

# Statement on principal adverse impacts of investment decisions on sustainability factors.

## 1. FINANCIAL MARKET PARTICIPANT

GAWA Capital Partners, SGEIC, S.A.

## 2. SUMMARY

GAWA Capital considers principal adverse impacts of its investment decisions on sustainability factors.

The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Gawa Capital Partners SGEIC, S.A.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2023 to 31 December 2023.

## 3. DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Adverse sustainability indicator	Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>					
Greenhouse gas emissions	1. GHG emissions				
	Scope 1 GHG emissions	253,48	104,87	New tool used for GHG Calculation (JIM tool). During FY22, most of the entities reported 0 GHG emitted for Scope 1, while the new tool attributes Scope 1 to all entities. No changes in activities that increased the GHG emission.	Analysis and monitoring of the companies that mainly contribute to this parameter. During the period, both Agri-SMEs companies decreased their GHG emissions slightly.
	Scope 2 GHG emissions	11.268,03	4.316,09	New tool used for GHG Calculation (JIM tool). During FY22, the estimations were only made based on energy consumption for, while the new tool attributes Scope 2 emissions based on revenue to all entities. No changes in	Analysis and monitoring of the companies that mainly contribute to this parameter.

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
					activities that increased the GHG emissions.	
		Scope 3 GHG emissions	111.815,36	N/A	Huruma's main focus is on smallholder farmers, which have higher GHG emissions than other financial inclusion related activities.	Analysis and monitoring of the companies that mainly contribute to this parameter.
		Total GHG emissions	123.336,88	4.420,96	Inclusion of Scope 3 and the use of the JIM tool increased the portfolio attributed GHG emissions.	Analysis and monitoring of the companies that mainly contribute to this parameter.
	2. Carbon footprint	Carbon footprint	575,39	12,64	Inclusion of Scope 3 and the use of the JIM tool increased the Fund's attributed GHG emissions and, therefore, the Carbon footprint. No changes in activities that increased the carbon footprint.	Analysis and monitoring of the companies that mainly contribute to this parameter.
	3. GHG intensity of investee companies	GHG intensity of investee companies	999,62	23,69	Inclusion of Scope 3 and the use of the JIM tool increased the Fund's attributed GHG emissions and, therefore, the GHG intensity. No changes in activities that increased the carbon footprint.	Analysis and monitoring of the companies that mainly contribute to this parameter.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	0%	Portfolio mainly comprised of financial service providers	No impact.
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as	76%	64%	All entities in portfolio are located in Global South countries where renewable energy sources might not be easily accessible. New tool used for share of non-renewable energy consumption. No changes in activities that increased non-renewable energy consumption.	Analysis and monitoring of the companies that produce energy (Agri-SME). All other entities in portfolio depend on national energy production for their energy sources, with very limited capacity	

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
		a percentage of total energy sources				to increase renewable energy sources.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	NACE Sector A: 0,1 NACE Sector C: 0,18	NACE Sector A: 0,001 NACE Sector C: 0,001	Portfolio mainly comprised of financial service providers. Only two companies are classified in a high impact climate sector (Agri-SMEs).	The company classified as NACE Sector C established a new monitoring system to estimate the energy consumption that included several sources not accounted by in FY22. No changes in activities that increased the energy consumption beyond company's growth during FY23.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%	0%	Portfolio mainly comprised of financial service providers. Agri-SMEs companies do not operate in biodiversity-sensitive areas.	No impact.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0,00	0,00	Portfolio mainly comprised of financial service providers. Agri-SMEs companies do not generate emissions to water.	No impact.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0,00	0,00	Portfolio mainly comprised of financial service providers. Agri-SMEs companies do not generate hazardous waste or radioactive waste.	No impact.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	0%	N/A	No impact.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	60%	62%	Average of the 3 funds included in the disclosure	Portfolios mainly composed of local financial service providers, to which the principles for Multinational Companies are not directly applicable. Analysis and monitoring of improvements in this area.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	-1%	-4%	Average of the 3 funds included in the disclosure	Analysis and monitoring of the companies that mainly contribute to this parameter. In companies where Gender Pay Gap increased, a deeper analysis has been performed to understand the reasons behind it.
	13. Board gender diversity	Average ratio of female to male board members in investee companies,	20%	23%	Average of the 3 funds included in the disclosure	Analysis and monitoring of the companies that mainly contribute to this

Adverse sustainability indicator		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
		expressed as a percentage of all board members				parameter. In companies where Board Gender diversity has decreased, a deeper analysis has been performed to understand the reasons behind it. In one company, it was detected a reporting mistake during FY22, that decreased significantly the Board Gender diversity once corrected.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	N/A	No impact.

Adverse sustainability impact		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Water, waste and material emissions	11. Investments in companies without sustainable land/agriculture practices	Share of investments in investee companies without sustainable land/agriculture practices or policies	77%	64%	Average of the 3 funds included in the disclosure	Portfolios mainly composed of financial service providers. Monitoring and analysis of best practices. Huruma's portfolio, focused on agriculture, has a share of 59% companies not having specific sustainable land/agriculture practices. Both Agri-SMEs entities (higher impact) have policies related to sustainable land/agriculture practices.

