FS Impact Finance

Impact Report 2023

Investing today for a better tomorrow

Preamble
Dear Reader,

First, let me thank you for taking a look into our Impact Report 2023. We aim to share some insights into the commitments that drive our firm's activities in supporting positive social and environmental impact through our financing solutions. **Navigating the complexities of the global economy is a challenge but more so is the worrying condition into which we have brought our planet collectively that must be addressed.**

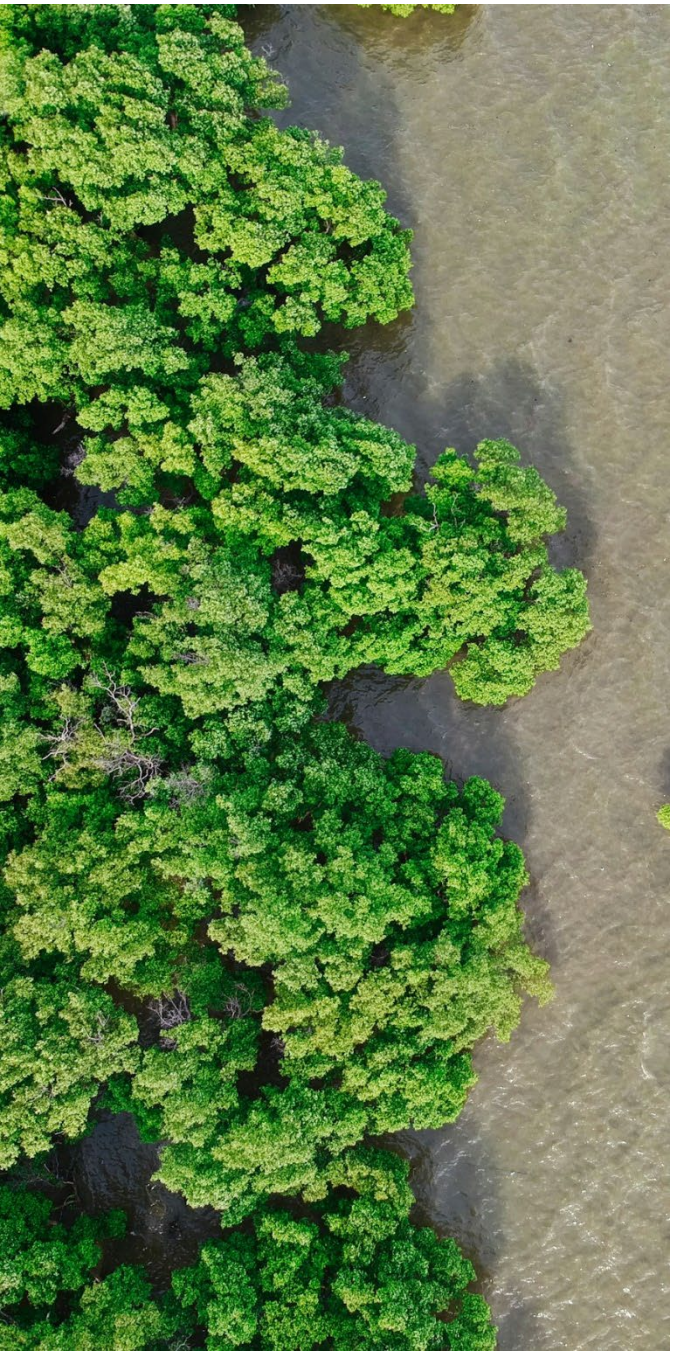
We believe that it is truly our responsibility to work together within a growing investment community that is conscious of the need to cure planetary damages. In other words: if we are able to destroy the planet, we must also be able to stop destruction and go on to restore, conserve and rebuild. **The seed capital for clean energy and forest landscape restoration provided by the donor-funded facilities which we manage acts as multiplier for private capital** and likewise multiplies the efforts fund managers and developers undertake to make a difference for nature and people.

The cost-of-living crisis, driven by inflation, supply chain disruptions, energy price peaks, has increased poverty and inequality for many individuals. The importance of conscious financial inclusion in countries with limited access to responsible financial services is more pressing than ever before. **We are glad that the GLS AI Microfinance fund maintains a broad outreach, including into countries particularly vulnerable to poverty and we believe that financial inclusion can play a crucial role in addressing this vulnerability by providing access to financial services.** Even more so, we are proud that the fund invests into institutions like Banco Contactar that constantly build capacities to support smallholders to develop farming practices that are resilient to the climate and biodiversity crises.

Our world is broadly exposed to risks that are increasingly interconnected and therefore seem to be unmanageable. This situation is worrying. Yet, as an investment firm that wants to generate financial returns while contributing to mitigating those risks**, the themes around which to build investment solutions that matter seem endless. Read in our outlook why biodiversity must be one of them**.

