

Impact report 2022

If we achieve a general awareness about the impact of our supply chains, we will be able to mitigate the growing issues of our global situation, technology is on our side and we are living at a key moment.

IMPACT REPORT

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I. About the Report

This is us

Verqor was born in 2018 with the sole purpose of digitizing one of the most forgotten, but one of the most (if not **the** most) vital sectors: **agriculture**. Digitalization enables flow of capital, information, and high-quality inputs, specifically to growers. Growers are Verqor's center-front and are engraved throughout all our operations. We're an agri-fintech company with a mission to unlock the great potential of agriculture and smallholder growers in Latin America. Through the Verqor platform, growers can: (i) apply and get an **agro-centered credit** (no monthly payments, our timeline follows the crop's timeline); (ii) buy all the **agro-inputs** they need (which are then directly sent to their lands); and, (iii) **directly connect with buyers** that value transparency and traceability in the supply chain.



Co-founders Hugo Garduño and Valentina Rogacheva have extensive familiar and professional experience in financial products, thus were well-positioned to understand capital-flow barriers, a lack of transparency across the sector, and **fragmentation across the agricultural supply chain.**

Agricultural development is a powerful tool to end extreme poverty, boost shared prosperity, and feed a projected 9.7 billion people that will inhabit mother earth by 2050. By focusing on this sector we're amplifying our impact: Analyses in 2016 found that 65% of poor working adults made a living through agriculture - this was only exacerbated during the pandemic. Growth in the agricultural sector is 2-4 times more effective in raising incomes among the poorest compared to other sectors.

This Report is meant to show our progress in reaching our specific impact metrics, but also to strengthen our commitment to achieving these goals and to promote transparency across the industry. This effort could not have been possible without the active support of our investors, mentors, and growers (our most incredible teachers).

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II. Our commitment

A message from Isabel Rodríguez García, our Head of ESG



Verqor's mission and culture emanates commitment and most importantly, involvement. Our business model is designed to positively impact a marginalized segment at scale. This allows for our sustainability strategy to build unparalleled impact where it is needed most.

To carry out this strategy, we've worked closely with our investors, whose mission is intrinsically aligned with ours. We've leveraged their mentorship, and the tools provided to develop a robust Theory of Change. This document is the guide for all the areas at the company and allows us to track what's important and to focus our strategy on our impact goals. This first Impact Report is a statement of our efforts and our commitment and I'm very proud to share what we've accomplished. This is just the beginning...

Our Priority KPIs

We've identified many KPIs that serve as measuring tools for our impact goals. We've divided them into short, medium, and long-term to keep our eyes on what's important and needed right now so that we can achieve our ambitious impact goals in the best and most sustainable manner. As such, this year, we prioritized KPIs addressing the most important impact topics, ranging from social justice and financial inclusion, all the way to environmental justice:

1. # of growers who got access to their **first formal financing**
2. % of **income increase** for growers in the first 2 cycles with Verqor credit
3. % of growers **improving digital literacy**
4. # of hectares **transitioned to regenerative agriculture**¹
5. % increase of **nutrient density** in crops²



¹ For Verqor, a regenerative transition means hectares where at least 2 soil health principles have been implemented.

² When regenerative practices are included in producers' fields, nutrient content in crops increases. We use testing developed by our partner Rhizoterra to measure this.

SDGs

“The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action.” At Verqor, we’re tackling and focusing on 5 SDGs that inherently relate to our mission and values, and are intertwined with our day-to-day operations:



- **Equal rights to economic resources**, as well as access to appropriate new technology and **financial services**, including microfinance
- Build the resilience of the those in vulnerable situations and **reduce their exposure to climate-related extreme events** and other economic, social and environmental shocks and disasters



- Access by all people to **safe, nutritious and sufficient food** all year round
- **2x the agricultural productivity and incomes of small-scale food producers**, through secure and equal access to land, other productive resources and inputs, knowledge, **financial services**, markets and opportunities for value addition



- Reduce premature mortality from non-communicable diseases through prevention and treatment and **promote** mental health and **well-being**
- Reduce the number of deaths and illnesses from **hazardous chemicals and air, water, and soil pollution**



