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Impact Finance, founded in 2010, gives investors the means to track the ways their money can make an impact in the world today.

Since we launched our Fund, our main focus has been on the rural areas, where significant populations are living and suffering from lack of integration in the global economy. The companies we invest in aim to unite rural producers with international trade. These companies stand out as leaders in responsible farming practices and ecosystem conservation. While on the global scale, food production is at the center of environmental and public health issues, it is imperative to work with producers that embody the dynamics of change towards healthier and more environmentally friendly products.

In recent years, the 17 Sustainable Development Goals (SDGs) as defined by the United Nations, have enabled consumers, companies and investors to gather around key challenges for the future of humanity and the biosphere. We chose six of these goals to fulfill our investment strategy. This Impact Report aims to illustrate how these goals are being met through our portfolio companies’ data.

The first edition of the Impact Report goes hand in hand with the transformation that Impact Finance underwent in 2017. From a start-up with committed multi-tasking founders, the company has now adopted a more institutional model composed of specialized professionals. These changes have allowed the Management Committee to take a step back and think about better ways to reflect the impacts that the invested companies are having on society and ecosystems.

Finally, we keep in mind that we could not have went in this way without the investors’ support. They are the pioneers of an essential dynamic needed for the future of the biosphere and its inhabitants.

We hope you enjoy reading this report!

Cédric Lombard and Benjamin Firmenich, Co-CEOs
Vision and Mission.

**SPECIALIST IN DEBT INVESTMENTS GENERATING POSITIVE IMPACT**

Impact Finance is a Swiss-based investment advisor founded by two entrepreneurs coming from family businesses, one industrial and the other in banking. They decided to gather their skills to create an investment platform, at the crossroads of their complementary legacies.

**Vision**
We foresee that private banking will progressively focus back on financing the real economy and be accountable for its impact on the environment and the socio-economic sphere.

**Mission**
Build a solid and sustainable model of asset management to accompany Small and Medium Enterprises (SME’s) in their economic growth through generating positive social and environmental impacts.

---

**Our Fundamentals.**

**Investors**
We offer a unique experience to investors with the ambition to build a more sustainable world.

**Transparency**
Transparency is the only way to know what one really owns and its measurable impact. We are committed to communicating as faithfully as possible to our investors the challenges and successes of our portfolio companies.

**Long-term vision**
Long-term partnerships are the best proof of the efficiency of a model. We aim to continually innovate and create in order to maintain the most suitable solutions for our partners now and in the future. The structure of our Fund allows us to establish long-term relationships with companies we finance.

**Results**
We are succeeding when all partners, stakeholders and investees are achieving their goals by virtue of each other. To fulfil our pioneering role, our model must generate concrete results for both our investors and the companies of the portfolio.

**Team players**
We consider investees as partners and we pay close attention to management teams and the organization of the companies we are funding. Humility, respect and fairness are the core values of our team and are the engine of our success.
The scope of our Impact.

Monitoring and reporting

Promoting and monitoring social, economic and environmental impacts are at the heart of Impact Finance.

We developed the “Kharmax” system to systematically monitor the impact of investee companies. With standardized monitoring, we give the companies the means to improve their impact.

This system makes it possible to collect between 60 and 120 indicators on the companies and their value chains, to evaluate them and give them a rating. Then, these data are distributed among the seven chosen themes of the Global Reporting Initiative).

The Sustainable Development Goals (SDGs) as defined and followed by the United Nations became a standard to report impact. Impact Finance focuses on six of them:

- Two goals related to basic socio-economic needs: No poverty and Zero hunger (SDGs 1 and 2)
- Two goals related to the quality of life: Decent work and economic growth, and Responsible consumption and protection (SDGs 8 and 12)
- Two goals related to the environment: Climate action and Life on land (SDGs 13 and 15)

Each investment contributes to one or several of these goals.

End poverty in all its forms everywhere

Promote inclusive and sustainable economic growth, employment and decent work for all.

Ensure sustainable consumption and production patterns.

Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

Take urgent action to combat climate change and its impacts.

* Global Reporting Initiative (GRI): international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption since 1997.
Portfolio overview.