Martin Cremer
Managing Director
FS Impact Finance

Content



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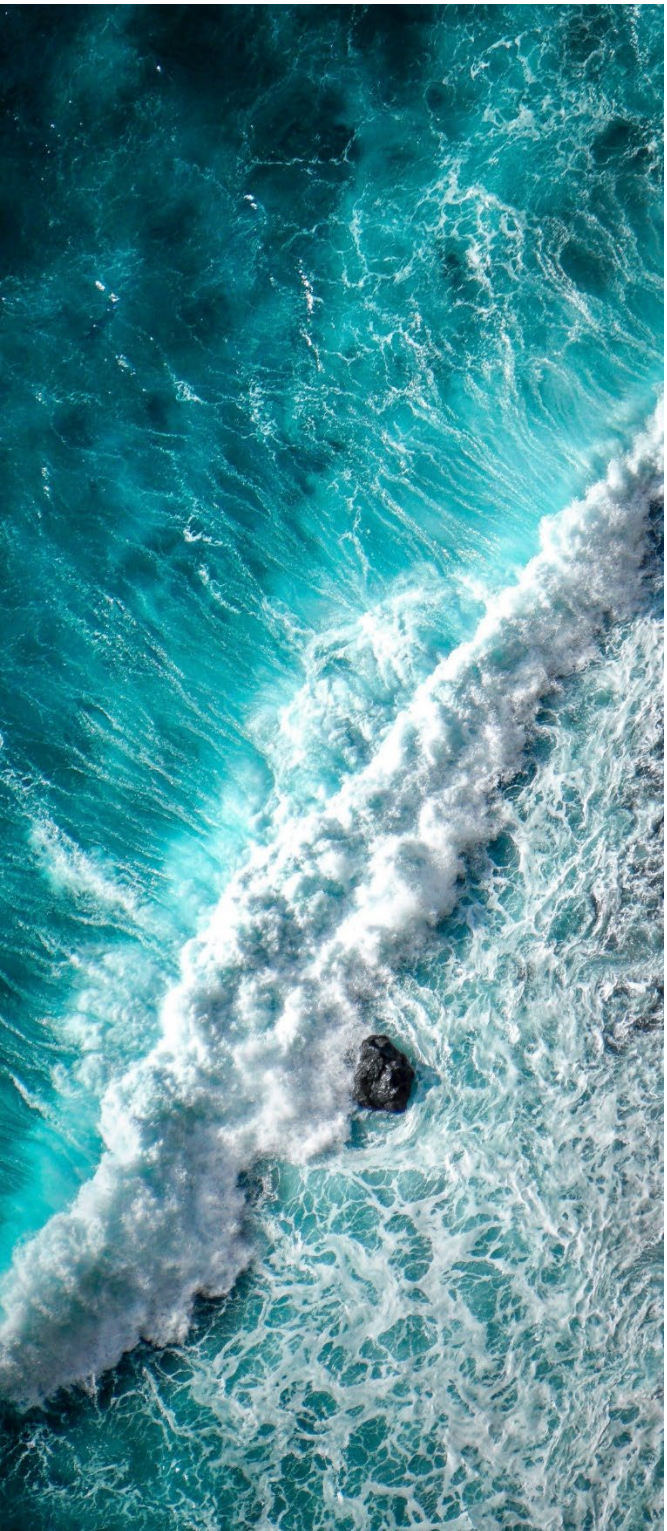
We are FS Impact Finance



We are FS Impact Finance. **We believe that innovation is the key to success – for our clients and partners and finally for the planet.** As a specialised financial solutions provider with **particular expertise in climate and social investments in the Global South**, we thrive on exchange and ideas due to our unique structure, while having the freedom of being independent. Equally in innovating, selecting the best solutions and in making decisions.

Being **embedded into one of the leading European business schools and having access to the wealth of experience of our colleagues in advisory, academia and research labs enables us to be creative and aware of future market trends**. We seek inspiration from scientific expertise, technological innovations and entrepreneurial spirit in equal ways.

Our Vision

Drive positive societal change through impactful investments

Our Mission

Impactful and innovative investment solutions with a strong commitment to environmental and social responsibility

Corporate Responsibility Framework

Vision & Mission

People
Financing Solutions
Corporate Citizenship

IMPACT

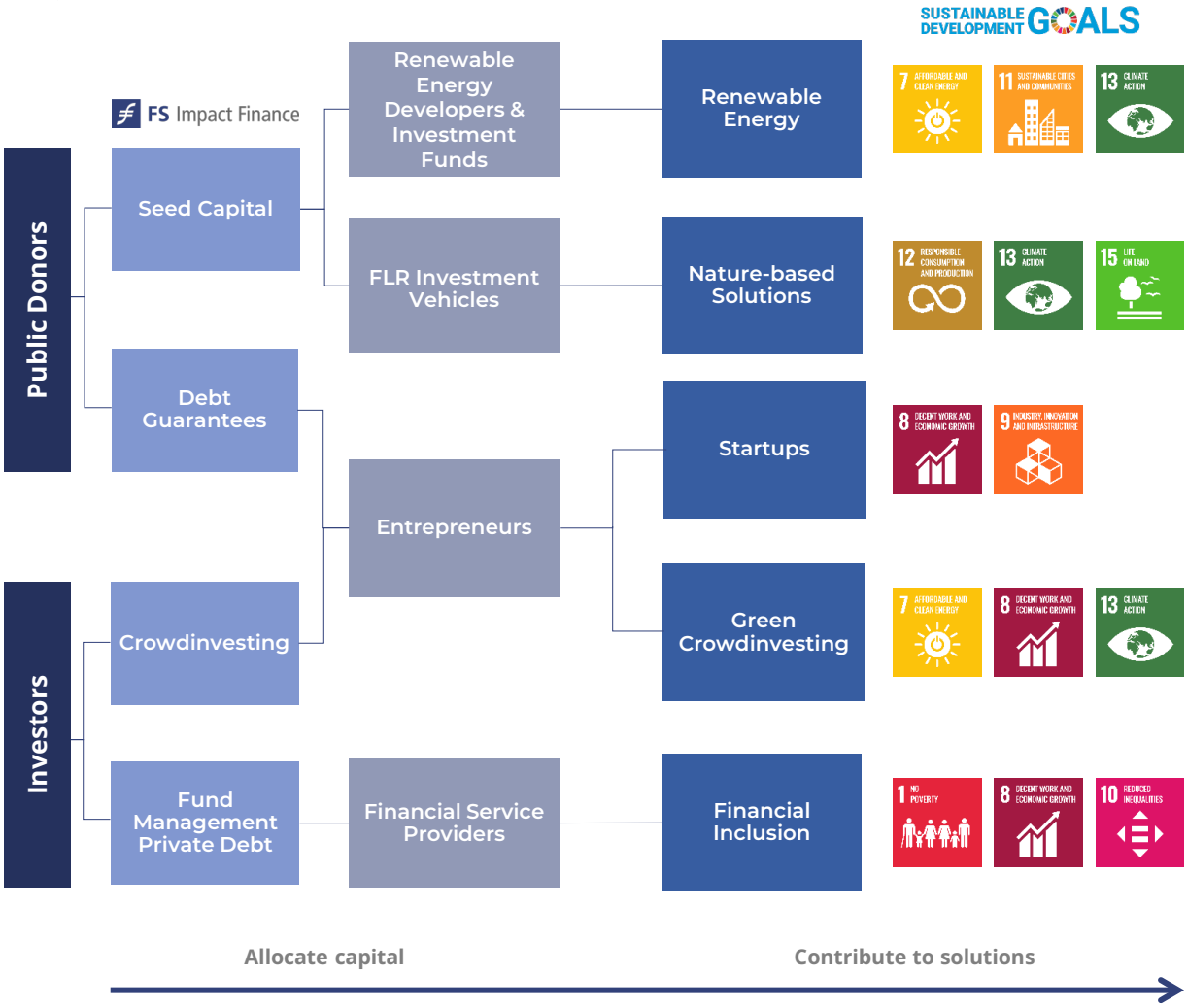
Our Principles
Environmental
Social
Economic

Our Commitments & Memberships

Our Partners & Clients

Our Impact

Guided by our mission to develop innovative investment solutions that prioritise environmental sustainability and social responsibility, we rely on the Three-Pillar Model of sustainability. **Emphasis on the triple bottom line of People, Planet, and Profit represents our holistic approach to investment decision-making to safeguard long-termism.** By balancing economic prosperity with environmental preservation that appreciates the wealth of nature and social well-being in equal ways, **we aim to achieve impactful investing that benefits everyone, everywhere**.