- **Sustainable management and efficient use of natural resources**
- Achieve sound management of chemicals and all wastes throughout their life cycle, and significantly **reduce their release to air, water and soil to minimize adverse impacts** on human health and the environment



- Strengthen **resilience and adaptive capacity to climate-related hazards** and natural disasters
 - Improve education, awareness-raising and human capacity on **climate change mitigation, adaptation**, impact reduction and early warning
-



III. Our Process

Data Collection

In this section we share the data we're collecting to keep track of our impact, and the framework we're following:

Category	KPI	Data Source
Input / Activity	# growers with approved credit	Verqor Platform
Input / Activity	Average # of intermediaries needed in a transaction	Verqor Platform
Input / Activity	# females involved in growers' operations	Growers Survey
Output	% growers receiving credit for the first time	Verqor Credit Process
Output	Average % change in grower income	Verqor Credit Process / Growers Survey
Output	# women involved in field operations	Growers Survey
Outcome	% of growers improving digital literacy	Growers Survey
Outcome	% of growers improving financial literacy	Growers Survey
Outcome	# of buyers accessing Verqor platform for traceability claims	Verqor Platform
Impact	% increase of women in decision-making positions in rural communities	Government + Growers + Verqor historic data
Impact	# of hectares transitioned to regenerative agriculture	Growers Survey + Soil Testing/others
Impact	% increase of nutrient-density in crops	Nutrient Density Testing

Deep dive into our different methods of data collection:

- Verqor Platform:** our platform was designed taking into account different metrics we want to keep track of. As we evolve, we leverage our in-house tech team to include



new tools and functions that allow us to maintain our tech strategy and development aligned with our impact goals.

- **Verqor Credit Process:** as we actively improve our process to solve growers' needs and to reflect their reality, we've added steps and questions that enable us to visualize key impact data. Our flexibility and differentiator from other financing alternatives allow us to get a more holistic view of growers' operations and revenue, even when said operations weren't performed through the formal financing system.
- **Growers Survey:** taking into account data we've collected from the previous sources, our survey was designed to be brief and to the point. It consists of 9 questions and is sent each semester to growers who are currently being financed. To incentivize their participation we offer different prices that are related to their operations.
- **Buyers:** buyers are incentivized to share historic data regarding amounts they paid since we provide visibility and traceability, resulting in a resilient supply chain.
- **Partners:** We collect information from insurance companies, they provide data about soil and climate impact in each region. We have a provider that helps us to monitor the fields of the client through satellite images and evaluate the quality of crops.
- **Verqor Historical Data:** we've collected data since the beginning of our customer discovery phase back in 2018. *The participation of women in the agriculture sector is particularly important since they are usually involved in the field's operations but are seldom the owners of the land, nor able to take part as decision-makers. As we've carried out extensive field visits, we've been able to see firsthand the growers' family dynamic and take action to allow women to increasingly participate in critical aspects of the family activities as they relate to the field.*
- **Soil Testing/others:** we've partnered with different organizations to back regenerative and/or sustainability claims. We've also established that for a hectare to be considered regenerative, 2 or more Soil Health Principles³ must have been successfully implemented.
- **Nutrient Density Testing:** we know that one of the basic consequences of improving soil health is the increase of nutrients in the crops. In addition to that, we've partnered with different labs to measure said increase to be able to share this as it is intertwined with human health since it fights chronic disease risk.

Analysis and Review

Once we capture and segment data, we proceed to its analysis. We have to take into consideration different aspects of the process and growers' reality while maintaining our impartiality. Owning this data has allowed us to develop different frameworks that follow best practices while including particular tools that are specific to the ag- sector.

