



FOSTERING RESILIENCE

Impact Report 2022

Foreword

Over the past year we have made remarkable progress towards our mission of transforming the lives of vulnerable communities while building the foundation of our impact journey for the next 10 years by strengthening our commitment to resilience and environmental regeneration.

In practical terms, our funds have allowed more than 1.98 M small farmers and entrepreneurs to access finance with products that have been tailored made to their needs, enable them to build assets which are key to get out of poverty.

Besides, in 2022 we have finally been able to fully unleash the power of bringing together investments and technical assistance to our investees to achieve a true long-term transformation. Several technical assistance projects have been approved and are starting implementation. For example, Microserfin in Panama is working with Frankfurt School of Finance & Management to pilot an improved agricultural credit methodology that will help them to better serve small holder farmers and address the specific sectorial risks. These first projects are already showing us how powerful this combination can be as it brings transformational change to the strategic agenda of the companies we invest in.

During this year we have kept meeting hundreds of smallholder farmers while conducting the due diligence of potential partners and as always, it's an open door to fundamental insights. Rural vulnerable communities continue to focus on increasing their productivity and building assets, however they are increasingly concerned about climate change and the additional risk that represents

to their wellbeing. Building resilience, at an individual and systemic level, improving the ability to sustain external shocks, is and will be a key priority for GAWA in the years to come.

Furthermore, no one alone can achieve transformational impact on a system level, that is why we believe it is important to engage and contribute to the impact ecosystem through alliances, networks, and initiatives. For instance, we are glad to have supported the GIIN in building and rolling out their financial and agricultural impact benchmarks that seek to promote transparency and enable rigorous investment decisions based on impact metrics.

Finally, we believe that in this context of regulatory changes in Europe and in other jurisdictions is crucial to emphasize what makes impact investment different from sustainable investments. Impact investing is about working for a systemic change by providing solutions for challenges that are truly underserved, where transformation will assure that the real-world impact will continue even when we exit our investments. And in this respect, external verification of this transformative impact of our investments will continue to be the best demonstration for our investors that our impact goes beyond the improvement of ESG factors of our investees.



Luca Torre
GAWA Co-CEO

Agustín Vitórica
GAWA Co-CEO





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Our mission

Our mission is to transform the lives of vulnerable communities.

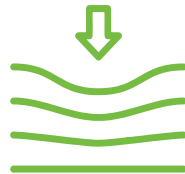
Lacking assets is both cause and outcome of poverty, also showing a strong correlation with increased vulnerability and lack of resilience.

Therefore, assets can play an important role in transforming the lives of the most vulnerable. Making, expanding and managing assets in physical, human, social, environmental and economic forms is the best way to reduce vulnerability.

“FOSTER ASSETS
BUILDING AND
HOLISTIC RESILIENCE
FOR THE MOST
VULNERABLE AND
REGENERATE THE
ENVIRONMENT”



**Asset
building**

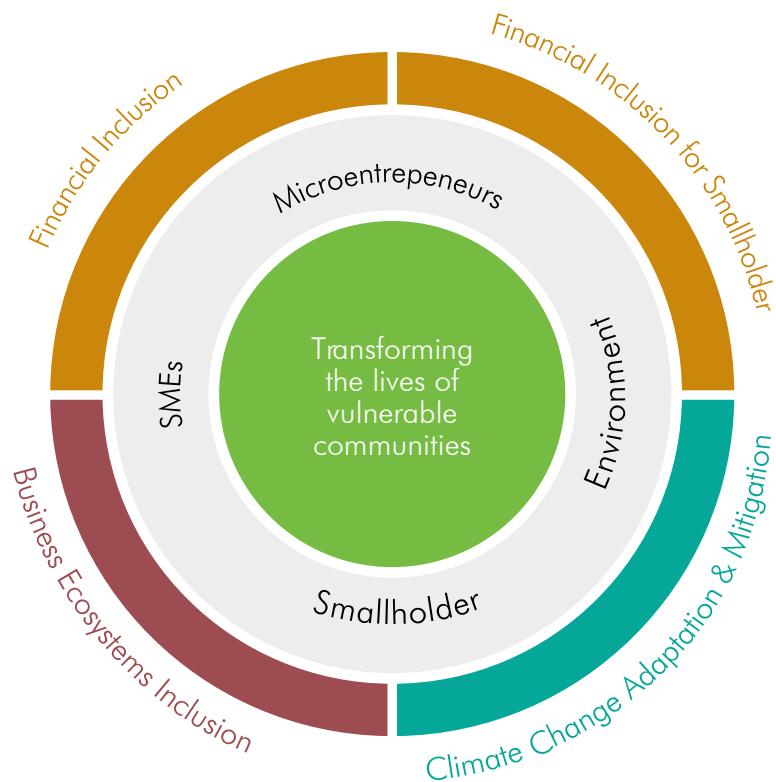


**Increase
Resilience**



**Environmental
regeneration**





How we fulfil our mission

GAWA was born with the purpose of transforming the lives of vulnerable communities by fostering assets building and creating holistic resilience.

Following our foundational mission, we have recently developed new strategies with learnings of previous experiences and have enlarged and diversified our focus.



Stage 1



Stage 2



Stage 3



**GAWA Microfinance Fund
Global Financial Inclusion Fund
Magallanes Impacto Fund**
AUM: EUR 75.7 M



Huruma Fund
AUM: EUR 128.5 M



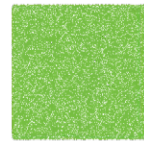
Kuali Fund
AUM: EUR 300 M

Systemic Change

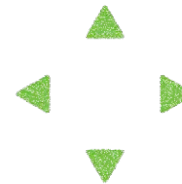
GAWA's investment philosophy is built around the principle of always questioning whether its strategies are ultimately addressing the root causes of social and environmental issues or are they merely treating their symptoms.

GAWA seeks to understand the systems holistically, examining relationships and behaviours (implicitly and explicitly). Then, a Theory of Change (ToC) is developed to reflect the logical chain of small changes and feedback loops necessary to catalyse significant, long lasting, positive change. This ToC will identify the points where the invested capital, technical assistance and other tools yield positive results within the mapped system.

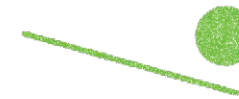
No one alone can achieve transformational impact on a system level; it is necessary to move from doing opportunistic individual deals to system change practice.



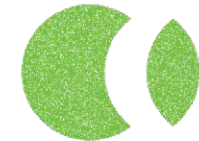
**See the
whole picture**



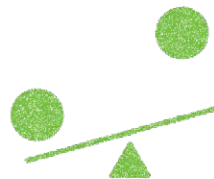
**Engage different
perspectives**



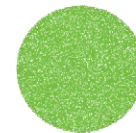
**See new
leverage points**



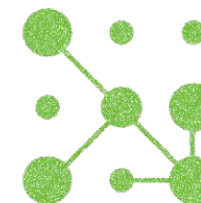
**Look for
relationships**



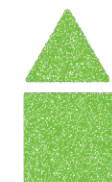
**Look for
consequences**



Think circular



**Embrace
complexity**



**Question
assumptions**

At a Glance

Founded in 2010, GAWA Capital is the leading impact investor in Spain. GAWA puts in practice its mission by addressing specific underserved social and environmental challenges that affect the most vulnerable defining long term goals and then mapping the necessary preceding changes. GAWA aspires at transforming the system and investees in which operates so that impact remains for the long run.

