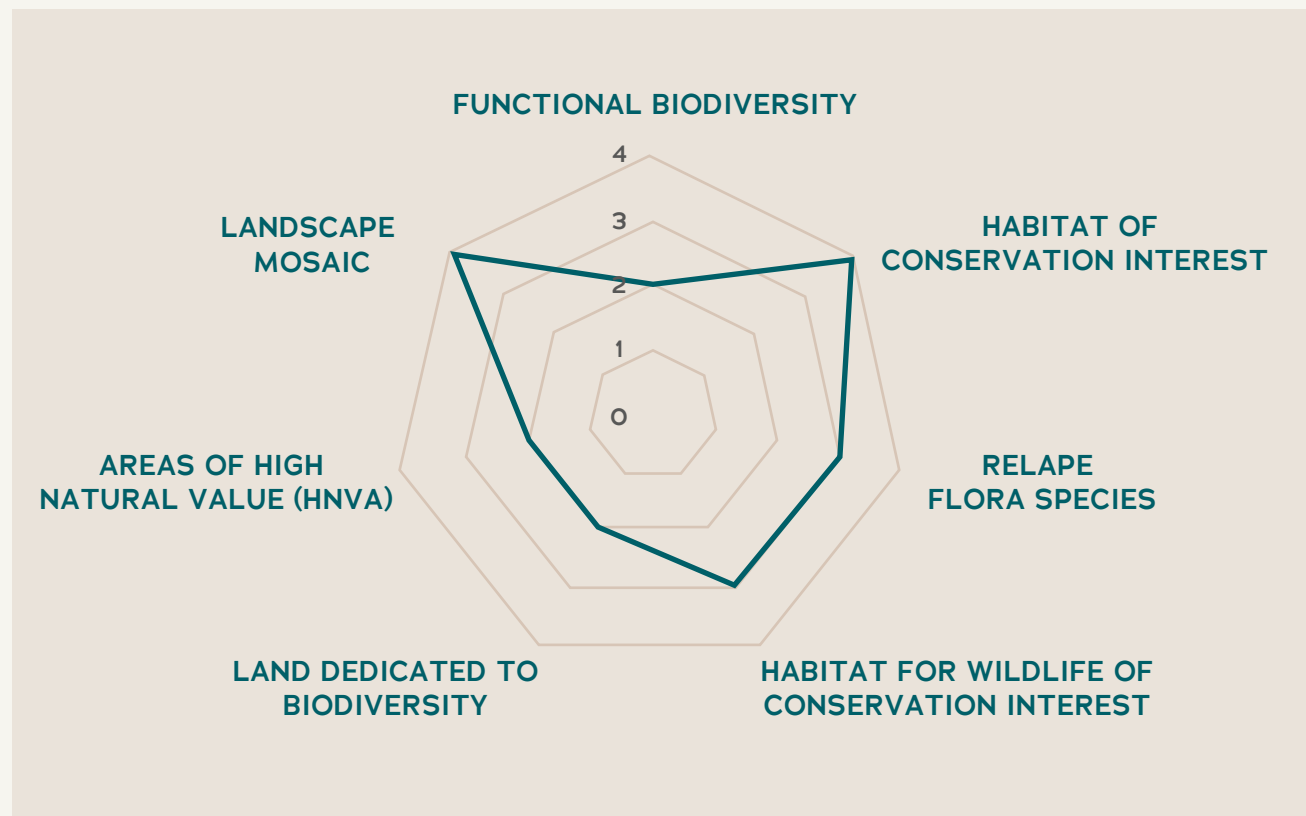


AGROECOLOGICAL VALUE MATRIX

To understand the current overall agroecological status of Herdade de Maria Pires and Soberanas de Cima and establish a baseline from which agroecological value can be measured, an Agroecological Value Matrix was used.

In their current state, the properties have a combined value of 2,86, corresponding to a medium agroecological value. This is broadly in line with the average for other similar properties in this region of Portugal.

The details are set out in the table that follows.



