

Regenerate now!

Impact Report 2022



「IMPACT FINANCE」

Foreword

Dear reader,

2022 has been another turbulent year. A year of booming consumption and inflation in the aftermath of the pandemic, the war in Ukraine of which the end still is not in sight, even higher food and fuel prices as a result of that war, exploding interest rates and looming recessions around the globe. These events have increased socio-economic inequalities and pressure on ecosystems, especially in Latin America.

As Impact Finance, we address these challenges by financing business-driven solutions towards a greener and fairer world. Therefore, we support regenerative businesses that make positive social and environmental changes to their surroundings, with measurable impacts that we can attribute to the contribution of the Fund and our investors.

On the institutional level, things are moving in the right direction. With the implementation of the Sustainable Finance Disclosure Regulation (SFDR), European asset managers are now obligated to disclose information about their sustainability practices. Though sustainability alone is not the same as making a positive impact, it does prevent financial actors from 'greenwashing' their operations.

As a fund classified as Article 9 under the regulation ("a Fund that has sustainable investment or a reduction in carbon emissions as its objective"), we have updated our Private Placement Memorandum with a standardized annex defining our sustainability objective and Key Performance Indicators (KPIs). Also, for the first time, our (already published) audited annual report included an annex with those KPIs from 2022.

Finally, we introduced a new design for our verticals and Sustainable Development Goals (SDGs) to illustrate our impact in a better way.

We hope you enjoy this report,

Sincerely,



Benjamin Firmenich & Cédric Lombard
Executive Directors

Key impact data¹

SDGs	Indicators	Contribution	Fund attribution	USD 1M investment attribution	# of companies reporting ¹
 8. Decent Work and Economic Growth	direct employees	28,789	5,163	100	25
	indirect employees	174,322	10,734	207	25
 10. Reduced Inequalities	small-scale producers	24,551	2,167	42	11
	women directly employed	16,648	2,831	55	25
 12. Responsible Consumption and Production	tons of waste used to produce energy	200,000	9,654	186	1
	m ³ of water saved	7,351	215	4	3
 13. Climate Action	tons of CO ₂ sequestered	1,823,241	87,574	1,691	14
	tons of CO ₂ emissions avoided	51,868	2,616	51	1
 15. Life on Land	ha of protected forest	161,654	7,869	152	14
	ha with organic certification	69,280	4,382	85	14

I. Our impact thesis

Impact Report 2022

Regenerative Businesses

In 2010, when we started Impact Finance, impact investment was still a novelty. The idea of investing to benefit people and the planet, alongside making a profit, had not been rooted yet. But for us, it was a no-brainer that finance should work for people and the planet, rather than against them. As Impact Finance, we believe that investors have the responsibility to finance the changes our world needs. To shape the world we want our children to live in.

A lot has changed since then. Sustainable finance became mainstream. But meanwhile, the state of societies and ecosystems in most parts of the world keeps deteriorating, fueling anger, despair and political polarization. Those are signs that sustainability alone is not sufficient. Societies and ecosystems need to be able to recover.

As Impact Finance, it has always been our mission to support enterprises that make positive environmental and social changes to our world. Yet, we found it hard to define the logic that united them all. That word arose a few years ago with the notion that sustainable practices, by the definition of reducing negative impacts, were not enough: what was needed was a regenerative economy with business models that focus on the health of ecosystems and people in the long term.

Businesses seek to have a net-positive impact because they understand that societal well-being depends on the health of the planet. Regenerative businesses, in other words. These are the kind of businesses that Impact Finance has always supported, the ones that leave their surroundings in a better state than they found it. They give more than they take.

We just needed to find the word to describe them all. A new impact narrative, while we continue our mission to make a positive difference to our world. Now we do.

With great challenges come great opportunities

The world is facing enormous challenges. For us, these challenges represent business opportunities to change the world positively. Based on a decade of expertise in financing companies in the Latin-American food and agribusiness sector, we defined five investment verticals with huge market potential. By carefully selecting companies that fit into these verticals, Impact Finance Fund supports business-driven solutions for the following three global challenges:

1. Increasing inequalities

Across Latin America, spiking food and fuel prices are hitting the poor the hardest, further widening the income gap in what was already the most unequal region in the world. During the first two decades of this century, steady economic growth in Latin America lifted many out of poverty while fomenting upward social mobility. Yet, these gains stagnated with the end of the commodity boom in 2015, only made worse by the pandemic and the war in Ukraine. By the end of 2022, 201 million people (32%) in Latin America lived in poverty, with 82 million (13%) in extreme poverty. These levels represent a 25 year-setback for the region.

To improve social mobility and decrease the income gap in the region, socio-economic inclusion is needed. That implies the creation of quality employment and self-employment in remote areas and marginalized communities. Inclusion also means access to knowledge through coaching and training (as inequality starts with the lack of equal education opportunities) and access to responsible finance, enabling opportunities to earn more and have a decent income level in a region where many find themselves excluded from traditional banking services.

2. Overexploitation of natural resources:

Since the beginning of life, humans have exploited natural resources to sustain themselves, extracting food, fuels and building materials. Yet, the developed world is taking more than the Earth can provide. That overexploitation compromises the future provision of natural resources and other ecosystem services.

Overexploitation is the result of several causes including (poor) farming practices, overconsumption, deforestation, pollution and industrialization. These negatively affect biodiversity and the balance of ecosystems, leading to global warming, food insecurity and extreme weather events, amongst other consequences.

To turn the tide, societies need to make more sustainable use of natural resources by using less land, water and fossil fuels for food production, transport and housing; by reducing food wastes and turning waste into resources; and through the restoration and conservation of ecosystems, amongst other measures.

3. Climate change

Persistent droughts, heatwaves, rising sea levels and the Amazon reaching its ecological 'tipping point': the consequences of climate change are undeniable. Though some amount of climate change can be attributed to natural phenomena, scientists agree human activity drives most of it. For example, our consumption of fossil fuels causes 75% of global greenhouse gas (GHG) emissions.

But, despite numerous climate conferences and various private and public initiatives, too little is done to reduce our reliance on fossil energies. On the contrary: in 2022, global coal use increased by 1.22%, a new record since 2013. CO₂ emissions caused by energy production grew by 0.9% to 36.8 gigatons, enough to set another record. Another important driver of climate change is deforestation for agriculture, pasture, and other changes in land use, good for about a quarter of global GHG emissions.

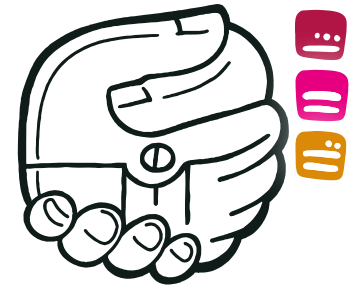
To limit the amount of GHG emissions, a faster transition to renewable energy sources is needed. Moreover, projects that capture and store GHGs should be promoted. However, as the planet is inevitably getting warmer, communities also need to adapt to these changes by making agricultural practices more resilient to temperature changes, rainfall and increasing extreme weather events.

