

2024 IMPACT REPORT





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About DWM



DWM's investments support progress toward the Sustainable Development Goals with a focus on meeting the needs of low-income people, especially women.

Developing World Markets (DWM)'s mission is to sustainably address the social, environmental, and economic needs of the developing world through investible solutions providing risk-appropriate returns to investors. Our staff, investors, and partners share a common purpose: to use impact investing to build inclusive, resilient, and environmentally sound communities around the world. Through its work, DWM seeks to help close the estimated \$4 trillion annual investment gap to meet the UN Sustainable Development Goals.

DWM invests exclusively in emerging and frontier markets. We've invested or arranged over \$3 billion for more than 250 companies in 60 countries over the past 25 years. Headquartered in the United States, DWM has a branch office in Georgia and team members located throughout Africa, Asia, Europe, and Latin America.

DWM began impact investing in 1999 and shifted exclusively to impact investments in 2004. DWM has partnered with some of the world's largest institutional investors to direct capital to environmentally and socially positive companies.



dwm
IMPACT INVESTING



Dear Readers,

We are proud to share our Annual Impact Report covering results from DWM's portfolio of 75 inclusive financial institutions in 35 countries serving over 25 million end clients. At the heart of our mission lies a dedication to channeling essential financial services where they are most needed. Two-thirds of the end clients of our portfolio companies reside in low and lower-middle income countries, where access to financial services remains a critical challenge. In the countries where DWM's 2023 portfolio was invested, just over half of adults have bank accounts, and small and medium-sized businesses continue to be underserved by the traditional banking system.

Our investments play a pivotal role in supporting the growth of small businesses and sustaining livelihoods. Portfolio companies provide loans and other services (both financial and non-financial), predominantly to poor and low-income women who are putting the financing to work in productive business activities. By offering financing in local currency (representing nearly half of the capital disbursed in 2023), DWM enhances economic resilience by mitigating a critical risk for portfolio companies.

2023 was a year of robust economic performance for emerging and frontier markets, yet many events also underscored the urgent risks faced by our end clients, particularly concerning vulnerability to climate change and inequality. As stewards of impact, we strive to help mitigate these risks and promote sustainable

development. This year we saw meaningful growth in financing for activities related to climate change mitigation and adaptation, such as clean energy and sustainable agriculture.

Our portfolio companies are growing and evolving to meet their customers' needs. In this report, we present analyses of key metrics aligned with each of our three strategic impact goals. Additionally, we've explored trends over time within our portfolio, such as digitization, women's financial inclusion, and ongoing efforts to address climate risk and resilience.

DWM sees the pursuit of social and environmental impact as a strategic pillar that requires the collaboration of the entire team. Our annual [statement of alignment](#) with the Operating Principles for Impact Management outlines how this works in practice. Our commitment to transparent and authentic impact management has been recognized in our [latest independent verification](#) of that alignment and our status as an ImpactAssets 50 Emeritus Manager. Thank you to our portfolio companies, investors, and partners for supporting and enabling DWM in this endeavor.

Hannah Schiff
Managing Director, Impact

DWM's Global Team



Peter Johnson
Co-Managing
Partner



Edward Marshall
Co-Managing
Partner



Odette Tolliver
Partner,
CFO



Brad Swanson
Partner,
Private Equity



Aleem Remtula
Partner,
Private Equity



Courtland Walker
Partner,
Products & Partnerships



Robert Constantino
Partner,
Private Credit



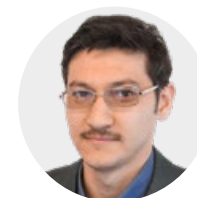
Christopher Mehan
Partner,
Chief Risk Officer



Hannah Schiff
Managing Director,
Impact



Aditya Kumar
Senior Reg. Rep.,
Private Credit



Naimjon Masaidov
Director,
Private Credit



Ashwin Mahabaleswara
Fund Manager

With a headquarters in the United States, DWM's team operates out of more than 15 locations spanning 5 continents.