Repartition of the portfolio per sector (% invested portfolio)

Since inception

<table>
<thead>
<tr>
<th>Sector</th>
<th>December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRODUCERS</td>
<td></td>
</tr>
<tr>
<td>Cacay nuts</td>
<td>6%</td>
</tr>
<tr>
<td>Fresh fruits and vegetables</td>
<td>4%</td>
</tr>
<tr>
<td>Others</td>
<td>4%</td>
</tr>
<tr>
<td>TRADERS</td>
<td></td>
</tr>
<tr>
<td>Coffee</td>
<td>14%</td>
</tr>
<tr>
<td>Hazelnut</td>
<td>7%</td>
</tr>
<tr>
<td>Quinoa</td>
<td>7%</td>
</tr>
<tr>
<td>Maca</td>
<td>4%</td>
</tr>
<tr>
<td>UCO</td>
<td>4%</td>
</tr>
<tr>
<td>Chill Pepper</td>
<td>2%</td>
</tr>
<tr>
<td>Cashew nut</td>
<td>1%</td>
</tr>
<tr>
<td>Others</td>
<td>1%</td>
</tr>
<tr>
<td>MANUFACTURERS</td>
<td></td>
</tr>
<tr>
<td>Biodiesel from UCO</td>
<td>11%</td>
</tr>
<tr>
<td>Dried goldenberry</td>
<td>6%</td>
</tr>
<tr>
<td>Grocery products</td>
<td>1%</td>
</tr>
<tr>
<td>Waste treatment and preservation</td>
<td>1%</td>
</tr>
<tr>
<td>BRAND OWNERS</td>
<td></td>
</tr>
<tr>
<td>Grocery products</td>
<td>11%</td>
</tr>
<tr>
<td>RETAILERS</td>
<td></td>
</tr>
<tr>
<td>Grocery products</td>
<td>11%</td>
</tr>
<tr>
<td>FINANCIERS</td>
<td></td>
</tr>
<tr>
<td>Rural Financing</td>
<td>14%</td>
</tr>
<tr>
<td>Education</td>
<td>3%</td>
</tr>
</tbody>
</table>
| Key figures of the portfolio

Invested portfolio since inception (USD million) | 121
Companies supported since inception | 66
Amount disbursed in 2017 (USD million) | 29
Companies supported in 2017 | 47
Net outstanding portfolio in December 2017 (USD million) | 40
Outstanding companies in December 2017 | 44

Repartition of the portfolio per Sustainable Development Goal (SDG)

Since inception

- 1. No poverty
- 2. Zero hunger
- 3. Good health and well-being
- 4. Quality education
- 5. Gender equality
- 6. Clean water and sanitation
- 7. Affordable and clean energy
- 8. Decent work and economic growth
- 9. Industry, innovation and infrastructure
- 10. Reduced inequalities
- 11. Sustainable cities and communities
- 12. Responsible consumption and production
- 13. Climate action
- 14. Life below water
- 15. Life on land

December 2017

- 1. No poverty
- 2. Zero hunger
- 3. Good health and well-being
- 4. Quality education
- 5. Gender equality
- 6. Clean water and sanitation
- 7. Affordable and clean energy
- 8. Decent work and economic growth
- 9. Industry, innovation and infrastructure
- 10. Reduced inequalities
- 11. Sustainable cities and communities
- 12. Responsible consumption and production
- 13. Climate action
- 14. Life below water
- 15. Life on land

Region allocation (% invested portfolio)

Since inception

- South America
- Central America
- North America
- Africa
- Asia
- Europe

December 2017

- South America
- Central America
- North America
- Africa
- Asia
- Europe

KharmaxTM - Scorecard 2017

- Economic
- Environmental
- Governance
- Human Rights
- Labor Practices
- Product responsibility
- Society

2017 Scorecard
Extreme poverty rates have been cut in half since 2000, a remarkable achievement, but the population living at the base of the pyramid (BoP) remains vast. The definition of the base of the pyramid is wider than that of extreme poverty; it includes a population that can, at any time, fall again in poverty. According to the World Resource Institute, the BoP represents 72% of the world’s population. It is dominant in rural areas where basic services are often scarce and areas that are ruled by the informal economy resulting in a high degree of inefficiency and low competitiveness.