Investment strategy



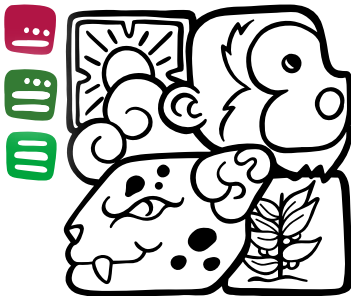
Small-scale Producers

Working directly with small-scale producers in a win-win collaboration



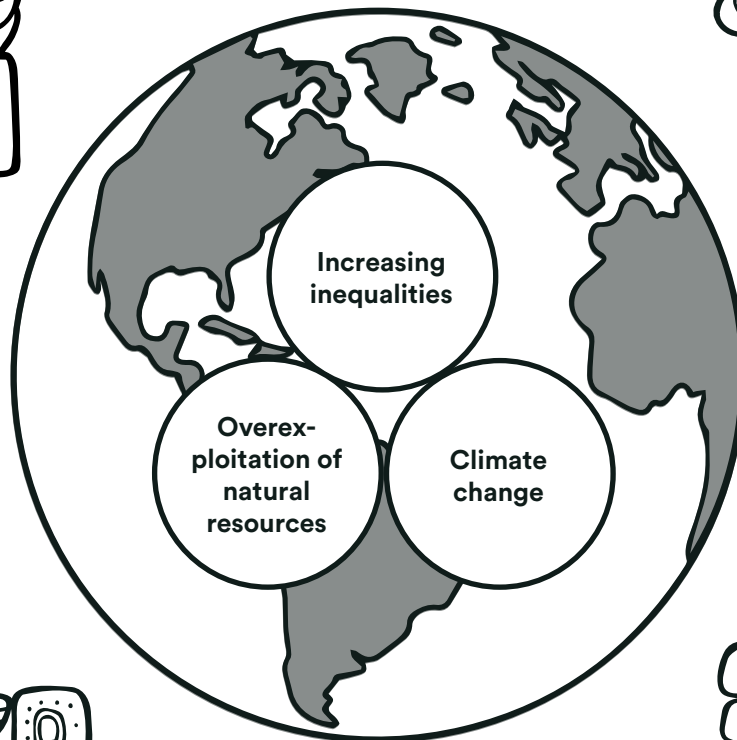
Financial Inclusion

Reinventing financial intermediation to generate economic growth



Agroforestry

Regenerating ecosystems thanks to economic activities



Circular Industry

Converting waste into resources



Integrated Farming

Creating job opportunities in rural areas and optimizing resources

Attribution

When considering impact, we distinguish three levels: the impact of the company, the fund and the investor.

1. The companies: what are their specific impact?
2. The Fund attribution: how does the Fund contribute to the activity of the companies?
3. The USD 1M investment attribution: how does the investor contribute to the activity of the Fund?

To infer the Fund's impact, we take the percentage based on the average outstanding investment in the company during the year and the company's average total assets. For example, an average outstanding investment of USD 2M, in a company with USD 10M average total assets, calculates the impact of the Fund at 20% of the company's total impact.

When it comes to the impact of a USD 1M investment we divide it by the Fund's average assets under management. Given the current size of the Fund and the carefully selected companies we invest in, we consider that every investor has a significant impact. In our vision, every investor should be able to choose the kind of impact that he or she would like to generate, based on the investor's concerns and values. It is through transparent investments with clear intentions and measurable outcomes that we can drive the positive changes needed in our world today.

Page 9 features a concrete example of attribution for a contribution indicator: GHGs emissions. To calculate the Fund's positive impact on this indicator, one can use the methodology suggested by the EU regulator in the SFDR methodology:

$$\sum_n^i \left(\frac{\text{current value of investment}}{\text{investee company's enterprise value}} \times \text{result of the company} \right)$$

1

The companies:
what are their
specific impact?

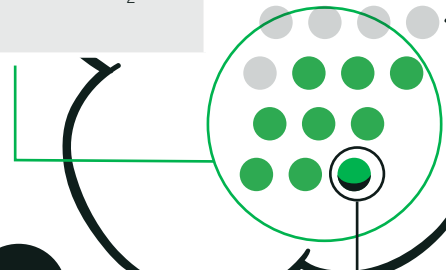
1,823,241 tons of CO₂
sequestered in 2022

● = 10k
tons of CO₂

2

The Fund attribution:
how does the Fund
contribute to the activity
of the companies?

87,574 tons of CO₂



3

**The USD 1M investment
attribution:** how does the
investor contribute to the
activity of the Fund?

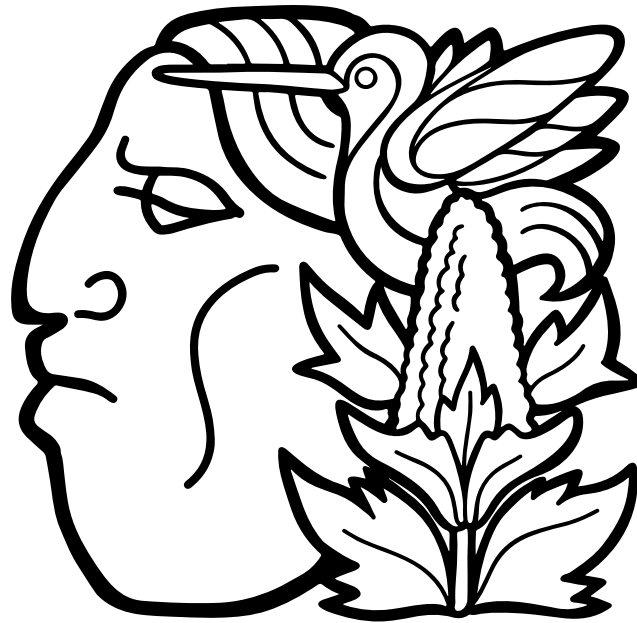
1,691 tons of CO₂



II. Positive impact

Impact Report 2022

Small-scale Producers



What

Inclusive companies working directly with small-scale producers in a win-win collaboration.

Who

Small-scale producers

How Much

24,551

Risk Rating: B³¹

Companies working with small-scale producers represent a higher risk, as their supply is rather informal and price sensitive. Typically, these companies can be relatively small, and have a limited skilled workforce and/or weak governance. This sub-strategy remains affected by the 2020 lockdown consequences that led to high political instability and a murky local business environment.