Amarprit Singh
DD Manager and Data Analyst, Private Credit



Ankit Singhal
Regional Representative, Private Credit



Bibhash Sen
Regional Representative, Private Credit



Carolina Lozada
Regional Representative, Private Credit



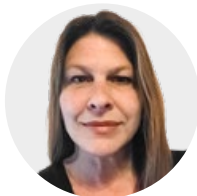
Darwin Yumiceba
DD Manager and Data Analyst, Private Credit



Darya Graham
Finance Manager, Operations



Devendra Singh
Associate, Reg. Rep., Private Credit



Elisabeth Kayser
Business Operations Manager, Legal



Farai Masendeke
Private Equity Associate



Hazel Mazelin-Forbes
Senior Accountant, Operations



Hiroshi Amemiya
Japan Representative



Jonathan Vanegas
Regional Representative, Private Credit



Kebo Letsholo
Associate, Reg. Rep., Private Credit



Khatia Babukhadia
DD Manager & Data Analyst, Private Credit



Levon Okradze
Associate, Reg. Rep., Private Credit



Marion Striewski
Compliance and Operations Associate



Mary Bellis
Office Manager/HR Paralegal, Operations



Nenad Milojevic
Funds Servicing Manager, Operations



Paras Puri
Risk Analyst, Risk Management



Patrick Mumu
Analyst, Reg. Rep., Private Credit



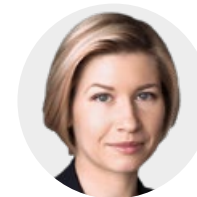
Renzo Romani
Vice President, Risk Management



Tamar Baiashvili
Credit Risk Manager, Risk Management



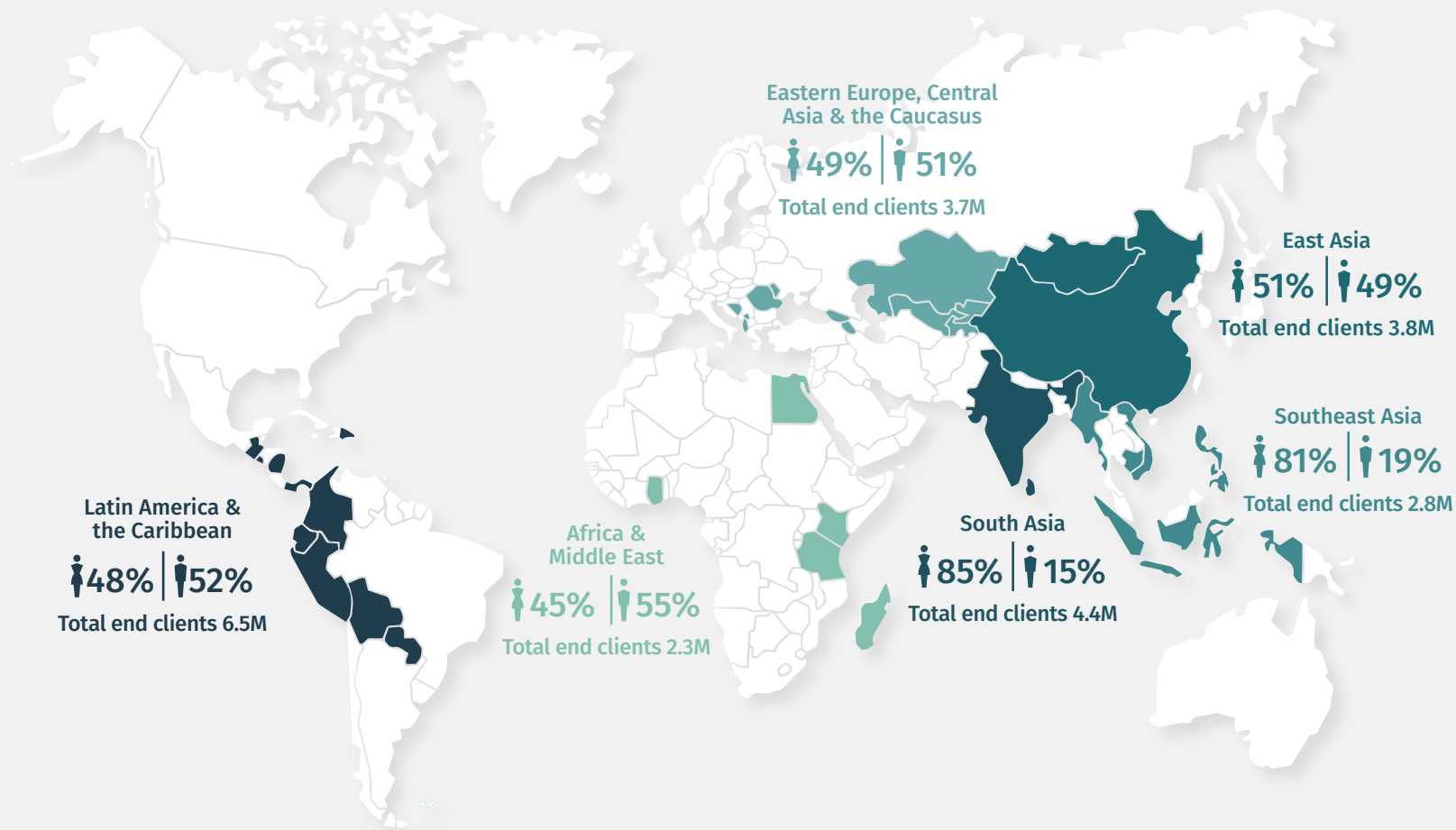
Verónica Mezarina
Credit Risk Analyst, Risk Management



