2022 IMPACT REPORT

Developing World Markets

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About Developing World Markets

Developing World Markets

Our Mission

Developing World Markets (DWM) seeks investible solutions that sustainably address the social, environmental, and economic needs of the developing world. Our staff, investors, and partners, share a common purpose: to use impact investing to build inclusive, resilient, economically strong, and environmentally sound communities around the world.

Impact Investing with Competitive Returns:

DWM is dedicated to making impact investments that seek risk-appropriate returns for our investors while obtaining measurable social and environmental benefits in the markets where we invest.

Exclusive Focus on Emerging and Frontier Markets:

For over twenty-five years, DWM has exclusively focused on investing in emerging and frontier markets and to date has made investments in over 60 countries.

A History of Catalyzing Impact:

DWM began impact investing in 1999 and shifted exclusively to impact investments in 2004. By partnering with some of the world's largest institutional investors, DWM has invested or arranged nearly $2.5 billion in financing for more than 250 environmentally and socially positive companies.

Multisector Impact Strategies:

Starting in 2016, DWM launched a groundbreaking structured product in the off-grid renewable energy space and has since launched multisector funds that invest in a broad range of impact sectors including financial inclusion, renewable energy, sustainable agriculture, water and sanitation, and healthcare.

Global Presence:

Headquartered in the United States, DWM recently established official offices in India and the Republic of Georgia, and has a presence in 15 global locations including Belgium, Colombia, Costa Rica, Ecuador, France, Nicaragua, Japan, Germany, the Netherlands, South Africa, and Sweden.

Recognition:

DWM has been selected by Impact Assets as an IA 50 Manager for the past four consecutive years, in recognition of our contributions to the impact investing industry.

Partnerships for Impact:

DWM has continued to partner to further its impact objectives. DWM has been a member of the Global Impact Investing Network since 2013 and a signatory to the UN Principles for Responsible Investment since 2009. In 2019, DWM signed on to the Operating Principles for Impact Management and in 2021, released its second set of disclosures along with its first independent verification. DWM has worked with Bankable Frontiers, Criterion Institute, MicroSave Consulting and 60 Decibels to provide ongoing support to our portfolio companies on a range of issues including resilience, gender equity, and climate change adaptation and mitigation.

Net Zero:

DWM believes that impact investing must be conducted in a sustainable manner and that all impact investing should be carbon neutral. This core principle led DWM to become a signatory to the Net Zero Asset Managers Initiative. In keeping with the initiative, DWM has begun tracking portfolio emissions and evaluating systematic methods of reduction and mitigation to achieve a carbon-neutral or carbon-negative portfolio.

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Management Note

As impact investors, Developing World Markets looks for solutions to the challenges facing people in emerging and frontier markets. Increasingly, that means a focus on making investments that help build resilience to the inevitable shocks that disproportionately affect low-income populations around the world.

Dear Readers,

The past two years have been tumultuous as the world has grappled with interconnected global crises arising from the pandemic, climate change, the invasion of Ukraine, global supply chain issues and food shortages. As impact investors, Developing World Markets looks for solutions to the challenges facing people in emerging and frontier markets. Increasingly, that means a focus on making investments that help build resilience to the inevitable shocks that disproportionately affect low-income populations around the world.

How can DWM contribute to a more resilient global economy through our investments? We have identified a few critical ways.

First, a resilient economy must be an inclusive economy, creating opportunity for all people. Inequality is both a result and driver of fragility, as it reduces the ability of large segments of the population to withstand shocks to their lives and livelihoods. DWM is sharpening its focus on inclusion in its investments to ensure we are reaching underserved clients with responsible, beneficial, and gender-equitable services. For example, this year we undertook an analysis of gender-inclusive processes in our portfolio companies, and we also clarified our definitions of poor and low-income categories to ensure we can accurately assess how well we're reaching those groups.

Second, inclusive financial institutions can help build resilience through the products and services they offer, especially by diversifying financial services offered beyond loans. We have seen a growth in the number of our investees offering savings facilitation, remittances, and mobile banking services over the past three years. These services can help people in low-income communities build a cushion against sudden losses of income. They can also enable people to flexibly access resources from remote sources, which may be protected from geography-specific shocks such as a drought or a disease outbreak.

Third, institutions and individuals must prepare for the continued effects of climate change, and they need tools and support to do so. DWM is helping its portfolio companies identify risks and opportunities in the transition to a green, resilient economy—both for the institutions we invest in and for their clients, who are often among the most climate-vulnerable. And we are pursuing new investment strategies that are purpose-built for a just climate transition.

DWM is not alone in any of these efforts. The impact investing industry is producing more data and analysis than ever before, and this work has helped inform and guide our approach to supporting greater resilience among the populations served through our investments.

We have been particularly encouraged to see the emergence of industry benchmarks for impact this year. These resources help ensure that we can efficiently direct capital to the most effective solutions. We're also continuing to improve our own impact practice by strengthening our strategic focus on impact management, updating processes to reflect the integration of impact, and building new tools for the team to put these principles into practice every day.

Read on to learn about DWM's work with portfolio companies and industry partners in 2021 to deepen financial inclusion, advance gender equity, and accelerate action on climate change—in short, to build a more resilient and equitable world.

Hannah Schiff, Director of Impact

Hannah Schiff
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Christopher Mehan
Chief Risk Officer

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Introduction

DWM's 2021 portfolio was invested in 34 countries across 82 inclusive finance institutions, reaching 16.8 million end clients.