Small-scale Producers

Contribution

11

companies reporting



SDG 8 Decent work and economic growth

	Investees	Fund	USD 1M investment
Direct employees (permanent and temporary)	5,502	395	8
Net direct jobs created	64 (+1.2%)	-1	-0.02
Indirect employees ²⁹	72,965	6,193	120
Net indirect jobs created	6,000 (+9%)	488	10

6% growth of investees' assets



SDG 10 Reduced inequalities

	Investees	Fund	USD 1M investment
Small-scale producers	24,551	2,167	42
Small-scale producers that received technical assistance	4,799	530	10
Amount paid due to the increase in yield vs local standard	USD 7,230,146	USD 579,020	USD 11,184
Premium paid to small-scale producers	USD 15,538,833	USD 1,787,055	USD 34,516

55% of companies pay at least the product they purchased on the day of reception or earlier

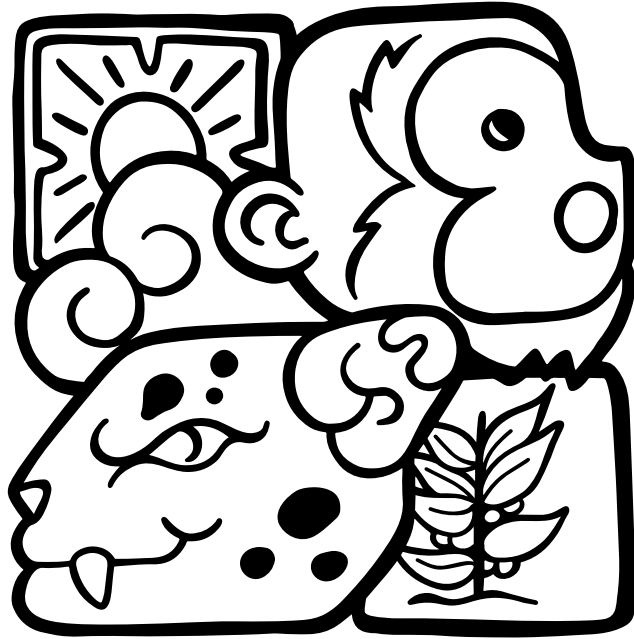


SDG 15 Life on land

	Investees	Fund	USD 1M investment
ha of protected forest	255	53	1
ha of plantations	63,269	5,458	105
ha planted using regenerative agriculture techniques ³⁰	10,475	286	6
ha with organic or similar certification	13,762	1,762	34

1/11 investees has a regular species inventory

Agroforestry



What

Companies combining agriculture and forestry to create sustainable and productive land-use practices, with a focus on the regeneration of ecosystems.

Who

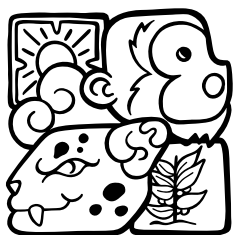
Biosphere

How Much

Not applicable

Risk Rating: B

The Agroforestry vertical typically involves long-term projects that retain a level of uncertainty, yet they are represented by solid assets. To compensate for the risk, they pay higher IRR (Internal Rate of Return) and are backed by strong guarantees.



Agroforestry Contribution

3

companies reporting



SDG 8 Decent work and economic growth

	Investees	Fund	USD 1M investment
11% growth of investees' assets			
Direct employees (permanent and temporary)	777	80	2
Net direct jobs created	-45 (-5.5%)	-1	-0.02



SDG 13 Climate Action

	Investees	Fund	USD 1M investment
tons of CO ₂ sequestered in the protected portions of forest and in the plantation ²¹	120,851,609	5,708,076	110,250
tons of CO ₂ sequestered during the period ²²	1,765,628	86,001	1,661



SDG 15 Life on land

	Investees	Fund	USD 1M investment
1/3 investees has a regular species inventory			
ha of protected forest	161,399	7,816	151
ha of plantations	603	305	6
ha planted using regenerative agriculture techniques	883	519	10
ha with organic or similar certification	55,518	2,620	51

Integrated Farming



What

Farming companies that combine the use of modern technologies with natural practices to increase productivity while minimizing the use of chemicals. Also, these companies focus on creating job opportunities in rural areas, prioritizing jobs for women.

Who

Rural employees and the biosphere

How Much

6,798 employees from rural areas

Risk Rating: BB

2022 was a difficult year for the companies active in integrated farming: the price of inputs have increased, the climate has been unstable, and the costs related to logistics have remained high during the first half of the year and finally, progressively lower. The demand, however, has remained high.



Integrated Farming Contribution

3

companies reporting



SDG 8 Decent work and economic growth

24.7% growth of investees' assets

Direct employees (permanent and temporary)²⁷

Investees

Fund

USD 1M investment

21,360

4,643

90

Net direct jobs created

3,867 (+22.1%)

94

2



SDG 10 Reduced inequalities

2/3 companies offer transportation to their employees

Women employees

Investees

Fund

USD 1M investment

11,800

2,526

49

Single mothers employed²⁸

7,282

830

16

Employees living in rural areas

16,885

3,007

58



SDG 12 Responsible consumption and production

44.9% Productivity increase vs. standard

ha with water management system

Investees

Fund

USD 1M investment

1,084

52

1

Quantity of NPK fertilizers used vs. standard

35.2%

Circular Industry



What

Companies working to create innovative solutions for waste recovery. The optimization of flows of materials and energy derived in the circular industry help to reduce the use of natural resources.

Who

Biosphere

How Much

Not applicable

Risk Rating: BB

The sole company in this vertical maintained a viable business model with a strong seasonal local and international demand for the product.



Circular Industry Contribution

1

company reporting



SDG 8 Decent work and economic growth

Investees

Fund

USD 1M investment

5% growth of investees' assets

Direct employees (permanent and temporary)

107

5

0.1

Net direct jobs created

5 (+4.9%)

0.2

0



SDG 12 Responsible consumption and production

Investees

Fund

USD 1M investment

The reporting company offers transportation to its employees

tons of recuperated waste

200,000 tons of recuperated waste

9,654 tons of recuperated waste

186 tons of recuperated waste

GWh produced out of recycled sources²³

386 GWh produced out of recycled sources

18,6 GWh produced out of recycled sources

0.4 GWh produced out of recycled sources



SDG 13 Climate action

Investees

Fund

USD 1M investment

44.9% Productivity increase vs. standard

tons of CO₂ emissions avoided²⁵

441,164

21,295

411

Households heated with biomass

7,623

386

7

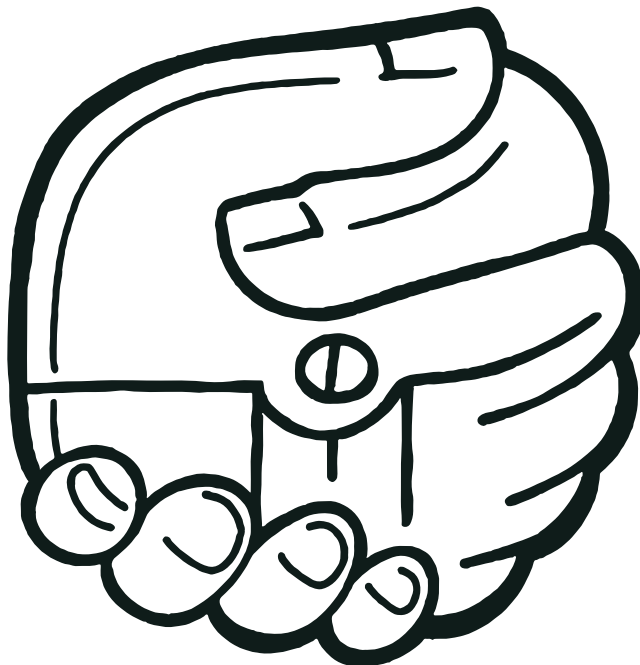
Household benefiting from biomass electricity consumption²⁴

43,934

2,121

41

Financial Inclusion



What

Companies providing innovative financial intermediation to entrepreneurs excluded from traditional financing services.