GAWA Capital has directly reached over 1,982,376 low-income households through its investments, fostering their access to financial services and enabling families and businesses to thrive.

13 years since foundation

205 million euros managed and advised

62 impact investments, supporting **38** entities

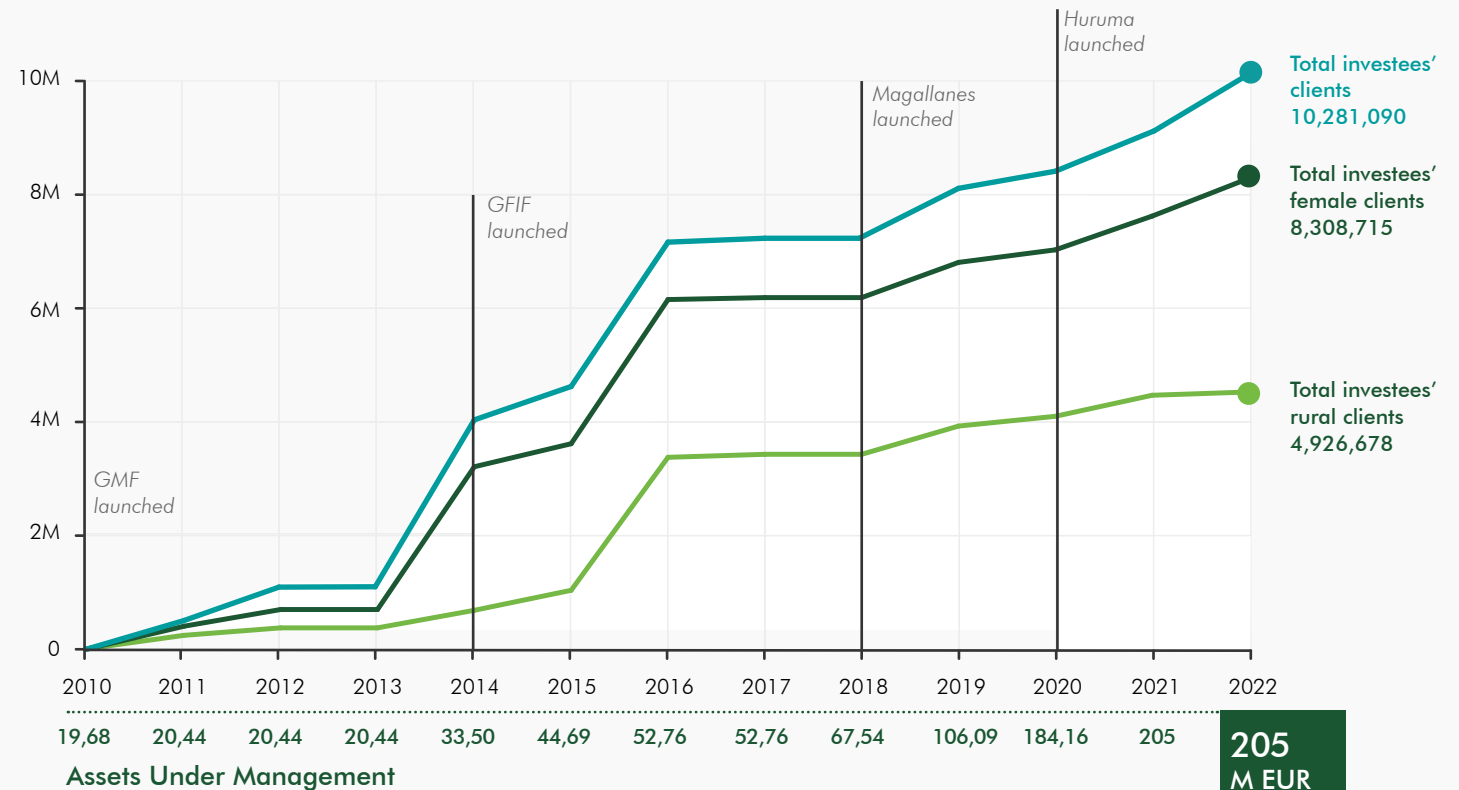
10.3 million total end-beneficiaries

81% of which are female clients and **48%** are rural clients



"WE ARE DEEPLY PROUD OF THE CONTINUOUS SUPPORT WE'RE PROVIDING TO UNDESERVED AND EXCLUDED FAMILIES AND BUSINESSES, TACKLING SOME OF THE MOST PRESSING PROBLEMS IN OUR SOCIETY TODAY, INCLUDING POVERTY, ACCESS TO FOOD AND CLIMATE CHANGE."

Tomás Ribé
Director of Investments



Our impact footprint

Latin America

Bolivia

- CRECER
- ProMujer

Brazil

- CRESOL

Chile

- Emprende MF
- Fondo Esperanza

Colombia

- Contactar
- Crezcamos

Ecuador

- Banco D-Miro
- INSOTEC
- FACES

Mexico

- CAMESA
- MEGA
- Procrédito

Nicaragua

- Fondo de Desarrollo Local

Panama

- Microserfin
- CFE

Paraguay

- Finexpar

Peru

- Norandino
- Edpyme Alternativa

Europe

Germany*

- ProCredit Holding

Africa

Ghana

- Sinapi

Senegal

- Caurie

Nigeria

- Babban Gona

Asia

Azerbaijan

- VF Azercredit

Georgia

- Credo

India

- Janalakshmi
- Fusion
- Kinara Capital
- Kanakadurga (KFL)
- Varthana
- AYE Finance
- ASA India
- Way Cool
- Pahal

Myanmar

- LOLC Myanmar

Philippines

- One Puhunan

Sri Lanka

- LOMC

* The investment was made in Procredit Holdings, based in Germany but was then distributed through its subsidiaries, most of which had presence in developing economies. ProCredit's exposure was as follows: Central and Eastern European Countries (CEECs) 57.3%, Commonwealth of Independent States (CIS) 15.2%, Latin America 24% and the remaining in Africa.



Our work during 2022



103.96 M euros of active financial service providers portfolio.¹

57.17 M euros invested in financial service providers.¹

5.1 M clients reached by our investees.⁵

85% of portfolio dedicated to productive activities.⁵

37% of clients under national poverty lines.²

12% insurance clients over total clients, **64% being health insurance**.⁵

11% of investees' clients receiving **free trainings**.⁵

117k SME clients reached by our investees, 30% of which are women-led. 3,4 average employees are supported by each SME client.⁵



17 M euros of active agricultural SMEs portfolio.¹

5 M euros invested in agricultural SMEs.¹

475k smallholder clients in Huruma's portfolio.³

80% of total clients attributed by GAWA are rural clients.⁵

131k smallholders linked to business ecosystems in Huruma's portfolio.³



4,000 investees clients implementing climate change mitigation solutions.⁵

2.1 M EUR investees portfolio financing climate change mitigation solutions.⁶

1,533 of investees clients receiving finance for implementation of adaptation and resilience solutions.⁵

3.4 M EUR investees portfolio financing climate adaptation and resilience solutions.⁵



6.4 M euros available to implement technical assistance projects.

4 investees are implementing capacity building projects with Huruma's TAF contribution of **500 K EUR**.⁷

1 – Committed investments. Internal indicator, 2 – IRIS Taxonomy: PD3569. SGD Indicator 1.1.1, 3 – IRIS Taxonomy: PI6372, 4 – IRIS Taxonomy: PI8999. SDG Indicator 2.3.2, 5 – Internal indicator, 6 – SDG Indicator 13.a.1 (C130a02), 7 - SDG Indicator 17.9.1 (C170901)



Impact Objectives



Financial Inclusion for Smallholders

Total outstanding: EUR 87 M
Companies in portfolio: 14
Companies financed: 8
Total disbursements: EUR 60.2 M

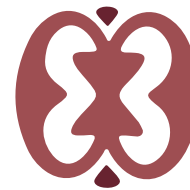


Financial Inclusion

Total outstanding: EUR 21.8 M
Companies in portfolio: 15
Companies financed: 5
Total disbursements: EUR 6 M

Total outstanding and companies in portfolio as of 31/12/2022.