For Impact Finance, the question of poverty is central, and the solution lies in the professionalization of the rural sector and the search for competitive advantages.

Villa Andina is a Peruvian company founded by two brothers in 2007 as part of their university program. The idea of the two brothers was to sell unique agricultural and added-value products from Peru. They started their activity by selling dehydrated goldenberries (physalis). This was followed by other products, such as quinoa. Villa Andina became one of its main exporters only ten years after the creation of the company. Villa Andina’s challenge lies in the logistics that link smallholder farmers to their factories in Cajamarca and Lima.

Villa Andina implemented a tried and tested transportation system. Their 2,116 smallholder farmers and suppliers carry their products, usually riding donkeys, to convenient places such as the main square of the village or hamlet, the portico of the church or that of the school. Villa Andina then picks up the harvest at an arranged time to collect the products they agreed to buy.

In addition to logistics, Villa Andina offers technical assistance to producers to teach them how to grow the products sold by the company. The 500 producers of organic* goldenberries in Cajamarca sell to Villa Andina for USD 6,134 a year, or USD 511 per month for a farming family, with a single culture of 0.48 hectare in average. This is slightly above the poverty line.

* Organic certification standards that are endorsed by the International Federation of Organic Agriculture Movements (IFOAM 1995)
Focus on Café Orgánico Marcala (COMSA), Honduras

Get away from commodity through quality organic farming

Honduras is the poorest country of in Latin America, with more than 60.9% of its population living in poverty in 2016 according to official data. About one in five Hondurans live in extreme poverty, with less than a dollar a day, in rural areas. Coffee plays a vital economic role for the country. It is the main exported product, representing 11% of the exports, and supports 120,000 producer families.

The Marcala region is the only one in Honduras to receive the PDO (Protected Designation of Origin) for its coffee since 2015. 79.7% (1,902 tons of green coffee) of the PDO production is produced and sold by COMSA. One of its goals is to reduce poverty and promote sustainable development in the region by focusing on quality organic farming.

COMSA was founded in 2001 by the majority-owned shareholder, a Honduran NGO called Rural Business Development Foundation (FUNDER), and 60 coffee producer families. The company now counts 1,553 farming families.

The company specializes in organic coffee production and Fairtrade. When the founders started the project, they launched several pilots around topics like improving the productivity and health of the producers. In addition to the 4,135 hectares of organic coffee cultivation, COMSA owns 600 hectares dedicated to its members, where they can produce commodities for their own needs.

The company created a demonstration plot of 75 hectares on which it teaches its practices to producers. Its primary school follows Glenn Doman’s pedagogical principles. He developed an educational model that focuses on the development of the brain potential from birth.

COMSA also collects waste from its smallholder farmers. 70% of it is used and offers 6,900 tons of organic fertilizer to its associates. This model not only ensures better performance, but also meets the certification criteria.

Finally, COMSA trains its shareholders in the preparation of artisanal pesticides based on microorganisms taken from the wild to fight pests and diseases.
Cashew nuts, native to northeastern Brazil, are cultivated in Africa, India, South East Asia and Latin America, in the tropical and subtropical regions. It is not a complicated cultivation. It requires a limited amount of investment. The greatest production growth has been recorded in Africa in the last decade, as it grew from 600,000 tons in 2006 to 1,800,000 tons in 2016, particularly from Western Africa. In 2016, 61% of the cashew production was carried out in Africa, with over 2.5 million farmers involved in the production in some 5,250,000 hectares. Curiously, the processing of the nuts is mainly performed in India (49% of the world production) and in Vietnam (43%), leaving an important part of the profit margin in those two countries while the small African producers get mediocre prices for their production.

TDG is a Dutch holding of companies specializing in cashew nut production, processing and trading. The group was founded in 2004 with the aim of creating an integrated cashew nut value in Africa to create as much value as possible and generate additional employment in the production countries. They built two processing plants, one in Burkina Faso and one in Benin, to secure supply and generate a strong social impact in Africa.

