

Impact Report 2025

Investing today for a better tomorrow



Preamble

Dear Reader,

Impact is rarely created by capital alone. It emerges when capital meets the right ideas, capable partners and the willingness to stay engaged long enough for change to take root. Looking back at 2025, this is perhaps the strongest message from our work at FS Impact Finance.

Across our activities, we saw this in very different settings. The GLS AI Microfinance Fund that we are mandated to manage continued to support institutions that provide responsible financial services to underserved communities. Along our journey to explore impact, the fund ran its first independent customer voice study with 60 Decibels which helped to look beyond outreach and ask a more important question: **what actually changes in people's lives?**

Our work in renewable energy and forest landscape restoration has again proven the importance of catalytic capital at an early stage. Through SCAF and RSCF, we continued to support projects and developers before they are fully investment-ready – helping turn promising ideas into stronger investable opportunities. This is particularly relevant in nature finance, where **the challenge is often not simply a lack of capital, but a lack of projects that are sufficiently developed to absorb it.**

In front of our doorstep, the Frankfurter Gründerfonds continued to support entrepreneurs whose businesses contribute to Frankfurt's economic, social and cultural life. **Their stories remind us that impact can begin with one founder, one idea and one decisive financing step.**

We also continued to strengthen our own impact management approach. A greater focus on outcomes, client voice and learning is helping us better understand what works and where we want to develop in the future.

The stories in this report make me excited about what comes next. They show that meaningful impact is built through long-term partnerships, thoughtful decisions and a willingness to keep learning.

Again, a big thank you to our investors, donors, partners and colleagues for making this possible.



Martin Cremer
Managing Director
FS Impact Finance

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We are FS Impact Finance



We are FS Impact Finance. **Innovation is at the heart of what we do by shaping investment solutions that create value for our clients, partners and the planet.** As a specialised investment solutions provider with **deep expertise in climate and social investments across the Global South**, we are eager to turn ambitious ideas aiming to create impact into investable solutions.

Our unique structure combines entrepreneurial independence with the strength of an academic ecosystem. **Being embedded within the Frankfurt School of Finance & Management connects us to a rich network of advisors, academic thought leaders and research labs**, enabling us anticipate emerging trends and respond to evolving sustainability challenges.

By bringing together scientific rigor, technological innovation and entrepreneurial spirit, **we design and deliver investments that channel capital to where it can make a meaningful difference.** FS Impact Finance remains a trusted partner in sustainable finance.



Our Vision

Drive positive societal and environmental change through impactful investments



Our Mission

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

Corporate Responsibility Framework



Our IMM Journey

An evolving discipline, a shared journey

Impact measurement and management (IMM) has evolved significantly over recent years and continues to mature as a discipline within impact investing. At FS Impact Finance, **we see this evolution as an opportunity to better understand how our investments contribute to the desired meaningful change they seek to enable.** Every refinement of our IMM system strengthens not only our own investment decisions but also supports the institutions and projects we finance in understanding and thereby continuously improving the outcomes they create for people and the environment. An important orientation point in this journey has been our commitment to the **Operating Principles for Impact Management (OPIM)**. Since becoming a signatory in 2023, we have published three annual Disclosure Statements describing how impact considerations are embedded across our covered assets and investment processes. The strength of the Impact Principles lies in their **principles-based approach**. Rather than prescribing specific methodologies or measurement tools, they provide a common framework that guides organisations in designing, implementing and continuously improving impact management systems that reflect their own investment strategies, asset classes and impact objectives. **The nine Impact Principles** follow the following sequence:



Operating Principles for
Impact Management

- 1 **Define** – Strategic impact objectives
- 2 **Manage** – Portfolio impact
- 3 **Contribute** – Investor contribution
- 4 **Assess** – Expected impact
- 5 **Manage** – Investments throughout their lifecycle
- 6 **Exit** – Consider sustainability of impact
- 7 **Monitor** – Outcomes and performance
- 8 **Improve** – Review and strengthen the IMM system
- 9 **Disclose & Verify** – Transparency and independent verification

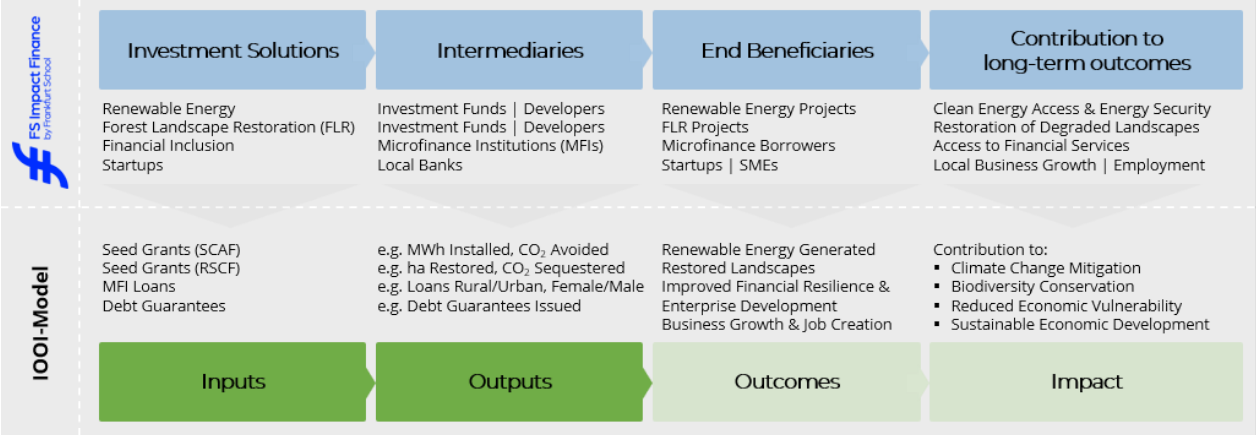
A principles-based framework guiding continuous improvement throughout the investment lifecycle.

Building one corporate IMM framework

While our investment strategies pursue different objectives and apply different financial instruments, they all share one common characteristic – they generate impact indirectly. Whether through loans to microfinance institutions under the GLS AI – Microfinance Fund, donor-funded grant facilities supporting renewable energy and forest landscape restoration, or guarantees provided to innovative start-ups and SMEs, FS Impact Finance enables intermediary organisations to create positive change. The outcomes generated therefore depend not only on the financial instruments employed, but also on the capacity of our investees and partners to translate capital into measurable social and environmental outcomes. At the same time, **each investment strategy follows its own pathway and mechanics in generating impact.** Loans to microfinance institutions primarily contribute to financial inclusion, grant facilities support the development and bankability of renewable energy and forest landscape restoration projects, while loan guarantees facilitate access to finance for innovative enterprises. Each asset class therefore carries its own potential and abilities to generate specific desirable outcomes and long-term impact. Building one corporate IMM framework therefore requires consistency and flexibility in conjunction. A common conceptual foundation enables us to apply consistent impact management principles across all investment strategies while recognising their individual impact pathways, intermediaries and intended outcomes. For us, the broadly applied **Input – Output – Outcome – Impact (IOOI)** model provides the suitable conceptual basis for this development.