Introduction

In 2021, an uneven and erratic recovery from the global pandemic began taking shape, revealing areas of both resilience and weakness in our economic and social systems. The expanding impact investing market responded by collaborating to mitigate systemic risks resulting from the pandemic and drawing lessons from the crisis to prioritize sustainable growth.

For DWM, the emergent recovery has provided an opportunity to redouble our focus on managing investments to maximize impact alongside competitive financial returns. As signatories of the Operating Principles for Impact Management, we remain committed to strategic portfolio-level management of social and environmental impact. Three main impact goals drive DWM's investment strategies, with a primary focus on financial inclusion:

1. Enable access to responsible financial services for underserved populations, with a focus on gender-equitable outcomes
2. Contribute to quality job creation and inclusive, sustainable economic growth through small and medium-sized enterprises (SMEs)
3. Build adaptive capacity and resilience for climate-vulnerable people and mitigate further climate change

A high-level summary of the five dimensions of impact in our financial inclusion portfolio is illustrated below.

Summary of the Five Dimensions of Impact – Financial Inclusion at DWM

WHAT	DWM's investments enable access to responsible financial services. We aim to both expand access to unbanked people and businesses and deepen access for those who are underbanked.
WHO	DWM's investments benefit underserved individuals and businesses in emerging and frontier markets. This often includes women, people in rural areas, and small and medium-sized enterprises.
HOW MUCH	Millions of end clients are reached with significantly expanded services that are critical for individual well-being and business growth. Financial services enable investment that can raise incomes and create employment, and helps build households' resilience to shocks.
CONTRIBUTION	DWM's financial and non-financial support amplifies impact through favorable terms of funding, local currency financing, and value addition.
RISK	DWM closely monitors the risks of negative impact on end clients stemming from misaligned practices. DWM also tracks and mitigates potential negative environmental impact.

Increasingly, the inclusive finance sector is recognizing the vital roles it can play in creating positive impact beyond the primary goals of expanding and deepening access to financial services. We believe that inclusive financial institutions can be integral actors in efforts to address themes like climate change and gender equity. The barriers to access and opportunities for people in low-income communities within developing economies are multifaceted and interconnected; applying the lenses of climate and gender helps more holistically address their needs in the face of both persistent and new challenges. In this report, we present an overview of the results of our 2021 portfolio companies in three sections: Furthering Financial Inclusion, Accelerating Climate Action, and Advancing Gender Equity.

Benchmarking Impact

In 2022, a major market development took place: the release of the first impact benchmarks to enable comparison of social and environmental results at the investment level. Throughout this report, text boxes will highlight comparative analysis of DWM's 2021 impact with benchmarks released by the Global Impact Investing Network and 60 Decibels.

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Furthering Financial Inclusion

Nearly two-thirds of end clients are poor or low-income people, a group that faces extreme barriers to accessing appropriate, responsible credit from other sources.

Accessing responsible and affordable financial services remains a challenge in many parts of the developing world, especially for underserved populations such as women and people who live in rural areas. The traditional banking sector has historically overlooked lower-income populations, leaving a large unmet need for services. Inclusive financial institutions help to fill this gap by providing loans and other critical services that help people and businesses invest in opportunities, manage their finances and recover from shocks. Beyond loans, most of our portfolio companies offer other types of financial and non-financial services that contribute to the financial health of households, such as savings facilitation, insurance, financial literacy training, and enterprise skills development services.

DWM's Portfolio at a Glance

WHAT — **82** inclusive financial institutions in 2021 (71 MFIs and 11 SME lenders)

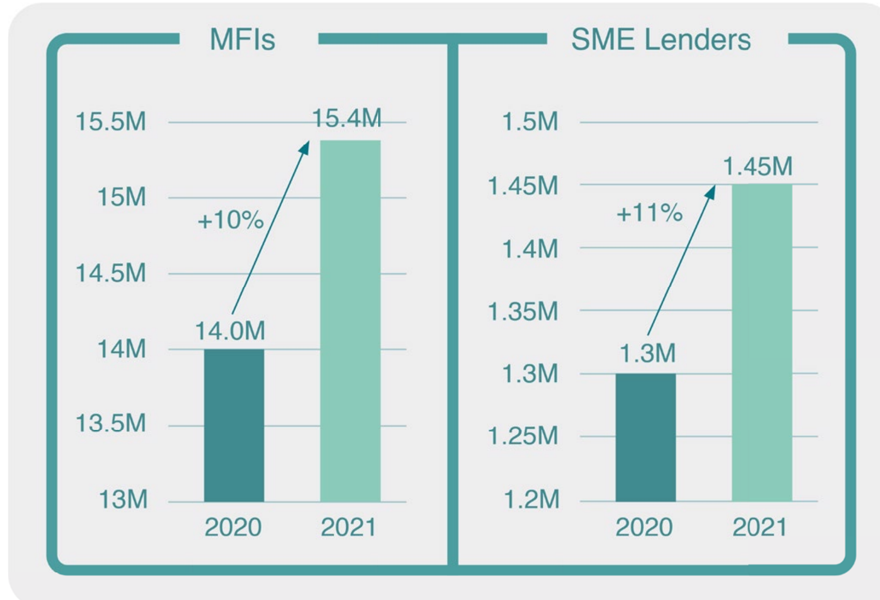
HOW MUCH — **16.8** million end clients reached

WHO — **74%** are poor or low-income individuals | **77%** are women | **63%** are rural

RISK — **93%** have implemented all seven Client Protection Principles

The inclusive financial institutions in DWM's portfolio served more than 16.8 million total clients as of the end of 2021, a net increase of more than 1.5 million clients from the previous year (Figure 1).[1]

Figure 1. Total End Clients of 2021 Portfolio Companies



The microfinance institutions in DWM's portfolio have an average loan size of $1,025, reflecting a focus on poor and low-income borrowers who face extreme barriers to accessing appropriate, responsible credit from other sources. Roughly two-thirds of end-clients are poor and low-income.[2] In total, 10% of MFI clients were previously unbanked individuals and entities, demonstrating progress in expanding financial services. The change is also significantly greater than the annual pace of change required to close the financial inclusion gap, 4.1%, according to IRIS+ Analytics.[3]

1 Increase in clients in 2021 portfolio companies from the previous year (does not reflect changes in the portfolio).

2 "Poor" is defined as below the World Bank poverty line of $3.20/day (PPP), and "low-income" is above that figure up to two-thirds of the national median income.