An extensive network of producers has been developed in the regions where the two processing plants operate. In Burkina Faso 2/3 of sourcing comes from smallholder farmers, the rest comes from local traders. Some 3,500 smallholder farmers participate directly in TDG supply, with a production capacity of 8,000 tons of raw cashew. The rest is bought from other suppliers in Ivory Coast, Togo, Guinea Bissau and other African countries. The process of getting the nut out of its shell is labor intensive. A person can peel 1.5 kilos of nuts an hour on average. This represents 3.7 tons a year. TDG employs no less than 2,000 people in Africa. Among them, 80% are women.

TDG has been running a seven-year public-private partnership with RVO* and provides technical support to TDG’s subsidiaries in Africa and their associated smallholder farmers. Particular emphasis is paid to farmers’ productivity since it is comparatively low by international standards (250/300 kilos/hectare of raw cashew nuts in Burkina Faso against 1,000 kilos/hectare in Vietnam). With 1.5 hectares of cashew trees, each smallholder farmer can generate a net return of around USD 300 per year, which corresponds to 44% of the minimum yearly wage (USD 672) in Burkina with a production of 275 kilos/hectare. With the objective of producing 450 kilos/hectare on 2 hectares, the smallholder farmers can reach a net income of 1.14 times the minimum wage.

TDG generates more than 2,000 jobs in Africa. Women hold 80% of the job posts.

Impact Finance supports companies that can serve as examples and catalysts.

These companies are established in economically undeveloped areas, where they are leaders in governance, productivity and working conditions. They stand as small microcosms in a society that could work better integrating these systems.

**Definition**

The insufficiency and failure of institutions that govern society in emerging countries hinder socio-economic development. This results in informality, a chronic lack of decent employment opportunities, insufficient investment and under-consumption.

**The vision of Impact Finance**

At a company level, the best practices in terms of governance and labor conditions, the access to new technologies and continued training, allow to grow while being competitive.

**Impact Finance supports companies that can serve as examples and catalysts.**

These companies are established in economically undeveloped areas, where they are leaders in governance, productivity and working conditions. They stand as small microcosms in a society that could work better integrating these systems.

**Key impact data in our portfolio**

| Number of full-time employees | 3,068 |
| Percentage of women among these full-time employees | 43% |
| Number of part-time employees | 2,780 |
| Percentage of women among these part-time employees | 57% |
| Number of direct jobs equivalent to a full-time job | 5,143 |

**TDG generates more than 2,000 jobs in Africa. Women hold 80% of the job posts.**

TDG has been running a seven-year public-private partnership with RVO* and provides technical support to TDG’s subsidiaries in Africa and their associated smallholder farmers. Particular emphasis is paid to farmers’ productivity since it is comparatively low by international standards (250/300 kilos/hectare of raw cashew nuts in Burkina Faso against 1,000 kilos/hectare in Vietnam). With 1.5 hectares of cashew trees, each smallholder farmer can generate a net return of around USD 300 per year, which corresponds to 44% of the minimum yearly wage (USD 672) in Burkina with a production of 275 kilos/hectare. With the objective of producing 450 kilos/hectare on 2 hectares, the smallholder farmers can reach a net income of 1.14 times the minimum wage.

* Netherlands Enterprise Agency, a Dutch public program that supports innovative Dutch businesses and their value chains.
The vertical integration of value chains is central to encouraging more sustainable production methods. Responsible consumption and consumer demand to have traceable products whose quality is guaranteed are prerequisites for sustainable development. Labels, certifications and other mechanisms encouraging transparency, help to assist consumers in making choices about the source, safety and impact of the products they consume.

**Definition**

The vertical integration of value chains is central to encouraging more sustainable production methods. Responsible consumption and consumer demand to have traceable products whose quality is guaranteed are prerequisites for sustainable development. Labels, certifications and other mechanisms encouraging transparency, help to assist consumers in making choices about the source, safety and impact of the products they consume.

Impact Finance promotes the use of these labels and certifications or uses them as prerequisites for an investment.

In addition, our credo is to bring the same transparency to our investors, by guaranteeing them investments that work to shorten and empower the value chains that we finance.

