The Lab

# REGENERA VENTURES FUND

INSTRUMENT ANALYSIS
SEPTEMBER 2024

# Regenera Ventures Fund

LAB INSTRUMENT ANALYSIS
September 2024

## DESCRIPTION & GOAL

A fund that supports the transition towards regenerative management of productive ecosystems in Mexico through equity investments and technical support. Regenera Ventures contributes to the region's increased resilience by supporting multiple types of companies across the regenerative ecosystem.

## SECTOR

Land Use / AFOLU, Sustainable Agriculture, Climate Resilience

## FINANCE TARGET

Development finance institutions, family offices, private capital investors

## GEOGRAPHY

First pilot fund: Mexico
Scale-up: Latin America

The Lab identifies, develops, and launches sustainable finance instruments that can drive billions to a low-carbon economy. The 2024 Lab cycle targets four thematic areas (mitigation, adaptation, high-integrity forests, and sustainable agriculture and food systems) and five geographic regions (Brazil, East & Southern Africa, India, Latin America & the Caribbean, and the Philippines).

## AUTHORS AND ACKNOWLEDGEMENTS

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DEPARTMENT OF STATE UNITED STATES OF AMERICA

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CLIMATE POLICY INITIATIVE

# SUMMARY

Regenera Ventures (RV) is a USD 20-30 million equity fund focused on Mexico. The fund's objective is to facilitate the shift from business-as-usual towards regenerative management by financing and providing technical support to multiple layers of the agriculture and food systems ecosystem. Mexico's agricultural sector is facing increased vulnerability due to climate change, which threatens rural livelihoods and impacts global trade. Regenerative agriculture offers a significant opportunity for Mexico to build resilience and maintain financial stability in its agricultural sector.

The fund will invest in a range of companies, from smallholder farmers' cooperatives, aggregators, and primary processors working throughout the agricultural value chain, to companies working on products and services that support the adoption of regenerative management or that help drive demand for these products. By offering long-term financing and technical assistance, the fund better aligns timelines and de-risks the transition, eventually leading to increased revenues and reduced input costs.

Assessed against Lab criteria, Regenera Ventures is:

1. **Innovative**: Regenera Ventures addresses the financing gap by leveraging redeemable equity, a type of results-based financing where the company agrees to repurchase the equity stake sold to investors, and technical assistance to de-risk investments and demonstrate the profitability of regenerative management.
2. **Actionable**: The implementation of the fund involves a strong and experienced team, with initial anchor funding already secured and quality pipeline companies identified across Mexico.
3. **Financially Sustainable**: The use of redeemable equity ensures investors can exit to investee companies themselves, avoiding reliance on Mexico's nascent secondary market.
4. **Catalytic**: The use of redeemable equity unlocks financing in the agricultural sector and can be transformative not only across Mexico, but further through emerging markets, with the leading team well-positioned to drive an expansion throughout Latin America.

Regenera Ventures will be the first fund developed by the team from SVX Mexico. SVX is a B Corp with ample experience within the Mexican impact ecosystem. The team is currently fundraising and has secured anchor commitments for the fund launch. After the close of the first fund targeting Mexico, the concept can be replicated and scaled to new geographies, like Colombia, within 4 to 5 years.

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# CONTEXT

*Unsustainable agricultural practices exacerbate the climate vulnerability of the Mexican agricultural sector, the seventh largest agricultural exporter globally.[1] SMEs that support the regeneration of the productive Mexican ecosystems can help adapt to these risks, but need investment and technical assistance to implement and scale.*

Mexico's agricultural sector is increasingly vulnerable to climate change, with rising temperatures, unpredictable rainfall patterns, and extreme weather events posing significant threats to rural livelihoods. Particularly at risk, the agriculture sector is extremely relevant for neighboring countries and global trading partners. In 2022, Mexico provided 22.8 percent of US agricultural imports (USDA, 2023) and was a prominent exporter of agricultural products to Japan and Europe (Directorate-General, 2023; National Service, 2023).

Regenerative agricultural practices – such as agroforestry, cover cropping, and polyculture, among other methods - present a transformative opportunity for Mexico's agricultural sector to enhance rural resilience while securing financial returns. Regenerative management[2] generates a virtuous cycle starting from the regeneration of the soil which contributes to the restoration of the water cycle, resulting in reduced input costs to farmers. The shift to regenerative management can also contribute to an increase in margins and new revenue streams. For example, ecosystem services can be monetized, and new sources of income can arise from a diversification of production. Regenerative management also reduces costs, contributes to increased profits and better production margins, and increases resilience to extreme weather events, such as drought, which are common in the region. The diversification of revenues also supports higher prosperity for local communities together with more biodiverse and resilient ecosystems.

Nevertheless, for this shift in management to occur, both financial and technical support needs to be provided across the ecosystem from new startups to current SMEs and cooperatives directly engaged with agriculture, forestry, livestock, or eco-tourism. Currently, these organizations lack the proper financing, and the region is significantly underserved by climate finance, receiving just eight percent of total climate agrifood finance in 2019/20 (CPI, 2023).

