

Sustainability-related Disclosures

1. SUMMARY

Huruma's sustainable investment objective is to provide excluded rural populations with access to finance in developing countries, providing investment capital for the development and growth of Social Enterprises with the objective of providing a positive social impact for economically vulnerable or socially excluded people and improve the quality of life of smallholder farmers. 100% of investments of the Fund qualifies as sustainable investments. The invested entities on average have low environmental and social risks, social due diligences are carried out to ensure that do significant harm to any sustainable investment objective.

2. NO SIGNIFICANT HARM TO THE SUSTAINABLE INVESTMENT OBJECTIVE

The invested entities on average have low environmental and social risks, especially with regards to MFI's activity and not relevant events have been identified in 2022.

Nonetheless, social due diligences are carried out before any investment to ensure they are not carrying out economic activities that do significant harm to any sustainable investment objective. Moreover, all financing agreements have specifically included the IFC exclusion list.

The SPI4 has been monitored throughout the year and can partially serve as an indicator to monitor that entities do not cause significant harm. The Fund ensures through its Environmental and Social Risk Management System that the 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).

Lastly, the Fund takes into account the indicators for adverse impacts on sustainability factors.

The following indicators for adverse impacts on sustainability factors have been analyzed to confirm that the investments did not cause significant harm to any sustainable investment objectives from Annex I of the SFDR delegated regulation: Table 1, indicators 1 to 14; Table 2, indicators 11 and 15 and Table 3, indicators 1, 5, 8, 15 and 17.

The invested entities do not qualify for the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, as the fund invests primarily in small and medium-sized enterprises in emerging and frontier economies.

With respect to the United Nations Guiding Principles on Business and Human Rights, Huruma incorporates in all its financing agreements clauses in which the investee company commits to continue its social mission during the time horizon of the investment, to respect the ICF exclusion list, the U.S. International Development Finance Corporation (DFC) categorical prohibition list as well as the protection of workers' rights. In addition, Cerise's Alinus/SPI4 tool monitors financial service providers' implementation of the Universal Standards for Social Performance Management, including the Smart Campaign's Client Protection Principles.

3. SUSTAINABLE INVESTMENT OBJECTIVE OF THE FINANCIAL PRODUCT

Huruma has a sustainable investment objective within the meaning of Article 9 of the SFDR. The sustainable investment objective is to provide excluded rural populations with access to finance in developing countries, providing investment capital for the development and growth of Social Enterprises with the objective of providing a positive social impact for economically vulnerable or socially excluded people and improve the quality of life of smallholder farmers.

4. INVESTMENT STRATEGY

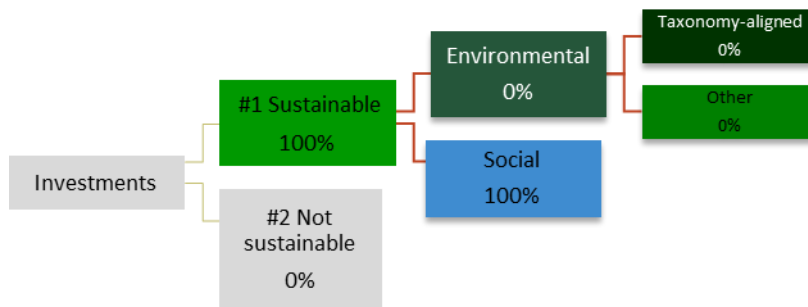
The Fund will focus its investment activity on specific countries in selected geographic regions (Latin American, Sub-Saharan Africa, and Asia), as long as the final beneficiaries of the investment are financially or socially excluded individuals, preferably located in countries of the DAC list of ODA (official development assistance) recipients.

The Fund expects to invest, directly or indirectly, its proceeds both in debt-like instruments and in equity-like instruments in non-listed, private MFIs, other financial intermediaries with a rural presence, and Agri-cultural Value Chain SMEs or organizations that aim to deliver social impact to the rural population at the bottom of the pyramid, especially farmers, while providing a financial return. These organizations shall often be in the growth stage.