New Memberships in 2023

In addition to being signatory to the joint statement on the **Client Protection Pathway (CP Pathway)** developed by the non-profit organisations **SPTF and Cerise**, during 2023 FS Impact Finance decided to become a contributing member of the Cerise+SPTF network. This decision builds on a long-standing working collaboration which constantly proves the organisations' advocacy for the interests of the inclusive finance sector.

The **Operating Principles for Impact Management,** developed under the International Finance Corporation (IFC) umbrella, are now hosted by the Global Impact Investing Network (GIIN). As a signatory to the **Impact Principles**, we commit to adhering to a set of best practices that **promote transparency, accountability, and effectiveness in impact investing**. This helps us engage with stakeholders to ensure our investments positively impact society and environment.

FS Impact Finance is now a member of the **JuST Sustainability Transitions Institute,** founded to mainstream financing of climate resilience and biodiversity conservation for smallholders and rural communities globally. It supports just transition within the financial and value chain by offering methods, products, and services to catalyse investments and capacity building.

JuST provides **independent institutional certifications to improve strategies and practices on climate adaptation and biodiversity conservation**. It helps identify needs and opportunities, facilitates progress in monitoring, and fosters improvement and supports the structuring of financial products dedicated to inclusive climate adaptation and biodiversity conservation.

FS Impact Finance is a member of the **Joint Impact Model (JIM)**. JIM allows financial institutions to model data to close gaps, report on impact, benchmark against peers in order to set individual targets. This may lead to a more inclusive, aligned and actionable financial sector that is able to deploy financial solutions that benefit the earth and society in equal way. FS Impact Finance works with the JIM on reporting impact data under the EU Sustainable Finance Disclosure Regulation (SFDR).

Our People
Faces and stories behind our work

Turn data into impact

Where might you be going if you travelled East 3,921 kilometres from Frankfurt, with stops in Nuremberg, Vienna, Budapest, Sofia, Istanbul and Erzurum (plus most likely a couple more)? You will reach Yerevan, Armenia. This is quite a distance and in addition there is a 2-hour time difference. Despite the distance, this route has a high frequency of exchanging large data sets. The reason is FS Impact Finance's subsidiary **Frankfurt School Financial Services Caucasus LLC** (FSFS Caucasus), located in Yerevan. The team is our powerhouse for financial and ESG monitoring and reporting, big data analytics and credit risk surveillance. The connections between Frankfurt School of Finance & Management, our shareholder, and Yerevan have historically been strong, going back to academic and business relations building on strong academic outputs in computer and natural sciences and technical degrees. **The FSIF team in Yerevan builds on these long-standing connections between Frankfurt School and the thriving local FinTech ecosystem where several firms have been established around structured credit analytics, risk valuations and machine learning – all focus areas of Frankfurt School.**

Our Yerevan team's expertise stems from exactly these roots. Vice versa, **the success of our microfinance fund relies to a large extent on the outputs of the team.** Our abilities in terms of risk management, real time asset performance monitoring or ESG data management that help us achieve sustainability targets of the GLS AI Microfinance fund depend on this. Reason enough to introduce the team and their work in this report:

- Aida Igityan – Middle East and North Africa focus
- Anna Hakobyan – Southeast Europe focus
- Arpen Vardanyan – Southeast Asia focus
- Arpine Hovakimyan – Africa focus
- Gayane Margaryan – Central Asia focus
- Lilit Grigoryan – Overall portfolio oversight
- Robert Baloyan – Latin America focus

The key tasks of the team fulfils are covering the **portfolio monitoring with focus on financial and ESG risks for the GLS AI Microfinance Fund**. Risk-specific data is managed in large databases while the monitoring activities are focused on reaching out to the borrowing institutions that are currently part of the portfolio. The following areas are covered by the team:

- Monthly data reports and ongoing risk monitoring
- Management information and tools delivering decision-making support for portfolio surveillance
- SFDR-driven reporting requirements and ESG data collection
- Monitoring compliance- and KYC-related data of portfolio companies

Picture: Team Event in Armenia with Matenadaran in the background, the world's largest collection of Armenian manuscripts with over 23,000 items, covering a wide range of subjects such as theology, mathematics, and philosophy.

Our People
Faces and stories behind our work

Monitoring and managing macro risks

Another key topic the team **supports the FS Impact Finance team with is managing distressed assets and non-performing loans**. Despite a thorough due diligence that includes the eligibility assessment as well as post-disbursement monitoring of the borrowing institutions according to the loan covenants in consideration of relevant macro risks (e.g. political, interest rate, and FX risks), financial institutions constantly face a potential default. Therefore, default rates serve as a crucial benchmark for both financial service providers as well as end borrowers and must be closely monitored and considered within the broader risk management framework to ensure effective risk mitigation and management.

The monitoring setup follows a risk-based concept which allows to adjust the depth of the monitoring according to the specific country risk level. Once a borrower to which the fund has lent is struggling to repay and breaches loan covenants, the risk team escalates the case for further actions. Should a default take place, joint action with other lenders is initiated with the aim to restructure the consolidated debt position. This is part of the game and in turn makes clear how important the work of the team is to maintain a deep look-through on the risks and thereby allow the borrowing institutions of the GLS AI Microfinance fund portfolio to enable the maximum positive social impact that the fund is seeking to achieve.

The team is the central element of FS Impact Finance to be a data-driven institution and enables the firm to base decisions for managing the portfolio of the GLS AI Microfinance fund on a thorough set of data analytics and sophisticated risk modelling. Quickly adapting to new challenges like regulatory topics, tool sets or metrics, the team enables our firm and especially the GLS AI Microfinance fund to constantly go the extra mile.