Companies financed and total disbursement during 2022.



Business Ecosystems Inclusion

Total outstanding: EUR 17 M
Companies in portfolio: 2
Companies financed: 1
Total disbursement: EUR 5 M



Climate Change Adaptation & Mitigation

Nº of clients implementing climate change mitigation solutions during 2022: 4,000

Investees portfolio financing solutions that mitigate climate change as of 31/12/2022: 2.1 M EUR

Nº investees clients receiving finance for the implementation of climate adaptation & resilience solutions as of 31/12/2022: 1,533

Investees portfolio towards the implementation of climatic adaptation & resilience solutions as of 31/12/2022: 3.4 M EUR





Financial Inclusion

The lack of access to finance limits the ability of the most vulnerable to generate income, manage irregular cash flow, invest, and work their way out of poverty. It also plays a critical role in preparing for and responding to crisis and shocks. Financial inclusion is therefore an enabler and accelerator of broad-based economic growth and resilience. Access to financial services work towards equal rights to economic resources.

GAWA's funds focus on expanding financial services for vulnerable populations through delivering financing to Microfinance Institutions and Micro & Small Enterprise (MSME) Financing Institutions. These institutions provide vulnerable populations with the financial services they need. This means that they can make investments in economic opportunities that can lead them out of poverty, save or cope with shocks more easily.

Our first fund, GAWA Microfinance Fund (GMF) was launched in September 2010, raising EUR 20.4 million. It was liquidated in December 2018, having achieved a 6.34% annual IRR for investors. GMF focused on investments in Microfinance institutions and Micro & Small Enterprise (MSME) lenders worldwide mainly located in rural areas,

carrying out 9 investments in 8 different countries, with presence in Latin America, Asia, Eurasia and Africa (7 debt investments and 2 equity investments). GAWA's second fund, Global Impact Funds (GFIF), was launched in September 2014 with a fund size of EUR 32.3 million. GFIF executed its last investment at the end of 2017, and since then has carried out several capital returns to investors. GFIF has focused on investments in mainly rural Microfinance institutions and MSME lenders. The portfolio was made up of a total of 10 investments (7 debt; 3 equity) in 8 countries in Latin America and Asia. To date, 8 out of GFIF's 10 investments have come to maturity with positive returns. Currently, GAWA is advising the Fund Magallanes Impacto FIL, the first open-ended impact investing fund in Spain. Magallanes Fund was launched in September 2018, as of December 2022 with fund size of EUR 15.52 million and focuses on financial inclusion in Latin America and Asia. The Fund is managed by Magallanes Value Investors SGIIC, S.A., a leading fund management company in Spain. The Fund is supervised by the Spanish National Securities Market Commission (Comisión Nacional del Mercado de Valores - CNMV).

"FINANCIAL INCLUSION IS NOT JUST A TOOL TO IMPROVE THE ECONOMIC LIVING CONDITIONS OF OUR CLIENTS, IT IS A MEANS TO EMPOWER THE INDIVIDUALS IN ALL AREAS OF THEIR LIVES, TO OPEN PATHS FOR THEM AND MAKE THEM AWARE OF ALL THEIR POSSIBILITIES. FOR GAWA IT SHOULD BE A RIGHT FOR ALL AND WE HAVE BEEN FIGHTING FOR IT FOR OVER 10 YEARS."



Teresa Boada
Portfolio Management Officer





SDG Target 1.4

What

Increase access to economic resources for the poor and most vulnerable men and women through microfinance.

Who

Poor and vulnerable men & women living in developing countries.

How much

3.7 M total MFIs clients.¹
94% of productive portfolio.⁴

Contribution

459K clients were reached linked our investment.

Risk

Execution risk - Potential over-indebtedness of end-clients.

Mitigation - Onsite due diligence and monitoring to check that an adequate client risk analysis and process is being undertaken by the entity.



SDG Target 2.3

What

Increase agricultural productivity and income through financial services.

Who

Poor and vulnerable men & women living in developing countries.

How much

705K total MFIs rural clients in portfolio.²

Contribution

149K direct rural clients reached linked to our investment.

Risk

Evidence risk - Insufficient high-quality data regarding impact of financial services provision on end clients.

Mitigation - Onsite due diligence and monitoring ensures sufficient data quality.



SDG Target 5a

What

Increase women access to financial services and other forms of control.

Who

Poor and vulnerable women living in developing countries.

How much

3.2 M female investees clients.³

Contribution

423K direct female clients reached linked to our investment.

Risk

External risk - Lack of skills to carry out productive activities.

Mitigation - Onsite due diligence waitnessing the training sessions for women.

IMPACT MANAGEMENT PROJECT

1 – IRIS Taxonomy: PI4060.
2 – IRIS Taxonomy: PI6652.
3 – IRIS Taxonomy: PI8330.
4 – Internal indicator





GAWA's contribution

Magallanes Impacto, FIL, advised by GAWA, has provided OnePuhunan with 1.5 million-euro debt investment on August 2019 and 1.5 million-euro debt investment on March 2021 that is providing the much needed working capital (on-lending) to the borrowers amidst the pandemic and the more recent rapid interest rate rise.



Founded in 2014, One Puhunan provides tailored financial services in the Philippines focusing on self-employed women and women owned Micro, Small, and Medium Enterprises (MSMEs) which are not served by traditional banking institutions.

In the Philippines only approx. 51%¹ of the population has a bank account. Besides, MSMEs contribute to 35.7% of total value-added, 60% of all exports, and support 62.7% of total employment².

Sixty-seven percent of the MSMEs experience credit constraints³ and the continuous increase in lending interest rates has only made it harder. Most of them rely on internal resources for their capital needs. While those who apply for traditional bank loans face tedious documentation, high interest rates, and mandatory collateral requirements.

These issues are even more acute for women-owned MSMEs that are almost two times more likely to report challenges with access to finance than men-owned MSMEs.⁴ This disparity can be attributed to factors such as the perceived complexity of the application

process, documentation requirements, and financing costs, which makes women-owned MSMEs more hesitant to apply for funding than their male counterparts.

The work of microfinance institutions like OnePuhunan is key to promoting financial inclusion and fostering development. OnePuhunan currently reaches more than 390,000 entrepreneurs with an average loan size that represents <8% of Gross National Income per capita. It is mainly providing group loans for women running small commercial and trading activities and requiring working capital to operate these businesses (approx. 80% of all loans). These women mainly operate “sari-sari” stores in urban areas and engage in smallholder agriculture in rural areas.

OnePuhunan employs a group lending methodology but restricts the liability to individuals – a model that has worked well enabling high levels of growth since its inception in 2014. Besides, its offer is characterised by its simplicity, transparency, adapted repayments and efficient disbursement.