3 IRIS+ Analytics

Among small and medium-enterprise (SME) lenders, the average loan size was $53,880, toward the lower end of the financing range typically sought by small and growing businesses in developing countries ($20,000 to $2 million)[4] SME-focused lenders added a total of about 139,200 clients to their portfolios from 2020 to 2021, extending badly needed financing to facilitate economic recovery from the global pandemic.

DWM's investees and borrowers must adhere to high standards of client protection for end clients. The table below shows the percentage of DWM's investees that implement various best practices to ensure ethical treatment of clients. The trends of increasing offerings and use of mobile services continued in 2021, and with it an increase in the proportion of companies that have a dedicated data protection officer, from 63% in 2020 to 81% in 2021, as digital distribution and collection channels merit more sensitive handling of client data.

Client Protection Practice	% of DWM Investees
Implemented all seven Client Protection Principles (CPP)	93%
Received certification of adherence to CPP	58%
Evaluates borrower cash flow to avoid over-in-debtedness	96%
Trains clients on how to assess their debt capacity	74%
Has a total indebtedness policy for clients	79%
Has a data protection officer	81%

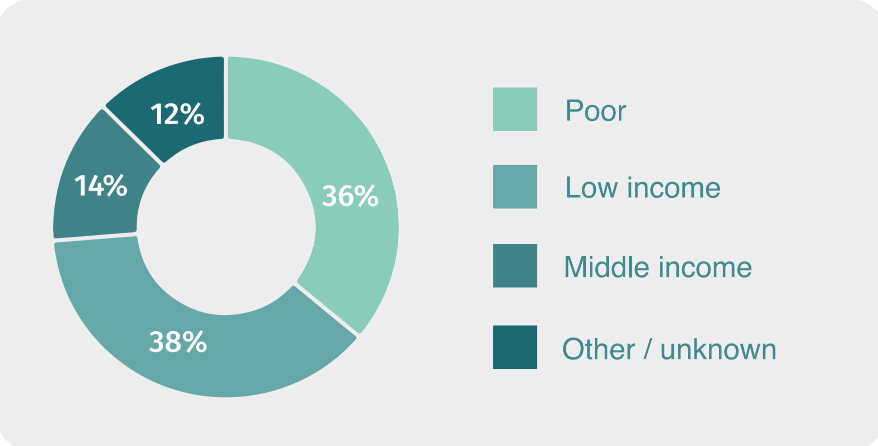
Benchmarking Impact

Indicators in the GIIN's financial inclusion benchmark are "investment-weighted" – accounting for the ratio of investment size to enterprise value.

- **16.8M** total clients at DWM portfolio companies
- **4.8%** median share of enterprise value financed by DWM (range 0.05% to 33.5%)
- **1,835** median investment-weighted number of clients (range 7 to 83,703)

At the median, DWM's investment-weighted impact for 2021 was 1,835 clients using responsible financial services per portfolio company, compared to the GIIN benchmark of 1,724.

Figure 2. MFI Clients by Income Level



4 Aspen Network of Development Entrepreneurs

End clients are geographically dispersed, with the highest concentration in Asia, followed by Latin America (Figure 3). They predominantly live in rural areas, where access to finance is especially challenging due to physical distance and typically lower levels of financial literacy, among other factors. The geographic setting of clients varies from region to region; for example, clients in Latin America are more likely to reside in urban areas, since the region has a higher level of urbanization in general (Figure 4).

Figure 3. End Clients by Geography and Type (MFI and SME Lenders)