INDICATOR	AGROECOLOGICAL VALUE LEVEL			
	1	2	3	4
1. FUNCTIONAL BIODIVERSITY	No functional biodiversity structures	Functional biodiversity structures in $\leq 30\%$ of the area	Functional biodiversity structures in between $> 30\%$ and $< 50\%$ of the area	Functional biodiversity structures in $\geq 50\%$ of the area
2. HABITAT OF CONSERVATION INTEREST	No habitat or only potential/trace habitats present	At least 1 habitat present	At least 2 habitats present	At least 2 habitats in good conservation status present AND/OR 1 habitat in good conservation status in at least 50% of the area
3. RELAPE FLORA SPECIES	Percentage of RELAPE flora species present ≤ 5	Percentage of RELAPE flora species present between 6 and 12	Percentage of RELAPE flora species present between 13 and 20	Percentage of RELAPE flora species present > 20
4. HABITAT FOR WILDLIFE OF CONSERVATION INTEREST	Area without feeding habitats or refuges	Area with feeding habitats and refuges, but without connectivity	Area with feeding habitats and refuge areas connected but small or patchy with known hazards	Area with connected feeding habitats and natural refuges
5. LAND DEDICATED TO BIODIVERSITY	0 to 25 % of the property area is dedicated to biodiversity	25 to 50% of the property area is dedicated to biodiversity	50 to 75% of the property area is dedicated to biodiversity	$> 75\%$ of the property area is dedicated to biodiversity
6. AREAS OF HIGH NATURAL VALUE (HNVA)	0 to 25 % of non-productive areas are HNVA	25 to 50% of non-productive areas are HNVA	50 to 75% of non-productive areas are HNVA	$> 75\%$ of non-productive areas are HNVA
7. LANDSCAPE MOSAIC	0 to 1 of the 5 landscape types present in the area	2 of the 5 landscape types present in the area	3 of the 5 landscape types present in the area	4 to 5 of the 5 landscape types present in the area

Data source: NBI



BASELINE DEEP DIVE – REMOTE SENSING ANALYSIS ON HERDADE DE MARIA PIRES AND SOBERANAS DE CIMA

Remote sensing indexes can be used as a proxy to understand variations in the condition of ecosystems and supply of ecosystem services. They form an important part of our data collection process.

For the baseline analysis, the team from NBI considered Enhanced Vegetation Index (EVI) as a proxy for general measure vegetation productivity, Normalized Difference Moisture Index (NDMI) as a proxy for vegetation water retention, and Soil-Adjusted Vegetation Index (SAVI) as proxy for soil erosion protection.