In 2019/20, global climate finance for agriculture was only USD 11.9 billion annually (CPI, 2023), far below the estimated needs of USD 30-218 billion per year. There is an urgent need for innovative financial solutions that can bridge this gap and support sustainable agrifood systems (CPI, 2023). Notably in Mexico and Latin America, there is a lack of tailored financial products that address the specific needs of companies transitioning to or scaling regenerative management.

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[1] https://www.s-ge.com/en/publication/industry-report/2022-e-clean-mexico-c6-agritech-overview?ct

[2] Regenerative management works in service of life and has a holistic understanding of social, natural, and economic capital. It is based on local context, follows nature's principles, and aligns productivity with ecological and social health for the ecosystem, its inhabitants, and consumers. Regenerative management not only enhances soil health and reconnects the water cycles, but also entails the process of leadership that embraces inclusion, diversity, and a fair distribution of the wealth created in the organization, as well as creating the long term conditions for thriving life and climate resilience.

Nevertheless, the trends for the sector are positive, and the global regenerative agriculture market is expected to grow to USD 31.88 billion by 2031, with a robust CAGR of 15.37% from 2024 to 2031 (Regenerative Agriculture, 2024). Regenera Ventures is poised to capitalize on this potential by providing tailored capital and technical assistance to companies implementing scalable regenerative management.

# CONCEPT

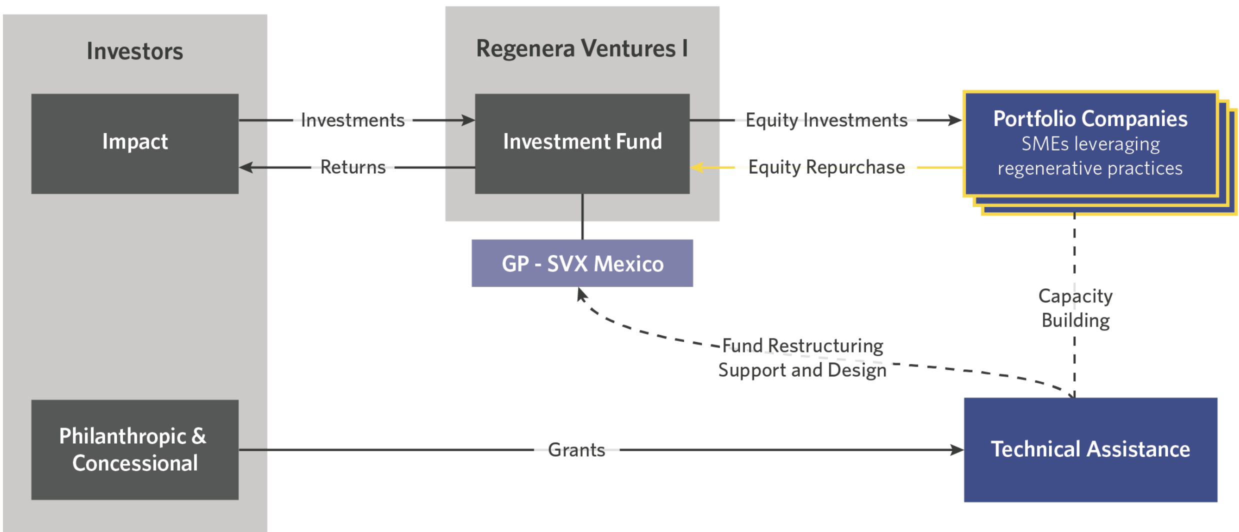
## 1. INTRODUCTION TO THE INSTRUMENT

Regenera Ventures is focused on financing the productive regeneration of ecosystems and will offer financing to companies throughout the regenerative value chain.

### 1.1 INSTRUMENT MECHANICS

Regenera Ventures is a 10-year fund, with a two-year extension option structured in a typical limited partner-general partner (LP-GP) structure common to joint-venture private equity and venture capital funds. The fund will have limited partners such as development finance institutions, impact investors, and family offices that are interested in generating financial returns and are intentional about their impact generation. Philanthropic and concessional capital will fund the technical assistance. The fund has been designed to be a single tranche but can accommodate a first loss to allow for a less conservative investment strategy.

**Figure 1: Instrument Mechanics**




The fund will invest through (i) pure equity investments and (ii) mezzanine and quasi-equity redeemable investments into companies operating in Mexico.

Most of the portfolio will offer redeemable equity, a type of results-based financing where the companies receive an equity-like investment with a mutually agreed timeline for share repurchase by the company. This investment offering will allow companies a grace period, where investments can be made to implement regenerative management without the burden of immediate repayment. Once the benefits start to materialize, the company will then begin to use part of its returns to repurchase shares from investors. This process provides the flexibility and deep engagement of equity exposure, guaranteeing Regenera Ventures a place on the company board and strategic insight into the shift in management style and growth strategies, while also providing a horizon for an exit in a still-developing market.