Read our latest
Disclosure Statement

Our IMM Journey



While each investment strategy follows a distinct pathway to impact, applying a common IOOI-based framework enables FS Impact Finance to consistently manage, understand and continuously strengthen impact across all investment activities.

Embedding impact into investment decisions

Impact management begins long before an investment is made. Alongside financial sustainability, our due diligence increasingly assesses good governance, organisational accountability, risk management, client protection and the alignment between an institution's mission and day-to-day operations. Integrating these dimensions into investment decisions helps us identify institutions that are positioned to generate sustainable impact while maintaining long-term resilience.

From outputs to outcomes

As our IMM system evolves, strengthening the outcome and impact dimensions has become a key priority. While our reporting already captures inputs and outputs in a structured and consistent way, our ambition is to complement this foundation with increasingly systematic evidence on the outcomes our investments create for people, businesses, communities and ecosystems. One important step in this direction has been our collaboration with 60 Decibels, collecting client voices of selected microfinance institutions. These insights complement portfolio monitoring while helping participating institutions benchmark their performance and identify opportunities to further strengthen their services.

Outcome measurement therefore becomes more than a reporting exercise – it becomes a shared learning process that benefits both FS Impact Finance and our investees. The findings and lessons from these studies are presented in more detail in the following chapter.

Learning as part of impact management

Impact management is a continuous learning cycle. Every due diligence mission, engagement with investees and outcome study generates new insights that strengthen future investment decisions. Better investment decisions contribute to stronger outcomes, while a better understanding of outcomes further improves the way we invest. This learning cycle benefits both FS Impact Finance and the institutions and projects we support. Looking ahead, we intend to commission an independent verification of our OPIM Disclosure Statement. The verification will provide valuable external feedback on the maturity of our impact management system and identify opportunities for further development. Our ambition is to continuously strengthen impact management through experience, dialogue and evidence – contributing to better investment decisions, stronger partnerships and greater long-term impact.

Our People

Joy Gundran: Investment Management

"Clients cannot fool me," Joy says with a laugh, before quickly adding that she probably should not put it quite like that. What she really means is that, **after more than three decades in microfinance, she has learned to recognise the difference between what an institution says and how it actually works.** Long before she began investing in microfinance institutions, she worked inside them, approving loans, building finance departments, managing operations and serving on boards. Those experiences continue to shape every investment decision she makes today.

"My professional background is actually in audit," Joy points out. After starting her career with a major international audit firm, she joined the consulting company that established what later became the **ProCredit Group**. One of her earliest assignments took her to Uganda, where she trained as a credit officer and worked directly with entrepreneurs applying for loans of little more than USD 100. "It was important to understand the entire lending process," she recalls. "We visited clients, analysed their businesses, approved loans and followed repayments."

Later, in Kosovo, she helped establish the finance department of a newly created ProCredit bank, recruiting staff and building systems from the ground up. Senior finance and consulting roles followed, before she eventually joined FS Impact Finance as an investment manager in 2018. **Looking back, she sees a common thread running through every stage of her career: understanding how financial institutions work from the inside.** That experience has fundamentally shaped the way she approaches due diligence today.

"When we assess an institution, we always review governance, finance, operations, risk management, HR and IT," she says. **"But what I'm really looking for are the connections between these different areas."** Financial statements remain essential, but they are only one part of the picture. For Joy, every institution tells a story. **Governance reveals how decisions are made. Risk management shows how challenges are anticipated. Conversations with managers explain**

priorities, while discussions with loan officers reveal how those priorities are translated into daily practice. Every interview adds another piece to the puzzle. "I think that's really our job," she says. "To understand the risks an institution faces."

But understanding risk goes far beyond identifying weaknesses. She listens carefully for consistency. Does the board describe the same priorities as management? Do operational teams understand the institution's strategy? Do clients experience the values that the institution presents in its policies? "When you speak to different people and everyone tells the same story," she points out, "you know the organisation is working together." The opposite can be equally revealing. Sometimes it is not a single answer that raises concern, but small inconsistencies between conversations, processes and documents. Those moments prompt the next question, and often the one after that. **"The documents tell you how an institution is designed to operate," she explains. "The conversations tell you how it actually operates."**



Our People

Joy Gundran: Investment Management

That ability to connect seemingly unrelated observations has become one of the most valuable parts of her work. "Understanding where an institution is today is important," she says. "Understanding whether it is moving in the right direction is even more important." Microfinance is constantly evolving. Artificial intelligence, digital finance, climate resilience and new approaches to impact measurement continue to reshape the sector. Joy enjoys seeing how different organisations respond to these developments. **"Every due diligence teaches me something new," says Joy. "That's what keeps the work interesting."**

And yet, every investment decision requires balance. "We want to support institutions that expand financial inclusion," she explains. "At the same time, we have a fiduciary responsibility towards our investors." For Joy, those objectives are not in conflict. Strong governance, responsible management and positive client outcomes reinforce each other. That philosophy also shapes her approach to client protection. As a signatory to the [Client Protection Pathway](#), FS Impact Finance assesses prospective investees against internationally recognised standards before making an investment. For Joy, however, these assessments are not about compliance alone. "Many institutions are already doing these things," she says. "The process helps bring everything together and shows where they can continue to improve." **Fair treatment of clients, effective complaints mechanisms and responsible governance are not separate requirements. They are characteristics of institutions that are built to last.**

Serving on the board of a microfinance institution adds another perspective. While due diligence offers a snapshot in time, board work allows her to see how an institution evolves over many years and responds to new challenges. Despite all the changes she has witnessed, one thing has remained remarkably constant. "The mission has never changed," she says. "We're still working to help people improve their lives." For Joy, that is ultimately what every due diligence seeks to understand. Not simply whether an institution is financially strong today, but whether it has the leadership, culture and purpose to create lasting opportunities for the people it serves.



"A due diligence is never just about checking documents. It's about listening, asking the right questions and understanding the people behind the institution. That's where you learn what no report can tell you."