Data-driven impact investing

"Our monitoring team provides a vital connection between FS Impact Finance and our microfinance institutions from the first moment. The unparalleled toolset and resources at our disposal allow to continuously monitor the performance of our clients and timely address inherent risks. This dedicated client support allows us to make a real difference day by day."

Lilit Grigoryan
Senior Risk Manager
FSFS Caucasus

Our Financing Solutions

Picture: FS Impact Finance Team

Society

Equal opportunities for all members of society lead to fulfilling lives without compromising the well-being of future generations.

Environment

Ecological health building on sustainable resource management, biodiversity protection, pollution prevention, climate action, and ecosystem preservation.

Economy

Sustainable economic growth and prosperity building on responsible business practices, fostering innovation, creating jobs, and addressing economic disparities.

Financial Inclusion
GLS AI – Microfinance Fund
Annual review 2023

GLS Investments
das macht Sinn

2023 has been another year of challenge for the world, and for countries in emerging and frontier markets in particular. With the outliers of a global pandemic leading to vast economic downturns, the second year of war in Ukraine and other conflicts ongoing, energy price peaks and inflation, the crisis momentum was again tough.

Against this backdrop, central banks around the world have embarked on a path of rising interest rates, plunging many governments into debt struggles and limiting their access to capital markets for further borrowing. Investment vehicles in industrialised countries across various themes have experienced a major liquidity dry-out.

The cost-of-living crisis, triggered by price inflation in consumer goods and energy prices combined with stagnating wages, has led to a far harsher fate for people in low- and middle-income countries with little to no fiscal opportunities for state support and safety nets.

A reason why the investment activity of the **GLS AI – Microfinance Fund** for which FS Impact Finance acts as mandated portfolio manager has been even more relevant. The fund's investments are directed towards refinancing financial service providers dedicated to financial inclusion with the key objective of prioritising financial profitability of the financial institutions and social performance that is targeted for through their client capacity building, educational and consultancy support towards end borrowers. This is complemented by additional services being offered apart from borrowing and may include insurance or deposits.

The outflows of investor money that the global fund industry was broadly experiencing also brought along challenges for the **GLS AI – Microfinance Fund**. Despite restrictive market liquidity, the fund again performed robustly in a volatile macroeconomic environment. **The portfolio was able to generate positive returns alongside our social investment objectives with total assets amounting to EUR 234.7 million at year-end 2023**.

"Our Microfinance Fund is a product which involves the work of many people. Every one of them keeps an eye on what is important: a positive social impact. We're proud and happy to work closely with the FS Impact Finance team, since they strive for empowering people – just like we do.

Janne Lukas
Microfinance Team
GLS Investments

Financial Inclusion
GLS AI – Microfinance Fund
In a nutshell

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Microfinance institutions (MFIs) reached

64 MFIs in the portfolio

37 countries covered

EUR 1.5 million average loan size

1.5 years average loan maturity

83% average sustainable asset ratio SFDR Article 9

49%* MFI loans disbursed in local currency

End borrowers reached through MFIs

109,382** end borrowers reached

51% female | **49%** male borrowers

58% rural | **42%** urban borrowers

EUR 1,802** loan volume per borrower

** Indicator tracked from 03/2023 onwards*
*** Median value*

Financial Inclusion
Banco Contactar

One of the financial service providers in the GLS AI Microfinance Fund portfolio with top scores in our positive criteria is Banco Contactar. **Founded in 1991 as an NGO with the goal to provide access to financial services to Colombian low-income households and small businesses**, Banco Contactar has pursued their mission in enabling financial inclusion and economic development and **serves over 136,000 clients today**.

Apart from strong and sustainable financial performance, **Banco Contactar achieves highest scores among its peers in social ratings**. Next to being one of the top MFIs in Colombia, #1 scores for Colombia in international comparisons like the **Global Microscope on Financial Inclusion** are underpinned by institutions like Banco Contactar. With 80% of all clients living in rural areas, Banco Contactar is dedicated to especially serving the communities in southern regions. Being an essential part of the financial inclusion universe for more than 30 years, Banco Contactar has proven its commercial model, underlined by several awards. Major pillars of the lending activities:

- **Sustainable agriculture:** 40% of loans support smallholders and cooperatives for organic farming, agroforestry, and conservation agriculture
- **Climate-resilient farming:** technical assistance on drought-tolerant crops, conservation agriculture, and more
- **Clean affordable energy finance**: enable access to clean energy from renewable sources for end borrowers from different sectors
- **High social and environmental standards** such as IFC Performance Standards help ensure social and environmental responsibility
- **High level of transparency and accountability** by maintaining widespread stakeholder engagement with strong focus on strengthening local communities, NGOs and public institutions

Banco Contactar is a great example of a financial service provider that emphasises a holistic view on impact performance across social and environmental dimensions:

Focus on disadvantaged groups with a clear commitment to serving women, the youth and rural communities

A **wide range of financial services** including loans, savings accounts and (micro)insurance products, thereby contributing to financial independence

Banco Contactar puts a **strong focus on sustainability**, with a commitment to supporting social and environmental . The organisation has implemented various initiatives to reduce its environmental impact and promote social inclusion

Wide geographic outreach through operating in over 20 departments in Colombia

Banco Contactar builds on a **broad network of partnerships with institutions** like the Inter-American Development Bank, the World Bank, and the Colombian government, to support its mission

Picture: Client of Contactar

Renewable Energy
Seed Capital Assistance Facility

Clean energy for sustainable development

In 2023, the Seed Capital Assistance Facility (SCAF) supported numerous businesses enabling activities in clean energy with seed funding, thereby enabling communities to generate clean energy that our ecosystems provide us with. **Renewable energy projects provide impact through the creation of jobs, contributing to a just energy transition, energy generation and contributing to local economic development surrounding supported projects.**

The renewable energy sector remains under constant evolution and is driven by a strong demand for clean energy that reflects governments' commitments and nationally determined contributions (NDCs) of reducing energy-induced emissions in the geographic focus areas of SCAF. Lately, **a trend is being observed in the evolution of the market with the increasing emergence of hybrid investor platforms. These qualify as combining elements of classic private equity funds with the deployment angle of a typical renewable energy development firm.** Limiting the reasons to lever cost saving potentials does not fully reflect the overall benefits it may offer. The platform model brings together the best characteristics of two worlds.