When gauging impact, focusing on establishing causality is subpar at best. We cannot hold Verqor or any other particular organization responsible for community-level well-being. What we can do is hold the ecosystem as a whole collectively responsible for this impact through

³ <https://www.nrcs.usda.gov/conservation-basics/natural-resource-concerns/soils/soil-health>

IV. Impact

Wins

Case Study: We want to share the story of one of our growers, who started growing barley 25 years ago, as he took over his father's land (beautiful 50 hectares in one of the most barley-centered locations in Mexico). He was 48 years old then, grew and learned everything he knew from his dad, and never recalled a day when they were not working, planning, and trying to make ends meet. The entire family took part in the operations (he and his wife had 3 kids) and they also hired daily workers "jornaleros" when it was harvest season and other busy times.



For financing, they relied on government aid, agri-inputs distributors' credits, and friends and family. They weren't part of the formal financing system, since they didn't perceive an advantage of having to provide all that paperwork just to be denied credit due to a lack of credit history. Then, last year, one of their biggest buyers introduced him to Verqor. At first,



what he heard was too good to be true. He was cautious but also curious, so he asked all the important questions: what if I have no credit history? Is the interest rate going to be extremely high? What are the monthly payments going to look like? When we presented him with our agro-centered solution, he started to think about how this type of financing would improve his crops, and his margins, even more so since government aid had become scarcer year by year.

He applied for a USD\$20,000 productive credit. He did this entirely online, without having to move to different places to get all the needed documentation - "it was a game-changer". His children taught him and helped him along the application, but one of his sons told us " he took care of the whole renewal process, he's a quick learner".

This amount covered 20% of his working capital, as well as his whole agri-input needs, which were delivered directly to his land - before Verqor, he needed to drive 10 km to the nearest agri-inputs store in his local town.

What he valued the most about his Verqor credit, was the fact that he didn't need to pay on a monthly basis, since he only got cash once he sold his crops, which is exactly when he had to pay his credit. He only paid for 7 months of interest, since that's how long the barley cycle takes!

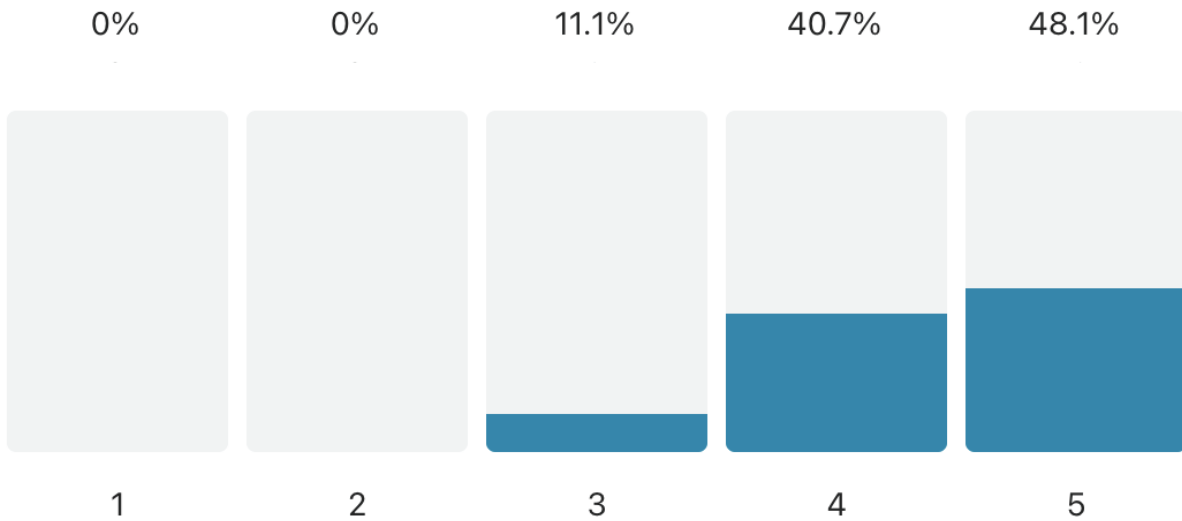


Once he realized his margins, he noticed he had a 20% increase vs. last season's input prices, delivery, no-monthly payments and a higher price due to better quality crops were responsible for that. "A 20% increase in margins means I can now invest in more tech upgrades for my field, so I can use more sustainable practices. I can grow my operations and in agriculture, it's all about volume and quality".