Zinaida Vasilenko
Regional Representative, Private Credit

DWM's Global Portfolio

At the end of 2023, DWM's portfolio included 75 inclusive financial institutions across 35 countries.



2023 Portfolio Countries *(Bold indicates new countries in 2023)*

Albania	Ecuador	Kazakhstan	Nicaragua	Tanzania
Armenia	Egypt	Kenya	Panama	Uzbekistan
Bolivia	El Salvador	Kosovo	Paraguay	Vietnam
Bosnia-Herzegovina	Georgia	Kyrgyzstan	Peru	
Cambodia	Ghana	Madagascar	Philippines	
China	Guatemala	Moldova	Romania	
Colombia	India	Mongolia	Sri Lanka	
Dominican Republic	Indonesia	Myanmar	Tajikistan	







Region	# of portfolio companies	% of assets under management	Total # end clients	% women clients
Africa & Middle East	6	5%	2.3M	45%
East Asia	4	7%	3.8M	51%
Eastern Europe, Central Asia & the Caucasus	26	40%	3.7M	49%
Latin America & the Caribbean	21	26%	6.5M	48%
South Asia	9	11%	6.0M	98%
Southeast Asia	9	12%	2.8M	81%
Total	75	100%	25.1M	69%

Progress toward DWM's Strategic Impact Goals

DWM's investments are guided by three overarching impact goals that are aligned with the Sustainable Development Goals and supported by evidence-based theories of change. Each investment is scored against a set of indicators specific to the goal to which it is most likely to make a positive contribution. Full definitions of the goals and the SDG contribution framework, including specific UN targets and indicators, can be found in [DWM's 2023 Impact Report](#). The table below presents a summary of key results against these goals.

Methodology note: Throughout this report, two types of analysis are presented. "Aggregate" or "full portfolio" results are calculated by summing the total results from each portfolio company. "Investment-weighted" or "attributable" results are calculated by multiplying each portfolio company's individual result by the ratio of DWM's outstanding investment to the total assets of the company and then summing those pro-rated results. This reflects DWM's contribution to the total impact.

Summary Table

DWM Goal and Aligned SDGs	Gap in Portfolio Countries	Key Results from the Portfolio (Aggregate)	Investment-Weighted Results (Attributable)
<p>Enable access to responsible financial services for underserved people. <i>SDGs 1, 5.</i></p>  	<ul style="list-style-type: none"> • 752.6M unbanked adults • 471.0M unbanked women 	<ul style="list-style-type: none"> • 25.1 million total end clients • 69% women • 70% poor and low-income • 49% rural 	<ul style="list-style-type: none"> • 531k end clients • 78% women • 75% poor and low-income • 54% rural
<p>Contribute to quality job creation and inclusive, sustainable economic growth. <i>SDGs 8, 9, 10.</i></p>   	<ul style="list-style-type: none"> • 181.7M unemployed people 	<ul style="list-style-type: none"> • 6.7M MSMEs provided access to finance • \$12.8B gross loans outstanding to MSMEs • 99k employees at portfolio companies 	<ul style="list-style-type: none"> • 191k MSMEs • \$207M gross loans outstanding to MSMEs • 2.8k employees at portfolio companies
<p>Build adaptive capacity and resilience for climate-vulnerable people and mitigate further climate change. <i>SDG 13.</i></p> 	<ul style="list-style-type: none"> • \$2.4T per year needed in climate finance in emerging and frontier markets 	<ul style="list-style-type: none"> • 52% of portfolio companies offer climate-related financing • \$771.6M green loans outstanding 	<ul style="list-style-type: none"> • \$10.1 million green loans outstanding

Impact Goal 1



DWM's investments are guided by its three Strategic Impact Goals, which are aligned with the SDGs and supported by evidence-based theories of change. Detailed definitions of each goal can be found in our [2023 Impact Report](#).