A smaller part of the portfolio that will be dedicated to startups will have a pure equity play to guarantee the fund has exposure to higher upside potential.

Regenera Ventures will also provide technical assistance to its portfolio, supporting both the technical needs for the implementation of regenerative management and business-related matters to support the growth of invested companies.

## 1.2 TARGET PIPELINE

Regenera Ventures' goal is to support the regenerative transition across Mexico. To achieve this, the fund will invest in different layers of the value chain that can support the ecosystem of regenerative management. This includes investments into four main verticals categorized below:

**Direct production engagement** – Companies that have a direct connection with the land and are engaged in primary sectors such as agriculture, cattle ranching, fishery, and forestry. These organizations are well-positioned to sustainably manage the land in which they operate, implementing regenerative management to increase yields and exploring new markets through ecosystem services.

**Added-value processes** – Companies that work as aggregators and purchasers of primary agricultural products, adding value through activities such as packaging, processing, and distributing agricultural products. These organizations are well-positioned to drive demand for regenerative production from producers. Additionally, they can integrate more sustainable practices within their operations such as eco-friendly packaging and greener distribution of products.

**Market game-changers** - Companies that are taking new products direct to consumers with ingredients coming from sustainable and regenerative agriculture. These end products help shift markets and demand towards regenerative standards.

**Regenerative infrastructure** - Companies that offer services or products that are necessary to implement regenerative management. On the product side, it can include companies building technological products that support regeneration like technology for precision agriculture. On the service side, it can range from activities that make sustainable use of land such as eco-tourism experiences, to companies that can support the transition, like developers of carbon and other ecosystem services.

The organization type will vary depending on the end economic activity, and while most of the fund will be exposed to small and medium enterprises that are either already profitable or breaking even, there will also be exposure to earlier-stage startups with promising innovations in the sector.

## 1.3 TEAM INVOLVED

Regenera Ventures is being developed by SVX Mexico, a B Corp that provides investment and advisory services focused on social and environmental impact in Latin America. Although Regenera Ventures will be the firm's first fund, they have broad experience implementing and engaging with impact investment advisory and regenerative landscape work.

SVX Mexico partnered with Conservation International through the USAID-funded Sustainable Landscapes Ventures program, which supported organizations in developing sustainable and inclusive value chains in southern Mexico. This partnership provided pipeline opportunities and experience in identifying, selecting, and supporting agricultural SMEs to grow and secure investments, as well as some of the fund's startup and structuring costs.

# 2. INNOVATION

## 2.1 MARKET BARRIERS ADDRESSED

Companies planning to implement and scale regenerative management across the agricultural sector in Mexico face several challenges, including inadequate access to financing, misaligned timelines and type of available financing, and the absence of technical support to shift production strategies. As a result, these companies end up either taking unfavorable debt financing available to them to fund the necessary changes or perpetuating existing unsustainable practices.

The agricultural sector in Mexico would benefit from innovative financial structures and technical support in mainstreaming regenerative management as a way to build climate resilience.

**Table 1** provides a summary of the main barriers and how the fund aims to overcome them.

**Table 1: Key Barriers and Corresponding Solutions**

| Barrier | Description | Solution |
|---|---|---|
| **Systemic gap in financing for SMEs** | Agricultural SMEs play a crucial role in bridging the gap between small-scale producers and large-scale markets, consolidating various agricultural products, services, and resources. However, they systemically lack access to adequate financing. | RV will increase the financing available to agricultural SMEs. The product offering will be tailored equity with appropriate ticket sizes for investee companies, therefore contributing to the reduction of the financing gap. |
| **Startups drive innovation in the market but lack access to flexible financing** | Startups are at the forefront of the creation of new products and services that can scale and support the regenerative transition. However, at this stage of development they face either funding constraints or limited offering connected to traditional venture capital. | RV offers access to capital with deep regenerative knowledge, provision of technical assistance, and access to regenerative networks to support early-stage startups. |
| **Available financing does not align with company needs** | Available financing options are not aligned with the timelines needed to implement changes and reap benefits. Quick | Through long-term, redeemable equity investment, RV will better align cash flows from SME investment activities and their financing responsibilities, enabling the implementation of business |

| | | |
|---|---|---|
| | repayment presents a burden to organizations. | and regenerative management strategies. |
| **Lack of technical guidance** | Organizations interested in implementing or scaling regenerative management currently lack technical support for strategic planning, implementation, and impact monitoring. | RV will offer tailored technical assistance to each investee company to achieve effective implementation and impact monitoring of regenerative practices, as well as enhancing company growth through implementation of business strategies. |

### 2.2 COMPARATIVE ANALYSIS WITH OTHER APPROACHES IN THE MARKET

Regenera Ventures presents a unique offering to the regenerative value chain in Mexico through the type and timeline of financing, provision of technical assistance for regenerative management, and focus on supporting aggregators.