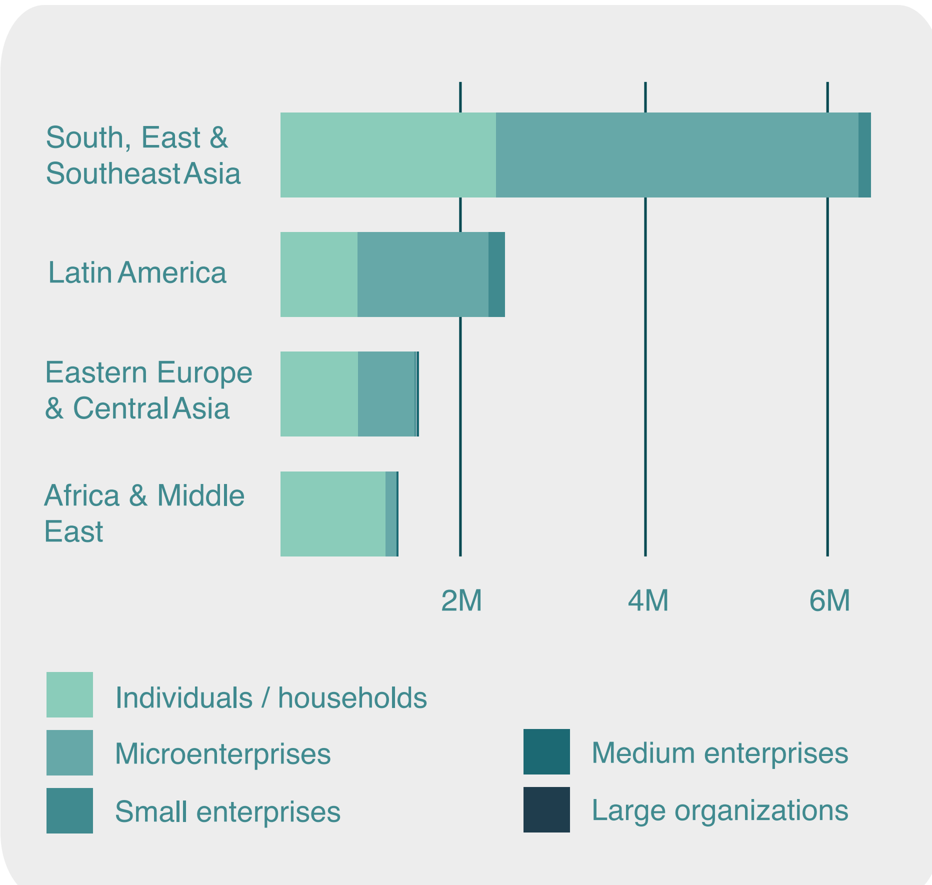


Figure 4. DWM Exposure by Region in 2021

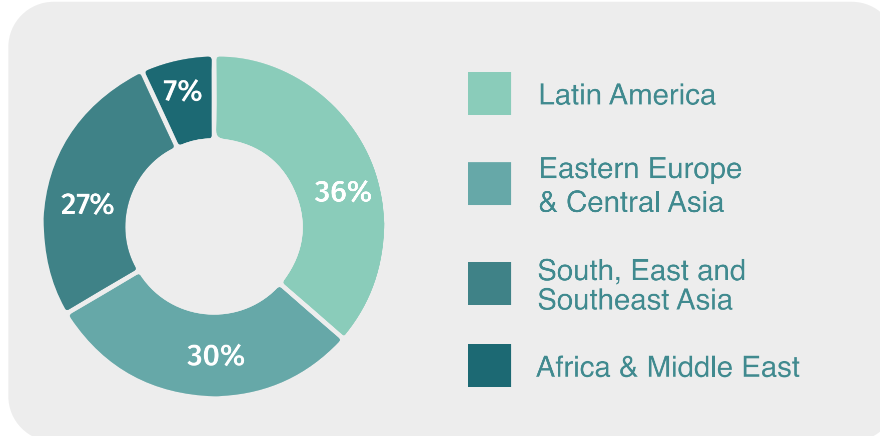
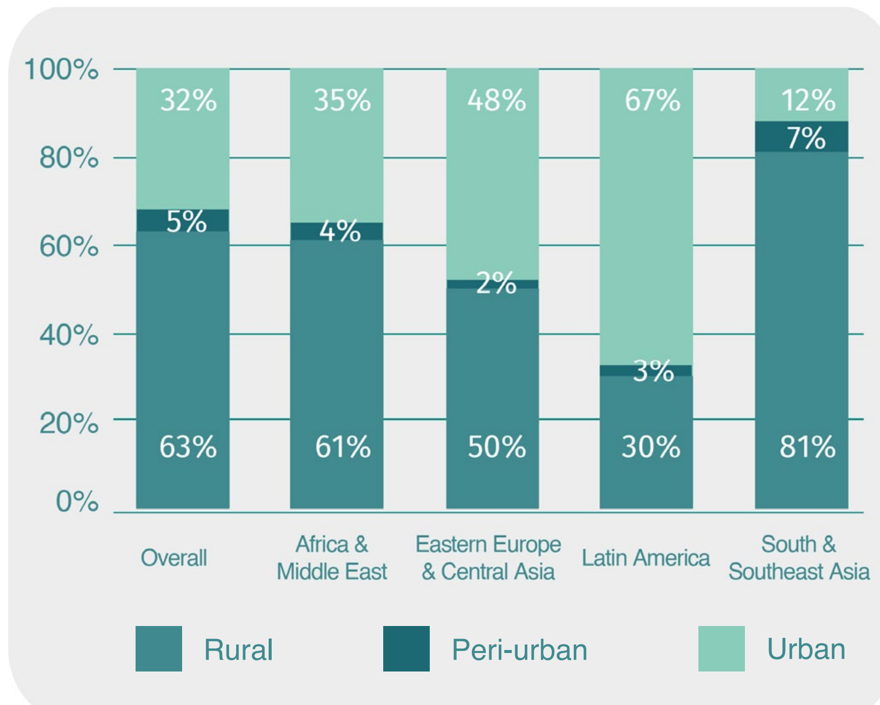


Figure 5. MFI Clients by Geographic Setting



The majority of clients (67%) in 2021 used loans for income-generating purposes, with the top sectors being trade and commerce (29% of clients) and agriculture (25%). Roughly 16% of end clients used financing from DWM portfolio companies to spend on basic services, including healthcare, education, clean water and sanitation, housing improvements, and other purchases.

The 2021 results show that DWM's investees continue to reach new clients, and that the majority of clients are in groups typically un- or underserved by the traditional banking sector. Looking ahead, we seek to continue to close financing gaps for individuals and businesses, and to diversify the range of services offered to improve financial health in more holistic ways.