Enable access to responsible financial services for underserved people

In emerging and frontier markets, the traditional banking sector still does not meet the needs of many segments of the population— particularly low-income communities, people living in hard-to-reach rural areas, and women. The first strategic impact goal focuses on investments in financial institutions that help to bridge this gap through their unique business models and client-focused service provision. As of the end of 2023, DWM's portfolio included 45 microfinance institutions (MFIs), 11 banks, 7 lenders focused on small and medium-size enterprise (SME) finance, 4 cooperatives, and 8 other specialized inclusive financial institutions.

Across DWM's portfolio, most end clients belong to one or more underbanked groups. DWM's 2023 portfolio companies reached a total of 25.1 million end clients (531,000 on an investment-weighted basis), of whom 69% were women and 49% rural. A majority of all end clients are in poor and low-income groups³, and in the MFI segment of the portfolio (which is most focused on serving this segment), 70% are poor and low-income.

Portfolio companies focus on clients whose financing needs cannot be met by traditional banks. The average amount outstanding per borrower across the full portfolio was \$2,148, with an average among the MFIs of \$1,227. For traditional banks, these small loan sizes are typically not viewed as attractive or profitable given the transaction costs and perceived risk of small-scale borrowers.

³ Poor and low-income is defined as up to two-thirds of the national median income per person.

Inclusive financial institutions step in to fill this gap through their specialized business models and underwriting practices. For comparison to other data on MFI loan sizes, the average loan size among MFIs in DWM’s portfolio is lower than the average among private MFI funds in a survey by Tameo (\$1,943), and slightly higher than the 60 Decibels Microfinance Index average of \$1,000.⁴

Benchmarking Results:

Comparing DWM’s Investment-Weighted End Clients Reached to the GIIN Financial Inclusion Benchmark

Figure 1. Investment-weighted End Clients per Portfolio Company

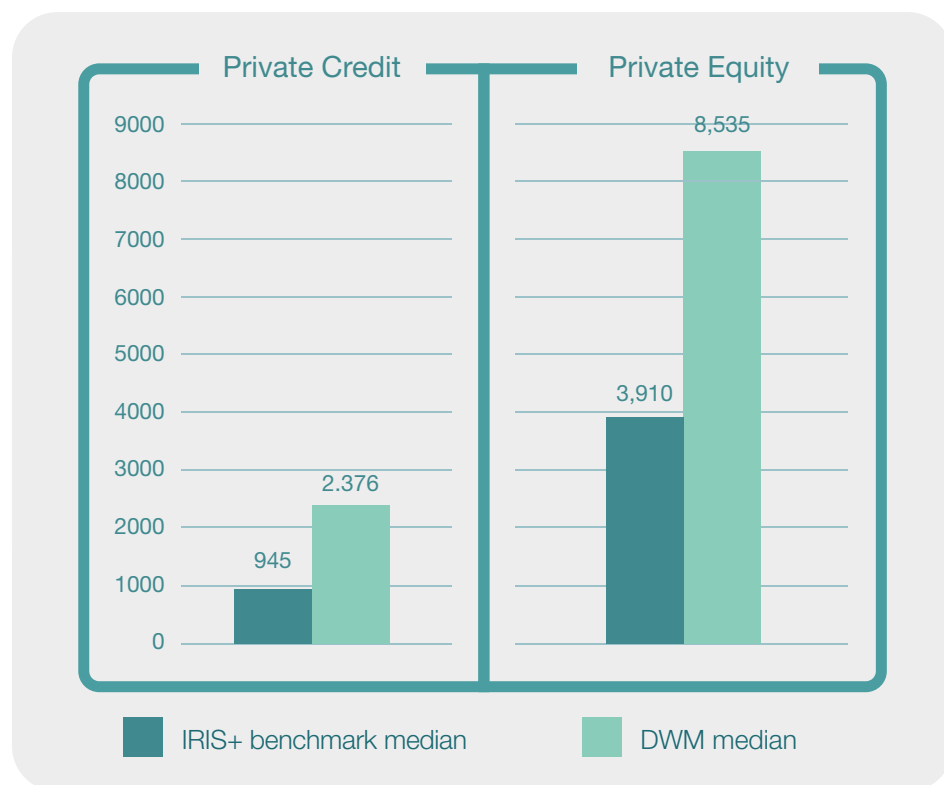
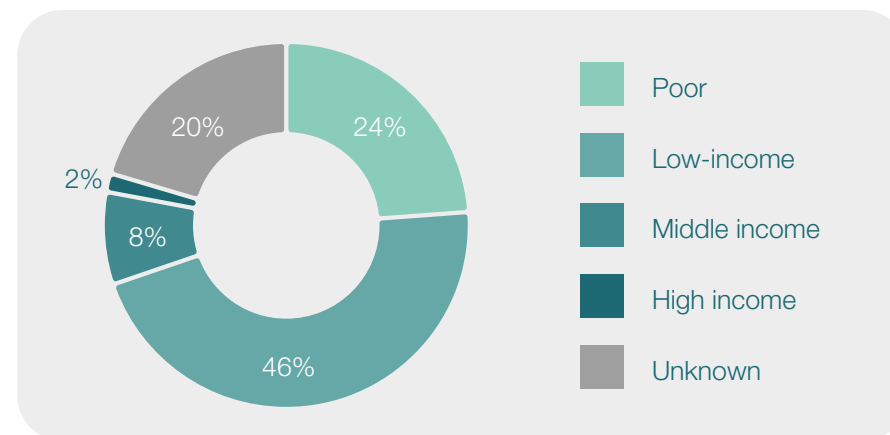