Joy Gundran
Investment Manager Southeast Asia
FS Impact Finance

Our Financing Solutions

Picture: FS Impact Finance team members Martin Rücker, Andreas Küppers, Arpine Hovakimyan, Florian Sigmund



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 2025



Annual review 2025

The year 2025 demonstrated both the resilience of the GLS AI – Microfinance Fund and the realities of investing for impact in a constantly changing global environment. While geopolitical uncertainty, currency volatility and isolated challenges within the microfinance sector influenced portfolio performance throughout the year, the fund was again firmly committed to its mission: providing financing to MFIs that enable access to responsible financial services for underserved communities across the globe. **By enabling access to responsible credit, savings and other financial services, these institutions support households, small businesses or farmers to develop financial resilience, thereby better manage economic shocks, invest in productive activities and overall build more secure livelihoods.**

Throughout the year, the fund continued to develop its portfolio. Around EUR 100 million in new loans were disbursed to partner institutions, reflecting the revolving nature of its investment strategy. Several first-time investments broadened the portfolio's geographical reach, including new partnerships in Kyrgyzstan, Uzbekistan, Armenia, Honduras and Montenegro, while long-standing relationships with existing partners were renewed. **A particular focus was maintained on financing smaller MFIs with balance sheets below EUR 20 million – a market segment with constrained international funding despite its important role in enabling financial inclusion.**

Yet, the year 2025 was not without challenges. Economic headwinds, regulatory developments and FX volatility required steady monitoring and close dialogue with partner MFIs. Particularly developments affecting selected MFIs in India and Senegal resulted in temporary valuation adjustments and impacted the fund's overall performance during periods of the year. **Rather than reacting through short-term measures, our investment as well as risk & monitoring teams**



maintained an active engagement approach, working closely with partners and stakeholders to assess risks and initiate appropriate responses. As conditions improved through the second half of the year, valuations gradually stabilised, again highlighting the importance of a long-term investment perspective.

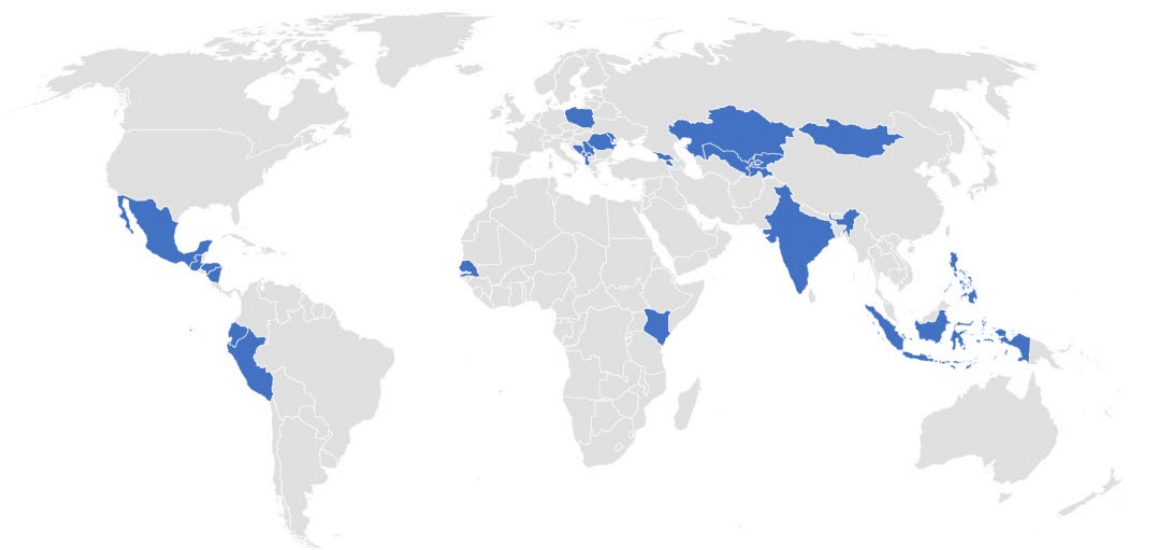
Despite these challenges, the fund's outreach remained substantial. At year-end, investments reached 61 MFIs in 28 countries and indirectly supported more than 82,700 active borrowers. Women accounted for around 84% of end borrowers by headcount, reflecting the strong focus of several MFIs, particularly in India, on serving female entrepreneurs and households. Roughly 60% of clients lived in rural areas, while nearly half of all financing was provided in local currency, helping reduce exposure to FX risks for MFIs. The fund again complied with its Article 9 SFDR requirements, with a sustainable investment ratio of 75.2% of all net assets at year-end.

The relevance and payout of patient capital was perhaps the clearest lesson from 2025. Advancing financial inclusion means standing alongside partner MFIs throughout both positive market conditions as well as periods of uncertainty. Rather than withdrawing when challenges arise, the fund combines close dialogue, prudent risk management and stable partnerships. This enables MFIs to continue serving those entrepreneurs, smallholder farmers and households who rely on responsible financial services. **In doing so, the GLS AI – Microfinance Fund demonstrated again that lasting impact is built on trust that emerges out of long-term relationships on equal terms.**

Financial Inclusion

GLS AI – Microfinance Fund

In a nutshell



Microfinance institutions (MFIs) reached

- 61 MFIs in the portfolio
- 29 countries covered
- EUR 1.725 million average MFI loan size
- 1.66 years average loan maturity
- 75.2% average sustainable asset ratio
- 48% MFI loans disbursed in local currency

End borrowers reached through MFIs

- 95,238* end borrowers reached
- EUR 1,755* loan volume per borrower
- 84% female borrowers
- 16% male borrowers
- 60% rural borrowers
- 40% urban borrowers

* Median value

Picture: Michael Crayne (investment management) at SAM 2025 – African Inclusive Finance Week, Nairobi

Financial Inclusion

GLS AI – Microfinance Fund

60 Decibels – Microfinance Index

From Outputs to Outcomes: Listening to clients

In the [previous chapter](#), we described how our Impact Measurement and Management (IMM) approach is evolving beyond simply measuring activities and outputs towards understanding outcomes and thereby impact in the long run. While portfolio indicators such as the number and volume of loans disbursed or borrowers reached remain essential for monitoring scale and performance, they alone cannot answer **one fundamental question: How do clients themselves perceive the financial services they receive?** To strengthen this outcomes perspective, the GLS AI – Microfinance Fund partnered with **60 Decibels** in 2025 to conduct four independent customer voice studies at portfolio MFIs among end borrowers of **ADISA** (Guatemala), **ASA Kenya**, **Arnur Credit** (Kazakhstan) and **Bailyk Finance** (Kyrgyzstan). Based on the *60 Decibel* methodology, these studies form part of their global **2025 Microfinance Index**, one of the world's largest benchmarks of client outcomes in financial inclusion. **The Index is based on personal interviews with more than 24,000 clients across 85 financial service providers in 39 countries, representing approximately 25 million microfinance borrowers.** Rather than asking how many people were reached, the studies explore a more meaningful question: What changed in clients' lives? Across the four institutions operating in very different geographies and markets, three overarching insights emerged:

Different markets, different pathways to financial inclusion

Financial inclusion is often associated with expanding access to finance. Yet, the studies demonstrate that this is only one part of the story. In Guatemala and Kenya, where many low-income households still lack access to formal financial services, almost two-thirds of clients reported that this was their first loan of this kind. In Kazakhstan and Kyrgyzstan, by contrast, significantly fewer borrowers were first-time clients, reflecting more mature and competitive financial markets. Such differences do not allow to evaluate the quality of

impact. They rather illustrate that financial inclusion evolves alongside markets. **Where access to responsible financial services remains limited, the greatest contribution lies in reaching previously underserved clients.** In more mature markets, value is increasingly created through improving the quality, and suitability of financial services. The findings reinforce one of the main conclusions of the **2025 Microfinance Index**: successful financial inclusion cannot be measured through a single indicator but must always be understood within its local context.