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Accelerating Climate Action

Inclusive finance institutions have a critical role to play in mitigating climate change and building resilience to its effects, especially among the most vulnerable. DWM is working with industry experts to help portfolio companies identify opportunities to support the transition to a resilient and green economy.

The Need for Climate Action

Global events in 2021 shined an ever-greater spotlight on the need to accelerate and focus action to mitigate climate change and address its effects. At the UN Climate Change Conference in Glasgow (COP 26), leaders from 120 countries recognized the need to ramp up financing for climate initiatives in developing countries, with a focus on adaptation and resilience. DWM supports these vital efforts by helping its investees identify areas of opportunity and risk in the transition to a green global economy.

Across DWM's portfolio, 38% of our investees offer green lending products. Examples of these products include financing for solar panels and housing or business loans for energy efficiency upgrades. In another example, Fundenuse in Nicaragua provides loans to construct toilets that use ecologically friendly biodigesters for wastewater. The low-maintenance and resource-efficient biodigesters reduce contamination and pollution stemming from inadequate sanitation systems.

Climate Action at a Glance:

- 38% of portfolio companies offer green finance products aimed at mitigating the effects of climate change
- 58% have a firm-wide environmental policy
- 54% have an environmental policy for borrowers
- 12% measure their Scope 1 and 2 emissions

Project Spotlight: Green Inclusive Finance

The inclusive financial institutions in DWM's portfolio widely recognize the importance of climate change from various perspectives, including mitigating risk at the institutional level, supporting resilient incomes for clients, and preparing for future policy and economic shifts. Yet there is a lack of tools and approaches tailored to these specialized financial service providers to help them make sense of the implications of the changing climate on their business and impact.

To address this gap, DWM partnered with MicroSave Consulting to develop a Climate Impact Risk Assessment tool that can help inclusive finance institutions better understand their current environmental footprint and identify opportunities to support the transition to a green economy in their country. The tool comprises six sections:

1. Climate and environmental governance
2. Scope 1 and 2 emissions from the institution's own operations
3. Scope 3 emissions from the activities financed by the institution
4. Green financing opportunities (to provide products and services linked to climate change mitigation, adaptation, and resilience)
5. Climate risk, including both physical and transition risks to the financial institution
6. Climate stewardship (promotion of and support for broader adoption of climate action)

DWM is now pilot testing the tool with its private equity companies, and intends to roll out the tool and apply its insights more broadly across the debt and equity portfolios in 2022. This will be a critical piece of DWM's climate strategy, as we look to set a baseline for emissions in 2022 and work towards our net-zero targets over the coming years.

Case Study

Financiera FDL

Building Resilience and Mitigating Climate Change in Nicaragua

Elizabeth Espinosa
Financiera FDL Client

Elizabeth Espinosa lives in Matiguás, a semi-rural municipality in the northwestern province of Matagalpa in Nicaragua. Six years ago, Elizabeth was sleeping on the floor of her small wooden house with her husband and son and struggling to feed her family. Today, she owns a comfortable house, 14 acres of land, 6 dairy cows, and a small shop.

These changes in Elizabeth's life and livelihood began with a $500 loan in 2014 from Financiera FDL, a microfinance institution in Nicaragua and one of DWM's borrowers. Elizabeth used that loan to open a small grain shop. She paid it back in half of the 12-month term and took out an $800 loan to purchase a plot of land. "We had nothing but the desire to work," recalled Elizabeth, who is now 30 years old.

Elizabeth is now a client of FDL's EcoMicro loans, a green lending product that provides financing and technical assistance for improved environmental practices, including water harvesting, irrigation systems, agroforestry, seed management, crop diversification, and soil and water conservation. FDL rolled out this product in 2015 with support from the Inter-American Development Bank, recognizing that the changing climate and rapid deforestation posed risks to the livelihoods of their clients through extreme heat and drought in the arid region. Nitalpán, a local community development organization, provides training and support on practices that mitigate and avoid environmental degradation. Through the combined financing and training, EcoMicro increases the sustainability of livelihoods for FDL's clients, who are mainly rural Nicaraguans earning their living from agriculture.

FDL's EcoMicro loans range of $2,000-$5,000 with a term of five years. In 2021, FDL had nearly 48,000 EcoMicro clients, of which half are women. To obtain loans through EcoMicro, Elizabeth has to meet a series of indicators related to reforestation, sustainable water use, and carbon capture. The practices also create better pasture and healthy living conditions for her cattle. Elizabeth has planted different kinds of trees, created natural fencing, and built a stable to protect the animals. In the short term, Elizabeth hopes to add three more cows to her herd. The green loans enable her to continue growing in a way that protects the environment. "We take care of the environment because the trees give us life. We only cut the shrubs, and we let the young trees grow."

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Advancing Gender Equity

DWM's portfolio companies address the continued gender disparities in access to finance by serving primarily women—77% of end clients. DWM goes beyond counting women clients to help portfolio companies advance equitable outcomes through internal operations and core business processes. More than a third of portfolio companies offer services tailored for women clients.

The COVID-19 pandemic has already reversed some of the important gains in gender equity that have been achieved in recent years, forcing women to drop out of the workforce and pushing a disproportionate number of them back into or near poverty. This situation calls for a renewed focus on advancing gender equity—redressing historical gaps in access to rights, services, and opportunity.

DWM's portfolio companies (like the microfinance industry writ large) address the continued gender disparities in access to finance by serving primarily women—77% of end clients. This is an important data point, as women typically face higher structural and norm-related barriers than men in accessing various services through mainstream institutions (along with barriers to formal employment and economic opportunity more broadly) in the countries in which DWM invests.