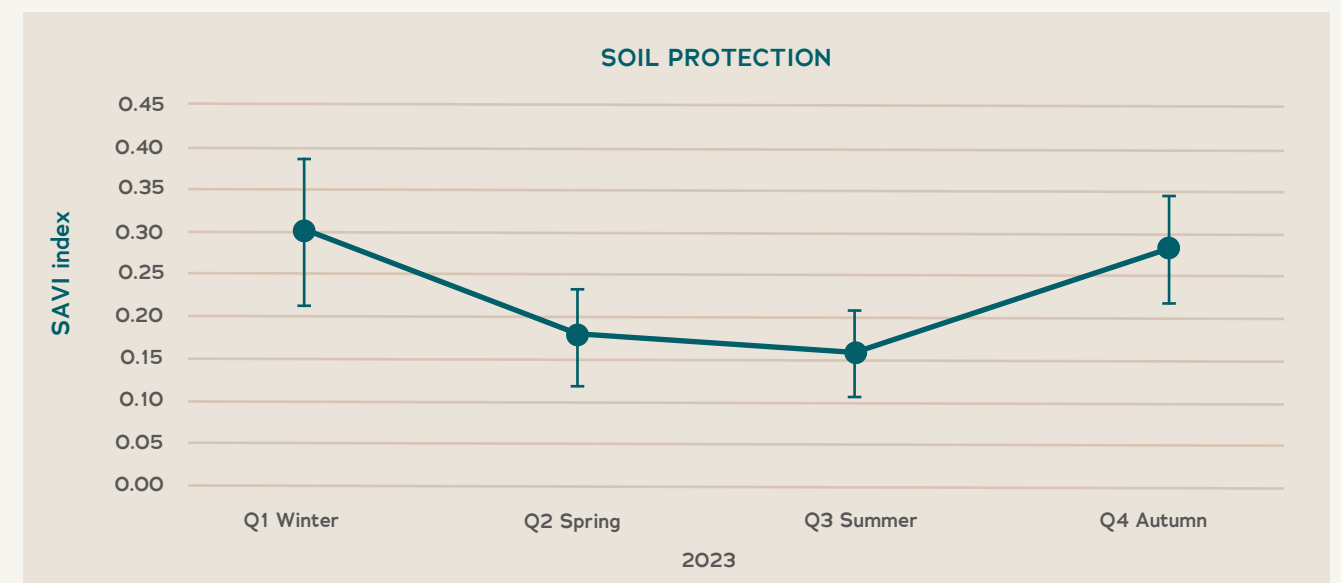
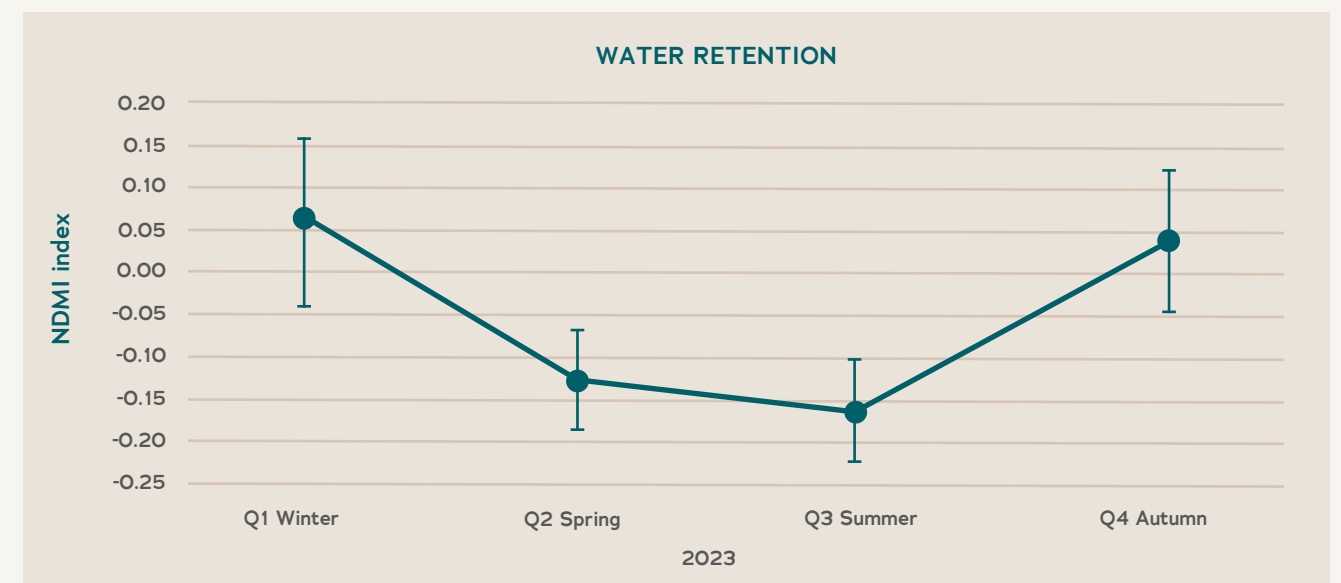
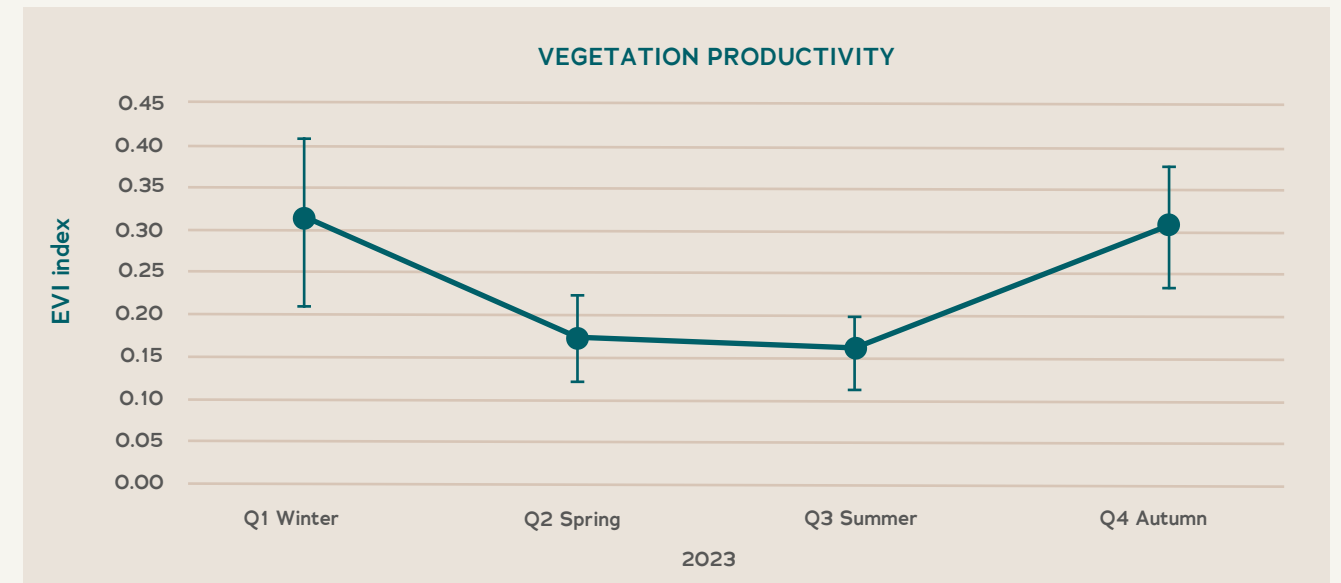
EVI, NDMI and SAVI values range between -1 and 1. In general terms, an increase in these values indicates increases in vegetation productivity, water content and soil protection, respectively.