Following a review of comparable instruments, the fund's combination of its single-country focus, investment type, and ecosystem-building approach makes it unique. A comparable instrument list is available in Annex 1.

# IMPLEMENTATION AND FINANCIAL ANALYSIS

## 3. IMPLEMENTATION PLAN

*Regenera Ventures will invest throughout Mexico, with a particular focus on Oaxaca, Chiapas, and the Yucatán Peninsula, with the potential to replicate throughout Latin America pending a successful first fund.*

### 3.1 NEAR-TERM IMPLEMENTATION

Regenera Ventures aims to reach first close in the second half of 2024 and a final close in the subsequent 24 months. The team is fundraising and has secured anchor commitments for the fund launch.

For a successful implementation of this fund, strong connections to the pipeline are necessary. These connections are in place for deployment in Mexico, largely because of the proponent's eight years of experience in impact investment advisory, as well as pipeline generation through the Sustainable Landscapes Ventures program.

The first fund will target exclusively Mexico, testing the concept of redeemable equity in the context of its agricultural sector.

### 3.2 APPROACH TO REPLICATION AND SCALE

After the launch of the first fund targeting Mexico, the concept can be scaled to include other Latin American countries, particularly Colombia, which can be supported by the local presence of SVX Colombia. The concept can be replicated and scaled to new geographies within 4 to 5 years.

This timeframe would be sufficient to have concrete results from investments of the first fund. Initial operations will have finalized the grace period and investees will have started the equity buyback process, therefore serving as evidence to support the development of subsequent funds.

## 3.3 POTENTIAL CHALLENGES TO INSTRUMENT SUCCESS

Despite the relatively straightforward process for fund implementation, there are still risks to the instrument's success.

**Table 2: Risks to Instrument Success and Mitigation Strategies**

| Risk | Details | Risk Mitigation Strategy |
|---|---|---|
| **Pipeline sourcing** | Sourcing quality pipelines and attracting interest in this type of financing requires work in building connections and explaining the model. | Effort to build local connections with pipeline through multiple visits to landscapes, leveraging impact and regenerative networks, organization of events, and role within Sustainable Landscape Ventures program. Consolidation of fund manager as a key voice in the regeneration movement. |
| **Underperformance of portfolio companies** | Underperformance of portfolio companies, either through lack of growth or bad management, can lead to a lack of capital for share repurchase. | A seat at the board can guarantee fund managers can influence decisions. Technical assistance can work with investees to support growth. |
| **Macroeconomic challenges** | Being a single-country fund, the instrument will be vulnerable to fluctuations of the Mexican economy. | Investing in organizations that are exporters with overseas presence can help mitigate exposure to single-country risk. Investing in multiple regions of the country and different types of companies can diversify cash flows, minimizing risks. |

# 4. FINANCIAL ANALYSIS

## 4.1 OVERVIEW OF QUANTITATIVE MODELING

An operational model was built based on the characteristics of companies that would fall under the mandate of Regenera Ventures. This representative company and its financial ratios were analyzed under three different scenarios: (i) business-as-usual, (ii) after receiving debt financing, and (iii) after receiving redeemable equity financing. Graphs are available in Annex 2 and key findings include:

From the company's perspective:

- **Through the lifespan of the investment, redeemable equity generates higher profitability ratios** (i.e. profit margin, return on assets, return on equity).
- **Redeemable equity improves liquidity.** In the first 3 years, there is more cash available for operational and capital expenditures since there is no need to repay investors. This generates better liquidity ratios in relation to the debt offering. Once share repurchase commences, liquidity ratios are highly impacted and could generate a less favorable condition in relation to debt financing unless there is high growth of around 25-30%.
- **The debt offering produces tax savings from decreasing net income**. However, the tight repayment means companies need to better manage their cash and be more conservative in their investment strategies.

From the investor perspective, the redeemable equity was compared against a traditional debt investment with comparable terms. The debt offering was a 5-year loan at 25% interest and annual repayments. The redeemable equity was a 6-year transaction with a 3-year grace period and a 3-year buy-back period.

The debt investment generated a 29% IRR, and the redeemable equity investment generated a 25% IRR. Besides returns, there are other relevant considerations and characteristics of each investment outlined in the table below.