**Key impact data in our portfolio**

- Number of companies with Organic, Fairtrade or equivalent certifications: 22
- Turnover generated by the portfolio companies that have an organic and/or Fairtrade certification (USD): 142,374,156
- Number of companies having a certification recognized by Global Food Safety Initiative or equivalent for the companies that are not in food sector: 15
- Number of people that participated in at least one Impact Finance event introducing sustainable value chains: 206

Ethiquable is a cooperative of employees based in France founded in 2003 by three friends: a development economist, a salesman and an agronomist. As pioneers in the Fairtrade market in France, Ethiquable is an amazing success story.

Beginning 2004 with 14 products and a total sales revenue of EUR 2.2 million, Ethiquable, now fifteen years later, offers 248 products sold under three main brands: Ethiquable, Paysan d’ici and Terra Etica. Its total sales revenue is now almost EUR 40 million.

Ethiquable works with 70 cooperatives composed of 46,532 smallholder farmers thereby enabling their economic growth and expanding the services offered by the cooperatives. Thanks to its four agronomists in the field, its close collaboration with NGOs, particularly Agronomes et Vétérinaires sans Frontière (AVSF), Ethiquable can bring technical and logistical support to smallholder farmers.

The direct link that Ethiquable establishes between producers and consumers is an important factor in the process of making consumers aware of their responsibility for their purchases and their impact.

The packaging of each of the 18,284,226 products sold in 2017 by Ethiquable in some 4,800 points of sale reminds the consumer of their responsibility when purchasing a product.

« WHAT I DRINK / WHAT I EAT / WHAT I CARE ABOUT / WHAT I SPREAD »

It is an appeal to the consumer’s conscience and their responsibility to learn about the origin and quality of the products they consume.

**Key financial data**

- Amount lent since inception (USD): 701,340
- Outstanding amount in portfolio (USD): 350,265
- Turnover in 2017 (USD): 48,537,000
- Type of financing: Fixed Assets and working capital

**Kharmax® Scorecard 2017 - Ethiquable**

- Economic: 2.7
- Environmental: 2.3
- Governance: 1.2
- Human Rights: 1.4
- Labor Practices: 1.5
- Product Responsibility: 3.0
- Society: 1.5

**Sustainable Development Goals (SDGs)**

- 1. No poverty
- 2. Zero hunger
- 8. Decent work and economic growth
- 12. Responsible consumption and production
- 15. Life on land
Summer after summer, we exceed the temperature record set the previous year. An increase in the average temperature of 0.85 degrees Celsius was observed between 1880 and 2012. Greenhouse gas emissions have increased by almost 50% since 1990. Climate change is already manifesting its effects on human and natural systems. Many crops are affected by this warming and its subsequent natural disasters. It is the rural poor who are often the first victims.

On a global scale, states are struggling to agree on concrete policies, such as a CO₂ tax. Since the Rio Summit in 1992, and despite the success of COP21 in Paris in 2015, government progress has remained minimal despite the stakes. Solutions are appearing locally, however, and in the private sector.

Impact Finance is looking to support companies that address the issues of climate change, integrating recyclers, and implementing solutions to increase their resilience to the impacts of global warming.

For example, several coffee cooperatives have opted to plant coffee trees that are more resistant to certain diseases or to extreme temperatures and rainfall. The Fund also finances companies active in waste repurposing, a sector adjacent the food industry with a strong impact in the reduction of greenhouse gas emissions.

Using biodiesel is one of the solutions to reduce CO₂ emissions. The European Union is also working to minimize the impact of biofuels on the environment caused by the excessive cultivation of agricultural lands and the potential for deforestation. In this regard, thanks to a double accounting policy, the EU actively promotes the use of waste-based biodiesel, such as that produced from used cooking oil (UCO).

In Germany in 2016, waste-based biodiesel consumption exceeded that of vegetal biodiesel in Germany for the first time. Until then, vegetal biodiesel had been the main source of biodiesel for the country. UCO-based biodiesel vehicles emit on average 83% less CO₂ than classic diesel and potentially less than biodiesel. In addition, particles and other harmful emissions are also significantly reduced. Biodiesel made by UCO has an extremely low sulfur rate, high lubricity and rapid biodegradability.