Impact is measured in everyday life

While investors often describe impact through indicators and frameworks, clients describe it through everyday experiences. Across all four studies, borrowers consistently reported improvements in their businesses, household wellbeing and financial resilience. Yet, the outcomes they valued most differed according to their circumstances. Clients of **ASA Kenya** frequently highlighted improved access to education, greater confidence and better living conditions. At **ADISA**, household income growth and stronger businesses emerged as key drivers of improved quality of life. Clients of **Arnur Credit** mainly referred to better living conditions and business growth, while respondents at **Bailyk Finance** described a broader improvement in their overall wellbeing and financial stability. These findings closely mirror the broader observations of the **Microfinance Index**.



Financial Inclusion

GLS AI – Microfinance Fund

60 Decibels – Microfinance Index

Across thousands of interviews worldwide, **clients rarely define success through financial indicators alone. Instead, they experience impact through access to education for their children, improve their homes, build resilience against unforeseen expenses or simply feel more secure about the future. Listening to clients therefore provides a richer understanding of impact than portfolio data alone can offer.**

Customer decisions
voice
strengthens
investment

Across the board, all four studies confirmed that the value of their insights studies extends well beyond reporting and underscores the importance of outcomes data. **Independent customer voice has the ability to add an important dimension to our overall investment process by complementing financial analysis, social and environmental performance monitoring and due diligence with direct feedback from the people the fund’s investments are ultimately intended to serve.**

Overall, the broader **2025 Microfinance Index** represents the context to illustrate why this matters. It shows that **microfinance clients who clearly understand loan conditions are able to experience significantly better outcomes.** It also confirms that **vulnerable borrowers can benefit most when financial services are combined with complementary support and meaningful ancillary services.** Finally, it delivers evidence that **hybrid service models combining digital convenience with personal interaction can deliver stronger client protection than purely digital approaches.**

Last but not least, these insights demonstrate that understanding client experiences is not only valuable for understanding outcomes from an investor perspective, but also for MFI investees to build ever better products and deliver better services. A strengthening engagement with partner institutions constantly allows for identifying opportunities for continuous improvement.

With an IMM framework that continues to evolve, customer voice will become an increasingly important bridge between investment decisions and the real-world changes they seek to achieve.

Measuring outcomes is ultimately not about producing more indicators – it is about listening, learning and using those insights to make better investment decisions and deliver greater impact.

1. Different markets, different pathways

Clients’ needs vary by market. While first loans expand access in emerging markets, finance helps businesses grow and strengthen in more mature ones.

 ADISA Guatemala 64% Received a loan for the first time Expanding access in early-stage markets	 ASA Kenya Kenya 62% Use loans to expand or diversify their business Growing opportunities in more mature markets	 Arnur Credit Kazakhstan 42%	 Bailyk Finance Kyrgyzstan 26%
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2. Impact in everyday life

Clients report improvements in income, living conditions, confidence and family resilience.

 72% higher income	 58% better living conditions	 46% greater confidence	 44% manage household expenses	 37% greater financial resilience
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3. Customer voice strengthens decisions

Listening to clients provides actionable insights that help improve investment decisions and increase impact.

-  **Manage risk better**, e.g. early warnings on over-indebtedness risks
-  **Support the most vulnerable**, e.g. vulnerable clients combine financial services with additional support
-  **Clarity on client needs**, e.g. explain loan conditions more clearly to improve outcomes
-  **The right mix matters**, e.g. hybrid service models can deliver stronger client protection and impact

Renewable Energy Seed Capital Assistance Facility

Supported by:



on the basis of a decision
by the German Bundestag



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

From small capital to leverage

It might appear that there is a general shortage for investable clean energy projects. However, the shortage starts way before a large-scale solar, wind or hydro projects become investable. **The basic question is simple: who is going to take the first risk?** The identification of potential sites, feasibility studies, environmental and social impact assessments, permissions and project structuring can not only take a long time but there is simply no funding available. There is one good aspect: the amounts required at this stage are relatively small.

And this is exactly where the Seed Capital Assistance Facility (SCAF) comes in and was designed for in the first place. The concept is simple and powerful at the same time. Whilst this is not about simply financing the construction of renewable energy projects, **SCAF provides support to private sector development companies at early stages and effectively deploys donor funding where commercial capital is scarce.** These relatively small grants of capital provided at the right point in time can unlock much larger private investments later on. As soon as studies and assessments are completed, permits obtained and a viable financing structure is developed, the risks decrease and projects become attractive to private investors and DFIs.

The success of SCAF and our work here can be traced back to the beginnings in 2008. And it is hard to believe that SCAF II is coming towards an end. But with a steadily growing demand for early-stage support to de-risk and fill elementary but structural funding gaps, we are convinced and prepared to bring the SCAF III grant facility into the next round.

Comparably small amounts of capital, injected at the right moment can unfold so many great projects to enter the market that most likely would have had the fate to be shelved. And still, each case is unique and a success for itself. **Unlocking private capital for the passionate and dedicated developers SCAF supports is a huge win and demonstrates the relevance and additionality it can provide.**



Renewable Energy

Seed Capital Assistance Facility

What changed because SCAF existed?

Over a bit more than one decade, SCAF II confirmed that relatively small amounts of capital can free up much larger capital pools. By the end of 2025, a total of USD 13.5m in SCAF co-funding supported 58 projects whilst supported [projects that reached financial close mobilised USD 1.74bn](#) in later stages. Yet, the SCAF legacy goes beyond this mobilisation.



SCAF as a market builder

In markets, where project pipelines, execution capacity and investor confidence are emerging, SCAF could help to establish precedents for clean energy investments (explored in detail in our [Fire Triangle framework](#)), renewable energy markets evolve as constraints shift. SCAF's mandate was to be present where those foundations were, at best, emerging. Projects approaching investment-readiness would demonstrate what could work under local conditions, while developers gained experience and investors data points for future opportunities. SCAF can therefore be seen as a market builder, creating the track record, capabilities and confidence for markets to develop.