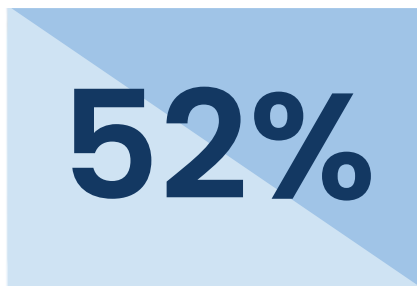
Yearly Impact Survey 2022: we want to share specific data collected from our growers. This exercise is a great opportunity for Verqor to understand more about how growers perceive our services and how that translates to a direct impact on their operations and livelihood. The responses were sufficient to show a 90% confidence level that the real value is within 7% of the measured survey. Below are our highlights:

1. On a scale from 1 - 5, this is how much growers perceived an improvement in their digital literacy:



It's an astonishing **4.3** average.

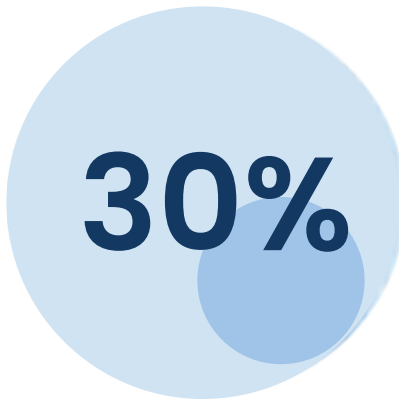
2. Before Verqor, only



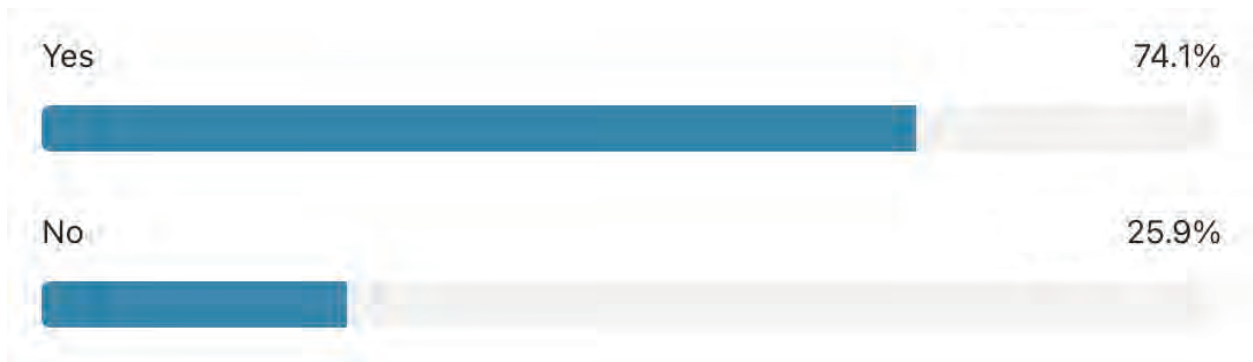
of growers knew their farm's revenue.



3. The average increase in growers' profit after Verqor was:



4. % of growers who experience an increase in yield after their Verqor credit:



5. On average,

3

women work with the primary credit holder.

Their **roles** are evenly distributed between **administrative** and manual work **in the fields**.

6.