The recycling of UCO to produce biodiesel is also very encouraging in terms of reducing water contamination and waste management. One liter of UCO poured into the sink affects 1,000 liters of water.

Greenfuel Colombia and Greenfuel Spain are both active in this subject, the first as a collector of UCOs in Colombia and the second as a processor in Europe.

Today, Greenfuel Colombia collects from 3,583 restaurants including restaurant chains like McDonalds and from more than 2,090 industrial factories. It also has 62 collecting stops in condominiums and 25 in shopping centers.

In the specific case of Greenfuel Colombia, the impact is also social. 30% of the vegetable oil sold to consumers is illegal and produced with chemically treated and filtered UCOs. Greenfuel Colombia played a key role in the submission and adoption of a new law requiring the industry and the restaurants to get rid of their UCOs with a certified recycler. Thanks to this initiative, many informal collectors linked to the illegal market decided to cease their activity or to become suppliers of companies like Greenfuel who have appeared since the adoption of the law.

In 2017, Greenfuel Colombia sold 8,500 tons of UCOs and Greenfuel Spain sold 74,000 tons of UCO-based biodiesel. These two projects made it possible to avoid contaminating 74 billion liters of water.
De/f_inition
The forest covers 30% of the earth’s surface. It provides vital habitat for millions of species. It is a healthy and important source of air and water and is crucial in the fight against climate change. Every year, 13 million hectares of forest are destroyed. That is equivalent to three times the Swiss territory.

Drought and desertification are also gaining ground because of human activity. Direct destruction of forests, excessive use of chemicals in crops and climate change contribute to the disappearance of 12 million hectares of arable land per year.

The vision of Impact Finance
Deforestation and desertification represent huge challenges to sustainable development as they negatively impact the lives and livelihoods of millions of people struggling with poverty.

Impact Finance supports companies involved in tree planting or sustainable management of existing forests. The preservation of water is also a crucial element of life on earth.

We consider the rationale of its use and water purification in the analysis of our projects.

Key impact data from our Portfolio

<table>
<thead>
<tr>
<th>Key Impact Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hectares of trees planted</td>
<td>619</td>
</tr>
<tr>
<td>Hectares of primary forests preserved</td>
<td>10,250</td>
</tr>
<tr>
<td>M³ of water purified or saved</td>
<td>1,133,440</td>
</tr>
<tr>
<td>Hectares of organic agriculture</td>
<td>119,134</td>
</tr>
<tr>
<td>Sustainably produced hectares</td>
<td>132,974</td>
</tr>
</tbody>
</table>

Saving a tree’s extinction by promoting the various uses of its nut

The Cacay trees is native to the western Amazon and can be found over the eastern foothills of the Andean Cordillera: in Colombia, Ecuador, Peru and Venezuela. The fallow wastelands due to extensive slash and burn practices that dominated during the XXth century in this region had a particularly destructive effect on this tree, which is not very resistant to fires. Its number dropped drastically, as well as its use. While it was a source of oil in the local cuisine, its use has been largely forgotten.

For the past ten years, the Jaramillo brothers have been passionate about this tree. They founded Kahai company in 2014, recognizing the potential of the Cacay nut. Because they are rich in oil and have a high Omega 3, 6 and 9 content, the oil is excellent for skin care with 50% more vitamin E and twice as much linoleic acid than argan oil. It also contains three times more retinol than rosehip oil.

In 2017, the two brothers harvested some 26,000 kilos of fruit that allowed them to produce 1,744 liters of oil. They are currently working with 152 small Cacay plantations totaling 158 hectares and with 300 families in public sector partnerships for food security programs as well as with the NGO Amazon Conservation Team as part of their productive reforestation projects.

In 2015, after several successful trials of small-scale plantations and thanks to Impact Finance funding, Kahai launched its own 422-hectare plantation with 102,383 trees with the aim to produce 1,200 tons of nuts by 2027.

The chosen land for the plantation is near Puerto Gaitán, in the Colombian plain. Formerly farmland, this meadow is now the first Cacay tree forest.