Who

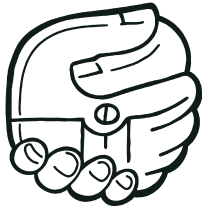
Micro-enterprises (yearly sales < USD 50,000), small enterprises (sales > USD 50,000), and students

How Much

72,180 micro-enterprises, 777 small enterprises and 6,151 students

Risk Rating: BB

Financial inclusion companies are considered relatively robust under the supervision of local regulators. Nevertheless, finance has been affected by the increased interest rates and the reduction of local consumption at the base of the pyramid, directly affecting micro and small businesses.



Financial Inclusion

Contribution

11

companies reporting



SDG 8 Decent work and economic growth

28.2% growth of investees' assets

	Investees	Fund	USD 1M investment
Direct employees (permanent and temporary)	1,043	40	1
Net direct jobs created	162 (+18.4%)	7	0.08
Indirect employees ²⁶	101,357	4,541	88



SDG 10 Reduced inequalities

	Investees	Fund	USD 1M investment
Outstanding Micro-businesses	72,180	3,528	68
Outstanding Micro-businesses that are productive	28,181	2,286	44
Micro-businesses led or owned by women	40,006	1,779	34
Outstanding small businesses	777	42	1
Outstanding number of productive small businesses	766	42	1
Small businesses led or owned by women	486	22	1
Students financed	6,151	135	3
Female students financed	2,891	63	1



SDG 12 Responsible consumption and production

57% of the companies have an active control of the employees ethical behaviour and trainings; the remaining still depend on hierarchy

	Investees	Fund	USD 1M investment
Outstanding portfolio of renewable energy loans (USD)	4,676,296	192,428	3,717
Outstanding portfolio of fuel transition loans (USD)	5,580,463	258,029	4,984
Outstanding portfolio of water management loans (USD)	8,811,481	407,425	7,869

III. Avoid harm

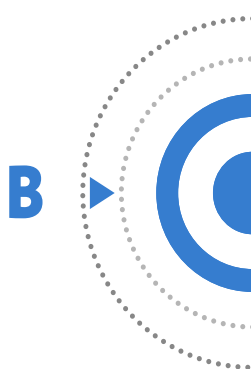
Impact Report 2022

Kharmax Score

72
Total indicators

2.20
Average score

Rating:



Dimension	Category	# Indicators	Score	Rating
Environment		29	2.37	A
	GHG emissions	8	2.72	A
	Energy performance	3	2.43	A
	Biodiversity	2	2.19	B
	Water usage	5	1.52	B
	Waste and materials	6	2.60	A
	Land use	5	2.75	A
Labor Practices		12	2.12	B
	Diversity and equality	3	1.91	B
	Health and safety	4	2.05	B
	Discrimination and complaints	5	2.41	A
Human Rights		12	2.41	A
	Respect of HR	8	2.02	B
	Corruption	4	2.81	A
Governance		5	2.17	B
	Transparency and accountability	2	2.54	A
	Diversity and representativity	3	1.79	B
Product Responsibility		8	2.46	A
	Product transparency	4	2.60	A
	Product quality	4	2.33	A
Economics		6	1.69	B
	Sustainability	4	1.95	B
	Profit sharing	2	1.43	C

Kharmax is our proprietary impact monitoring system. It establishes a sustainability rating for each company. The objective of our sustainability rating is to ensure that all our companies avoid doing significant harm. This rating covers 5 dimensions: environment, labor practices, human rights, governance, product responsibility and economics. In addition to 52 indicators directly related to the Principal Adverse Indicators (PAI) mentioned in annex 1 of SFDR, there are 17 additional indicators to offer a more complete perspective on sustainability.

SFDR Table ^{1/4}

Indicator	Note	Result
Cumulated company value	2	USD 639,509,595
Portfolio value	3	USD 42,424,250
Cumulated company income	4	USD 331,710,219

Number	Category	Dimension	Status	Indicator	Note	Result
1	Environment	GHG emissions	Mandatory	Scope 1 GHG emissions	5	861 tons of CO ₂
1	Environment	GHG emissions	Mandatory	Scope 2 GHG emissions	5	621 tons of CO ₂
1	Environment	GHG emissions	Mandatory	Scope 3 GHG emissions	5	17,787 tons of CO ₂
1	Environment	GHG emissions	Mandatory	GHG emissions total	5	19,268 tons of CO ₂
2	Environment	GHG emissions	Mandatory	Carbon footprint	6	529 tons CO ₂ /€ Million
3	Environment	GHG emissions	Mandatory	GHG intensity	7	814 tons CO ₂ /€ Million
4	Environment	GHG emissions	Mandatory	Investment in companies in the fossil fuel industry		None
5	Environment	Energy performance	Mandatory	Share of non-renewable energy consumption and production	8	52.8%
6	Environment	Energy performance	Mandatory	Energy consumption intensity per high impact climate sector	9	2.9 GWh/€ Million
7	Environment	Biodiversity	Mandatory	"Activities negatively affecting biodiversity-sensitive areas"	10	84% of the portfolio (21 companies) have a low potential for direct or indirect negative impact on biodiversity-sensitive areas, due to small scale and environmentally friendly agricultural activities; 16% of the portfolio (4 companies) focus on improving biodiversity or have a no direct or indirect negative impact on biodiversity-sensitive areas.
8	Environment	Water usage	Mandatory	Emissions to water		Very limited emissions to water given the high production standards of portfolio companies.
9	Environment	Waste and materials	Mandatory	Hazardous waste	11	No hazardous waste generated.
10	Labor Practices	Diversity and equality	Mandatory	Violations of UN Global compact principles (Principles 3-6)	12	100% of the portfolio (25 companies) have experienced no violation of the principle 3 to 6 of the Global Compact but have not signed the Global Compact. Their size permits having a satisfactory internal control.
10	Human Rights	Respect of HR	Mandatory	Violations of UN Global compact principles (Principles 1, 2 and 10)	13	100% of the portfolio (25 companies) have experienced no violation of the principle 1, 2 and 10 of the Global Compact but have not signed the Global Compact. Their size allows a satisfactory internal control.
10	Environment	Waste and materials	Mandatory	Violations of UN Global compact principles (Principles 7-9)	14	100% of the portfolio (25 companies) have experienced no violation of the principle 7 to 9 of the Global Compact but have not signed the Global Compact. Their size permits to have a satisfactory internal control.
11	Labor Practices	Diversity and equality	Mandatory	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles (Principles 3 and 6)		100% of the companies of the portfolio are conscious of their obligations regarding the principles 3 to 6 of the Global Compact. However, 76% of portfolio (19 companies) ensure adequate supervision and internal controls.
11	Human Rights	Respect of HR	Mandatory	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles (Principles 1, 2 and 10)		100% of the companies of the portfolio are conscious of their obligations regarding the principles 1, 2 and 10 of the Global Compact. However, 76% of portfolio (19 companies) ensure adequate supervision and internal controls.
11	Environment	Waste and materials	Mandatory	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles (Principles 7 and 9)		100% of the companies of the portfolio are conscious of their obligations regarding the principles 7 to 9 of the Global Compact. However, 76% of portfolio (19 companies) ensure adequate supervision and internal controls.