For fund managers, this enables specialisation in identifying eligible assets and building a pipeline of renewable energy investments. For developers, it allows them to focus on developing and constructing large renewable energy portfolios. Another benefit that this set-up brings relates to implementing strong institutionalised ESG policies which are then deployed into the assets from the onset of development which mitigates later stage risks. **This can lead to a more efficient and effective use of resources, which ultimately benefits both the investors and the renewable energy developers.** Further reasons might reflect characteristics that such platform models entail include scalability, asset diversification, operational efficiency, managing legal documentation complexity, ESG considerations and finally the long-termism of investments.

Picture: SCAF Team at the Africa Energy Forum

Renewable Energy
Seed Capital Assistance Facility

Long-term outcomes of SCAF:

Carbon emission reductions

SCAF's seed-funded projects may support greenhouse gas (GHG) emission reductions which may support the implementation of Nationally Determined Contributions (NDC) on taking action to combat climate change impact.

Clean energy production

By directing the flows of public capital towards de-risking early-stage development projects for clean energy generation and storage as well as the setup of investment funds, SCAF helps to facilitate the widespread access to clean energy technology and infrastructure.

Energy access

Clean energy access provides a reliable, affordable and therefore sustainable source of energy that can drive economic growth, improve health and well-being, and thereby reduce poverty levels while mitigating the effects from climate change.

Job creation and economic growth

Clean, reliable energy can drive economic growth, sustainable urbanisation and improve healthcare, education, and communication services, triggering economic growth and enhancing overall community well-being.

SCAF II main achievements by end of 2023:

USD 3.28 m disbursed to 12 cooperating partners during 2023

5 SCAF-supported projects reached financial close

386,500 Mt of avoided CO_2 emissions per year expected*

** In relation to projects that reached financial close by end of 2023*

183 MW of capacity installed*

2,300 jobs created during construction and 71 during operation and maintenance*

2 new partners onboarded

Renewable Energy
Partner – VS Hydro

SCAF support for the Great Zimbabwe Hydro project

Building on an **existing partner agreement with VS Hydro, the SCAF support lines were increased to a total of USD 2,500,000 to finance the development of several projects with the Great Zimbabwe Hydro project to complete the construction of a 5 MW hydro plant being one of them.** The project was designed as a run-of-river hydro plant to generate electricity of the river Mutirikwi in the Masvingo province in proximity to the Lake Mutirikwi dam. Being located just 20 km south-east of the town of Masvingo, the plant will feed electricity into the national grid of Zimbabwe through a 25 km-long transmission line alongside an existing one.

The development has undergone several stages of Environmental and Social Impact Assessment (ESIA), all carried out in alignment with relevant Zimbabwean environmental legislation, IFC Performance Standards as well as World Bank's guidelines on health, safety and environment. **The entire development has been carefully planned to ensure, if any, very low negative impacts for nature, cultural heritage as well as involving stakeholders including smallholders, indigenous population and local communities in vicinity of the project.** The Great Zimbabwe Hydro is the first of its kind project to be built in proximity to an inland river dam and has been classified as category B project with low adverse environmental and social impacts and all interventions potentially reversible.

- Expected annual **carbon emission avoidance of 11,000 tCO_2e**
- Contribution of **0.5% to the national power demand of Zimbabwe**
- Long-term clean energy production with an **anticipated minimum life span of 25 years**
- **350 jobs created during construction** & 6 jobs during operation and maintenance

"If you think of the geography of Zimbabwe, all the power generation is on the western side of the country. There actually isn't any generation in Masvingo, which is on the southeast side. The actual impact on the province itself is quite significant. Five megawatts is probably sufficient to cover all the residential needs of that area."

Memory Mashingaidze
Tatanga Energy

Learn more in our podcast

Picture: Great Zimbabwe Hydro: 5 MW hydro power plant near Lake Mutirikwi, Zimbabwe, using an existing dam wall built in the 1960s.

Forest Landscape Restoration
Restoration Seed Capital Facility

Bundesministerium für Umwelt, Naturschutz und nukleare Sicherheit

THE GOVERNMENT OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of the Environment, Climate and Sustainable Development

UN environment programme | Financing Sustainable Land Use

Frankfurt School
FS-UNEP Collaborating Centre
for Climate & Sustainable Energy Finance

Forest landscape restoration: unlocking large-scale impact

The **Restoration Seed Capital Facility** (RSCF) has continued in 2023 its successful journey in seed-funding forest landscape restoration (FLR) activities of fund managers who are seeking to generate positive ecological, social and economic impact in areas where land degradation has taken place. **With two new partners onboarded in 2023, the RSCF will support exciting new developments in the restoration sector that help to address both the climate and biodiversity crisis by restoring and conserving forest areas whilst bringing along positive social effects for local communities.** Often, agricultural cooperatives and other local stakeholders benefit from such restoration investments. Furthermore, the interests of the indigenous population are treated with respect and cultural as well as historical aspects are considered as essential.

Whilst the RSCF supports fund managers in mitigating early-stage risks for developing assets and building pipelines for new ones across Africa, Asia and Latin America, the majority of seed-funded activities has been in Latin America. FS Impact Finance is proud that an existing cooperating partner (Arbaro Advisors) was extended in 2023 to scale up the ability to make sustainable forestry investments significantly. The newly onboarded RSCF-partner **Impact Earth is focused on the Legal Amazon area of Brazil and thereby supports through its investments the maintenance of crucial ecosystem services on which the entire earth and world population relies**.