The team used Sentinel-2 multispectral surface reflectance imagery data for 2023 for Herdade de Maria Pires and Soberanas de Cima from Copernicus Dataspace.⁶⁶ Cloud-covered pixels were masked, and for each individual date EVI, NDMI and SAVI indexes were computed using the Sen2R R library.⁶⁷

The resulting rasters were masked and stacked in groups depending on the index, using the raster library.⁶⁸ Each group was then combined into a single raster and the average and the standard deviation were calculated for each meteorological season (quarter) of 2023.

The results are given in the graphs below. They show a general decrease in the three indices over the course of 2023, particularly during the second and third quarters, reaching low values of vegetation productivity (EVI < 0.2), water stress or altered soils (NDMI < 0), with very low or no soil cover protection from vegetation (SAVI < 0.2).

In future years remote sensing analysis for these indices will be repeated to help us obtain an overall, 'top-down' understanding of the impact of the land management strategies we implement on each property we own.





FUND-LEVEL AGROECOLOGICAL STRATEGY

A detailed fund-level management strategy for Pela Terra Farmland is currently in the final stages of development. The strategy will build on the approach set out in this initial report. It will lay out, at a fund level, the overall approaches and detailed steps that will be taken to ensure companies owned by the fund contribute to creating positive impact in each of the six thematic areas identified. It will set out how progress will be achieved against each of the UN SDGs and sub-targets identified.