**Table 3: Considerations and Characteristics of Equity, Redeemable Equity, and Debt**

| | Equity* | Redeemable Equity | Debt |
|---|---|---|---|
| **Upside** | Unlimited | Pre-determined upside with potential kicker for good performance | Pre-determined upside (interest rate) |
| **Downside** | Zero residual value | Zero residual value | Limited (with collateral) and zero residual value (without collateral) |
| **Seniority** | Low | Medium | High |
| **Exit** | Function of Market - sale to another investor or strategic buyer | Function of Corporation – company buys back shares | Function of Corporation – company repays loans |
| **Liquidity** | Low<br>Lump sum repayment at exit | Medium<br>Repayment in installments after grace period | Medium/High.<br>Repayment in installments |
| **Investor Participation/ Influence** | High<br>Board seat/ voting rights | High<br>Board seat/voting rights | Low*<br>*covenants can be more or less restrictive but are determined when deal is closed. Investor has low influence unless there is the need to restructure* |

** Although pure equity is present in the table for analysis purposes, this offering is seldom available to the types of companies that fall within the fund's mandate.*

## 4.2 ANALYSIS OF PRIVATE FINANCE MOBILIZATION

Agrifood systems received 4.3% of total climate finance tracked globally in 2019/20, totaling USD 28.5 billion (CPI, 2023). Most of this capital came from public sources, while the private sector accounted for just 12% of the financing in that timeframe.

Meanwhile, financial needs for agrifood systems range from USD 212 billion (FOLU, 2019) up to USD 1.3 trillion (Thornton et al., 2023) each year through 2030. Nevertheless, high barriers to investment have previously kept private capital from this sector.

Within venture capital investments, there has been a recent growth in appetite for climate tech. However, agritech continues to lag, with only one in 10 dollars of total venture capital investments in the sector going to companies focused on climate change solutions (CPI, 2023).

Regenera Ventures has the potential to mobilize between USD 20-26 million in private capital. Nevertheless, the successful implementation of redeemable equity might prove more catalytic than this as it can help de-risk equity-type investments more broadly by advancing the payout period, improving liquidity, and decreasing reliance on a buyer to secure a lucrative exit. Addressing these pain points related to traditional venture capital and private equity investments can help de-risk and attract private capital to the sector.

The team is well-positioned to attract more private investors to the structure once the first fund can show returns. A full description of how these returns will be obtained is available in Annex 3.

# PRE-INVESTMENT IMPACT ASSESSMENT

*Regenera Ventures aims to foster the regeneration of productive ecosystems, increase the resilience of communities, and enhance biodiversity through investing in SMEs that operate in harmony with natural systems.*

## 5. CLIMATE IMPACT

Regenera Ventures transforms landscape management practices by investing in businesses that adopt regenerative methods that restore soil health, replenish the water cycle, reduce harmful chemical usage, and increase the resilience of ecosystems to better respond to climate change and extreme weather conditions.

Specifically, the fund prioritizes four areas of conservation impact to achieve climate adaptation and mitigation objectives:

Adaptation:

1. **Improved soil health:** Soil health can improve through a transition to biological inputs and other regenerative agriculture practices.
2. **Cleaner water:** Decrease in water pollution from the decreased use of chemical agricultural inputs, coupled with the restoration of the water cycle, and an increase in resilience to droughts.

Mitigation:

3. **Reduction in pesticide usage:** An increase in biological inputs offsets the use of chemical inputs including pesticides.
4. **Reduction in waste and energy consumption:** Decrease of waste materials and energy consumption from the adoption of sustainable packaging, processing, and optimization of supply chain logistics.

Regenera will assess financial and gender inclusion by tracking the number of jobs created, women in leadership positions, and companies owned by women across all its portfolio companies. Specific metrics will be applied to companies based on the four verticals:

- **Direct Production Engagement** vertical measures the increase in farmers' annual income due to regenerative agricultural management and technology.
- **Added-Value Processes** vertical tracks reduced costs, waste, and pollution for companies through supply chain integration and logistics aligned with regenerative management.
- **Market Game-Changers** vertical assesses the increase in product acceptance rates due to improved sourcing, packaging, and marketing practices.
- **Regenerative Infrastructure** vertical measures the number of companies adopting new technologies that support regenerative management.

## 6. SOCIO-ECONOMIC IMPACT

Regenera Ventures creates economic opportunities, supports social equity, and enhances community resilience through investments in SMEs that support livelihood improvement of rural communities.

Key indicators of socio-economic impact are as follows:

1. **Livelihoods**
    a. Farmer incomes increase as yields improve from better soil health and decreased input costs.
    b. Direct full-time employment opportunities are created through financing the growth of regenerative agribusinesses.
2. **Community resilience**
    a. Farmers can build financial resilience by diversifying their income streams through crop diversification and complementary regenerative practices, such as agroforestry.
    b. Training and technical assistance help producers, farmers, and consumers realize the benefits of regenerative management.
3. **Agriculture Productivity**
    a. Companies can increase and diversify their revenue from regenerative agricultural partnerships and traceability systems.
    b. Increased yields from managed lands using regenerative and climate-smart practices.

## 7. SECTORAL IMPACT

Ultimately, the fund aims to create a paradigm shift in investment practices, promoting the growth of regenerative companies, setting standards for investors, and supporting sustainable business models. Specifically, the fund aims to achieve this across three impact verticals:

1. **Market development:** Increased product value and new market opportunities allow companies to scale regenerative management practices.
2. **Increased product value**: A reduction in farmer input costs, value-added food processing, and sustainable certification allows for the price of certain agricultural products to increase while costs for farmers decrease.
3. **Consumer awareness:** Train and support companies in engaging with producers, suppliers, and customers to foster a sustainable value chain.