Kahai planted 150,000 trees of this endemic species in areas devastated by over farming and ranching.

In 2017, the company sold 12,657 trees including 3,327 trees to partnership projects. Once planted in the Amazon rainforest, these trees are intended to generate a constant income for indigenous communities.
Our partners.

Sources.

1 El Diario Correo, diariocorreo.pe
2 El Comercio, elcomercio.pe
3 The Observatory of Economic Complexity, atlas.media.mit.edu/en
4 Instituto Hondureño del Café, ico.org
5 "Based on the EU Renewable Energy Directive (RED) from 2009 waste based biodiesel receives a preferential treatment due to its very high CO2 savings. The RED demands the introduction of double counting systems which means that mineral oil companies, to fulfill the national blending quotas, can blend only half as much waste based biodiesel with diesel compared to the blending of agricultural feedstock based biodiesel (e.g. rapeseed, palm oil)."
6 UFOP, ufop.de
Note on methodology.

**Reporting period**

The analysis of this report covers the financial year 2017, from 1 January to 31 December 2017. The analyses calculated over the entire life cycle of the Fund, from 1 October 2017 to 31 December 2017, are indicated as such.

**Scope of the reporting**

This report covers all of the Funds’ investments and the major stakeholders (actors) in their value chain.

**Impact reporting and monitoring methods**

Kharmax

Kharmax focuses on value chains. The analyst designs the value chain of each investee. Each main actor in the chain is defined according to its sector of activity, the type of actor and the portion of cash flow which it represents with respect to the company in question. The system assigns a series of indicators to each of the actors in the chain. Each indicator is classified into one of seven categories that replicates the structure of the Global Reporting Initiative:

1. Economic Impact
2. Environmental Impact
3. Governance
4. Human Rights
5. Labor Practices
6. Product Responsibility
7. Society

The Kharmax score of our Fund is the sum of each company’s Kharmax score divided by the number of businesses without considering the amount under management.

**Sustainable Development Goals**

The Fund focuses on six main Sustainable Development Goals: two focus on the socio-economic needs of the Base of the Pyramid, two relate to quality of life, and two are environmental. Each project in the portfolio is chosen considering these six objectives.

The analyst determines which SDGs to emphasize according to the values of the business leaders and the scope of their economic activity in their value chain. Some rules have been set in order to preserve the consistency of these scores across all of the businesses:

- Companies that have achieved organic certification or equivalence must have a minimum of 20% of their Sustainable Development Goals Scorecard in the “Life on Land” indicator.
- Companies with Fairtrade certification or similar must have a minimum of 40% of their Sustainable Development Goals Scorecard in both the social indicators “No Poverty” and “Zero Hunger” indicators.
- Companies with two certifications, organic and Fairtrade, obtain at least 15% of their Sustainable Development Goals Scorecard in the “Responsible Consumption and Production” indicator.
- Companies with Global Food Safety Initiative (GFSI) certification must have a minimum of 20% of their Sustainable Development Goals Scorecard in both the economic objectives “Decent Work and Economic Growth” and “Responsible Consumption and Production” indicators.
- The distribution of objectives considers the position of the company in the value chain: producers are most often attached to environmental objectives, traders and manufacturers with social objectives, brand owners and retailers with economic objectives.

The Fund’s total percentages are calculated based on the analyst’s result and weighted by the amount under management during the calculation period.

**Calculation rules**

**NB 1**: The primary objective of Impact Finance is to see businesses which have a strong impact flourish. In this report we do not claim that their impact is perfect by us. It is thanks to these companies that the Fund manages to generate impact. The indicators we mention are therefore not the sole deeds of the Fund, but we are here to contribute to and strengthen them through ongoing dialogue with these businesses.

There are four types of indicators:

1. The percentage of assets: The value of assets under management according to the criterion given for the values at the end of 2017; the cumulative loan values for the cumulative results since the beginning of our activity.
2. The number of companies: The number of companies to which we lent in 2017 (the number of companies in the portfolio is 44 while the number of companies to which we have lent in 2017 is 47).
4. Business Value Chain Indicators: Cumulative results of the underlying market of the 47 companies to which we lent in 2017.
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