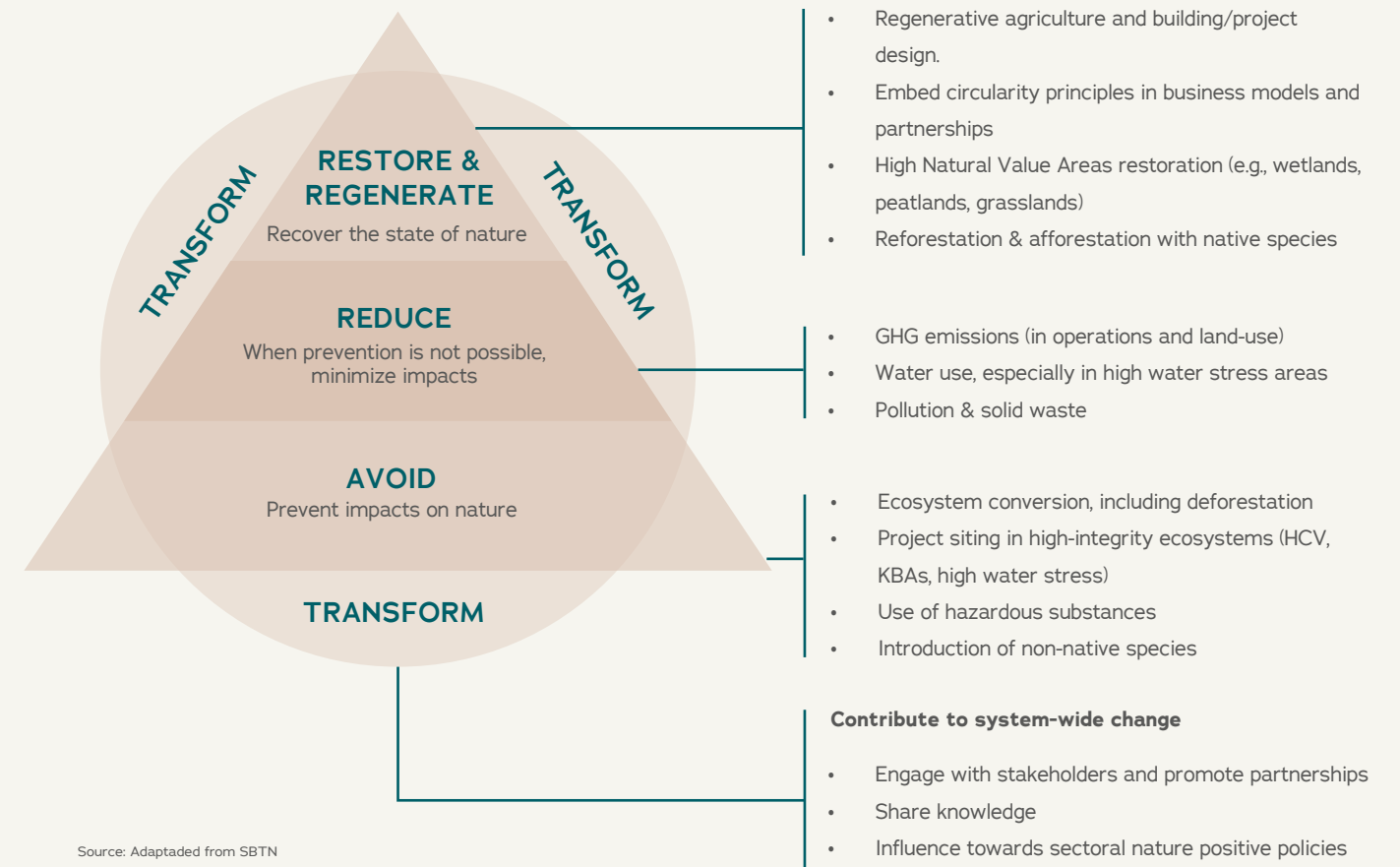
An update on this strategy will be provided in future impact reports once capital deployment is complete, and once baseline assessments have been completed for each asset controlled by the fund – thus allowing the final version to be developed and adopted.

In order to align with the main international reference sustainability frameworks and to ensure the transition to regenerative, agroecological systems, the strategy is based around the following principles:

- Ensure alignment with the mitigation hierarchy: avoid > minimise > restore/regenerate – and transform by contributing to a system-wide change
- Integrate an action framework covering all five key areas of biodiversity loss:
 - land/water use change
 - natural resources use/exploitation
 - climate change
 - pollution
 - invasive alien species
- Develop and implement an action programme with impact across the value chain
- Act in line with sustainable and regenerative approaches, with a transformative effect on nature and the communities where Pela Terra Farmland owns assets.



APPLYING THE MITIGATION HIERARCHY AS A TRANSVERSAL APPROACH



Source: Adapted from SBTN

In line with the guidelines above, an initial programme of measures has been developed. They have been developed in consultation with NBI, are based around regenerative agriculture and land management practices, and are directly linked to the IRIS+ indicators set out on pages 28 and 29, as well as to driving progress in each of the six impact themes identified and against the UN SDGs targeted by the fund.