DWM aims to go beyond counting clients to consider many dimensions of how our investees can contribute to gender equity. At the client level, strong policies and staff capacity are needed to avoid gender-based discrimination. Product design, development, and channel selection should also both avoid discrimination and address gender-based constraints and norms.

Gender Equity at a Glance:

- 77% of end clients are women
- 36% of portfolio companies offer tailored products or services for women
- 65% of portfolio companies approve loans to women at equal or higher rates as those to men
- 64% of portfolio companies have more than 40% female staff (the 2X Challenge threshold for the financial services sector)

Among the 21% of institutions reporting sex-disaggregated loan approval rates, nearly two-thirds approved loans at equal or higher rates for women as men. More than a third offer tailored services for women, such as products for women entrepreneurs to start up or maintain businesses and education to address the gender gaps in financial knowledge. The average loan size for women is 85% of the average loan size for men, reinforcing the need to continue to focus on areas of hidden bias in our work.

Another dimension of gender equity is the composition of company staff and management. Nearly two-thirds of portfolio companies have more than 40% female staff, the threshold for the financial services sector set by the 2X Challenge.[5] Roughly the same proportion meet the 2X threshold for senior management balance, with over 25% women in senior management. On average, 36% of senior management of portfolio companies are women, higher than the global figure of 29%.[6]

Benchmarking Impact

On average, companies in DWM's portfolio have 55% women clients, slightly higher than the GIIN benchmark of 52% for financial inclusion investments.

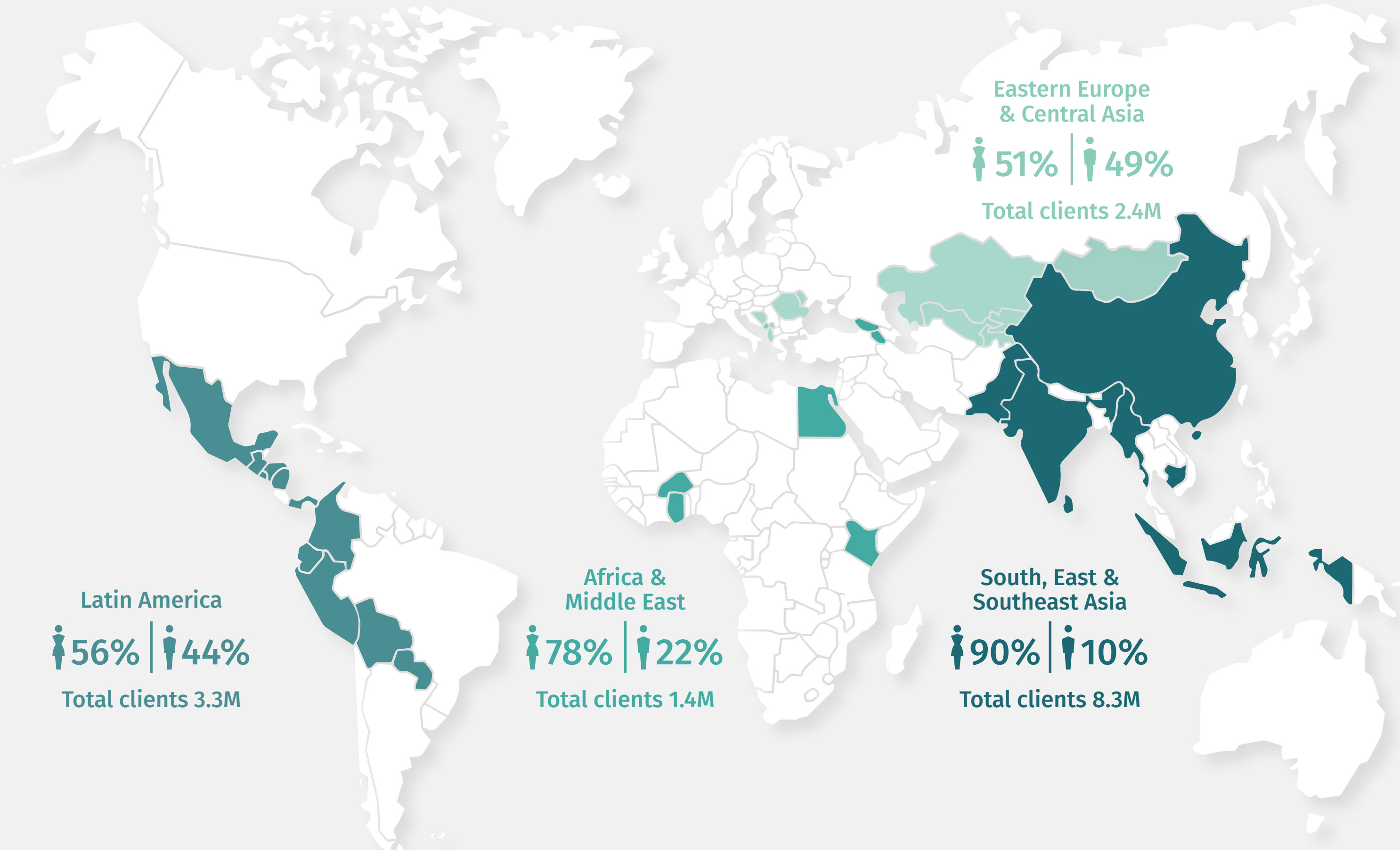
The average increase in women clients from 2020 to 2021 was 8%, compared to the GIIN benchmark of 0.6% for private debt and 2% for private equity.