SFDR Table 2/4

Number	Category	Dimension	Status	Indicator	Note	Result
12	Labor Practices	Diversity and equality	Mandatory	Unadjusted gender pay gap	15	Women employees of the companies are paid 11% less on average than men.
13	Governance	Diversity and representativity	Mandatory	Board gender diversity		On average 19% of the companies board members are women.
14	Product Responsibility	Product quality	Mandatory	Exposure to controvertial weapons (manufacture or sales of weapons)		No companies of the portfolio manufacture or sell any weapon.
1A	Environment	Waste and materials	Additional	Inorganic pollutants		0.7 tons /€ Million
2A	Environment	Waste and materials	Additional	Air pollutants		0
3A	Environment	Waste and materials	Additional	Ozone depletion substances		0
4A	Environment	GHG emissions	Additional	Investment in companies without carbon emission reduction initiatives		76% of the portfolio (19 companies) are reducing their emissions yet have no clear emission reduction targets; 20% of the portfolio (5 companies) manifest interest in reducing their emissions reductions but with no clear emissions reductions targets; 4% of the portfolio (1 company) is reducing its emissions with clear reduction objectives and the remaining.
5A	Environment	Energy performance	Additional	Breakdown of energy consumption by type of non-renewable sources of energy	16	Not applicable
6A	Environment	Water usage	Additional	Water usage	17	81,705 m ³ /€ Million
6A	Environment	Water usage	Additional	Water recycled and reused		76% of the portfolio (19 companies) reused lower than 25% of their water; 24% of the portfolio (6 companies) reused higher than 25% of their water.
7A	Environment	Water usage	Additional	"Share of investments without water management policies"		"56 % of the portfolio (14 companies) monitors and records the usage of water with no specific reduction targets; 28% of the portfolio (7 companies) monitors and records the usage of water with specific reduction targets ; 12% (3 companies) do not monitor or record usage; 4 % (1 company) met its specific reduction target."
8A	Environment	Water usage	Additional	Exposure to areas of high water stress	18	52% of the portfolio (13 companies) are not exposed to high water stressed areas, 20% of the portfolio (5 companies) are located in high water stressed areas and with no monitor water usage; 16% of the portfolio (4 companies) are exposed to high stressed areas with monitor usage but without metrics and 12% of portfolio (3 companies) are located in high stress water and monitor the water usage with metrics.
9A	Product Responsibility	Product quality	Additional	"Investment in companies producing chemicals"		0% of the companies of the portfolio are producing chemicals.
10A	Environment	Land use	Additional	Share of investments in companies that are actively contributing to soil degradation, desertification and soil sealing		"0% of the companies of the portfolio or their suppliers have activities causing land degradation, desertification or soil sealing."
11A	Environment	Land use	Additional	Share of investment in companies without sustainable land/ agriculture practices		60% of the companies of the portfolio are following sustainable agriculture practices and their suppliers are following these practices. The remaining 40% don't belong to the agro-industrial sector.
12A	Environment	Land use	Additional	Share of companies without sustainable ocean/sea practices		0% of the companies of the portfolio have direct or indirect risk since none of them are working with products related to oceans/seas.

SFDR Table ^{3/4}

Number	Category	Dimension	Status	Indicator	Note	Result
13A	Environment	Land use	Additional	Non-recycled waste ratio		0.0 ton/€ Million
14A	Environment	Biodiversity	Additional	Share of investment whose operations affects threatened / endangered species		60% of the portfolio (15 companies) have a low potential direct or indirect negative impact on endangered species; 32% of the portfolio (8 companies) have no direct or indirect negative impact in endangered species; 8% (2 companies) have a high potential direct or indirect negative impact on endangered species.
14A2	Environment	Biodiversity	Additional	Share of investment without biodiversity protection policy		"0% of the companies in the portfolio have a biodiversity protection policy; 16% of the portfolio (5 companies) are focused on the reintroduction of endemic species or in forest conservation."
15A	Environment	Land use	Additional	Share of investments in investee companies without a policy to address deforestation		56% of the portfolio (14 companies) have activities with potential deforestation risks, yet have effective controls to avoid deforestation; 44% of the portfolio (11 companies) have no direct or indirect deforestation risk related activities or their activity engages with reforestation and forest preservation and 0% of the portfolio companies have an explicit policy to address deforestation.
1AS	Labor Practices	Health and safety	Additional	Investments in companies without workplace accident prevention policy		52% of the portfolio (13 companies) have effective systems and controls in place to ensure a safe workplace environment. 40% of the portfolio (10 companies) have basic systems and workers face relatively low levels of pollution, changes in temperatures or reduced lighting conditions; 8% of the portfolio (2 companies) have efficient systems to ensure a safe workplace environment but without further monitoring controls.
2AS	Labor Practices	Health and safety	Additional	Rate of accidents	19	5.9
3AS	Labor Practices	Health and safety	Additional	Numbers of days lost due to injuries, accidents, illness	20	103.35
4AS	Labor Practices	Discrimination and complaints	Additional	Lack of a supplier code of conduct		72% of the portfolio (18 companies) proceed with a systematic evaluation on human rights of key suppliers with informal reporting; 20% of the portfolio (5 companies) proceed with a random evaluation of key suppliers on human rights with minimal reporting; 8% of the portfolio (2 companies) has the evaluation on human rights of key suppliers by way of procedures and written agreements.
5AS	Labor Practices	Discrimination and complaints	Additional	Lack of grievance / complaints handling mechanism related to employee matters		68% of the portfolio (17 companies) have transparent handling mechanisms for employee grievances / complaints. 32% of the portfolio (8 companies) have informal handling mechanisms for employee grievances / complaints.
6AS	Labor Practices	Discrimination and complaints	Additional	Lack of whistleblower protection policy		52% of the portfolio (13 companies) have an informal whistleblower policy with a dedicated channel for complaints. 48% of the portfolio (12 companies) have a formal whistleblower policy.
7AS	Labor Practices	Discrimination and complaints	Additional	Incidents of discrimination		0 discrimination incident
7AS	Labor Practices	Discrimination and complaints	Additional	Incidents of discrimination		Not applicable
8AS	Economics	Profit sharing	Additional	Excessive CEO pay ratio		The CEOs of portfolio companies have on average 6.96 times higher compensation than the median employee compensation.
9AHR	Human Rights	Respect of HR	Additional	Lack of human rights policy		52% of the portfolio (13 companies), due to their sizes don't justify the set up of a policy for human right, yet they have a strong compromise to create a nice working environment and respect the local law; 48% of the portfolio (12 companies) have a human rights policy including formal due diligence and remediation processes.

