

ESG FINANCE

ESG FINANCE AND ITS IMPORTANCE IN THE AGTECH SEGMENT

The concept of ESG (Environmental, Social, and Governance) emerged in the early 2000s as a way of evaluating the performance of companies in relation to environmental, social, and governance criteria. However, the application of these specific criteria to the financial and investment world has gained greater prominence over the last decade.

The rise of ESG Finance as a relevant topic occurred around the mid-2010s when there was a significant increase in awareness of socioenvironmental challenges and the need for a more sustainable approach in business. Investors, companies, and regulators began to recognize that considering ESG factors could help better assess companies' performance and mitigate sustainability-related risks.

We know that many of the solutions to the challenges faced by the environment involve agriculture and, in the context of the AgTech segment (companies in the agricultural technology segment), ESG Finance plays an important role insofar as AgTech companies need to demonstrate their commitment to environmental sustainability and social well-being.

The 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27) raised global awareness of the urgency of finding solutions in favor of the environment. Although the ESG agenda is already a priority worldwide, in Brazil it is still in the development stage. As a result, the number of startups dedicated to the sector is constantly growing in the country and, with the significant increase in new projects, keeping up with all the innovations has become challenging.

However, initiatives such as the GreenTech Business ecosystem are essential to promote sustainable innovation in Brazil, revealing a variety of environmental impact solutions capable of making a real difference in the world.

After the COP27, Brazil further reinforced the importance of ESG Finance in the AgTech sector. We know that the country is recognized as one of the main global agricultural producers, due to its favorable edaphoclimatic conditions, which include relief, lithology, air temperature and humidity, solar radiation, and rainfall, with these factors being fundamental for the cultivation of grains, fibers, and animal proteins.

The AgTech sector has experienced significant growth in Brazil in recent years, driven by several factors, and it is important to mention some relevant aspects:

ENTREPRENEURIAL ECOSYSTEM

Brazil has an active and vibrant entrepreneurial ecosystem, with a growing number of startups focused on the AgTech sector. These companies have sought innovative solutions to the challenges faced by Brazilian agriculture, such as increased productivity, sustainability, efficient use of resources, monitoring, and automation.

LARGE-SCALE AGRICULTURE

Brazil is one of the largest producers and exporters of agricultural commodities such as soybeans, corn, beef, and sugar. Large-scale agriculture in the country presents specific challenges and demands that can be addressed by the technological solutions offered by AgTechs.

TECHNOLOGY AND CONNECTIVITY

The advancement of technology and growing connectivity in the countryside have enabled the adoption of innovative solutions in agricultural activities. The use of sensors, IoT (Internet of Things), drones, big data, data analytics, and other technologies have driven efficiency, accuracy, and decision-making in agricultural operations.

SUSTAINABLE AGRICULTURE AND ENVIRONMENTAL CONCERNS

The quest for more sustainable agriculture and the growing awareness of environmental issues have driven the demand for AgTech solutions in Brazil. Sustainable agricultural technologies can help to reduce the use of agrochemicals, optimize irrigation, monitor plant health, manage waste, among other sustainable practices.

GOVERNMENT SUPPORT AND INVESTMENTS

The Brazilian government has shown interest in boosting the AgTech sector, offering support and incentives for startups and agricultural technology companies. In addition, investors have shown interest in financing the development and expansion of AgTechs in the country, boosting the growth of the sector.

So, in summary, ESG Finance can be fundamental in driving the growth and sustainability of the Agtech sector in Brazil, as it has the potential to provide the necessary financing and awareness for Agritech companies to develop innovative solutions to face environmental, social, and governance challenges and, thus, boost economic growth and sustainable development in the country, therefore, it is important to bring some reasons:

INCREASED AWARENESS

ESG Finance can raise awareness of environmental, social, and governance issues among Agritech companies, investors, and other market players. This can lead to a greater focus on sustainable practices and the implementation of innovative solutions to address these challenges;

INVESTMENT ATTRACTION

ESG Finance can help to attract impact investments to Brazilian Agtech as more investors turn to sustainable and social impact solutions. This can lead to an increase in capital available for Agtech companies, allowing them to expand their business and implement new technologies; and

ECOSYSTEM STRENGTHENING

ESG Finance can help to strengthen the Brazilian Agtech ecosystem, allowing companies to grow and develop sustainably. This can include building partnerships with other companies, financial institutions, and governments, as well as helping to promote innovation and collaboration within the sector.

Therefore, it is concluded that ESG Finance plays a key role in the AgTech segment, due to the fact that such companies face complex challenges related to agriculture, such as efficiency in the use of resources, food security, climate change mitigation, and environmental management and its importance being allied to several aspects.

First, it encourages the development and adoption of sustainable technological solutions such as precision agriculture, environmental monitoring, resource conservation, and energy efficiency. These technologies help to reduce the environmental impact of agriculture, promoting sustainability and the preservation of natural resources.

Additionally, ESG Finance attracts investment and finance to the AgTech sector. Investors are increasingly concerned about sustainability and are looking for opportunities that offer financial returns and positive social impact. AgTech companies with strong ESG practices have greater access to financial resources, enabling growth, research, and development of innovative solutions.

ESG Finance also drives transparency and accountability. AgTech companies that adopt ESG criteria are encouraged to disclose information about their environmental, social, and governance practices, providing investors, partners, and consumers with reliable data to assess their sustainable performance.

To this end, ESG Finance strategies use OKR (Objectives and Key Results) indicators to assess the performance and impact of companies in relation to these critical areas, within the ESG Annual Report. These indicators provide a clear framework for setting measurable goals and objectives, allowing investors to assess progress and compare companies' performance.

Finally, ESG Finance in the AgTech segment strengthens the reputation of companies and their ability to attract strategic partnerships. Companies with strong ESG practices earn the trust of stakeholders and can collaborate with other organizations so that they can jointly address complex challenges in agriculture.

Therefore, ESG Finance plays an essential role in the AgTech segment, promoting sustainable practices, encouraging technological innovation, attracting investments, and increasing transparency. Its importance lies in its ability to drive agriculture towards a more sustainable future, ensuring food security, environmental protection, and the economic development of the agricultural sector.

Our recognitions



Análise
Advocacia (2021)



Chambers & Partners
Brazil (2021 & 2022)



Leaders League
(2021 & 2022)



Transactional
Track Record
(2021 & 2022)



The Legal
500 (2022)

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