Picture: RSCF Due Diligence | Brazil

Forest Landscape Restoration
Restoration Seed Capital Facility

Long-term outcomes RSCF is targeting:

Sustainable development

Improved livelihood for smallholders, producers and indigenous communities also through capacity building and supported technical assistance

Climate change mitigation

Sustainable land use practices reduce deforestation risk and land degradation, whilst nature-based solutions sequester CO_2, mitigating climate change effects

Climate change adaptation

Sustainable land use practices increase the resilience of local communities' capability to adapt to climate change effects whilst benefitting economically

Conservation and biodiversity

FLR and conservation lead to direct and positive impacts on biodiversity and enhance the widescale beneficial effects of ecosystem services

Impact of RSCF-supported projects by year end 2023:

USD 0.71 m RSCF-support disbursed to 5 partners

4 facility-supported projects reached financial close

7,302 ha of natural habitat have been protected or restored*

** In relation to projects that reached financial close by end of 2023*

USD 8.1 m committed support to 6 RSCF partners*

2 new partners onboarded in 2023 and USD 1.4 m support lines committed

Forest Landscape Restoration
Partner – Impact Earth

The Amazon Biome: Why it is so important for the earth

The Amazon biome is one of the most biodiverse regions of the globe. Further to being a biodiversity hotspot with approximately 10% of all known plant and animal species on planet earth, it is the largest rain forest covering an area of more than 5.5 million square kilometres, spanning across nine countries which are Brazil, Peru, Colombia, Venezuela, Ecuador, Bolivia, Guyana, Suriname, and French Guiana. It is estimated that **at least 20% of the earth's oxygen is produced in the "earth's lungs"**. The Amazon biome's density of rainforests easily absorbs 2.2 billion metric tons of CO_2 every year. The earth's freshwater cycle builds largely on the Amazon river, discharging around 15% of the earth's freshwater into the Atlantic Ocean.

Yet, **this beauty has never faced higher risks of extinction arising from land use change, deforestation brought along by intensive mono-agriculture and a hunger for resources that the world's over-consumption is causing**. Taking care of conservation and, where widescale damage has already been done, restoration of such land is crucial. With ongoing demand for land, the pressures on the ecosystem service outputs increase.

The Amazon Biodiversity Fund

The risks and challenges of working in the rural areas of the Amazon have precluded many impact investors from investing in the region thus far. Yet, the conditions faced in the Amazon will require significant new private investments at scale. Impact Earth is investment advisor to the Amazon Biodiversity Fund which aims to provide venture and early growth funding to enterprises dedicated to preserving standing forests into economic benefits and wellbeing for local communities. During 2023, FSIF has successfully onboarded Impact Earth as a new partner to the facility with the early-stage support enabling the second closing of Amazon Biodiversity Fund with new investors raising total BRL 234 million (approx. EUR 40 million).

With the support of RSCF, **the Amazon Biodiversity Fund targets to make sustainable investments into enterprises and development projects with transformational positive impact** within the Legal Amazon of Brazil:

- Conservation, reforestation and community livelihoods
- Positive socio-economic and wellbeing outcomes for local communities
- Strengthened smallholder value chains
- Sustainable agriculture
- Technological innovations and access to financial services

Picture: RSCF Due Diligence | Brazil

Green Crowdinvesting
Partner – Agrisolar

Egypt's ancient agricultural heritage faces modern challenges as climate change intensifies. With the world shifting to a low-carbon economy, agricultural systems adapt to resource scarcity. Water and fertile soil are scarce, but Egypt's abundant solar power resources can power its agricultural sector, reducing reliance on fossil fuels and mitigating environmental impact. However, the expansion of renewable energy is a huge and challenging endeavour everywhere in the world. Confronted with temperatures rising twice as fast as in other parts of the world, the Egyptian government's ambitious goal of generating 40% of its energy from renewable sources by 2035 is a crucial step towards achieving this vision.

The precondition for the use of solar energy is ideal: Egypt has up to 4,000 hours of sunshine every year. Agrisolar is a company contributing to the energy transition in Egypt. **Since 2015, Agrisolar has been distributing solar systems with a specific focus on the agricultural sector. The systems are used, among others, to power irrigation pumps – a green alternative to the widespread diesel-powered pumps, which are expensive and harmful to the environment**.

Agrisolar has positioned itself as the one-stop shop for its customers, making the supply of complete solar systems from a single source its competitive advantage. Before the beginning of the crowd investing campaign on our platform frankly.green, Agrisolar had already delivered systems with a capacity of 70 MW.

Through the successful campaign, Agrisolar could obtain a loan in November 2023 to purchase inventory like solar panels and inverters to be able to meet the increasing demand.

- Solar energy holds enormous potential especially for farmers, enabling them to produce more food at lower prices and with fewer emissions. Compared to the widely used diesel pumps, solar is unarguably the cheaper choice (up to 85% over the lifespan of the system). In addition, solar power is more reliable and stable.
- Agrisolar's business creates jobs, not only at the company itself, but also with its clients. Further economic growth is expected within the whole value chain. Besides the ecological benefits of solar systems, working conditions at Agrisolar's clients are also bound to improve, since the solar systems – in addition to not emitting CO_2 – also cause less noise and pollution than diesel pumps.
- Roughly one million diesel pumps are used around Egypt, each emitting up to 27 tons of CO_2 per irrigated hectare (according to a study from 2015). Every solar system replacing a diesel pump has the potential to save several hundreds tons of CO_2 over its lifespan.

Picture: Solar-powered water pump in Egypt; system provided by Agrisolar

Startup Finance
Frankfurter Gründerfonds

Supporting local entrepreneurial growth

The **Frankfurter Gründerfonds** (FGF) supports local startups and solo entrepreneurs who otherwise struggle to receive funding to access loans, allowing them to grow. The loans are 80% guarantee-backed by our cooperating partner **Bürgschaftsbank Hessen** who plays a central role in the fund structure that was initiated by the **City of Frankfurt Wirtschaftsförderung GmbH**.

In 2023, the FGF assessed the eligibility and creditworthiness of several start-ups and entrepreneurs in need of funding and could thereby provide an important lifeline for entrepreneurs who are looking to expand their business. In addition to that, **the FGF supported startups to develop robust business plans, secure guarantees, and prepare loan applications, giving them the best possible chance of securing funding**. Once financing is secured, the FGF continues to play a key role in monitoring the performance and development of financed startups, providing guidance and support to ensure they stay on track and achieve their goals. The close relationship between the FGF and the startups leads to consistently low default rates and on-borrowing after successful loan repayments.