SFDR Table 4/4

Number	Category	Dimension	Status	Indicator	Note	Result
10AHR	Human Rights	Respect of HR	Additional	Lack of due diligence on human rights		72% of the portfolio (18 companies) due to their sizes don't perform a due diligence on human rights, yet the CEO and HR manager conduct evaluation measures; 24% of the portfolio (6 companies) perform a due diligence on human rights with implementation process; 4% of the portfolio (1 company) perform a due diligence on human rights with no implementation process.
11AHR	Human Rights	Respect of HR	Additional	Lack of processes and measures for preventing trafficking in human beings		92% of the portfolio (23 companies) have no process or measures for preventing trafficking in human beings, yet they respect local labour law and have the compromise to avoid working with suppliers that might be involved in human trafficking. 8% of the portfolio (2 companies) have a clear Human Right policy in place permitting to avoid human trafficking.
12AHR	Human Rights	Respect of HR	Additional	Operations and suppliers at significant risk of incidents of child labor		56% of the portfolio (14 companies) perform an evaluation of suppliers regarding child labor and they are randomly controlled. 44% of the portfolio (11 companies) have working contracts and ID controls to avoid incidents of child labor.
13AHR	Human Rights	Respect of HR	Additional	Operations and suppliers at significant risk of incidents of forced or compulsory labor		72% of the portfolio (18 companies) have working contracts and ID controls to avoid incidents of forced and compulsory labor. 28% of the portfolio (7 companies) have no systematic evaluation, but perform random evaluations of suppliers to avoid forced or compulsory labour.
14AHR	Human Rights	Respect of HR	Additional	Number and nature of identified cases of severe human rights issues and incidents		0 incident
15AHR	Human Rights	Corruption	Additional	Lack of anti-corruption and anti-bribery policies		64% of the portfolio (16 companies) have a comprehensive internal control system described in written procedures; 28% of the portfolio (7 companies) have a comprehensive internal control system described in written procedures, verified by an independent party and controlled at the board level; 8% of the portfolio (2 companies) have an informal control system.
16AHR	Human Rights	Corruption	Additional	Cases of insufficient actions taken to address breaches of standards of anti-corruption and anti-bribery		0 case
17AHR	Human Rights	Corruption	Additional	Number of convictions for violation of anti-corruption and anti-bribery laws		0 incident
17AHR	Human Rights	Corruption	Additional	Amount of fines for violation of anti-corruption and anti-bribery laws		Not applicable

IV. Annexes

Impact Report 2022

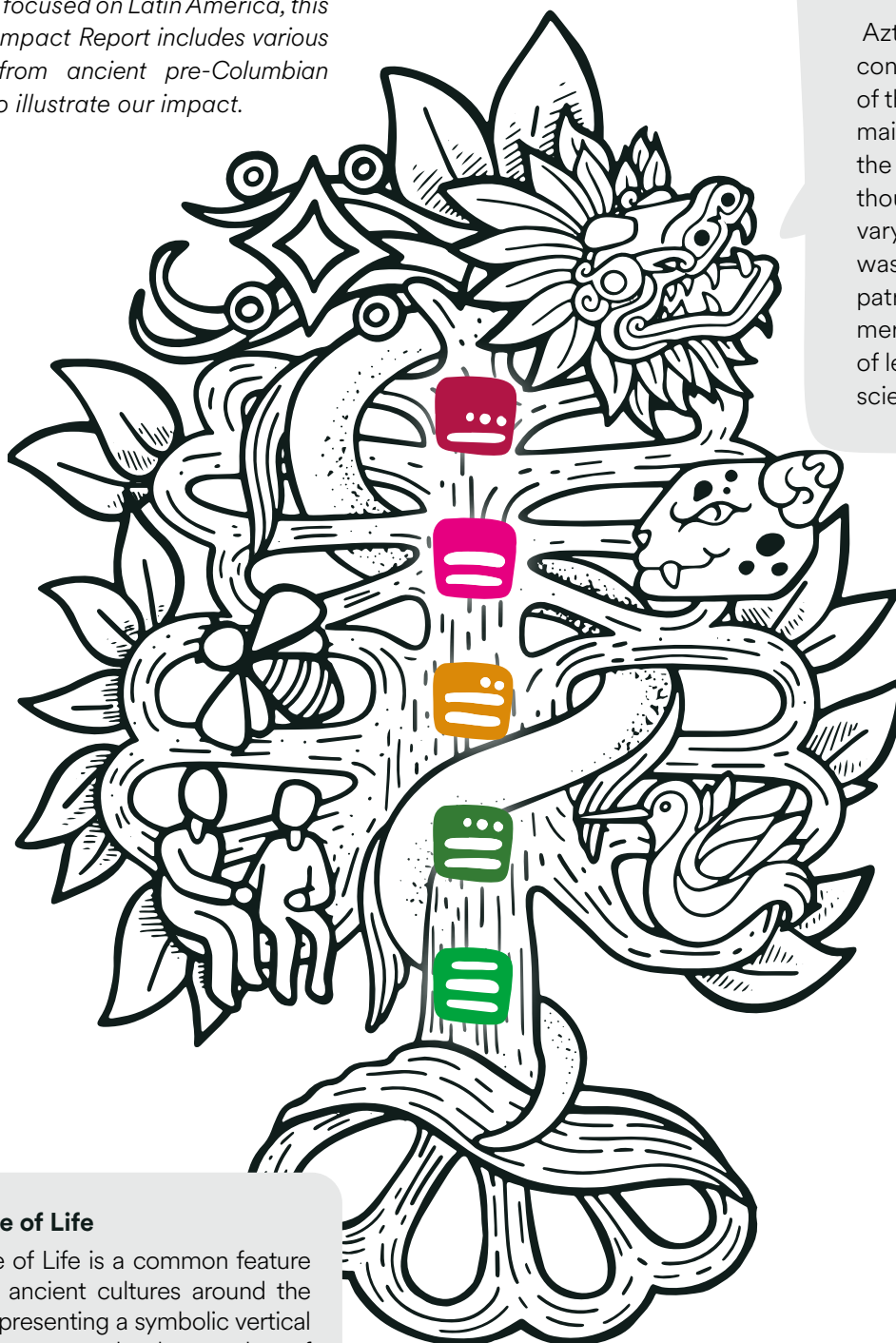
Our Impact Explained in Symbols

As we are focused on Latin America, this year our Impact Report includes various symbols from ancient pre-Columbian cultures to illustrate our impact.

Quetzalcóatl

Quetzalcóatl, or 'Feathered Serpent' in Nahuatl, was one of the most important deities in ancient Mesoamerica.

Aztecs and Mayas considered him the god of the winds, rains and maize, and the creator of the world and humanity, though interpretations vary. Also, Quetzalcóatl was thought to be the patron god of priests and merchants, and the god of learning, agriculture, science and the arts.



The Tree of Life

The Tree of Life is a common feature in many ancient cultures around the globe representing a symbolic vertical line that connects the three realms of Earth, heaven and the underworld. The tree is also a metaphor for the connection between the diversity of all life on Earth, as the source of life.

Our Tree of Life combines these features with Meso-american symbols that represent our five investment verticals in its branches, while the five Sustainable Development Goals (SDGs) that we focus on are inscribed on the trunk. Finally, intertwined with the branches we pictured Quetzalcóatl, symbolizing the regenerative businesses our Fund supports and the opportunity to relate to the living more harmoniously.