	15. Deforestation	Share of investments in companies without a policy to address deforestation	64%	66%	Average of the 3 funds included in the disclosure	Portfolios mainly composed of financial service providers. Monitoring and analysis of best practices. Follow-up on an Agri-SME companies that does not have a policy to address deforestation implemented.
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Adverse sustainability impact		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	43%	42%	Average of the 3 funds included in the disclosure	Portfolios mainly composed of financial service providers, where workplace accidents are low. Both Agri-SMEs entities, where workplace accidents are more likely, have policies in place. Monitoring and analysis of best practices.
	5. Lack of grievance/complaints handling mechanism related to employee matters	Share of investments in investee companies without any grievance/complaints handling mechanism related to employee matters	0%	4%	Average of the 3 funds included in the disclosure	Improvement in relation to FY22. All companies in portfolio have grievance/complaints handling mechanisms, in line with the social covenants included in the financing agreements.
	8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)	54,47	72,84	Average of the 3 funds included in the disclosure	Global Impact Funds increases the average (Huruma: 13,78; Magallanes: 24,65). Global Impact Funds' portfolio was comprised of two Indian entities, where CEO ratios are higher (average of 124,97).

Adverse sustainability impact		Metric	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	26%	19%	Average of the 3 funds included in the disclosure	Average increased due to Global Impact Funds' portfolio, with two entities (previously 3), one of them reporting not having these policies in place. However, the company is compliant with national regulation regarding anti-corruption and anti-bribery policies.
	17. Number of convictions and amount of fines for violation of anti-corruption and anti-bribery laws	Numbers of convictions and amount of fines for violations of anti-corruption and anti-bribery laws by investee companies	0	0	N/A	No impact.

#### 4. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

GAWA Capital Partners has a Sustainability and Responsible Investment Policy, approved by the Board of Directors in March 2021, which integrates consideration of sustainability risks and adverse impacts on sustainability factors throughout the investment process.

As GAWA is a fund manager focused on Article 9 funds, previous impact measurement systems have incorporated an analysis of the main adverse impacts (PIA) on sustainability factors, in order to perform a more detailed analysis of the manager's potential negative impacts.

Information and analysis were collected during the 2023 financial year and the first half of 2024, the main source of information being the reports of the portfolio companies. GAWA Capital Partners managed or advised funds are focused on financial service providers established in countries of the Global South, for which monitoring environmental data is no feasible. Only two portfolio entities monitored GHG emitted. Thus, GAWA has recently implemented the Joint Impact Model (JIM) tool, used by several DFI and Impact Investing Firms in their GHG estimations, in an attempt to measure and report in a consistent and comparable way the Funds' GHG contributions, as well as other environmental data such as non-renewable energy consumption. In this tool, GHG emissions factors reflect the GHG emissions per unit of revenue in a certain country and sector. They are derived by dividing the total GHG emissions by the total output in a certain country and sector. The total GHG emissions per country and sector are derived from the Global Trade Analysis Project (GTAP), more specifically the GTAP11A release. The GTAP 11A release includes data for 141 countries (covering 99.1% of World GDP), 19 aggregate regions, and 65 sectors extended to 76 with the power module<sup>1</sup>.

## 5. ENGAGEMENT POLICIES

None of the funds advised or managed by GAWA Capital invests in companies listed on regulated markets, therefore no engagement policies as referred to in Article 3g of Directive 2007/36/EC of the European Parliament and of the Council have been developed.

## 6. REFERENCES TO INTERNATIONAL STANDARDS

As mentioned above, GAWA has developed internal methodology for impact measurement in relation to all managed and advised funds (article 9), in an Environmental and Social Risk Management System.

This system ensures that investee companies manage not only the environmental and social (E&S) risks of their own activity (internal dimension), but also those arising from their investment activity (external dimension). The system applies the framework of exclusions and restrictions reinforced by sectors or companies whose activity is directly or indirectly related to controversial activities or those prohibited by the US International Development Finance Corporation (DFC) - formerly Overseas Private Investment Corporation (OPIC) - and the International Finance Corporation (IFC), which is part of the World Bank.

The monitoring of risks and covenants is carried out by incorporating the indicators of adverse impacts on sustainability factors as a quantification tool and as a warning element for possible changes in status.

In addition, GAWA uses some Alinus/SPI4 (CERISE) indicators to assess an organization's level of implementation of the Universal Standards for Social Performance Management (USSPM).

Invested entities have, in general, low environmental and social risks as they belong to the microfinance industry.

## 7. HISTORICAL COMPARISON

In accordance with Article 10 of Delegated Regulation (EU) 2022/1288, GAWA Capital has included a historical comparison for all PAI indicators, in the tables shown in section 3 above.

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<sup>i</sup> More details about the methodology can be found in the following link: <https://www.jointimpactmodel.org/documentation>