They have been divided into groups based on the type of land use each measure applies to. There are also several overall measures which will apply to properties as a whole. Some involve the development and implementation of fund-level sub-strategies or plans relating to, for example, RELAPE species conservation, greenhouse gas emissions, and forest management. The measures have been designed to be generally applicable to the majority of property types; however, application of each will be subject to a cost-benefit analysis and will be context dependent as some may not be applicable to certain assets. The table below sets these out in detail.



TYPE OF LAND USE	ACTIONS	CONTRIBUTION TO IMPACT THEMES												
		SOIL		WATER		CLIMATE		BIODIVERSITY			HUMAN HEALTH	SOCIETY		
		SOIL EROSION	SOIL HEALTH	WATER QUALITY	WATER PROVISION	CARBON SEQUESTRATION	REDUCTION OF GHG EMISSIONS	FLORA	HABITATS	FAUNA	NUTRITION	JOBS		
OVERALL	Create RELAPE Species Conservation and Restoration Plan							○	○	○				
OVERALL	Requalify low conservation habitats for natural habitats		○				○		○					
OVERALL	Rotate with fallow land	○	○				○	○			○			
OVERALL	Promote habitat connectivity	○			○			○	○	○				
OVERALL	Control invasive species such as acacias, hakeas, leafcutters and wild canes	○			○			○	○	○				
OVERALL	Integrate rupicolous habitats to promote biodiversity							○	○	○				
OVERALL	Put in place contractual agreements to ensure good working conditions across supply chain													○
OVERALL	Install solar panels to replace diesel generators						○							
OVERALL	Produce detailed climate resilience and greenhouse gas emissions strategies					○	○							
OVERALL	Conduct regular social and environmental performance risk assessments	○	○	○	○	○	○	○	○	○				○
GRASSLAND	Introduce grazing	○	○											
GRASSLAND	Create of clearings, when necessary, with biodiverse grasses	○		○	○	○		○		○				
GRASSLAND	Install of strips of wildflowers on the edges of firebreaks							○		○	○			



TYPE OF LAND USE	ACTIONS	CONTRIBUTION TO IMPACT THEMES												
		SOIL		WATER		CLIMATE		BIODIVERSITY			HUMAN HEALTH	SOCIETY		
		SOIL EROSION	SOIL HEALTH	WATER QUALITY	WATER PROVISION	CARBON SEQUESTRATION	REDUCTION OF GHG EMISSIONS	FLORA	HABITATS	FAUNA	NUTRITION	JOBS		
WATER HABITATS (E.G. WATERWAYS, DAMS, PONDS)	Requalify former farmland areas into native habitats at the head of watersheds			○	○	○								
WATER HABITATS (E.G. WATERWAYS, DAMS, PONDS)	Conserve water lines at least at 10 meters on either side	○		○	○	○		○	○	○				
WATER HABITATS (E.G. WATERWAYS, DAMS, PONDS)	Restore water lines (eliminate invasive species, replace with native species)			○	○	○		○	○	○				
ORCHARDS AND OTHER AGRICULTURAL HABITATS	Install hedges for pollinators and auxiliaries on agricultural plots and margins	○				○		○					○	
ORCHARDS AND OTHER AGRICULTURAL HABITATS	Engage in circularity initiatives (e.g. bush clearing, ferns for bioeconomy as a pesticide, vegetable waste for composting, etc)		○			○	○						○	
ORCHARDS AND OTHER AGRICULTURAL HABITATS	Favour native cultivars of Mediterranean origin	○	○		○		○	○	○	○	○			
ORCHARDS AND OTHER AGRICULTURAL HABITATS	Adopt soil-conserving agricultural management systems (no till)	○	○			○	○	○	○					
ORCHARDS AND OTHER AGRICULTURAL HABITATS	Decrease the use of biocides and fertilisers by 50%		○	○			○	○		○	○			
FOREST	Conserve and restore areas of native forest on properties; develop and certify detailed forest management plan			○	○	○				○	○			