Figure 2. MFI End Clients by Income Level



Portfolio companies help clients finance basic needs, such as education, healthcare, housing, water and sanitation, and clean energy. Through these sectors, inclusive financial institutions support SDG target 1.4, ensuring access to basic services. The loans provided by DWM’s portfolio companies in these sectors are summarized in the table below.

Figure 3. Value of Loans for Basic Services

		Aggregate GLP	Investment-weighted GLP
	Clean energy	\$94.5 million	\$1.2 million
	Education	\$83.5 million	\$1.0 million
	Healthcare	\$117.9 million	\$3.5 million
	Housing	\$1,909 million	\$25.8 million
	Water and sanitation	\$32.2 million	\$0.5 million

Portfolio companies offer a variety of financial and non-financial services that enable clients to improve livelihoods and build financial resilience. Two-thirds of companies offer financial products other than loans, such as savings accounts, money transfers, insurance, and microleasing. This year, the number of portfolio companies offering business development assistance increased to 40%, from 29% the previous year. Several financial institutions also provide basic medical care. Data over the past four years shows a dip in this service offering in 2020 and a steady trend back upwards since then.

Digitalization of financial services is growing, but large gaps in access and usage persist. Over the past few years, the percentage of portfolio companies providing access to digital wallets or mobile money has doubled from 10% in 2019 to 21% in 2023. Research shows that the “digital divide” still prevents many people in developing countries (especially women) from benefitting from advances in technology. In 2023, DWM and one of its private equity portfolio companies kicked off a pilot project with a digital savings platform partner. The project will test the effectiveness of different behavioral nudges and financial incentives at increasing savings account usage and other financial services uptake among women clients.



Trends in Advancing Gender Equity

DWM embeds a gender lens across the portfolio to reduce barriers to finance for women and promote gender equity within portfolio company operations.

While the historically persistent gender gap in financial inclusion has recently shown encouraging signs of narrowing³, significant effort is needed to fully close it and translate these gains into meaningful benefits for women. In 2023, DWM [joined 2X Global](#) and published our [gender-lens investing approach](#). Building on [research](#) DWM conducted in partnership with Criterion Institute, we have been examining the ways that portfolio companies integrate gender considerations in core business processes. Portfolio data from the past few years shows some promising trends both for end clients and portfolio company staff and leadership.

External gender equity efforts: The total percentage of women end clients in 2023 was 69%, compared to 65% the previous year (and compared to 66% in the 60 Decibels Microfinance Index). However, the total gross loan portfolio to women is just 45%, reflecting that women are often offered smaller loan sizes than men.