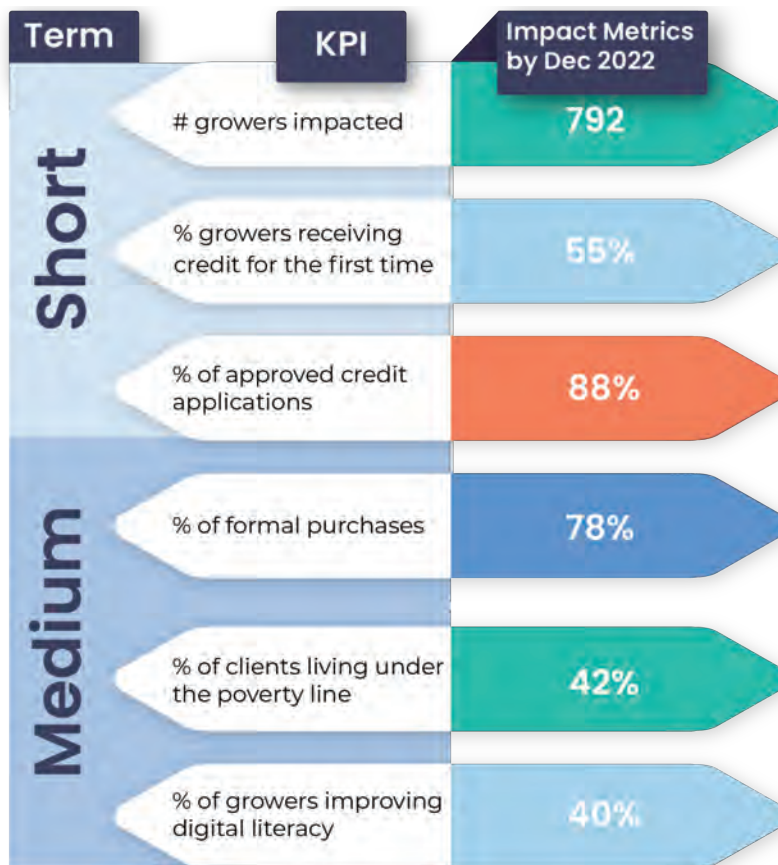
52%

of growers incorporated **sustainable practices** thanks to their **Verqor** credit. **No-tilling** is the most implemented practice (25%).



This process is designed to fit our holistic impact strategy.

After collecting and analyzing this information, we were able to confirm our business vision is focused on our ultimate impact goals. We've divided these metrics into short, and medium-term to make them easier to outline and blend into our daily operations.



RISK MAPPING					
Inputs	Process steps	Outputs	Potential negative impacts	Potential negative impacts on the environment and community	Opportunity For Improve
Labor	Supply chain integration	Waste; disease; GHG emissions	Chronic illness; Terminal diseases	Water and air pollution; Soil depletion	Supply chain analysis; Suppliers LOI includes our code of ethics; Rating suppliers
Labor	Client visits	GHG emissions	Excessive overtime	Air pollution	Remote check-ins with clients; leverage satellite images and data
Labor	Inputs delivery	GHG emissions	Excessive overtime; Accident risk	Air pollution	Suppliers LOI includes our code of ethics; Rating suppliers
Labor	Growers' agricultural practices	Waste; GHG emissions	Excessive overtime; Accident risk; Chronic illness; Terminal diseases	Water and air pollution; Soil depletion	Soil-testing and technical assistance; traceability; satellite image

Risks

Since we understand that not only our actions as a company carry an impact, but also those that come from our vendors, suppliers, and/or partners, we've taken the task of identifying "scope 3" risks, to develop plans and procedures that mitigate these risks and that outline steps to take in case we're faced with them.



What's next

By December 2025, we aim to achieve the following:

#	of smallholder growers who got access to their first formal financing	5000
%	of income increase for growers in the first 2 cycles with Verqor credit	20%
%	of growers improving digital literacy	60%
#	of hectares transitioned to regenerative agriculture	120,000
#	increase of nutrient-density in crops	33%

We're more committed than ever to keep increasing our impact traction while leveraging the unique market position that allows us to be in close contact with the growers.

Moving forward in the face of the threats posed by climate change, governments, and specialized NGOs are not the only actors. Our global response requires a renewed commitment of organizational actors to engage in meaningful sustainability and corporate responsiveness initiatives.

In order to achieve a more satisfactory relationship between society and its environment, timely provision should be made for the changes that human activities and competition over the use of resources may bring about in order to minimize potential conflicts.

Verqor is 100% committed to the values set herein. Its mission rests on the foundation of sustainable development. We'll continue to monitor and measure our progress to improve, inspire and create a business that generates value in the form of a positive impact on society and contributes to solving the world's most crucial problems.



"In order to achieve a more satisfactory relationship between society and its environment, timely provision should be made for the changes that human activities and competition over the use of resources may bring about in order to minimize potential conflicts."