Future prospects

In order to diversify its portfolio and address the market need for bigger loan amounts that accompanies clients in its growth trajectories, the institution is starting to roll out individual loans. OnePuhunan is developing a specific credit scoring model and opening new payment channels to support business growth in the coming years.

TAILORED
FINANCIAL
SERVICES
FOR FEMALE
ENTREPRENEURS

2 – The World Bank: Global Findex 2021 database

3 – Philippine Statistics Authority, 2020

4 – Securities and Exchange Commission

5 – Asian Development Bank





Financial Inclusion for Smallholders

Farmers with secure and equal access to financial services are often more able to increase their productivity and income by purchasing better inputs, improving their farming techniques and investing in assets.

Experience and travel led us to realize that smallholder farmers were frequently left aside by the financial system in general, due to their irregular cashflows and more complex associated risks. Farmers need specific agricultural financial products that have capacity to analyse and adapt to agricultural risks and dedicated services so that they can learn about productive techniques. Currently, farmers' restricted access to financial services leaves an unmet demand of over \$170 billion per year.⁵

GAWA's investments aim at increasing the agricultural productivity and incomes of small-scale food producers via secure and equal access to financial services through specialized Microfinance Institutions and other Financial Service Providers. In addition, several entities also offer agricultural extension services for farmers, such as trainings and technical assistance, helping increase productivity and income.

MFIs and other FSPs need long-term strategic commitment, product development, credit assessment, staffing and operating models in order to serve this segment.

GAWA Capital realized in its previous three funds that rural FSPs were not serving smallholder farmers. In order to foster smallholders' productivity, in December 2019 GAWA launched the Huruma Fund, with a specific rural & agricultural focus seeking to financially include smallholders' farmers. Besides, it aims at transforming MFI through capacity building to better serve farmers. The Huruma Fund invests in financial service providers with an agricultural approach.

This Fund is currently ending its investment phase and focuses on Latin America, Africa and, to a lesser extent, Asia. It enjoys a blended finance structure, with a EUR 10 million first-loss tranche (EU funds, managed by COFIDES – Spanish Development Finance Institution) and EUR 20 million in junior debt (AECID, Spanish Agency for International Development Cooperation), significantly reducing the risk for investors while enhancing the Fund's target IRR. A Technical Assistance Facility of EUR 8 million (EU funds, managed by COFIDES) is available to investees, helping to maximise the social value of Huruma's investments.

We expect our investments to impact 100,000 farmers during the life of the Fund. As of December 31st, 2022, we already reached 84,336 farmers.

"HURUMA FUND INVESTMENTS HAVE BEEN FOCUSED ON FINANCING COMPANIES THAT ARE AIMING TO INCREASE ACCESS TO FINANCE TO SMALLHOLDER FARMERS WITH SOLUTIONS THAT ADEQUATELY MEET THEIR NEEDS. GAWA'S TEAM HAS BEEN ACTIVELY LOOKING FOR THE RIGHT OPPORTUNITIES, IDENTIFYING STRONG PROJECTS THAT WERE WILLING TO SUSTAINABLY GROW THEIR AGRICULTURAL OUTREACH WITH THE SUPPORT OF HURUMA'S INVESTMENT."

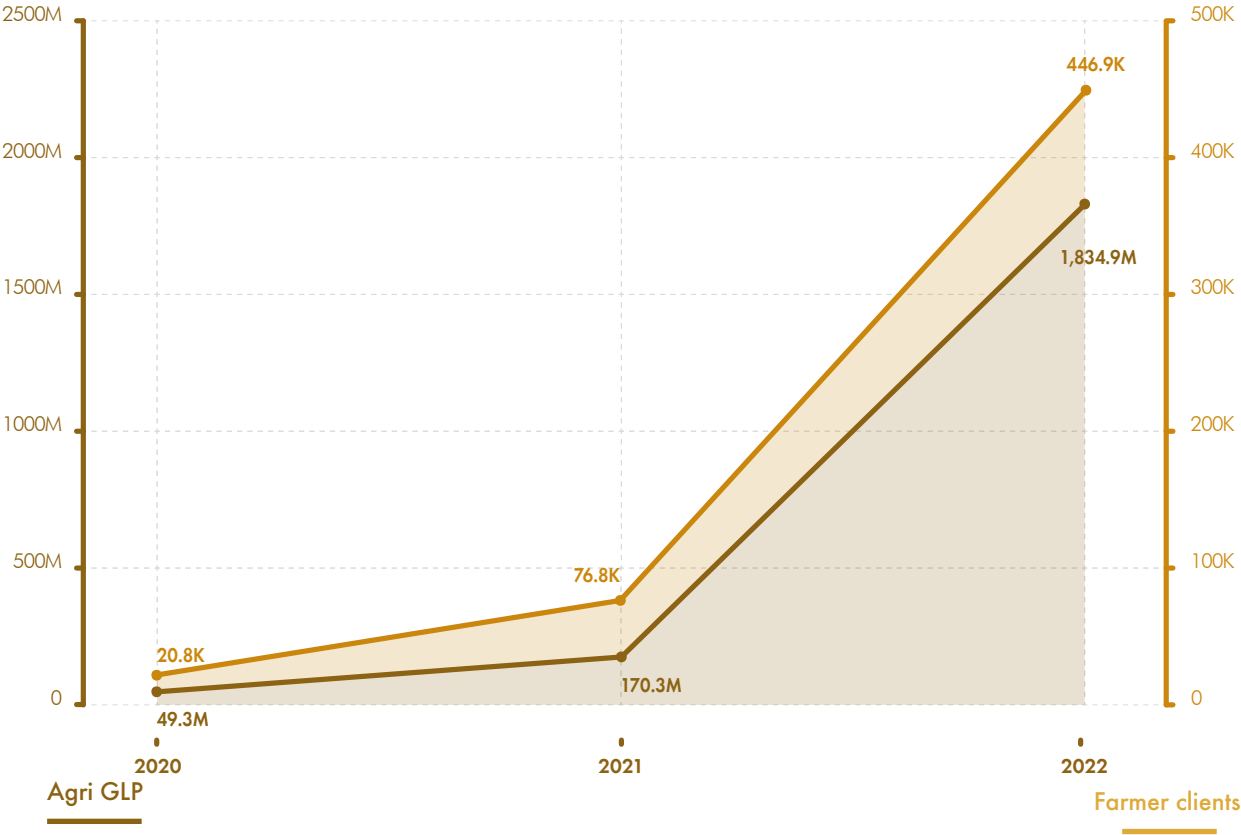


Cristina Martinez
Senior Investment Officer

As of December 2022, the Fund has investments in Ecuador, Peru, Bolivia, Mexico, Senegal, Brazil, Panama, Paraguay and India, both in debt and equity.



TOTAL AGRICULTURAL OUTREACH OF OUR INVESTEEES



TOP 5 FARMING ACTIVITIES OF OUR END-BENEFICIARIES





SDG Target 1.4

IMPACT MANAGEMENT PROJECT

What

Increase access to economic resources for the poor and most vulnerable men and women through microfinance.

Who

Poor and vulnerable men & women living in developing countries.

How much

1.5 M total MFIs clients.¹
39% of clients under national poverty lines.²
83% of productive portfolio.⁶

Contribution

811K direct clients reached linked to our investment.