The overall percentage of clients across DWM's portfolio (77%) is also higher than the 60 Decibels Microfinance Index, where 67% of the 18,000 clients surveyed were women.

5 2X Challenge Criteria

6 Grant Thorton Women in Business 2020 Report

Figure 6. Gender Breakdown of MFI Clients in DWM's Portfolio by Region



2021 Portfolio Countries

Albania	Colombia	Honduras	Mexico	Paraguay
Armenia	Ecuador	India	Moldova	Peru
Bolivia	Egypt	Indonesia	Mongolia	Romania
Bosnia and Herzegovina	El Salvador	Kazakhstan	Myanmar	Sri Lanka
Burkina Faso	Georgia	Kenya	Nicaragua	Tajikistan
Cambodia	Ghana	Kosovo	Pakistan	Uzbekistan
China	Guatemala	Kyrgyzstan	Panama	

Project Spotlight: Integrating Gender and Power Dynamics

Tracking observable gender-related metrics is a good starting point. Recognizing that much more can be done to deepen understanding of gender dynamics among our portfolio companies, DWM engaged the Criterion Institute to provide technical assistance to our private equity portfolio companies on this topic. The project began with a self-assessment by each company on their integration of gender across four core aspects of their operations: 1) product and channel design; 2) loan origination; 3) credit assessment and servicing; and 4) governance and management. Across these four areas, the tool analyzed three types of cross-cutting power dynamics: access to capital and resources, alignment of incentives, and decision making.

The self-assessment served the dual purposes of analyzing the current gender dynamics embedded in companies' processes and providing examples to create awareness of possibilities to improve gender equity by addressing these dynamics. The diagnostic self-assessment was followed by one-on-one discussions with Criterion staff to provide greater clarity and recommendations on areas of opportunity.

A few high-level takeaways emerged from the project:

- **Data exists, but the feedback loop is incomplete.** Many companies have more sex-disaggregated data than they are actually using to inform strategy and decision-making. Hypothesis-driven analysis of this data can advance gender equity and business results in product development, channel strategies, and talent management. Beyond tracking percentages of customers by gender, there is opportunity to analyze and use data on trends in loan sizes and terms to determine if client outreach is conducted in an equitable manner.
- **Gender-sensitive design may be undercut by bias in existing channels.** Some of the companies designed products tailored specifically to the needs of women clients, but then struggled to effectively roll them out through their typical channels for client origination and distribution. For example, using credit bureau data in underwriting reflects historic inequities in access to borrowing. Use of third-party channel partners may also hamstring efforts to reach women in an equitable way if there is bias in the practices of those partners. This finding revealed an opportunity to extend the design focus to delivery channels as well as the features of the product itself.
- **Gender-aware customer engagement leads to customer loyalty and raises customer lifetime value.** For example, disbursement and collection procedures can take gender into account by understanding where and how to reach women given their daily activities may differ from men's, and that social norms may indicate a more appropriate time and place to engage. Especially through the COVID-19 pandemic, companies that reached out and listened to their most vulnerable customers—often women—found that doing so bolstered their strategy of retaining clients as they grow.
- **Commitment to gender equity is strongest when a clear business case is articulated.** Targets should not rely on individual champions or moral arguments to be achieved. Staff and management need to understand the concrete ways that integration of gender will lead to business improvement through innovation, customer retention, and enhanced organizational capacity to follow through on achievement of gender-related targets

DWM is working with our private equity portfolio companies to formally integrate these gender-sensitive process elements into their existing business process and measure the results over time—both in terms of gender equity and business success. Best practices drawn from this work will also be applied to DWM's debt portfolio companies.

Case Study

KOMIDA

Women Entrepreneurs Building Businesses in Rural Indonesia

Nia Kurniawati
KOMIDA Client

Slamet Riyadi and Elin Halimah co-founded the women's cooperative Koperasi Mitra Dhuafa (Poor Friends' Cooperative, or KOMIDA for short) in the aftermath of the 2004 Aceh tsunami to bring the Grameen model of microfinance to Indonesia. Under the mentorship of Mohammed Yunus, Slamet and Elin set out to help poor women in Indonesia to improve their own economic situation through small loans. The co-founders believed that women would be creditworthy borrowers, contrary to persistent bias in mainstream financial institutions in the country. Now, 17 years after its founding, KOMIDA operates 329 branches throughout the country and serves close to 800,000 cooperative members, nearly all of whom are women.

KOMIDA's members are active in a wide range of businesses, from retailing food or cosmetics to blacksmithing and tailoring services. For example, Nia Kurniawati is a 37-year-old tailor in Soreang Village in the Bandung area of West Java. Nia manages the finances, while her husband handles the customers. Nia joined KOMIDA three years ago after hearing about it from friends. While there were other ways to get a loan, KOMIDA's was the most straightforward and convenient, with the limited requirements making it accessible for Nia. In addition, the KOMIDA meetings are a chance to catch up with other women and compare notes about their businesses. Loans from KOMIDA

have helped Nia purchase two new sewing machines to increase production and revenues. The business income supports her teenage sons' education; Nia hopes they will both finish university.

While loans are critical to growing women's businesses, deposit accounts are another key feature of KOMIDA membership. Nia did not have a means of saving up money before joining the cooperative. Now, her reserved funds help cover expenses when income is lower than usual or when a health emergency comes up. This was especially important during the difficult times earlier in the COVID-19 pandemic. Nia hopes to increase her savings beyond the required amount as her income continues to grow, to eventually renovate her house. Nia appreciates the simple process and positive interactions with KOMIDA's helpful field officers. As Nia puts it, "KOMIDA is hassle-free".