SCAF as a mechanism for moving developers up the maturity curve

Behind every successful project stands a developer capable of taking it from an idea to an investable proposition. **SCAF II could support not only single projects but also the platforms behind them, enabling developers to build pipelines, develop capacities and gain experience to steer through complex development processes.** This adds value beyond individual support. Once developers have structured projects, addressed ESG requirements and engaged with professional investors, they carry stronger capabilities and a track record into future ventures. Developers can move up the maturity curve, strengthening their ability to attract capital, develop larger pipelines and scale up with less catalytic support.



SCAF as a developer sandbox

To work in such early stages of project development brings along a degree of uncertainty. Not every promising idea becomes an investable project just as not every business model works as initially intended. Such room to test assumptions, respond to changing circumstances and, where necessary, recalibrate projects and strategies before larger amounts of capital were committed, could – to some extent – be provided through SCAF. This is reflected in the SCAF II portfolio: alongside projects reaching financial close and construction stage, there were delays, strategic turnarounds and discontinued partnerships. Yet, such experiences can be put to good use. Identifying an unsustainable overall approach is equally important as demonstrating a successful one. Insofar, SCAF provided a sandbox for calculated risk-taking and enabled developers to learn, adapt and apply these lessons to stronger projects and business models.

1. Building renewable energy markets

-  More projects
-  Investor confidence
-  Established markets



2. Scaling up developers' maturity

-  Stronger teams
-  Growing pipelines
-  More capital



3. A safe space for innovation

-  Test and refine
-  Valuable lessons
-  Stronger approaches



Renewable Energy

Seed Capital Assistance Facility

Long-term outcomes of SCAF:



Carbon emission reductions

SCAF's seed-funded projects reduce greenhouse gas emissions, aiding countries in meeting their Nationally Determined Contributions (NDCs) under the Paris Agreement and advancing climate action to mitigate global and local climate impacts.



Clean energy production

Through strategic public capital allocation, SCAF support helps to de-risks early-stage clean energy projects and, by facilitating investment funds, contributes to expand access to clean energy technologies and infrastructure.



Energy access

Reliable and affordable clean energy is essential for sustainable development. Expanding clean energy access empowers communities by driving economic growth, enhancing health and well-being, reducing poverty, and strengthening resilience to climate change.



Job creation and economic growth

Access to clean, reliable energy catalyzes economic growth, sustainable urbanization and improvements in healthcare, education and communication. This can generate new employment opportunities and enhance overall community prosperity and quality of life.

SCAF II main achievements by year-end 2025:



USD 2.74 m disbursed to 11 cooperating partners during 2025



15 SCAF-supported projects reached financial close



1,861,414 tCO₂e of avoided emissions per year expected*

** In relation to projects that reached financial close by end of 2025*



800 MW of capacity installed*



7,529 jobs created during construction and 105 during operation and maintenance*



2 new partners onboarded

Forest Landscape Restoration

Restoration Seed Capital Facility



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



FINANCING
SUSTAINABLE
LAND USE



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

Mind the Gap: Bridging the path to nature investments

Nature is becoming that investment case requiring urgent attention, as the [UNEP State of Finance for Nature 2026](#) shows. Its subtitle *Nature in the Red* clearly underlines the challenge: USD 7.3 trillion flowed into nature-negative activities in 2023 while only USD 220 billion invested in Nature-based Solutions (NbS). Here, private finance accounted for just USD 23 billion but to meet global climate, biodiversity and restoration targets, annual NbS investment would need to triple by 2030.

Still, it is not simply about a lack of capital. RSCF's experience points to an investment-readiness gap: while investors may be interested in nature, too few projects reach a stage at which institutional capital is ready to be deployed. Restoration developments require substantial early work from feasibility studies, ensuring land rights and engaging communities, running environmental assessments and establishing viable business models and may only then become investable.

This issue became visible to RSCF with fewer new private-equity funds progressing to financial close, while market activity shifted towards development companies and platforms. RSCF responded by expanding its approach in 2025 and making specialised project developers eligible for support. *Hummingbirds* became the first such cooperating partner in December 2025, while RSCF conducted due diligence on *Fronterra* in Peru.

This evolution reflects a broader lesson for nature finance: a “sit and wait” approach – developing a restoration concept and expecting capital to arrive – is rarely sufficient. Projects need to be structured around viable economics and pipelines developed. While carbon finance can be one component, resilient NbS business models increasingly need several complementary revenue streams: sustainable forestry and agriculture, non-timber forest products, biodiversity

or ecosystem-service revenues, alongside carbon. UNEP similarly points to sustainable land management and sustainable commodity production as important opportunities for mobilising private investment.

RSCF's catalytic role sits precisely here. Its support can finance the costly early stages in which projects are tested, structured and de-risked before mainstream investors are ready to participate. During 2025, RSCF disbursed over USD 1 million to three partners, while continuing to develop its project and partner pipeline.

The lesson from 2025 is therefore that closing the nature-finance gap requires more than additional capital. It requires building projects that meaningfully combine restoration with credible revenue models and ensuring that local communities and livelihoods form part of their long-term economics.



Picture: Due diligence trip *Fronterra* to Peru, July 2025

Forest Landscape Restoration

Restoration Seed Capital Facility

Long-term outcomes RSCF is targeting:



Sustainable development

Livelihoods of smallholders, producers and indigenous communities are improved also through capacity building and supported technical assistance



Climate change mitigation

Sustainable land use practices reduce the risk of deforestation and land degradation, while nature-based solutions enhance carbon sequestration—helping to mitigate the effects of climate change



Climate change adaptation

Sustainable land use practices strengthen the resilience of local communities, enhancing their ability to adapt to climate change while generating economic benefits



Conservation and biodiversity

Forest landscape restoration (FLR) and conservation efforts deliver direct, measurable benefits for biodiversity and strengthen ecosystem services that underpin environmental and human well-being

Impact of RSCF-supported projects by year-end 2025:



USD 1.09 m RSCF-support disbursed to 3 partners



4 facility-supported projects reached financial close



USD 1.7 m new funding committed



USD 10.476 m committed support to 7 RSCF partners*



332,015 ha of forest restored, and **311,715 ha** of natural habitat sustainable biodiversity use protected*

**In relation to projects that reached financial investment decision by end of 2025*

Forest Landscape Restoration

Partner – hummingbirds



From projects to investments: hummingbirds pioneers as RSCF developing partner

Despite drawbacks and political headwinds, there is a strong investor interest in nature and restoration. However, it requires much more than just capital to restore a forest or degraded landscapes. Before investors seeking bankable Nature-based Solutions (NbS) projects can deploy their money, suitable projects need to be identified, thoughtfully designed and tested. Local partners need to be involved. A ton of questions around land, carbon, biodiversity, local communities and financial feasibility need to be answered. All of these are good reasons for RSCF to expand its approach and address precisely this early-stage support gap in the market and open the doors for specialised project developers to join the facility alongside investment fund managers. **With this new approach established in 2025, hummingbirds became one of RSCF's first project development partners and brings along some exciting aspects.**

Initially founded in 2022, *hummingbirds* is dedicated to developing NbS projects across Africa, Latin America and Asia with activities ranging from forest conservation and restoration to sustainable forestry to agroforestry and coastal ecosystems. In a holistic approach and rigorously following the concept of NbS, the core of all projects are partnerships, joining forces and combining knowledge with expertise in technical implementation and project structuring and access to funding.