During the due diligence process on potential investee companies, the AIFM assesses good governance practices of the investee companies, reviews their management structures, employee relations, remuneration of staff and tax compliance.

5. PROPORTION OF INVESTMENTS

100% of investments of the Fund (excluding cash and Temporary Investments, if any) qualify as sustainable investments.



6. MONITORING OF SUSTAINABLE INVESTMENT OBJECTIVE

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 smallholders (input) and what real impact is generated through their activities (outcome). 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.

7. METHODOLOGIES

To achieve the Fund's sustainable objective, we use the following impact catalytic tools: impact management & measurement and technical assistance. Social impact is maximized by actively measuring and managing it.

First of all, a social due diligence of the entity is carried out before investing, in which the social level status of the entity is analyzed. For this, standardized Social Performance metrics (CERISE – SBS/SPI4) and Agricultural Readiness metrics are used. These metrics analyze the entity's preparation level to serve farmers (in terms of people, processes and products). The social due diligence is performed in order to diagnose and identify strengths and opportunities for improvement in the systems related to financial inclusion, or social performance practices of the potential investee company. All detected deficiencies, as well as identified areas for improvement, will be captured in a "Social Due Diligence Report", which will serve for the establishment of improvement plans or social clauses in the contractual information, which are periodically monitored along with their performance.

Through the quarterly monitoring of the investees, the progress made by the entities is measured.

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

8. DATA SOURCES AND PROCESSING

(a) Data sources used to attain the sustainable investment objective of the financial product;

All data used for the measurement and monitoring of the sustainable investment objective is primary data collected for this specific purpose through questionnaires (SPI4 and other customized set of indicators).

The data gathering is an Accompanied Self-Assessment where the investee fills in the questionnaire with support from Gawa's Impact and Investment team. This way the investee benefits from an external, more objective perspective. Normally the investee fills in the questionnaires first, and the Gawa's Impact staff can then review, comment and complete the questionnaire during the on-site visit.

All questionnaires are then remotely updated quarterly following the same logic.

(b) the measures taken to ensure data quality;

Gawa's dedicated Impact measurement and management staff (2 FTE) is involved in gathering documents, interviewing stakeholders, reviewing evidence, and working with the investees focal point to fill in the different questionnaires.

(c) how data is processed;

The data inputted is validated, sorted, summarized and aggregated using digital tools (iLevel). Then the impact measurement and management staff are responsible for producing meaningful information that feeds the investors quarterly reports, the annual impact report and all regulatory reports.

(d) the proportion of data that are estimated.

All data is primary data collected through questionnaires. However, the level of GHG emission in CO2 tons equivalent are estimated using primary data related to energy consumption and other relevant emission sources.

9. LIMITATIONS TO METHODOLOGIES AND DATA

(a) any limitations to the methodologies and the data sources referred (b) why such limitations do not affect the attainment of the sustainable investment objective.

The completeness, accuracy and availability of impact data in the microfinance/other financial service providers and Agri-SMEs sectors are generally uneven. This requires additional processes of impact measurement and management work than can over-burden or alienate the impact and investment team.

These limitations and risks are mitigated by dedicating enough human resources (2 FTE) from across the organization to ensure that a minimum level of quality information is reached. Also, the continuous customization of tools, revision of data sources, indicators, and methodologies over time ensures ease of use by the team.

10. DUE DILIGENCE

A social due diligence of the entities is carried out before investing, in which the social level status of the entity is analyzed. For this, standardized Social Performance metrics (CERISE – SBS/SPI4) and Agricultural Readiness metrics are used. These metrics analyze the entity's preparation level to serve farmers.

The SPI4 Alinus standards cover the six dimensions of social performance management (Defining and monitoring social objectives; Commitment to social objectives; Designing products that meet customer needs; Treating customers responsibly; Treating employees responsibly; Balancing social and financial performance).

11. ENGAGEMENT POLICIES

Not applicable concerning the type of investments done.

12. ATTAINMENT OF THE SUSTAINABLE INVESTMENT OBJECTIVE

No index has been designated as a reference benchmark and the Fund doesn't have reduction in carbon emissions as their objective.