## NEXT STEPS

Regenera Ventures Fund's goal is to achieve a first close in the second half of 2024 and a final close within the subsequent 24 months. Fundraising is in progress, with anchor commitments already secured. If successful, the concept will be expanded to other Latin American countries within 4-5 years.

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# ANNEX

## 1. COMPARATIVE INSTRUMENT LIST

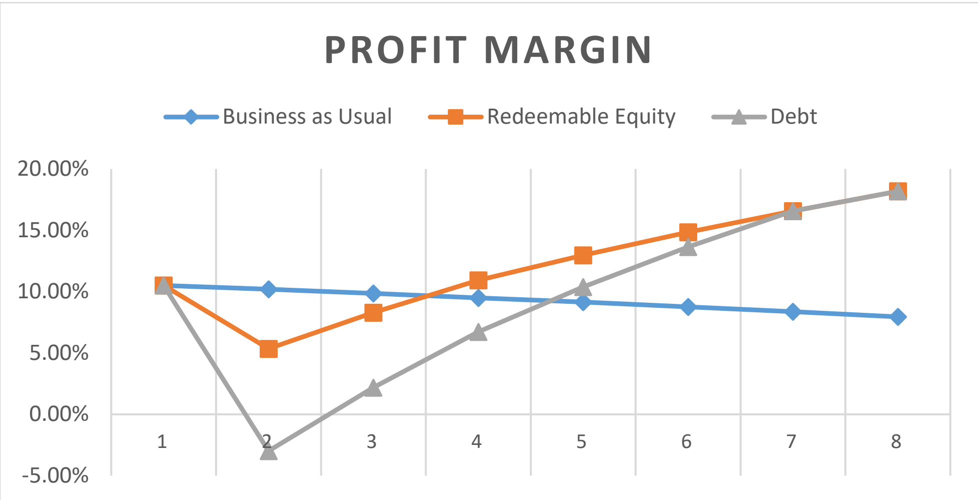
**Table 4: Short-list of comparative instruments**

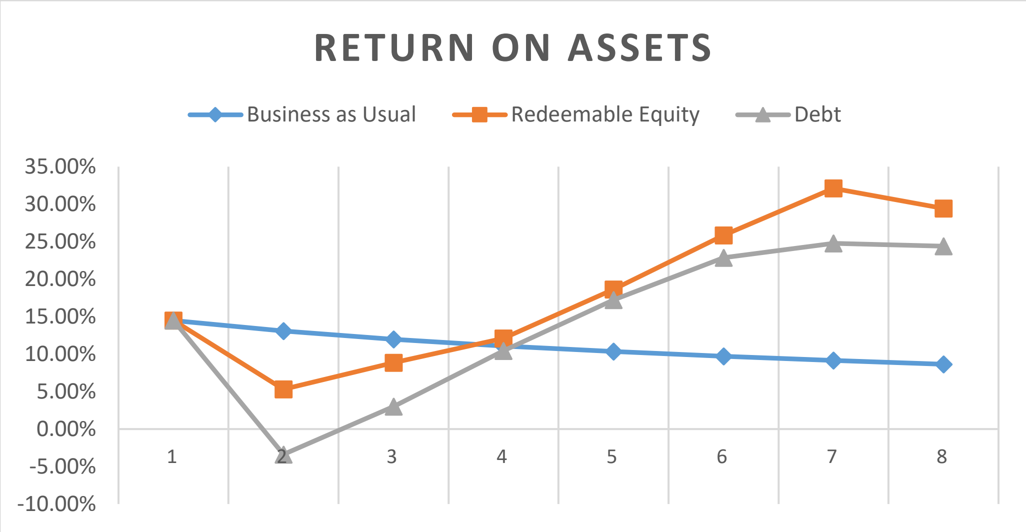
| Similar instruments | Sector | Differentiation |
|---|---|---|
| **EcoEnterprises Partners IV** | Fund providing growth capital to nature-based SMEs. | Invest through debt, as well as equity. Larger size of fund and SMEs. |
| **Small Farmers Climate Adaptation Fund** | Fund supporting the development of microfinance to enact adaptation for producers. | Focused solely on producers. Invest using debt. |
| **Grounded Investment Company** | Evergreen fund investing in agri-processing SMEs. | Evergreen fund. Focused on agri-processing SMEs. |
| **Acumen Resilient Agriculture Fund** | Fund providing equity for adaptation-focused agribusinesses. | Focused solely on agritech and financial service providers. |

## 2. GRAPHS – QUANTITATIVE MODELING

An operational model was built based on the characteristics of companies that would fall under the mandate of Regenera Ventures. This representative company and its financial ratios were analyzed under 3 different scenarios: (i) business-as-usual (ii) after receiving debt financing (iii) after receiving redeemable equity financing. Key findings include:

**Profitability**




RETURN ON ASSETS
Business as Usual
Redeemable Equity
Debt
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%
-10.00%
1
2
3
4
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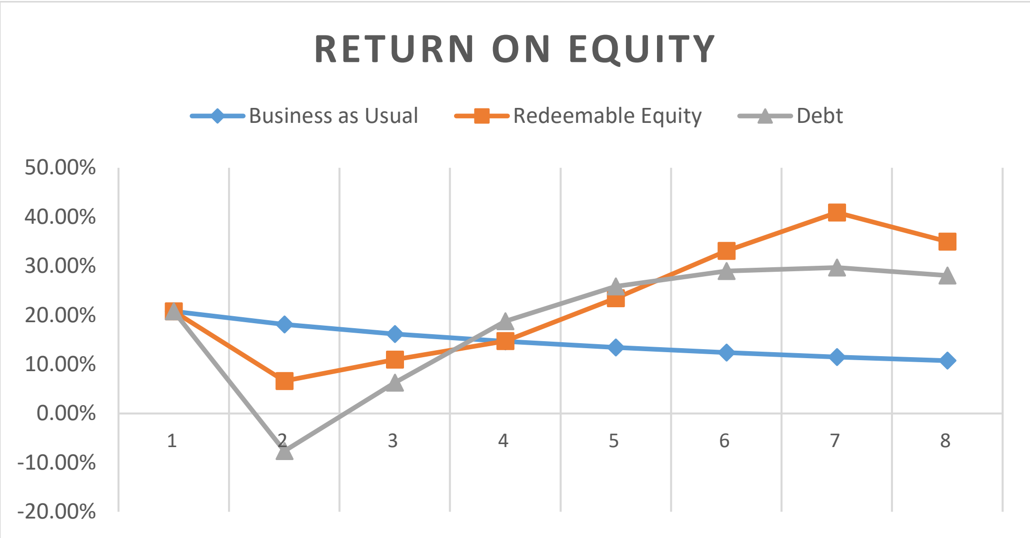
8