When developing NbS projects this way, a clear focus lies always on finding out what does not work. *hummingbirds'* dedication to delivering NbS in the best suitable way goes along with a transparent example in their [Mission Report](#), describing why three agroforestry concepts which, based on pre-feasibility studies, did not turn out into viable projects. One of these lessons for



hummingbirds was that carbon credit sales without a viable market for agricultural products make it difficult to build a balanced financial model. **This example confirms once again that precisely such risks during the project development phase, long time before a project becomes attractive to investors, is what RSCF was designed for and can help to address.**

This partnership between *hummingbirds* and RSCF took shape throughout 2025 including due diligence visits in Paris and Brazil and with the final Cooperating Partner Agreement (CPA) signed in December. Under CPA, *hummingbirds* is entitled to receive funding for pre-feasibility studies, market research, legal costs and project origination. Furthermore, Support Line 3 (SL3) funding will help co-finance the development of further individual projects and advance them towards financial close.

This partnership represents an important milestone in *hummingbirds* journey with the ongoing development of *Gondwana*, an NbS investor platform aiming to connect its project pipeline with large pools of institutional capital. An important milestone for *Gondwana** was to secure EUR 50 million in funding commitments from a number of renowned DFIs to scale developed projects across Africa, Latin America and Southeast Asia.

RSCF is proud to partner with hummingbirds, pioneering a new approach to bring restoration investment closer to where it matters most. With a new pillar on supporting project developers, RSCF can help turn promising landscapes and local partnerships into investable projects that serve both, nature and the local communities that surround them.

Forest Landscape Restoration

Partner – Fronterra



FRONTERRA

From degraded landscapes to investable restoration

Local communities lie at the core of Fronterra's work, the Franco-Peruvian NbS company that develops peoples-based reforestation, conservation, carbon removal and biodiversity projects across Latin America. With a long-term vision of building a portfolio that combines landscape restoration and protection with complementary value chains around carbon and biodiversity finance, sustainable forestry and agroforestry, **Fronterra's approach always comes back to the people who live in and depend on these landscapes, building long-term partnerships designed to benefit them.**

During 2025, our RSCF team was on on-site due diligence mission in Peru, from where Fronterra operates, and subsequently a Cooperation Partner Agreement (CPA) was signed. Under this, **Fronterra receives funding through Support Lines 2 and 3 to further develop projects and pipelines** in order to address the persistent challenge in restoration finance: **way before private institutional capital is ready to be committed, projects require a long tail of feasibility studies, community engagement, ESG assessment, legal structuring, carbon baseline scenarios and GIS-based field evaluation.** RSCF support is designed to help to bridge this exact early-stage funding dip by strengthening those promising projects and preparing them to attract substantially larger capital pools and making revenue streams work.

Sumaq Allpa – meaning “beautiful land” in Quechua – provides a tangible example. On this land in the high Andes of southern Peru, Fronterra is developing an overall 17,000 hectares reforestation programme that seeks to turn around degradation after years of overgrazing and bad agricultural practices, where soil erosion and water stress are predominant, something good is supposed to happen. In cooperation with comm-



unities of Marcaconga and Santo Domingo in Cusco, tree nurseries were established and a first 110-hectare pilot has successfully confirmed feasibility. According to Fronterra, more than 250 community members were employed for nursery and planting activities, earning more than USD 135,000 in wages.

The idea behind NbS is to build projects, where protecting and restoring nature brings along social and economic benefits through complementary revenue streams. This is exactly the philosophy that Fronterra intends to establish. Local communities remain landowners and rights-holders with the intention to generate employment, productive activities and participation in future carbon revenues. The objective is to make improved local livelihoods central to the long-term economics of restoring and protecting landscapes.

In the same way, RSCF seeks to be a long-term partner and extends beyond a single pilot. With *Gran Pajonal* being another project in Fronterra's pipeline, the vision is to even combine the conservation of 200,000 hectares of Amazon rainforest with restoration through agroforestry, working with 30 Ashéninka communities.

RSCF looks forward to a partnership with Fronterra by helping to develop, test and de-risk its pipeline and thereby establish a pathway from community-based pilots to scalable, investment-ready NbS that deliver benefits for ecosystems and local livelihoods.

Startup Finance

Frankfurter Gründerfonds



From individual businesses to broader impact

Back in 2012, the Frankfurter Gründerfonds (FGF) provided EUR 25,000 to a small startup named **burnthebunny GmbH**. Now, more than a decade later, the firm operates as **Brand Factory Digital** and employs over 120 people. What started with a comparatively small financing amount at an early stage became the foundation for a much larger entrepreneurial journey. **Brand Factory Digital** is a particularly remarkable example of the long-term contribution the FGF can make to Frankfurt's local economy.

Speaking in numbers, the FGF has supported over 130 companies in Frankfurt, and these have created more than 1,000 jobs. These supported companies ranging from a wide range of sectors and business models, is illustrating the diversity of Frankfurt's entrepreneurial landscape beyond banking and finance.

The fund's support is usually most relevant at an early stage which is why relatively modest amounts of capital can enable a young business to turn into a viable firm. Our objective and how we live the mandate of the City of Frankfurt is not simply to secure financing by issuing loan guarantees but providing active mentorship and thereby closely supporting entrepreneurs and giving them room to develop their businesses. Another great example is **Oatsome** who received a EUR 50,000 loan from the FGF back in 2015 and is employing more than 50 people today. Even if **Oatsome** or **Brand Factory Digital** are standout examples, we could name numerous examples where the FGF was able to set the stone for generating employment and economic activity beyond the initial financing.

However, each business has its own growth trajectory and financing needs and at the same time, higher costs



and more ambitious business models requiring higher investments. **In 2025, the FGF has therefore doubled the maximum loan amount from EUR 50,000 to 100,000, allowing us to address larger financing needs.** While this expands the fund's base of businesses with greater innovation and growth potentials, it does not change the basic purpose of the FGF but rather respond to those realities that founders are facing today.