Highlights of the Frankfurter Gründerfonds in 2023:

- Loan guarantees issued for 5 startups
- Total loan volume issued EUR 225 k
- Fund volume increased to EUR 3.9 million
- No default cases in 2023 and average 0.92% portfolio at risk p.a. since inception
- 63% acceptance rate for loan guarantee applications

Picture: FS Impact Finance Team

Startup Finance
Frankfurter Gründerfonds Startup – resilient_mind

resilient_mind

Build resilience for sustainable mental wellbeing

We are living in times of constant pressure, stress and a demanding working culture. Whilst digitalisation, cyber-related threats and risks, a constant blending of work and life and new work arrangements challenge us more than ever, wellbeing and mental health are moving into the centre of attention. In fact, they are becoming a threat to our society and economy themselves. **Recent surveys for Germany have shown that sick days due to mental illness recognised too late have peaked to more than 39 per year per case.** This is specifically critical in the health sector with 397 mental-health-related sick days per 100 insured persons. This endangers company performance, creates vast costs in firms as well as in the health system, puts a strain both on team structures and on relationships of those people suffering from mental illness, depression or burnout.

Disruptions and impairments in working life must be countered, ideally in a preventive way. This is where **Resilient Mind GmbH comes into play, a young Frankfurt-based firm that received funding via the FGF during 2023 to climb to the next growth level in their ambitions to provide treatment for people with mental health problems.** *resilient_mind* was looking to acquire training provider certification to work with companies who receive education vouchers from authorities for mental health topics, develop the firm's website as well as an online learning platform with tutorials and videos. In their work to develop and coach teams to help them gain strength and resilience, a key tool is an inhouse-developed mental health app that firms may use to structurally approach the target of developing resilient teams to cope with stress situations by developing skills and strengths.

***resilient_mind* puts mental health into the spotlight of the workplace and empowers teams and employees to build resilience and move into a mentally healthy future, in a sustainable manner**. The FGF is particularly proud to support this important journey.

"At *resilient_mind*, we place mental well-being at the centre of our work as we believe in the power of mental health. Our workshops, training courses and individual coaching sessions benefit participants from holistic support that is tailored to individual needs and team-specific concerns."

Andreas Adam
Founder
resilient_mind

Biodiversity Finance
Financial innovation wanted

Last call for biodiversity finance

Our earth is in a bad shape. We are in the midst of the Anthropocene era, the geological epoch characterised by human-induced environmental degradation. It has brought devastating loss of biodiversity. **Human-made activities such as deforestation, habitat destruction, pollution, land grabbing and carbonisation increasingly cause the extinction of countless species and threaten the survival of many more.** The situation is steadily being adequately represented in the perception of global risks, as the World Economic Forum's 2023 Global Risks Report lays out. Biodiversity loss and ecosystem collapse are viewed as the fastest deteriorating risks throughout the next decade. And yet, this does not matter if left unprioritised by policy makers or within corporate strategies around the globe. The world's leaders, from government to industry, are poised to turn words into action, just as our planet is on the brink of a critical turning point. While sufficient action is missing, the philosopher Peter Sloterdijk finds the right words by concluding "**Humans are future atheists, they do not believe in what they know, even if you stringently prove to them what must come**."

Biodiversity is comprised of three interconnected pillars. While **species diversity** refers to the variety of different species that exist in an ecosystem, **genetic diversity** refers to the variation within a species. **Ecosystem diversity**, on the other hand, encompasses the variety of different ecosystems and habitats. On all levels, biodiversity loss is irreversible. Once certain species are extinct or ecosystems destroyed, they are almost irretrievable. Although we still do not fully comprehend the interdependencies between intact ecosystems and how much we depend on their services, the world keeps on doing business that eliminates biodiversity in a pace that is far beyond critical. **We structurally underrate the value of nature and underestimate the risks of losing it.** Only radically changing consumption patterns and driving up investments might get us out of the crisis. Estimations go up to USD 820 billion that would have to be invested to mitigate the crisis by 2030. Every year.

Make investment solutions serve biodiversity

At the same time, **the years until 2030 will be essential in setting the ground for maintaining our planet to enable ecologically and socially sustainable life**. The planetary boundaries we are already exceeding call for responses across the planet that must be joint efforts beyond national borders or institutional barriers.

This is reason enough for FS Impact Finance to take a deep dive into the world of biodiversity finance. We started this prior to 2023, and we will continue to do so. **Creating biodiversity finance innovations that bring along benefits for nature is a key motivation for us to see how they may combine with other areas of sustainable development.** It goes beyond making a virtue out of a necessity. It reflects our appreciation for nature and life on earth itself. It is born out of our believe and driven by our mission that impactful and innovative investment solutions can drive positive environmental and social change.

Read more on our blog

Corporate Citizenship
Our Carbon Footprint

Business travel in 2023

In case you have travelled by plane during the last twelve months, you may consider yourself *privileged* as you belong to a minority. Recent statistics uncover that a significant majority of the world population has never set foot on a commercial flight. In Germany alone, only about one-third of the population has taken a plane trip in the past year. In fact, **a staggering 80-90% of the people across the globe have never experienced the air travel – and probably never will in their life.**

Nonetheless, air travel is on the rise and certainly one of the clearest contributors of harmful GHG emissions damaging our climate with a total 859 million metric tons in 2023, as the International Air Transport Association (IATA) has gathered. If this was not enough, **latest projections suggest that emissions could even surge by 60% by 2050 compared to 2019 levels.** Without significant changes, it is highly unlikely for flying to become climate-neutral or anywhere close to that in the near future. At best, it may become slightly less harmful.

Are there any countermeasures we can take? In fact, there are several technological possibilities for flying to become 'slightly less damaging to the climate' which include new forms of propulsion, more climate-friendly fuels and efficiency measures to reduce fuel consumption. Looking into the facts, biofuels and other alternatives still only cover a tiny fraction of actual global demand. **Whilst countermeasures like *ReFuelEU* or *Fit for 55* are rightly addressed on aviation industry and regulatory policy levels, the most effective one will be a behavioural one: less flying.**

We keep on trying but must admit that there are a few to none options to seeing and visiting investees and business partners during the pre-investment due diligence. Furthermore, the geographic focus of our investment activities sends us in the majority of trips to Latin America, Africa or Southeast Asia, where there is no alternative to flying. In fact, our total business travel distance in 2023 was more than 433,000 kilometres.