Risk

Execution risk - Lack of appropriate financial products with payment schedules that the farmers cannot afford.

Mitigation - Through Technical Assistance, potential development of agricultural financial products for the farmers.



SDG Target 2.3

What

Increase agricultural productivity and income through financial services and increase agricultural resilience through mechanisms that strengthen adaptation capacity.

Who

Poor and vulnerable men & women living in developing countries.

How much

317K total MFIs agricultural clients.³
2,963 investees' clients receiving free agricultural training.⁶
1,055 investees' clients with agricultural insurance.⁶

Contribution

268K direct agricultural clients reached linked to our investment.

Risk

Alignment risk – Investees strategic focus on the agricultural segment might weaken in the future.

Mitigation - Onsite due diligence ensures current solid strategic focus. Availability of Technical Assistance funds to adapt business models to work with smallholders' farmers favours future alignment.



SDG Target 5a

What

Increase women access to financial services and other forms of control.

Who

Poor and vulnerable women living in developing countries.

How much

894K female clients in investees.⁴
69% female farmers over total farmers reached by our investees.⁶
44% of female staff in our investees.⁶

Contribution

769K direct female clients in relation to our investment.

Risk

External risk – Lack of skills to carry out productive activities.

Mitigation – Onsite due diligence waitnessing the training sessions for women.

1 – IRIS Taxonomy: PI4060. 2 – IRIS Taxonomy: PD3569. SGD Indicator 1.1.1
3 – IRIS Taxonomy: PI6372. 4 - IRIS Taxonomy: PI8330.
5 - IRIS Taxonomy: OI2444 6 - Internal indicator





GAWA's contribution

Huruma Fund has provided Cresol with a 11.7-million-euro debt investment aiming to support the family farmers portfolio. Agricultural credit demand is outpacing public resources available (which is the main financier in Brazil) creating a gap that needs to be filled by the private sector.

Besides, the Technical Assistance of Huruma Fund will contribute to increasing productivity and the income generation capacity of family farmers and agricultural MSMEs.



Cresol Baser is a Brazilian central cooperative with 26 years of experience operating mainly in the southern region of Brazil (Paraná, Santa Catarina and Rio Grande do Sul). It is composed by 20 Singular Cooperatives with 294 branches serving 268,000 members.

Cresol was founded by low-income family farmers of distant communities looking for access credit and sector development unlocking governmental funding. Nowadays, more than 70% of Cresol's members are family farmers and Micro, small and medium-sized enterprises (MSMEs) linked to agricultural value chains.

Cresol portfolio finances more than 117 different agricultural activities, out of which soybeans (23.8%), corn (9.66%), beef cattle (8.52%) dairy cattle (7.73%) and wheat (5.9%) represent the top 5 crops

Cresol has consolidated its position as major financial institution that provides rural credit for family farming in Brazil. In the harvest season 2021/2022, which started in July 2021, Cresol managed more than 145 million-euro from the National Program to Strengthen Family Agriculture (PRONAF).

Future prospects

Cresol has a strong organic growth plan driven by two main strategies.

- Deepening their presence in the urban and peri-urban areas focusing on serving Agri-value chain entrepreneurs (e.g., butchers, bakers, cheese artisan, etc.) that need loans for start-up, establishment costs and for working capital needs.
- Geographically expanding to northers or north-eastern regions where farmers lack access to credit.

Moreover, Cresol Baser and its credit cooperatives want to expand the outreach and thematic approaches of the non-financial services offered to its members.

The goal with family farmers is to improve their capacities and the implementation of climate-smart practices and technologies with an emphasis on women and youth inclusion. This way family farmers can keep improving its economic gains at a lower environmental impact and foster an active social participation in Cresol. Farmers are

expected to adopt no-till farming, agroecological practices, agroforestry, biodigesters, pasture and livestock management among others.

Regarding MSMEs of the agricultural value chain, the goal is to provide advisory services to strengthen their management capabilities and strategic planning. The program will provide a trajectory of entrepreneurial and managerial training through mentoring fostering, SWOT Analysis and Action Plan, Financial managements and Cash Flows, Marketing, etc.

FAMILY FARMING





Business Ecosystems Inclusion

Most smallholder farmers are excluded from business ecosystems (network of organizations—including suppliers, distributors, customers, competitors, government agencies, and so on—involvement in the delivery of a specific product or service through both competition and cooperation) being limited to business ecosystems that are characterized by its irregularity, low-quality products, low prices, low returns and non-cooperation. These smallholders lack 1) access to quality inputs, 2) access to mechanization and other advanced farming techniques and 3) access to markets where to sell outputs.

Agricultural business ecosystems in developing countries are normally dual: one informal or “traditional”, and the other formal or “modern”. Smallholders are regularly involved in the informal part that deliver products to local middlemen and then to small local stores.

Agricultural business such as aggregators, cooperatives and agri-techs, among others can foster inclusive business ecosystems that engage with smallholder farmers so they can access more formal and equitable markets.

GAWA through the Huruma Fund can invest in organizations such as aggregators, agri-techs, processors, distributors, or other

entities that works towards including smallholder farmers into higher value business ecosystems.

As of December 2022, the Fund has investments in two agricultural business that are including into business ecosystem at more than 131,021 smallholder farmers. These companies are not simple buyers, their strategy involves engaging with them through the entire cultivation cycle. Involved farmers substantially increase their productivity, profitability, reduce their risk, and stabilize their income by leveraging a host of agricultural technologies like better inputs or agricultural practices.

One of our investees, Waycool, is one of India’s largest and fastest growing agri-food companies, that processes, distributes, and supplies dairy and fresh produce staples to small stores. WayCool buys produce from more than 35,481 farmers and, through its agricultural extension program, engages with them through the entire cultivation cycle. Moreover, Babban Gona (BG) is a Nigerian enterprise that provides the following key services for smallholder farmers that adhere to BG’s advice: training and education, financial credit, high-quality agricultural inputs and harvesting & marketing support.

TOP 5 FARMING ACTIVITIES OF OUR END-BENEFICIARIES



“EMPOWERING SMALLHOLDER FARMERS REQUIRES MORE THAN JUST FUNDING; IT DEMANDS FOSTERING INCLUSIVE ECOSYSTEMS THAT INTEGRATE THEM INTO VALUE CHAINS.”



Irene Vázquez
Principal of Investments





SDG Target 2.3



SDG Target 2.4

IMPACT MANAGEMENT PROJECT

What

Increase agricultural productivity and income through productive resources and inputs, knowledge, markets and opportunities for value addition.

Who

Farmers living in developing countries.

How much

131,021 farmers included in business ecosystems.²

Contribution

22,987 farmer suppliers reached linked to our investment.

Average increase in income of 27.55% and average increase in yield of 88.10%*¹

Risk

External risk – Exposure to climate change and rising temperatures that may alter their crops functioning, income and productivity.

Mitigation – Improved farming practices by business ecosystem players.

What

Ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

Who

Farmers living in developing countries.

How much

131,021 farmers included in business ecosystems.²

95,825 farmers having received training by our investees during 2022.³

52,551 Ha of smallholder land indirectly supported.⁴

Contribution

22,987 farmer suppliers reached linked to our investment.

Average increase in income of 27.55% and average increase in yield of 88.10%*¹

Risk

External risk – Exposure to climate change and rising temperatures that may alter their crops functioning, income and productivity.

Mitigation – Improved farming practices by business ecosystem players.