Enabling the success of local businesses in Frankfurt is our passion. And while it is not essential whether a business will eventually employ five, 50 or 100+ people, **the real impact is to allow entrepreneurs to secure their financing at a decisive point. With an increased financing amount, the FGF is eager to accompany the next generation of Frankfurt's entrepreneurs.**

Highlights of the Frankfurter Gründerfonds in 2025:	
	6 loan guarantees issued for startups
	EUR 342,000 total loan volume issued
	EUR 4.1 mn total fund volume
	0.62% portfolio at risk p.a. on average since inception (one default case in 2025)
	71% acceptance rate for loan applications

Startup Finance

Frankfurter Gründerfonds APHERY Schuhatelier



In a world that is getting faster and faster, where technology and digitalism are fearing to push out physical products, Richard Aphony is turning this whole story by 180 degrees by strictly ignoring those trends. In *APHERY Schuhatelier*, traditional shoemaking craftsmanship meets a contemporary approach to design, service and entrepreneurship. **Richard stubbornly - and therefore successfully - does something that has become rare in these times: deliberately reducing speed and taking the time for more than 200 working steps to create a product with his own hands that is not only built to last but to also leave a lasting impression.**

The *Frankfurter Gründerfonds* proudly supported his venture in 2025 by securing a EUR 65,000 loan for Richard to open his own atelier and build his brand. He offers bespoke and made-to-order shoes which are complemented by high-quality shoe repairs and restoration where the latter make up around 75% of revenues. In a world where throwing away and buying new is an integral part of value chains, doing the exact opposite might sound risky. **And yet, a new appreciation of durability and circularity confirms that people want to think in a different direction.**

At the same time, Richard's path also illustrates the entrepreneurial contribution of people with an international background to Frankfurt's economy. By finding his way as a refugee from Nigeria into Germany's most international city, **Richard's story shows in a wonderful way how handcraft skills, perseverance and passionate entrepreneurship led to a new business taking root right at Römerberg in the heart of the city of Frankfurt.**



Three questions to the founder

We are curious to hear where your fascination with shoes, fashion and craftsmanship began.

My fascination began with fashion, but I soon wanted to understand what lies behind a beautiful product. Shoemaking brought everything together for me: design, function, craftsmanship and the possibility of creating something that can last for many years.

People bring you their shoes to repair, and each pair tells its own story. Is there one particular story that stays with you?

It is difficult to choose just one pair. What stays with me most is when customers bring in shoes they have owned for many years and do not want to replace because of the memories attached to them. Restoring those shoes means preserving part of someone's personal history.

It is great to see the passion you put into your work. What do you think can others who want to build something of their own learn from your journey?

You do not need to have every step figured out before you begin. You need a clear vision, patience and the willingness to keep learning. Building something of your own takes time, but consistency and genuine passion can carry you through difficult phases. It begins a strong belief within.

Startup Finance

Frankfurter Gründerfonds Tokonoma Club



Simply more than a techno club

Ask someone about *Tokonoma* and they'll probably describe it as a techno club. Spend a day there, however, and a different picture emerges. **This club is unique in its versatility.** In the morning, freelancers and entrepreneurs meet over coffee. During the day, exhibitions, workshops and cultural events bring together artists and Frankfurt's creative scene. Only as evening turns into night, the venue transforms into the techno club for which many people know it today. *Tokonoma* was designed as something more: a place where culture, creativity, entrepreneurship and community meet under one roof. In a safe space.

Creating a venue with such an ambitious vision takes more than passion. It requires people willing to challenge established concepts and transform an idea into a sustainable business. The two founders Fabian Annich and Toan Nguyen wanted to create a place that remains vibrant throughout the day, offering a democratic space for creative exchange, cultural expression and social interaction long before the first DJ takes the stage.

Turning this vision into reality also required patient financing. The *Frankfurt Gründerfonds* supported the development of *Tokonoma*'s new location at a decisive stage, helping to establish a concept that goes well beyond traditional nightlife. **Rather than focusing solely on commercial success, the project demonstrates how entrepreneurship can strengthen a city's cultural fabric by creating spaces where people meet, collaborate and develop new ideas.**

Today, *Tokonoma* has become part of Frankfurt's creative landscape. It attracts visitors with different backgrounds and interests, offering opportunities for artists, entrepreneurs, marginalised groups or cultural initiatives to connect. The venue illustrates that economic viability and cultural value can reinforce one



"*Tokonoma* is a place of belonging – a counterpoint to a world where politics and governments keep trying to pull people apart."

Fabian Annich & Toan Nguyen, Founders of Tokonoma Club

another. **When creative ideas are given the opportunity to grow, they often generate benefits that extend well beyond the original business concept.**

For the *Frankfurt Gründerfonds*, investments like *Tokonoma* highlight that supporting **entrepreneurship is not only about enabling new businesses. It is also about helping create places that enrich urban life, foster creativity and contribute to vibrant local communities.**



Three questions to the founders

Many people know *Tokonoma* as a techno club.

What was your vision beyond nightlife?

A club has always been the reflection of a *Zeitgeist* of the city and region. We wanted to express ourselves and our generation and build a platform for creatives and engaged people of our city.

What was the biggest surprise so far of seeing that vision into reality?

From day one of the construction, we had people from our community and beyond showing up, putting in work and contributing in so many ways. It really made the difference because the project came to live already before we had officially opened.

What kind of place do you hope *Tokonoma* will be for Frankfurt in ten years' time?

Just by existing and surviving we have made our point. The fights that we have and the struggle we go through are often representing the problems that we have in general in our society. We stand for a progressive way of work, for a courageous future with a diverse society and if we survive 10 years, then we have actively contributed and shaped the values of Frankfurt and the region.

Corporate Citizenship

Our Carbon Footprint

Our business travel in 2025

Investment management is a people’s business and impact investing perhaps even more so. Various on-site due diligence meetings with MFIs, renewables developments or reforestations took us away from our desks right to the ground to meet existing or potential investees. It is equally important to meet and exchange with stakeholders, peers and gather at sector-focused conferences or gatherings of those organisations where we hold memberships.