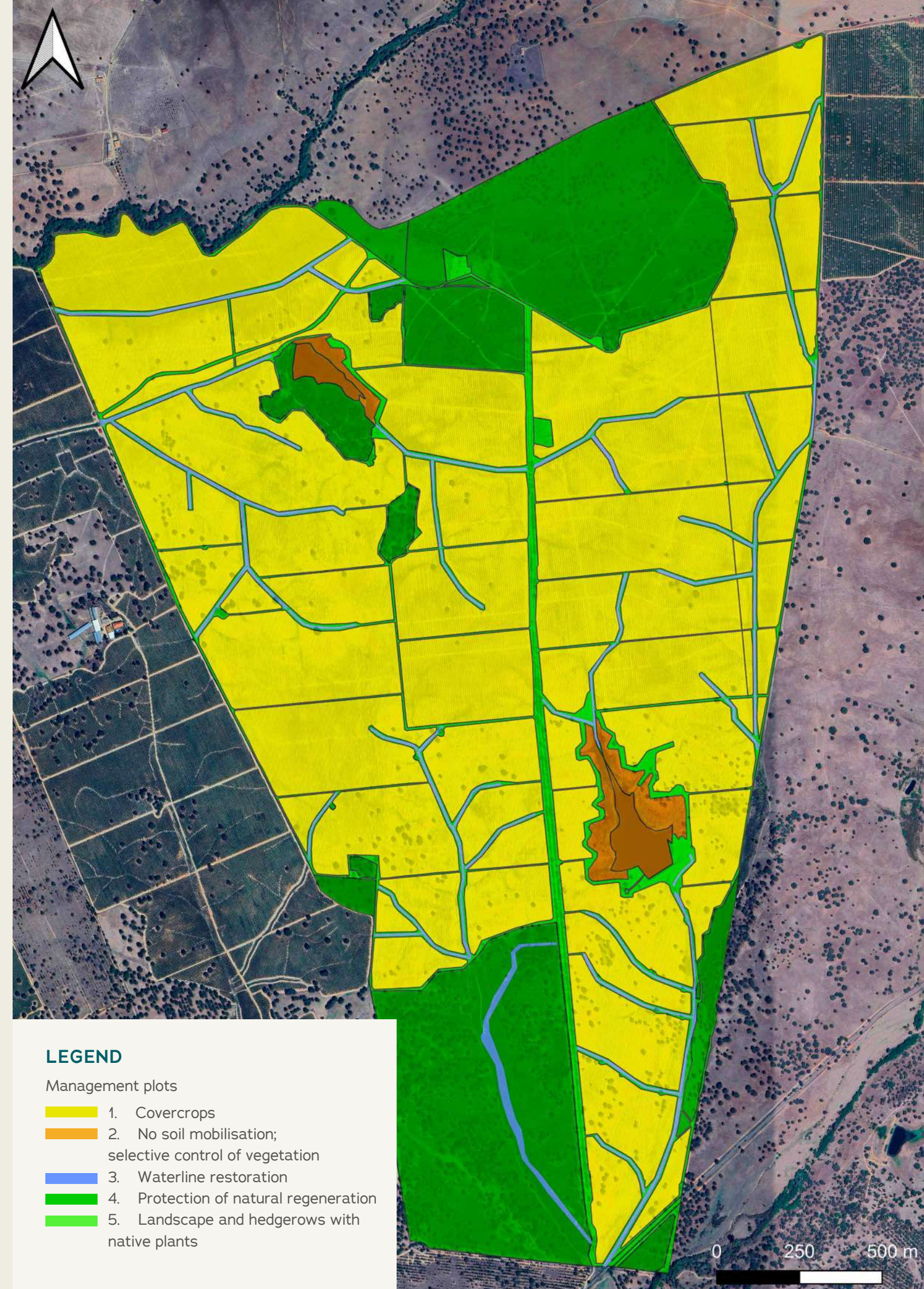


MANAGEMENT PLAN FOR ASSETS CURRENTLY OWNED

The following section gives a brief overview of the management plan adopted for Herdade de Maria Pires and Soberanas de Cima.

Developed with extensive expert input and designed to maximise impact across our impact themes, the plan aligns international best practice with detailed on-the-ground analysis, rooted in decades of experience in the Alentejo region.