Total travel distance 433,057 km

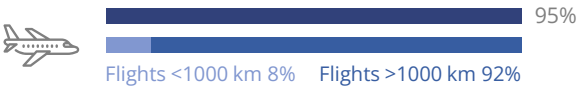
Purpose of travel

59% **On-site due diligence** (262,895 km)
20% **Conferences** (80,596 km)
18% **Meetings with clients** (71,138 km)
3% **Others** (13,428 km)

Due to our geographic focus, flying is by far the most important means of transport. The lack of alternatives to flying is underpinned by the fact that 59% of our travelling is for on-site due diligence that needs to be carried out prior to making new investments. Additional client and partner meetings may be required throughout the investment cycle, which amounts to a further 21%. Furthermore, it is crucial to connect with peers, potential investees and partners at conferences and industry gatherings.

Travel distance by means of transport

Airplane (412,558 km)



Train (14,134 km)

Car (6,365 km)

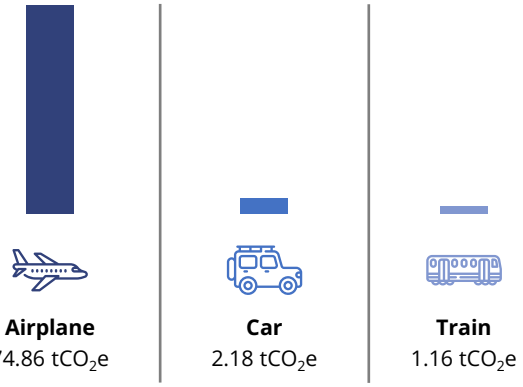
Once out in the world, we try to combine several stops into one trip and avoid short haul flights if there are options. Out of all flights, 8% had a distance of less than 1000 km, typically connecting flights in case of multi-city trips.

Corporate Citizenship
Our Carbon Footprint

Based on the assessment of our travel activities, we calculated emissions using commonly recognised and science-based values for CO_2 emissions for different modes of transport that incorporate direct emissions and take into account secondary effects of flights, e.g., from high altitude. This results in the following values for CO_2 equivalents:

78.19 tCO_2e total business travel-related emissions in 2023

tCO_2e (tons CO_2 equivalent)



Carbon compensation

In our efforts to address adverse impacts of our firm's investment activities, the carbon footprint caused by business-travel is certainly a main factor. **We have decided to work together with Ecotierra, a cooperation partner within our Restoration Seed Capital Facility.** Ecotierra is dedicated to consciously implementing sustainable land use projects, with a focus on cocoa and coffee cooperatives. Their approach not only promotes reforestation and conservation but also co-benefits livelihoods and community development.

We have rounded up our emissions to 90 tons CO_2e and purchased carbon certificates via Ecotierra. **We are happy to support the conservation of forests on degraded lands, which will not only sequester carbon dioxide from the atmosphere but also provide habitat for local wildlife and benefit surrounding communities.**

Office travel

Business travel is the one thing, but what about the commute from home to the office? Also here, FS Impact Finance is adequately diversified. Firstly, we practice an average remote work ratio around 50%. For staff working from our Frankfurt head office, public transport for the *Deutschlandticket* is subsidised, allowing holders who wish to subscribe to use local and regional transport systems throughout Germany.

Office travel is not just about getting to the office, it is about the excitement of the journey: the path is the goal. **We are excited to share some of the office travel habits of our team members on their commutes**:

- Some of us are **eco-warriors**, cycling a couple of kilometres emission-free before they get to a cup of coffee at their desk – it was disclosed that in cases of really bad weather, and only then, the 18-km cyclist might opt for dry car ride.
- Others prefer a **leisurely stroll**, walking 1.5 km to the office, while others who live above the office only have to walk 20 steps down the stairs – saving electricity for the elevator is low-hanging fruit.
- The **train enthusiasts** among us – and this counts for the train ride itself and not for the company operating the trains – have been clocking up the miles with journeys between 45 to up to 100 km under their belts.
- We must also mention the **electric car fans**, cruising to the office in silence with a 20 km commute.
- Finally, let's not forget our **city transport supporters** who have been navigating the streets with ease on public transport covering distances up to 13 km.

It is really not about the distance but the experience. Whether it is the **fresh air**, the **exercise**, or the chance to **catch up on some podcasts**, our team members are making the most of their commutes. **It is simply not about getting to the office on time – it is about the journey and the fun you might have along the way.**

Corporate Citizenship
Carbon Offset

CERTIFICATE

Carbon Offset

ECOTIERRA

ELEVA FINCA

This certificate attests that

FRANKFURT SCHOOL FINANCIAL SERVICES GMBH

has offset **90** tons of CO^2 for compensation FS Impact Finance's 2023 business travel activities.

Project name : **Russas Project; Russas Vintage 2020-CC**
Project type: PRO
Project Country: Colombia

Serial Number : 16098-739567779-739567868-VCS-VCU-352-VER-BR-14-1112-01012020-31122020-1

Link to the proof of redrawal

VCS | VERIFIED CARBON STANDARD
A Global Benchmark for Carbon

14/08/2024

Étienne Desmarais
President ECOTIERRA

Link to the proof of redrawal

Corporate Citizenship
Carbon Offset

VERRA

Verified Carbon Standard

Certificate of Verified Carbon Unit (VCU) Retirement

Verra, in its capacity as administrator of the Verra Registry, does hereby certify that on 14 Aug 2024, 90 Verified Carbon Units (VCUs) were retired on behalf of:

Frankfurt School Financial Services GmbH

Project Name

The Russas Project

VCU Serial Number

16098-739567779-739567868-VCS-VCU-352-VER-BR-14-1112-01012020-31122020-1

Additional Certifications

CCB-Community Gold

Powered by APX

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Imprint

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This Impact Report has been prepared by Frankfurt School Financial Services GmbH to provide stakeholders with an overview of our sustainability and impact performance, initiatives and goals. The information contained in this report is intended to reflect our commitment to transparently communicate our efforts towards sustainable practices and to promote open dialogue with our stakeholders.

The data and information presented in this report cover the reporting period January to December 2023 unless otherwise specified. While we have made reasonable efforts to ensure the accuracy and reliability of the information, there might be inherent limitations to the data collection and reporting processes. Certain figures and data may be estimates, projections, or based on historical information. Additionally, this report focuses on specific areas and may not cover every aspect of our operations or impact.

This report may contain forward-looking statements regarding future sustainability goals, initiatives, and performance. These statements are subject to risks and uncertainties, and actual results may differ materially from those projected. We undertake no obligation to publicly update any forward-looking statements.

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Your Frankfurt School Financial Services GmbH

Frankfurt, July 2024