



# *investing in a thriving environment*

## Defining our strategic lens

Since the launch of our Small and Growing Business portfolio in 2017, we have built a strong track record of investing in companies that promote sustainability in agricultural value chains. **Currently, 89% of our small and growing business investments promote sustainable or regenerative farming practices.** These practices—ranging from crop rotation and use of organic inputs to integrated pest and disease management—can improve soil health and carbon sequestration while enhancing farmers' incomes and productivity. Many of our investments also reduce deforestation and promote biodiversity and conservation by reinforcing the economic value of wild lands and forests.

By establishing this focus as a strategic lens for our work, we seek to create positive impact on environmental and climate-related issues by including relevant criteria in our screening and impact measurement processes. We intend to evaluate our portfolio in three primary areas:

- **Adaptation:** Supporting the adoption of sustainable practices while reducing vulnerability to climate-related risks and improving capacity to adapt and grow in the face of longer-term environmental stresses.
- **Mitigation:** Preventing environmental degradation, deforestation, and carbon emissions while enhancing carbon sequestration.
- **Productivity:** Supporting economic sustainability and resilience for farmers by boosting incomes and yields.

Understanding the synergies and tradeoffs between these objectives is becoming an integral part of our investment approach. Given the scale of the climate challenge, MCE also seeks to shine a spotlight on innovative companies that are scaling climate-smart solutions—demonstrating that scale, financial viability, and positive environmental impact go hand-in-hand.

## What is a strategic lens?

A strategic lens is designed to clarify what we prioritize in the who, the what, and the how of our work as an impact-first investor. Our strategic lenses are woven into the fabric of our portfolio and our internal culture. They reflect our ongoing commitment to move the dial on certain impact areas with intentionality and rigor.



## Key metrics

SGB Portfolio (2021)

89%

SGBs provide training on sustainable agriculture

56%

SGBs with organic certification

275K

hectares of land under sustainable management

1.1M

metric tons of CO<sub>2</sub> emissions mitigated (2021)

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2021 was a year of growth for COMACO. We repaired rural landscapes, built healthier food systems, empowered communities to conserve soils, forests, and wildlife, and expanded sales to achieve financial sustainability. Now, we stand stronger than ever to face future challenges, particularly climate change. Global warming requires that we build carbon-neutral economies. Our climate-positive products put us at the forefront of a solution in Zambia and the world."

DALE LEWIS,  
Founder and CEO of  
COMACO (MCE client  
since April 2020)

## Why invest in environmental and climate action?

Climate change and environmental degradation disproportionately affect low-income communities in developing countries, further exacerbating social and economic inequalities. Over 143 million people will be forced to migrate to other agricultural areas or to urban areas as a result of climate change, which will result in land that is no longer arable by 2050. [Some models suggest that agricultural productivity may drop as much as 50% in Africa by 2050](#) unless measures are taken to support farmer adaptation to climate change.

Despite the vulnerability of smallholder farmers to the effects of climate change, [less than 2% of total climate finance goes toward small-scale agriculture](#). As our small and growing business portfolio expands, we are committed to helping fill this critical gap in financing while also exploring investments in other sectors that promote positive environmental impact.

## How we do this in practice

As a member organization of the Council on Smallholder Agricultural Finance (CSAF), we recently co-led the development of a standardized set of metrics to evaluate environmental impact across agricultural value chains. These metrics, which will be embedded into our investment and impact measurement processes, encompass:

- **Environmental management systems:** Including environmental certifications, written environmental policies and procedures, and systems for measuring and monitoring environmental performance.
- **Farmer-level practices:** Including reforestation / crop renovation, circular agriculture, sustainable water use / water conservation, soil health improvement practices, and conservation of local ecosystems and biodiversity.
- **SGB-level practices:** Including provision of agronomic assistance provided to suppliers, provision of environmentally friendly inputs / productive assets, sustainable energy usage, and externally verified GHG emissions-reduction plans.

This portfolio mapping by environmental objective is one example of the type of analysis that will guide our approach as we expand our portfolio of climate-smart businesses.

On the financial service provider side of our portfolio, the introduction of our new environmental and climate lens is just beginning. Our first step is to define key success metrics, then explore ways to incorporate environmental impact into our investment approach.