MANAGEMENT UNIT	LAND USE	HABITATS	ACTIONS TO BE IMPLEMENTED	DESCRIPTION	IMPLEMENTATION PERIOD
1	Orchards	No habitats	Cover crops and animal shelters	Cover crops (either seeded or naturally occurring green cover) will be installed to restore the nutrient cycle in the soil (particularly nitrogen), provide soil cover and organic matter, and attract pollinators – especially important for almond pollination. Shelters for bees and pollinator strips around the orchard areas will be created, to further increase pollinator numbers. The introduction of shelters for bats in single cork oak trees in the orchard areas will help support biodiversity and promote natural pest control.	1-5 years
2	Dams and wet grassland	3150, 3170, 6420	No soil mobilization; selective control of vegetation	Regular checks will be carried out for invasive species, and any found will be removed. Where needed, we will add vegetation to provide nesting sites for aquatic birds. Dam borders will be managed to support the development of temporary ponds as particularly valuable habitats.	1-2 years
3	Ditches and streams	3190, 92AO, 91DO	Waterline restoration	We will carry out work to restore water bodies degraded due to previous bad agricultural management. Ditches will be planted to create ecological corridors running through orchard areas. Regular checks will be carried out to control invasive species; willows and other native river species will be planted. Over time we will implement a hedgerow on either side of each ditch with species chosen to provide habitats for pollinators and auxiliaries (fauna who can help provide pest control).	1-5 years
4	Montado, pastures, shrubland and cork oak forest	6220, 6310, 4030, 5330, 9330	Protection of natural regeneration	Areas which are currently in good conservation status will be monitored and preserved. We will protect natural regeneration of quercus suber. We will introduce grazing by sheep, around one head per two hectares, with a holistic design.	1-2 years
5	Infrastructure		Landscape and hedgerows with native plants	Hedgerows will be planted around areas of infrastructure to create shelter for fauna (primarily birds and bats).	1-2 years



LEGEND

Management plots

- 1. Covercrops
- 2. No soil mobilisation; selective control of vegetation
- 3. Waterline restoration
- 4. Protection of natural regeneration
- 5. Landscape and hedgerows with native plants



FUTURE IMPACT ROADMAP

This report is the first in a regular series of impact reports. It has set out Pela Terra Farmland's overall approach to measuring and communicating impact. It has also established a baseline for the properties currently managed against the six impact themes targeted by the fund, and provided details of the initial management plan for these properties. An overall agroecological strategy for the fund is under development and will be finalised once capital deployment has been completed.

Future reports will provide detail of progress against the baseline set out in this initial Publication.

As the fund makes further investments, we will engage experts to conduct baseline analyses on each new asset acquired and create an individual tailored impact management plan for each, in line with the procedures established through this initial reporting exercise.

We will continue to work with experts in Portugal and internationally to further develop and refine our impact measurement and reporting strategy. We'll continue to pursue relevant third-party certifications across all areas of our activity. We will monitor and track our progress against our peers and share and adapt emerging best practice where applicable.



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65. Species are considered of conservation interest if they are endangered or near-threatened species according to national Red Lists, species with insufficient information status in the case of mammals, and/or species listed in annexes A-I, B-II and B-IV of the Birds and Habitats Directives and Lusitanic, Iberian and Ibero-Maghreb endemisms.
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DISCLAIMER

The Advisory Committee/Holders of Class B participation units of Pela Terra Farmland – Fundo de Capital de Risco Fechado have prepared the Impact Statement and Initial Report with the assistance of the advisors mentioned in the report.

The responsibility of this report and its information lies on its signatories; thus the Fund Manager and the Fund shall not assume any liability.

The Fund Manager believe that the information provided in this report, including any projections or forward-looking statements, is accurate and reliable, but should not be considered exhaustive or definitive, nor are the Fund Manager or the Fund responsible for any errors or omissions.

The Fund encourage readers to seek external advice from professional consultants to enable them to make a conscious and informed analysis and decision.

As the Fund is not subject to Article 8 or to Article 9 of Regulation (EU) 2019/2088 of November 27th, 2019, the Fund's investments do not take into account the EU criteria for environmentally sustainable economic activities.

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