* For Babban Gona's suppliers: compared against national average, and for Waycool's suppliers: compared to farmers' incomes and yields previous to supplying Waycool.

1 – IRIS Taxonomy: PI8999. SDG Indicator 2.3.2 2 – IRIS Taxonomy: PI9991.

3 - Internal indicator 4 - IRIS Taxonomy: PI7403





GAWA's contribution

The Huruma Fund has provided Babban Gona with a 5-million-euro debt investment with a duration of 3 years.

With technical assistance from GAWA, Babban Gona will seek the support of technology experts and consultants to continue to build the Agri OS platform. This will enable BG to scale and reach more smallholders and to increase their productivity and profitability.



Babban Gona ("Great Farm" in Hausa) is a Nigerian social enterprise, part-owned by the farmers that provides holistic services in the maize value chain.

Babban Gona (BG) model, provides training, financial credit, agricultural inputs, and harvesting and marketing support to the member maize farmers to help them increase their productivity and profitability, reaching on average to 2 times national average.

In the pre-planting season, BG trains its members on the best agronomic practices. Later in the planting season, it provides high quality agricultural inputs on credit (i.e. Input Loan) and ongoing guidance to enhance their farming yield.

At harvest, BG supports its members to thresh grains, bag the grains, and store them for marketing. The grains deposited with Babban Gona are used to unlock immediate liquidity for members, via a cash advance (i.e. Harvest Advance Loan) after netting off the Input Loan.

Babban Gona sells members' grains over a 9-month period after the harvest. The main off-takers are poultry companies, which use

it for feed. Babban Gona members are also eligible for bonus payments where profits are realized in the selling of grains to off-takers.

The company has provided support for over 95,000 smallholder farmers cultivating more 65,000 hectares during 2022.

Future prospects

Babban Gona's business model can be managed directly with farmer groups or indirectly through "franchises", training, developing, and financing grassroot entrepreneurs to manage a network of farmers.

The "franchise" model significantly reduces staff and operational costs because entrepreneurs are members of the communities and handle inputs, delivery and storage more efficiently. This innovative model has enabled BG to become more scalable and efficient as it needs less internal resources. Moreover, BG's "franchise" model relies on a technological platform (Agri OS) to start and sustainably run field operations (hiring field officers, recruiting farmer leaders, input distribution, field monitoring, harvest, and marketing activities)

MAKING FARMING MORE PROFITABLE



Climate Adaptation & Mitigation

The relevant scientific, technical, and socio-economic information regarding climate change confirms that global surface temperature will continue to increase until at least the mid-century under all emissions scenarios considered. Climate change also implies an increase in extreme weather events, for instance, heat waves, floods, droughts and water shortages. This highlights the importance of an ecological transition to build a new economic model to achieve the net-zero goal as soon as possible.

Even the low emissions scenario implies important changes in livelihoods, and it's expected to exacerbate poverty in most developing countries and create new poverty pockets in countries with increasing inequality. As a result, vulnerable populations and small businesses need to adapt to this new volatile environment by acquiring assets and adopting new solution that protects them from future shocks.

GAWA wants to catalyse mitigation and adaptation of climate change for most vulnerable and forgotten like the MSMEs and smallholder farmer's sector.

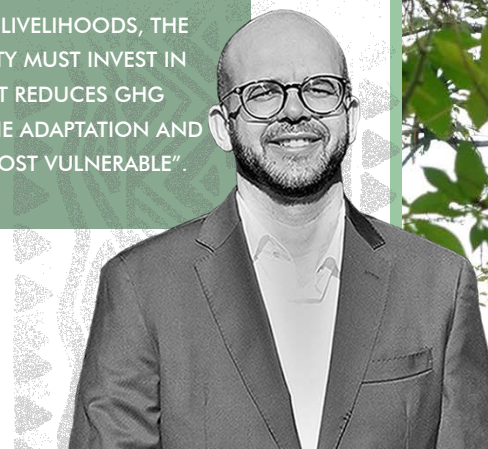
Financial Service Providers and Agricultural SMEs are key to reach smallholder farmers which are among the most vulnerable to cli-

mate change impacts. Their livelihood is entirely reliant on the environment, therefore being extremely vulnerable to even minor changes in temperature or extreme weather events.

Building climate resilience for these farmers requires a massive improvement in agricultural value chains by adopting climate-smart practices, crops and assets. The improved value chains will expand smallholder access to quality assets, inputs, training, processing, and market opportunities for high-value and climate-resilient crops. These crops and practices will restore nutrients into depleted soils and enable farmers to achieve sustainable yields and profits, bolstering their resilience to climate change. Further, new trees planted, and organic matter generated will sequester CO₂, helping to mitigate climate change.

Moreover, SMEs are the backbone of the emerging markets economies, representing the vast majority of businesses. Estimates suggest that small businesses contribute to 60-70 percent of total industrial pollution. Therefore, the ecological transition should be built around decarbonizing SMEs to gradually include environmental practices in their business processes, rethinking the production model and adapting the use of energy.

"EVEN THE CONSERVATIVE EMISSIONS SCENARIO IMPLY IMPORTANT CHANGES IN LIVELIHOODS, THE ENTIRE INVESTMENT COMMUNITY MUST INVEST IN A NEW ECONOMIC MODEL THAT REDUCES GHG EMISSIONS WHILE BUILDS UP THE ADAPTATION AND RESILIENCE CAPACITY OF THE MOST VULNERABLE".



José García
Transformation & Impact Manager

Making SME greener will lower production costs as a result of lower uses of energy and other resources and it will also enhance their access to export markets and to international value chains which are under increased pressure to mitigate the climate footprint of their operations.

The good news is that there are number of solutions that, in addition of providing substantial mitigation benefits reducing the carbon footprint of SMEs and farmers, are also contributing to building resilience among these vulnerable segments. When a company invests in a mitigation solution it often becomes more resilient to climate change. Similarly, many of the ecosystem-based adaptation measures capture large amount of carbon.

GAWA aims at ensuring that the SME and Agricultural sector can easily implement these solutions by facilitating financing and advisory by Financial Service Providers.





SDG Target 13a

IMPACT MANAGEMENT PROJECT

What

Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilizing jointly \$100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible.

Who

MSMEs in developing countries.

How much

4,000 investees' clients are implementing climate change mitigation solutions.
2.1 M EUR investees portfolio financing solutions that mitigate climate change.²
176 kWh renewable energy capacity installed during 2022.³

Contribution

No contribution has been acknowledged yet as this is a new impact focus for GAWA Capital. During next year, GAWA will start to monitor its contribution to climate change adaptation and mitigation.

Risk

External risk – Exposure to climate change and rising temperatures that may alter their crops functioning, income and productivity.

Mitigation – Resilient farming practices promoted by Waycool to its suppliers.



SDG Target 2.4

What

Ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, **that strengthen capacity for adaptation to climate change**, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

Who

Farmers living in developing countries.

How much

1,533 farmers are receiving finance for the implementation of climate adaptation & resilience solutions.³
3.4 M EUR of investees' portfolios are linked to the implementation of climatic adaptation & resilience solutions.³
90% of farmers involved in Waycool's Outgrow program have efficient irrigation systems implemented as of 31.12.2022.¹

Contribution

No contribution has been acknowledged yet as this is a new impact focus for GAWA Capital. During next year, GAWA will start to monitor its contribution to climate change adaptation and mitigation.