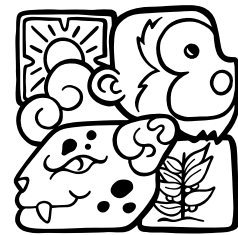


Small-scale Producers

This symbol pictures the face of a working man, facing fiercely the many challenges ahead of his business. The hummingbird symbolizes fertility and pollination, as well as precision and hard work. The quinoa plant is the result of that work, the product that can be harvested thanks to the man's (or woman's) work, with the help of nature achieving economic stability over time.

Agroforestry

Mayas, Incas and Aztecs: they all worshipped the jaguar, a symbol of strength, ferocity and courage. Today, the endangered animal also relates to high vulnerability and biodiversity loss. The sun and the cloud symbolize the changing climate. The monkey represents the wilderness, while the coffee bush refers to the fruits that nature produces, to eventually become a 'commodity'.

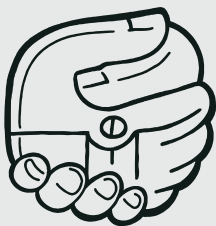


Integrated Farming

Chicomecōātl was the Aztec goddess of maize, an important staple food for the Aztecs. In particular, she was the goddess that represented the part of the maize that was preserved to be planted for the next harvest. She was also considered the goddess of agriculture, food and drinks in general. Instead of depicting her with a crown of maize, we gave her a crown symbolizing pollination.

Circular Industry

The symbol for this sub-strategy consists of four arms depicting an endless cycle, with the Mayan symbol for Lamat in its center, representing fertility, abundance and the sign of a new beginning. This symbol is all about transformation and accepting life changes.



Financial Inclusion

Inside the two shaking hands symbolizing trust we pictured K'an, the Mayan symbol for abundance, wealth and harvest. It represents a lizard, which is a symbol of harvest ripening, and of growing maize.

Notes

1. All the numbers are calculated on the base of the average outstanding loans in each sub-strategy during the year. Taking the total outstanding amount as of the end of each quarter divided by 4. Throughout the year there were 25 reporting companies. Companies in the portfolio at risk are not reporting.
2. Portfolio value: Cumulated company value: Sum of assets of all the portfolio companies as of the end of December 2022.
3. Sum of the average outstanding loans as defined in Note 1.
4. Cumulated company income: Sum of the cumulated sales of all the portfolio companies as of the end of December 2022
5. Some companies of the portfolio were able to provide data on Scope 1 and Scope 2 emissions; for non reporting companies, data was inferred from peer companies that belonged to the same industry. For Scope 1 emissions we applied a ratio of 2.7 kg of CO₂ per liter of diesel, since the main non-renewable energy source of portfolio companies is the diesel used for vehicles and generators (source: <https://www.epa.gov/energy/greenhouse-gases-equivalencies-calculator-calculations-and-references>).

For Scope 2 emissions we applied an annual proxy of 1,891 kWh per employee (excluding heating consumption considering the weather of the countries in which portfolio investees operate) for companies that did not have activity data and didn't belong to any agro-industrial sector (sources: <https://www.mdpi.com/2071-1050/13/21/11586> - <https://www.sciencedirect.com/science/article/pii/S187770581731696X>). To convert that into CO₂ emissions, we used the "carbon intensity of energy production" of each country (source: <https://ourworldindata.org/co2-and-other-greenhouse-gas-emissions>).

For Scope 3 emissions we used two different approaches depending if company's activity has the potential or not to sequester carbon emissions:

For sequestering companies: for each product, the data was inferred from the literature regarding emissions coming from farming processes, transportation (fossil fuel consumption of land transportation from investee's location to port of origin and then fossil fuel consumption of sea transportation to port of destination, and then to investee's warehouse or facility); and retailer using different ratios for each type of product, storage type and final consumption.

For non sequestering companies: for each product, the data (life cycle ratios) on Scope 3 emissions was inferred from the literature. The specific amount of Scope 3 emissions was then calculated according to the volume of product sold.

In line with European standards, the formula used to calculate Scope 1, 2 and 3 emissions is the following:

$$\sum_i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope}(x) \text{ GHG emissions}_i \right)$$

6.
$$\sum_i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 GHG emissions}_i \right) / \text{current value of all investments (€M)}$$
7.
$$\sum_i \left(\frac{\text{current value of investment}_i}{\text{current value of all investments (€M)}} \times \frac{\text{investee company's Scope 1, 2 and 3 GHG emissions}_i}{\text{investee company's €M revenue}_i} \right)$$
8. The portfolio companies were unable to provide this data. As a proxy, we used for each investee the country's "renewable share in final energy consumption (source: <https://www.iea.org/data-and-statistics/data-product/electricity-information>). The result is the weighted average of all 25 portfolio companies.
9. For this period we reviewed several sources such as the statistical classification of economic activities NACE and <https://www.spglobal.com/spdji/en/documents/additional-material/trucost-climate-impact-sectors-classification.pdf> to determine the high impact climate sectors in which portfolio companies have operations.
10. Activities negatively affecting biodiversity-sensitive areas: We use a scale from 0 to 3 that enable us to obtain more value to the binary SFDR question. Impact Finance visits all companies in order to physically see the operational activities and gain better understanding of their values and working environments. It allows for any questions related to the different criteria of SFDR to be discussed in person.
11. The only company that could be considered as generating hazardous waste is our gold processor in Nicaragua. However, its tailings are being processed by a third party following the highest standards of the industry. Those tailings are reported as inorganic pollutants under indicator 1A.
12. Violations of UN Global compact principles (Principles 3-6): the UN Global compact principles related to 'Labor' are: Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: Businesses should advocate the elimination of all forms of forced or compulsory labor; Principle 5: Businesses should advocate for the effective abolition of child labor; Principle 6: Businesses should advocate the elimination of discrimination with respect to employment and occupation.
13. Violations of UN Global compact principles (Principles 1, 2 and 10): the UN Global compact principles related to 'Human Rights' are: Principle 1: Businesses should support and respect the protection of internationally declared human rights; Principle 2: Companies should ensure that they are not participants in human rights violations; Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.
14. Violations of UN Global compact principles (Principles 7-9): the UN Global compact principles related to 'Environment' are: Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: Companies should undertake initiatives to encourage greater environmental responsibility; Principle 9: Businesses should promote the development and diffusion of environmentally friendly technologies.