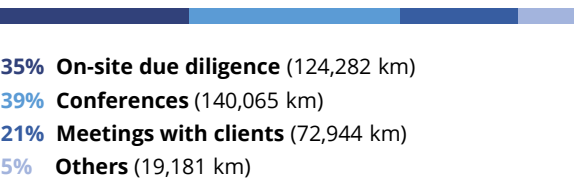
At the same, **global CO₂ emissions from fossil fuel usage have reached a new record in 2025 with a rise by more than 1% to a total of 38.1 billion tonnes.** Even if CO₂ emissions from land use change, the other pillar of overall anthropogenic CO₂ emissions, slightly decreased in 2025 driven by slowed down deforestation rates and degradation fires in South America. However, putting this into context in global sadly means that the tiny remaining budget compatible with 1.5°C is thereby literally exhausted with only 170 GtCO₂e that equal up to 4 years at the 2025 emissions levels.¹

The Global Carbon Budget report for 2025 further sets out that the terrestrial carbon sink, meaning the ability of land and oceans to absorb anthropogenic CO₂ has recovered to its pre-El Niño strength in 2025 following a significant decrease during 2024. These may be good news but the ability of land and ocean to sequester CO₂ are undermined by the effects of climate change and are respectively 25% and 7% smaller than they would be without those climate change impacts. Tropical regions are suffering most from a combination effect of climate change and land-use change, and turning large South American as well as Southeast Asian tropical forests from CO₂ sinks into sources.

Good reason to dedicate a significant part of our investment activity at FS Impact Finance to foster one thing: lay the ground for anthropogenic emissions from fossil energy production to decrease and reduce deforestation and land use change by seed funding large clean energy developments through SCAF and forest landscape restoration projects through RSCF.

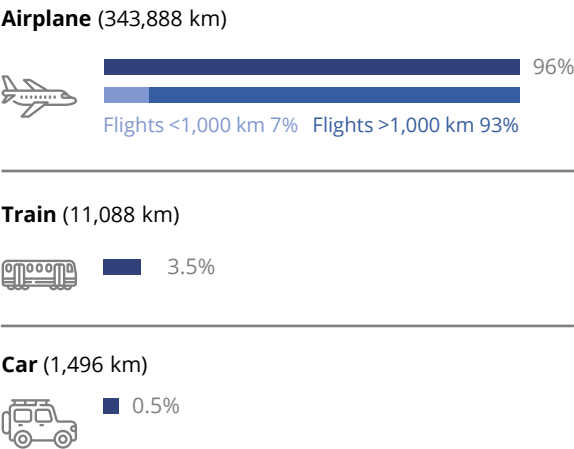
Total travel distance 356,472 km

Purpose of travel



Our respective due diligence trips took us for example from Dakar and Cape Town to Lima, Singapore and Livingstone in Zambia as well as European destinations like London, Paris and Amsterdam. Overall, due diligence remains a key reason for our travelling activities. **Being present on the ground and able to really experience the work and thereby better understand our partners, their project and local community contexts in which they operate. Such insights are impossible to grasp from a desk in Frankfurt.**

Travel distance by means of transport



We remain committed to avoid short haul air travel and seek, wherever feasible, alternative modes of transport with less carbon emission impact.

1 - The [Global Carbon Budget 2025](#) report.

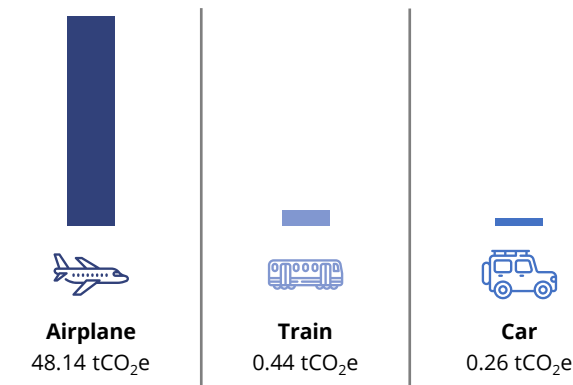
Corporate Citizenship

Our Carbon Footprint

Based on our assessment of business travel activities in 2025, we evaluated the related emissions using commonly recognized, science-based emission factors for different modes of transport. These factors account for direct emissions and, in the case of air travel, take into consideration secondary effects such as those arising from emissions at high altitude. This results in the following values for CO₂ equivalents:

48.85 tCO₂e total business travel-related emissions in 2025

tCO₂e (tons CO₂ equivalent)



Carbon compensation

So, what can you do? In the context of Gigatonnes, our “negative” contribution might appear tiny. But even if contributions through countermeasures might be tiny, it cannot be an excuse to skip those given their effect might be somewhere between negligible and non-existent. So, **let’s agree to say that everything counts** and rather put emphasis on the quality of carbon credits and the diligence put into it by their developers. In recent years, FS Impact Finance has always been eager to purchase carbon certificates in relation to our emissions resulting from our business travel with credits of good quality – ideally out of our partner network. **For 2025, we therefore chose to work again with one of our RSCF partners which is in this case *hummingbirds*, portrayed [above](#).**

Mariposa – supporting forest management in Mexico

To address the residual emissions associated with our 2025 business travel, we purchased 50 carbon credits out of the Mariposa project in Mexico. This project represents a link to our work with *hummingbirds* being an RSCF cooperating partner of FS Impact Finance. The purchased credits are from the 2023 vintage and have been retired upon settlement of the purchase.

Mariposa is an Improved Forest Management project covering around **16,000 hectares of community-owned land** in the Sierra Madre Occidental. It **combines improved fire management, reforestation and soil conservation with capacity building and local timber processing, with the aim of strengthening forest resilience while retaining economic benefits within the three participating communities**. See below some key facts about the project:

-  **Mexico** Sierra Madre Occidental
-  **2023** vintage
-  **50** tCO₂e carbon credits purchased
-  **16,000** hectares community-owned forest
-  **1.9 million** tCO₂e expected sequestration over 30 years
-  **150** people to be trained in sustainable forestry



Corporate Citizenship

Our Carbon Footprint



This certificate is presented to

Frankfurt School Financial Services

who has retired

50

tons of CO2e emissions

through the purchase and the retirement of the same amount of carbon credits from the Mexican community-led Improved Forest Management project Mariposa.

Thank you for doing your part!

hummingbirds
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75 002 Paris
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Anaïs BACH, CEO

Issued by: hummingbirds on 13/10/2026
Standard: Climate Action Reserve
Project ID: CAR1876
Vintage: 2023
Offset Credit Serial Numbers: CAR-1-MX-1876-42-1997-DG-2023-9263-762 to 811
Retirement date: 13/10/2026

Disclaimer

Imprint

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Picture on cover page & page 4: Kindly provided by
Fronterra S.A.S.

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Unless otherwise stated, this report covers the period January to December 2025. We have made reasonable efforts to ensure the accuracy and reliability of the information; however, data collection and reporting have limitations, and some figures may be estimates, projections or based on historical information. The report focuses on selected areas and does not cover every aspect of our operations or impact.

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Kindly,

Frankfurt School Financial Services GmbH

Frankfurt am Main, October 2026