Risk

External risk – Exposure to climate change and rising temperatures that may alter their crops functioning, income and productivity.

Mitigation – Resilient farming practices promoted by Waycool to its suppliers.

1 - SDG Indicator 2.4.1. (C020401)
2 – SDG Indicator 13.a.1 (C130a02)
3 - Internal indicator





GAWA's contribution

Huruma Fund has provided FACES with a 4.8-million-euro debt investment, with which it aims to support smallholder farmers by channelling the investment toward its Agri and Green portfolio. Since Huruma's investment, its agricultural and green portfolio have increased by 16 and 3 million euro respectively, while the total number of agricultural and livestock clients rose in 6,600.

Besides, Magallanes Impacto, FIL, advised by GAWA, has also provided Faces with a 2-million-euro debt investment, with a duration of 3 years.

Both investments were made in the early Covid aftermath, when financing needs were high due to lockdown payments deferment and high credit demand from client to resume business activity.

More recently, supporting FACES green strategy, Huruma Fund offered a 0.5% rebate on the interest rate of a 2.2-million-euro renewal debt investment. This discount could go up to 33,000 dollars if certain social milestones are met, including the disbursement of 15-million-dollar of Green Agricultural Microcredits in the next 2 years.



The Fundación de Apoyo Comunitario y Social del Ecuador, FACES, is an Ecuadorian NGO founded in 1991 aimed at fostering the social and economic development of Ecuador. Providing loans and technical assistance to microentrepreneurs, FACES contributes to the fight against poverty and unemployment in the southern region, one of the poorest areas of Ecuador.

FACES has grown its loan portfolio above 60 million-euro, focusing on financing agricultural activities (57% portfolio), predominantly in rural areas (65% loans). It is providing individual credit products with an average loan size of EUR 2,200, reaching 28,000 clients through 24 branches in 8 regions.

In 2019, it pioneered "green credit" in the country through a project with the financial support of the Inter-American Development Bank. It seeks at qualifying producers according to their environmental management system and then grant a differentiated interest rate for the best performers as an incentive.

Future prospects

Overall, Faces has a strong focus on agricultural lending and wants to keep improving and innovating the way it deals with this segment of clients.

Faces aims to keep growing its green portfolio, reaching 3.5 million euro and 1,386 clients in December 2022. This portfolio is focused at financing activities that contribute to reducing pressure on the ecosystem, increasing resilience, reducing risks associated with climate change and protecting or restoring biodiversity.

Along with the provision of financial resources, Faces helps provide technological resources and technical assistance to implement the adaptation and mitigation measures, stabilising or increasing clients' productivity.

The lessons learned and the new data available have made Faces aware of the potential for implementing a new standard agriculture and livestock credit methodology based on a new digital tool. This data-driven tool will create an internal scoring system

that will improve FACES Risk Management System, adapting data analysis to clients' circumstances. It will also enable better agronomic and livestock recommendations, improving clients' traditional practices and increasing their productivity and resilience.

In addition, as a financial institution with a significant agricultural portfolio, it faces a number of additional risk-related challenges that need to be monitored to adapt risk levels and actively managed where possible.

SCALING GREEN LENDING



Impact Tools

At GAWA Capital, we believe that an investment has no real impact unless you foster transformation and measure and manage impact. We use Technical Assistance and Impact Management & Measurement as key tools to achieve real and lasting change in institutions and people's lives.

"WE HAVE STRONG FOCUS ON IMPACT BOTH IN QUANTITATIVE AND QUALITATIVE WAYS. TARGETS ARE MONITORED AND MANAGED THROUGH THE INVESTMENT, WHILE END-CLIENTS ARE ALSO LISTENED TO DURING OUR TRAVELS TO ENSURE THAT POSITIVE IMPACT IS ACTUALLY OCCURRING. TECHNICAL ASSISTANCE IS ALSO BECOMING AN IMPORTANT PILLAR AT GAWA SINCE, WITH EXPERIENCE, WE HAVE REALISED THAT INVESTEE AND ECOSYSTEMIC TRANSFORMATION IS LEVERAGED NOT ONLY ON INVESTMENT, BUT IMPORTANTLY ON NON-FINANCIAL SUPPORT."



Marta Juste
Transformation & Impact Analyst





Impact Management and Measurement

A social and environmental due diligence of the entity is carried out before investing, in which the social & environmental level status of the entity is analyzed. Within the complete set of metrics used, standardized Social Performance metrics (CERISE – SBS/SPI4) and personalized metrics are used.

Over the investment's life, the evolution of the investee's metrics is reported quarterly. Metrics of Social Performance, Agricultural Readiness and Customized Metrics are measured, which include indicators at both the entity level and the client level. These metrics measure to what extent the invested companies implement policies/business models that serve end-clients (input) and what real impact is generated through their activities (outcome). Metrics are defined with COFIDES and are part of a validated methodology. Social Impact Scores are subsequently audited by an independent social auditor chosen by investors.

Through the quarterly monitoring of the investees, the progress made by the entities is measured (each entity is assigned a social impact score). Active management is maintained, checking the evolution of indicators and compliance with metrics, thus allowing to react in case the objectives are

not being reached and redirect if necessary. There is incentives' alignment since GAWA's profit sharing depends on the social outcome.

Average social portfolio
performance score **81%**

This percentage represents a weighted average evolution of all GAWA funds' social performance scoring. This scoring evaluates how the investee defines, monitors and commits to social goals, if it designs products adequate to clients' needs, if clients and employees are treated responsibly and the extent of environmental focus. Investees have shown a rising trend on their social performance score, which implies that there is an increased focus on social and environmental performance.

GAWA's funds follow the Sustainable Finance Disclosure Regulation (SFDR), which requires increased disclosure on environmental, social, and governance (ESG) and sustainability claims for sustainable investment products, primarily through enhanced product labeling. GAWA is already working on the annual disclosures. As of December 31st, 2022 all of GAWA's funds are classified as article 9.



SOCIAL IMPACT IS MAXIMIZED
BY ACTIVELY MANAGING IT



Investee Transformation

Through our investments, GAWA Capital not only aims at delivering impact but also at transforming its investees to amplify and catalyse the impact they are able to generate.

COFIDES and the European Union agreed to a financial contribution for the setting up of a Technical Assistance Facility (TAF) for the Huruma Fund. This Facility is the impact amplifier of the Fund. We believe that the projects that can be developed through this Facility will boost the investee's outreach and impact on farmer clients, which is our main target.

Most MFIs have difficulties reaching agricultural clients, since these clients have specific risks that need to be addressed and mitigated. Technical Assistance contributes to strengthening our investees' capacities, improving their methodologies so that more adequate financial products can be offered.

As for agricultural value chain players, these have the potential of creating a successful collaboration network with farmers - the Facility can catalyse these collaborations, contributing at including farmers into formal value chains, stabilizing and improving their income.

Technical Assistance (TA) is a tool that fosters the fulfillment of Huruma's objectives, transforming investees to better serve their end customers.

TA projects are focused on training activities and transfer of technical knowledge. The goal is to improve an organization's ability to do new things and improve what it currently does. An essential ingredient of capacity development is transformation, which goes beyond the accomplishment of tasks to change mindsets and attitudes.

The complementarity between financial resources and knowledge transfer will help to maximize the efficiency and the Fund's impact as a whole.

Among TA's main topics, the projects are carried out individually and tailored for each entity. This allows projects to align and complement the entity's strategic objectives with the objectives of the Huruma Fund.