15. Salaries are divided into two categories: employees with undergraduate studies; and employees without undergraduate studies. Despite the data collected, it is difficult to obtain a clear picture on gender-related salary distributions.
16. As mentioned in Note 8, to determine the use of non-renewable energy we use the data provided by the IEA. This breakdown could not be provided by portfolio companies. However, the main non-renewable energy source of portfolio companies is diesel.
17. We applied a daily proxy of 50 liters of water consumption per employee (source: <https://www.south-staffs-water.co.uk/media/1509/waterusebusiness.pdf>) for companies which consumption relies only in offices and for those ones that reported only their industrial usage and not their office's consumption. For non reporting companies we applied water footprint ratios according to the type of product (source: <https://www.waterfootprint.org/resources/Report64-WaterFootprintBenchmarks-CropProduction.pdf>).
18. We reviewed the water risk atlas in order to determine water stress areas in which our portfolio companies have operations (source: https://www.wri.org/applications/aqueduct/water-risk-atlas/#/?advanced=false&basemap=hydro&indicator=w_awr_def_tot_cat&lat=30&lng=-80&mapMode=view&month=1&opacity=0.5&ponderation=DEF&predefined=false&projection=absolute&scenario=optimistic&scope=baseline&threshold&timeScale=annual&year=baseline&zoom=3).
19. The rate of accidents is calculated by multiplying the number of yearly accidents by 200,000, divided by the number of employee hours worked. <https://www.osha.gov/laws-regs/standardinterpretations/2016-08-23>.
20. The lost time injury rate is calculated by multiplying the hours of lost time injuries by 200,000, divided by the number of employee hours worked. The value in days is obtained by dividing the result by 9.
21. The CO₂ sequestrated has been calculated as follows: 23 kg of CO₂ annually per tree, in the case of plantations (source: <https://medcraveonline.com/FREIJ/carbon-sequestration-how-much-can-forestry-sequester-co2.html>). Each hectare of amazonian forest preserved represents a stock of 750 tons of CO₂ (source: https://www.researchgate.net/publication/322144139_Forests_and_Carbon_Dioxide_Swiss_reviews_of_World_Affairs_1990).
22. The CO₂ sequestrated in the period has been calculated as follows: for plantations, the number of trees per ha multiplied by 23 kg of CO₂ multiplied by the plantation ha. For the forests preserved in the bolivian amazonas; we applied a proxy of 475 trees per ha (source: <https://link.springer.com/article/10.1023/a:1024593414624>) multiplied by 23 kg of CO₂ multiplied by the preserved ha. We added the CO₂ sequestration calculated for 3 portfolio companies that contribute to this indicator due to their regenerative agriculture practices; for these cases we applied a ratio of 5.5 tons of CO₂ per planted ha (source: <https://link.springer.com/article/10.1023/b:agfo.0000029005.92691.79>).
23. 1 kg of sawdust generates 1.93 kWh (source: <https://ijsea.com/archive/volume10/issue2/IJSEA10021002.pdf>).
24. An average household in Chile consumes 4,051 kWh per year (source: https://www.energia.gob.cl/sites/default/files/documentos/informe_final_caracterizacion_residencial_2018.pdf), specifically for heating purposes. Based on the amount of energy generated by investee's local buyer (Indef), 7,623 households were heated. Since the investee sells the remaining amount of waste to local utility companies (which energy is consumed by households for different purposes and not only for heating), we applied a proxy of 8,083 kWh per year of energy consumption of a Chilean household (source: https://www.energia.gob.cl/sites/default/files/documentos/informe_final_caracterizacion_residencial_2018.pdf); from the amount of energy produced by utility companies, we derived that an equivalent of 43,934 household yearly consumption was generated.
25. We applied a ratio of 0.01053 kg CO₂ /kWh (source: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>) to calculate the specific CO₂ emissions of producing saw dust. According to Chile's energy matrix (source: https://obtienearchivo.bcn.cl/obtienearchivo?id=repositorio/10221/32492/1/BCN_Matriz_energetica_electrica_en_Chile.pdf), the substitute energy source for saw dust is coal. The equivalent amount of coal for producing the same energy out of waste is calculated by applying a ratio of 0.51 kg of coal/kWh (source: <https://www.eia.gov/tools/faqs/faq.php?id=667&t=6#:~:text=Coal%E2%80%9312%20pounds%2FkWh,Petroleum%20liquids%E2%80%9330.08%20gallons%2FkWh>); then we calculated the amount of CO₂ emissions of that equivalent coal based on a ratio of 2,270 kg of CO₂ per ton of coal (source: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2022>). The net tons of CO₂ avoided is calculated based on the difference between coal and saw dust emissions.
26. The number of indirect employees was inferred from a country level company stratification coupled with a ratio analysis (debt ratio and asset turnover) (source: <https://www.readyratios.com/sec/industry/>), assuming that the average loan is all the debt for an average client, we inferred its income in order to relate with a potential number of workers based on mentioned stratification (sources: <https://www.cilea.info/public/File/12%20Seminario%20Bolivia/1%20-%20RUBIN%20060625%20completo.pdf> - <http://gbconsulting.com.mx/la-clasificacion-las-empresas-en-mexico/>).
27. Type of employee was subdivided into temporal or employees, permanent and indirect. Indirect employees refers to sub hired personnel from small scale producers and microfinance clients (microenterprises and small enterprises).

- 28.** Number of women who are family providers: some portfolio companies were unable to provide this data. As a proxy, we used for each investee the country's average percentage of women who are family providers: (source: <https://www.upla.cl/noticias/2019/08/02/estudio-revela-que-un-73-de-las-mujeres-en-chile-se-hace-cargo-de-su-familia/> -<https://cuentame.inegi.org.mx/poblacion/hogares.aspx#:~:text=La%20informaci%C3%B3n%20del%20Censo%20de,vivienda%2C%20esto%20significa%2011%2C474%2C983%20hogares>).
- 29.** For companies not able to provide data regarding indirect employees, we assumed that for each ha managed by the small-scale producer, he will hire at least one additional employee.
- 30.** Regenerative Agriculture: refers to the act of taking a land with poor life sources or degradation and with the help of organic materials, to regenerate / preserve an ecosystem. By these types of techniques various outcomes can be achieved: provide climate control, have more nutrients from leaf litter, attract pollinators, have weed and erosion control, fix nitrogen in soil etc.
- 31.** Impact Finance proprietary risk rating considers internal and external risks of the companies around three pillars:
- **Organization risk** (17 ratings): shareholders, governance, management, human resources
 - **Economic risk** (33 ratings): assets, liabilities, income, statement, cash flow
 - **Value chain risk** (15 ratings): supply, product, process, market

Rating	Quality
AA	Outstanding
A	Very good
BBB	Good
BB	Average
B	Mediocre
C	Mediocre
D	Bad
F	Terrible

IMPACT FINANCE

Name of the fund: Impact Finance Fund
Managing General Partner: Impact Finance Investment, Luxembourg
Investment Advisor: Impact Finance Management, Switzerland
Custodian: Caceis Bank, Luxembourg Branch
Administration Agent: Caceis Bank, Luxembourg Branch
Auditors: Deloitte
Legal Counsel: Arendt & Medernach

Disclaimer

This document is only for professional investors. This document is provided for information purposes only and does not constitute an offer or a recommendation to buy or sell any security or financial instrument. Information provided herein is believed to be correct, but its accuracy and completeness are not guaranteed and may be subject to change. Impact Finance expressly disclaims liability for errors or omissions in the information and data contained in this document and accepts no liability for any loss or damage arising out of the use, or misuse of, or reliance on the information provided. The information herein is confidential and may not be reproduced or redistributed.



Luxembourg
Geneva
Cali

info@impact-finance.com
www.impact-finance.com



Editorial design
www.calidoscopio.org

Copywriting
www.ynskeschrijft.nl