This customer-centric approach sits at the core of KOMIDA's business model, which provides health and education services in addition to financial services. As they recover from the challenges of the pandemic, Slamet and Elin have ambitions to continue growing with this holistic approach to creating impact on their members' overall health and welfare through a range of services.

Slamet and Elin note strong alignment on impact as a benefit of working with international lenders such as DWM, along with better repayment terms and clear communication. Slamet notes that in the past, local banks would not lend to KOMIDA because of their business model (collateral-free loans to poor women). KOMIDA has now demonstrated its success in managing capital from international lenders, leading to more options for obtaining financing locally. The success of Nia's business and many others like hers are proving that women entrepreneurs are creditworthy and that financial services can help women achieve their financial and personal goals.

7

Progress Toward the Sustainable Development Goals

Progress Toward the Sustainable Development Goals

DWM's investments directly advance three of the 17 UN Sustainable Development Goals (SDGs), and indirectly facilitate progress on five others. To capture the most direct and substantive contributions, DWM's SDG reporting links our outcomes to the targets and indicators set by the UN. For each relevant UN indicator, we quantify the combined gap across the countries in which DWM had outstanding loans and investments in 2021. This provides a sense of context for our portfolio's SDG contributions. Indirect contributions facilitate progress toward the target, for example by financing basic services rather than directly providing the services themselves.

SUSTAINABLE DEVELOPMENT GOALS

DWM's SDG Contribution Framework

NO POVERTY

1.4 Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

UN Indicator

1.4.1 Proportion of population living in households with access to basic services

Direct Contribution

Gap in portfolio countries	Portfolio contribution
• 822M unbanked adults	• 16.8M clients • 1.5M first-time borrowers last year • 6.4M poor and low-income clients

Indirect Contribution

Gap in portfolio countries	Portfolio contribution
• $170B unmet need for smallholder finance (all developing countries)	• $510M loans to 180k smallholder farmers
• 623.8M people with no formal education	• 26k clients using loans for education
• 287M people lack improved water source and 1.5B lack improved sanitation facility	• 82k clients using loans for water and sanitation
• 266M people lack access to electricity	• 17k clients using loans for clean energy

GENDER EQUALITY

5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

UN Indicator

5.5.2 Proportion of women in managerial positions

Direct Contribution

Gap in portfolio countries	Portfolio contribution
• 31% of management positions are held by women (on average)	• 35% of managers are women

Indirect Contribution

Gap in portfolio countries	Portfolio contribution
• 525.4M unbanked women	• 9.4M women clients • 77% of clients

DECENT WORK & ECONOMIC GROWTH

8.3 Support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

INDUSTRY, INNOVATION AND INFRASTRUCTURE

9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

UN Indicator

9.3.2 Proportion of small-scale industries with a loan or line of credit

Direct Contribution

Gap in portfolio countries	Portfolio contribution
• 94.4M credit-constrained MSMEs • $2.8T financing gap	• 6.4M MSMEs financed • $9.9B total gross loan portfolio to MSMEs

Indirect Contribution

Gap in portfolio countries	Portfolio contribution
• 248.2M unemployed people	• 5,306 increase in employees at portfolio companies in 2021

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Impact Measurement and Management Approach

DWM uses a robust impact measurement and management system to select investments with high potential for impact, manage social and environmental results, and learn from experience to inform future investments.

DWM's impact measurement and management is integrated throughout its entire investment process, as described in detail in our statement of alignment with the Operating Principles for Impact Management. The graphic below illustrates how we target, assess, and track social and environmental results across the investment cycle. Company-level impact and ESG analysis is conducted through desktop research, site visits, and discussions with company management. This robust impact measurement and management system enables DWM to select investments with high potential for impact, manage social and environmental results, and learn from experience to inform future investments.

Initial screening and eligibility analysis

- Impact framework completed to document theory of change, five dimensions, and quantify expected impact on key metrics (aligned with IRIS+)
- Invesment must fit with our theory of change and avoid excluded activities

Full due diligence

- DWM Impact IQ completed by potential investee and quality checked by DWM
- Impact score assigned
- Site visit to verify responses and clarify questions

Investment/credit committee review

- Confirm that investment fits with DWM's impact goals
- Flag potential ESG risks
- Identify needed covenants or provisions to strengthen impact or ESG management

Ongoing investment management

- Track impact performance compared to expectations through annual data collection
- Provide feedback and support to portfolio companies to improve impact
- Seek exits that ensure continuity of impact

Portfolio-level analysis

- Aggregate and analyze yearly data
- Benchmark results internally
- Publish annual impact report

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Partnership Recognition

Investment Partnerships

DWM works collaboratively with investors and investment partners to deploy funds into impact investments, targeting financial and impact goals. The results reflected in this report would not be possible without the support of the following institutions:

Industry Collaboration

DWM views collaboration as vital to the success of our work, and to achieving scaled impact through investment. DWM actively participates and aligns with the following industry efforts.

The GIIN is the global champion of impact investing, dedicated to increasing its scale and effectiveness around the world.

IRIS+ is the generally accepted system for measuring, managing, and optimizing impact.

Net Zero Asset Managers Initiative is an international group of managers committed to reducing greenhouse gas emissions to net zero by 2050 or sooner.

The United Nations Principles for Responsible Investment (PRI) provides a framework of six principles for incorporating environmental, social and governance issues into decision-making and ownership practices.

The Operating Principles for Impact Management provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle.

The Client Protection Pathway is an initiative through SPTF and CERISE to support client protection implementation across the financial service industry.

Developing World Markets

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