At the beginning of each project, certain indicators and specific objectives are established, which are measured and managed throughout the implementation of the project. Certain commitments are also established by the entity so that the developments have continuity after implementation, thus promoting the success and sustainability of the projects.



The TAF contributes mainly to **SDG target 17.9**: Enhance international support for implementing effective and targeted capacity-building in developing countries, including through North-South, South-South and triangular cooperation.

4 investees are implementing capacity building projects with Huruma's TAF contribution of **500k EUR**.

TECHNICAL ASSISTANCE AREAS OF WORK

- Agricultural readiness for Financial Entities
- Social and environmental risk management
- Overall business improvement
- Agricultural value chain improvement
- Transversal agricultural projects
- Knowledge sharing platform

OUR IMPACT ACCELERATOR





GAWA's contribution

Together with the 2.5 million euro debt investment in Caurie, the Technical Assistance Facility is developing a EUR 100k project.

This aims at helping CAURIE become an agent of change by promoting agricultural practices which foster resilience to climate change and increasing the agricultural productivity of its clients.



In Senegal, the agricultural sector is a key driver of the economy and a lever for inclusive growth, food security, employment and poverty reduction. However, agricultural productivity is hampered by lack of good agricultural practices, quality seeds, fertilizers, soil degradation, and inadequate or erratic rainfall among other issues.

CAURIE has become one of the largest MFIs in Senegal, reaching >139,000 clients and >80,000 borrowers in 13 of Senegal's 14 regions. It is predominantly financing women (96%) through mutually supportive groups called "Bancs Villageois". These groups are formed by 35-100 women who do not have collateral to borrow money. Receiving a microcredit brings the opportunity for these women to start their own business and contribute to their family economy. The activities to which they usually dedicate the microcredit are small businesses, the cultivation of peanuts, millet, vegetables and fruit, and the raising of animals such as chickens and sheep.

The Technical Assistance Project of the Huruma Fund, with the expertise of YAPU Solutions (the selected implementing partner), is digitizing Caurie's agricultural credit process and adjusting its methodology and information management systems.

The project follows the key elements of the Ecosystem-based Adaptation for Microfinance approach developed by United Nations Environmental Program.

Key project activities

- Integration of climate and environmental risks into overall risk portfolio management to prevent the potential financial impacts derived from CAURIE's agricultural portfolio.
- Integration of environmental risks, climate risks, and adaptive capacity into clients' repayment cashflow analysis of loan applications.
- Development and digitization of referential data maps for the most relevant agricultural and livestock activities.

- Development of new products and procedures for financing ecosystem-based climate change adaptation solutions to all CAURIE branches according to local climate realities.
- Training of operational staff about the Ecosystem-based Adaptation for Microfinance approach and key changes implemented.
- Raise of awareness and promotion of best agricultural practices among clients to foster resilience to the impacts of climate change and environmental risks.

IMPROVEMENT OF AGRICULTURAL CREDIT THROUGH DIGITALIZATION

Partners

Thanks to our partners that work with us to create systemic change, mobilizing public and private financial resources towards assets building and resilience for the most vulnerable.



"WE BELIEVE PARTNERSHIPS WITH BOTH PRIVATE AND PUBLIC ENTITIES ARE CRUCIAL FOR THE IMPACT ECOSYSTEM TO THRIVE, REACH ITS TARGETS AND DRIVE REAL CHANGE"

María de Palacio
CFO/CRO



Magallanes has a strong interest in social development, having launched alongside GAWA Capital the first open-ended impact investing fund in Spain - "Magallanes Impacto FIL". Magallanes Impacto is managed by Magallanes Value Investors and is regulated by the Spanish National Securities Market Commission (CNMV). GAWA Capital acts as investment advisor to this Fund, which focuses on promoting financial inclusion in developing and emerging countries across the globe.

FONPRODE is an instrument of Spanish International Cooperation with the primary aim of eradicating poverty, reducing social inequalities between individuals and communities, while promoting gender equality, protection of human rights and sustainable human development in poor countries. FONPRODE has invested in GAWA's second fund - Global Financial Inclusion Fund - and in GAWA's third fund - Huruma Fund - via EUR 20 million in concessional debt.

COFIDES is managing the EU funds granted to GAWA's third fund - Huruma Fund - in the form of a EUR 10 million first loss facility and EUR 8 million of Technical Assistance.

The European Commission is executive body of the European Union, through which the latter participates in the Huruma Fund. The European Union is committed to sharing its achievements and values with countries and peoples beyond its borders. Huruma Fund was the first project presented by Spain to the European Union to mobilize first-loss investment and the technical assistance facility.



Alliances

Thanks to our allies that help us create and facilitate knowledge, innovative investment approaches, and produce valuable tools and resources. This accelerates a new economic model where social and environmental impact is integrated into all economic and financial decisions.

“GOOD INTENTIONS ALONE ARE NOT ENOUGH TO CREATE THE IMPACT WE ARE LOOKING FOR. ALIGNING EFFORTS THROUGH NATIONAL ADVISORY BOARDS AND INTERNATIONAL NETWORKS IS ESSENTIAL TO BRINGING LASTING BENEFITS TO TARGET POPULATIONS.”

Gloria Moradas
Finance & Compliance



Scale for resilience is an initiative co-originated by GAWA Capital, Yapu Solutions and CGIAR to make smallholder farmers around the world more resilient, by leveraging the benefits of Nature-based Solutions (NbS). To achieve this, “Scale for Resilience” addresses all parts of the financial value chain and seeks to create the conditions to finance NbS on a large scale by promoting digital tools.

SpainNAB is the national impact investing association that represents Spain on the Global Steering Group for impact investing (GSG), the international organization successor of the G8 Impact Investing taskforce. In its effort to contribute to the growth of the Spanish impact investing sector, GAWA Capital was founding member of SpainNAB, actively contributing to Spain’s adhesion to the GSG. Once Spain became member of the GSG, GAWA Capital currently leads the impact funds’ taskforce, authoring three toolkits (blended finance, distribution of impact products, and impact measurement and management) that contributed to quadruple Spanish impact investing funds’ assets under management in just two years.

The Global Impact Investing Network (GIIN) is a non-profit organization dedicated to increasing the scale and effectiveness of impact investing. By convening impact investors to facilitate knowledge exchange, highlighting innovative investment approaches, building the evidence base for the industry, and producing valuable tools and resources, the GIIN seeks to accelerate the industry’s development through focused leadership and collective action. The GIIN is currently a sponsored project of Rockefeller Philanthropy Advisors. GAWA Capital is part of The GIIN’s Investors’ Council, where leading impact investors gather. This Council provides a forum for experienced impact investors to strengthen the practice of impact investing.

Net Zero Asset Owner Alliance The UN-convened Net Zero Asset Owner Alliance (NZAOA) is a member-led initiative of institutional investors committed to transitioning their investment portfolios to net-zero GHG emissions by 2050 – consistent with a maximum temperature rise of 1.5°C. The Alliance members are the finance industry’s first to set intermediate targets, which include CO2 reduction ranges for 2025 (22 – 32%) and for 2030 (40% – 60%)



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MADRID

C/ Alcalá 96, 4º Centro
28009 Madrid, Spain

Follow us
GAWA Capital

Visit our website
www.gawacapital.com

Or contact us at
info@GAWAcapital.com