RETURN ON EQUITY
Business as Usual
Redeemable Equity
Debt
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
-10.00%
-20.00%
1
2
3
4
5
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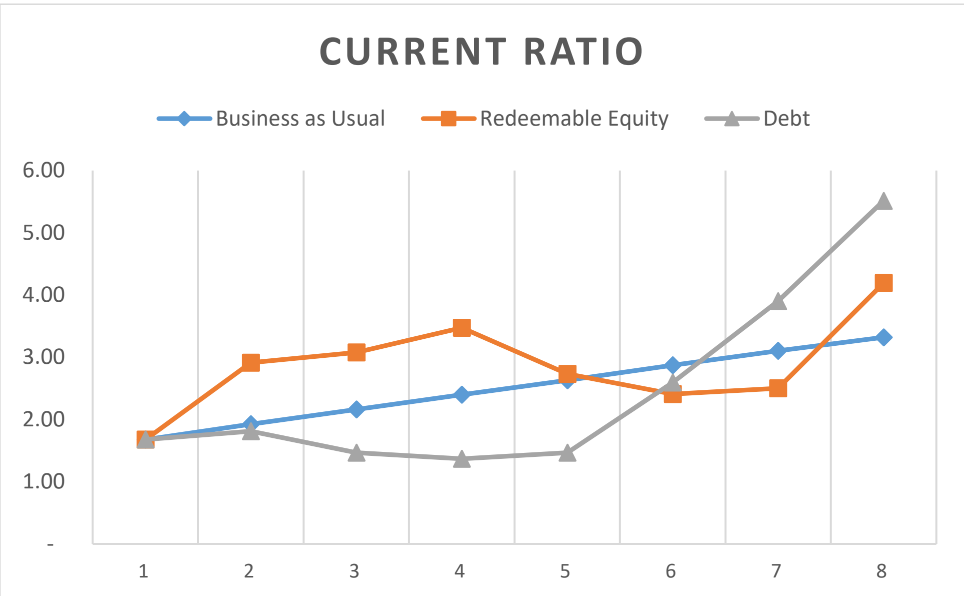
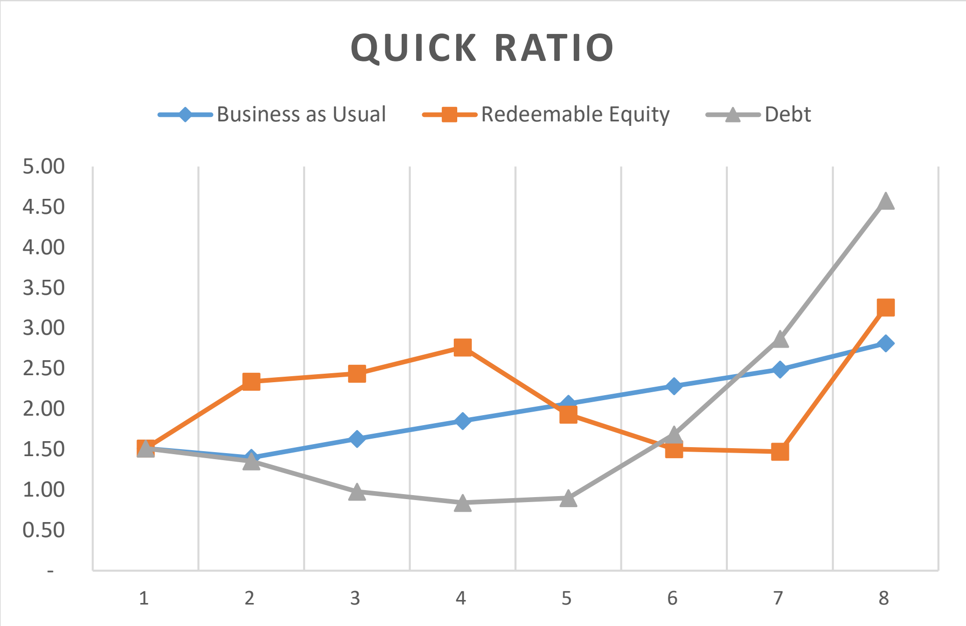
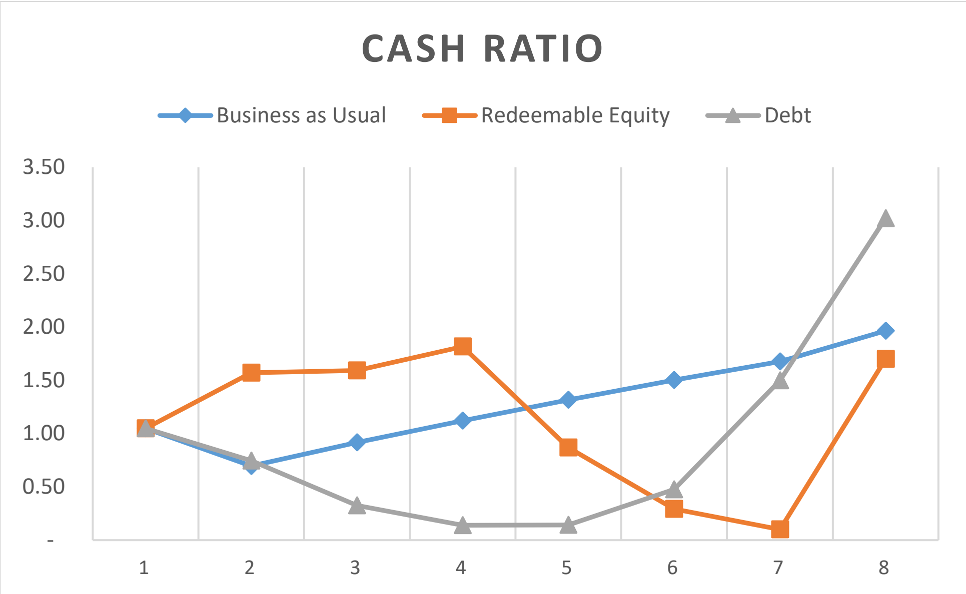
7
8

liquidity


CURRENT RATIO
Business as Usual
Redeemable Equity
Debt
6.00
5.00
4.00
3.00
2.00
1.00
-
1
2
3
4
5
6
7
8




## 3. GROWTH & DE-RISKING WITHIN THE PORTFOLIO

The investment thesis relies heavily on a diversification strategy in building its portfolio. It will invest in earlier-stage companies, as well as more mature SMEs that are already at breakeven or profitable. This mix of companies at different stages and sizes, performing different types of economic activities within the regenerative ecosystem will, in itself, be a de-risking strategy. Additionally, technical assistance will further de-risk. Once the first fund can show returns, the team should be well-positioned to attract more private investors to the structure.

The upside in investment will be generated in multiple ways. For 'direct production' and 'added-value processes,' companies' upside can come through: (i) cost savings and (ii) diversified revenue streams. Through the implementation of regenerative agriculture, input costs can be reduced; BCG analysis reports that farmers halve fertilizer use and decrease pesticide by up to 75%, resulting in up to 120% increase in profits (BCG, 2023). Through the support of the technical assistance program, investees can monetize ecosystem services such as carbon sequestration, payments for biodiversity, and water capture and retention.

For ‘market game changers,’ the upside can be connected to market differentiation. The expansion and creation of new markets better suited to attend to consumers’ sustainability demands can help create a price differentiation of products. Increased quality and certifications can help unlock these markets.

For ‘regenerative infrastructure,’ the upside will be connected to the growth of the regenerative market, stimulating demand for services and products that provide market structure. For the portfolio as a whole, the increase in resilience will be a final driver, as stronger adaptability to extreme weather conditions and other external factors, such as regulation, will decrease exposure to climate risks and increase the resilience of cash flows.