Figure 4. End Clients by Gender

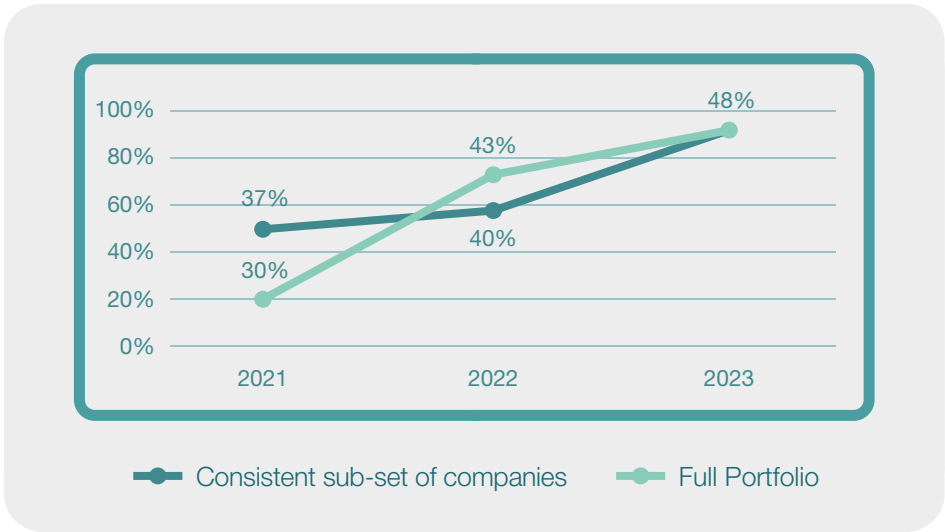


³ Klapper, L., Singer, D., & Ansar, S. (2021). *The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID*. World Bank Group.

There has also been a marked increase in the percentage of portfolio companies that actively tailor products and services specifically for women, from just over one-third in 2021 to almost half in 2023.

In addition, more portfolio companies are using sex-disaggregated data to understand outreach and product usage (54% in 2022 versus 61% in 2023), an important input into product development. The trends here are driven both by an increased emphasis on this topic within portfolio companies and the addition of more women-focused companies to DWM's portfolio.

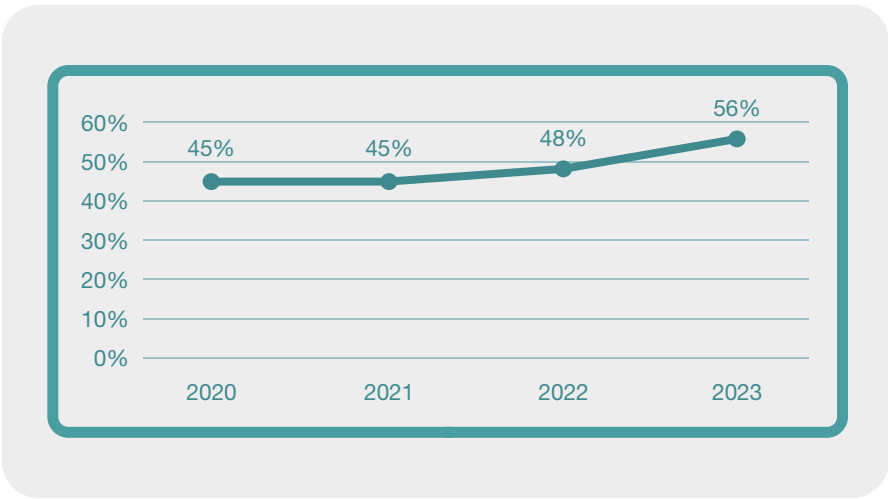
Figure 5. Percent of Portfolio Companies with Products/ Services Tailored to Women



Internal gender equity initiatives: The portfolio has also shown a rise in gender equity in staff composition. Over the years, there has been a consistent increase in the percentage of portfolio companies with a majority of women staff, climbing from 45% in 2020 to 56% in 2023. We also note a small increase in the proportion of companies incorporating sex-disaggregated data into their recruitment

processes (from 31% in 2022 to 33% in 2023). These results reflect deliberate efforts at DWM to promote gender diversity through investment selection and management.

Figure 6. Percent of Portfolio Companies with Majority Women Staff



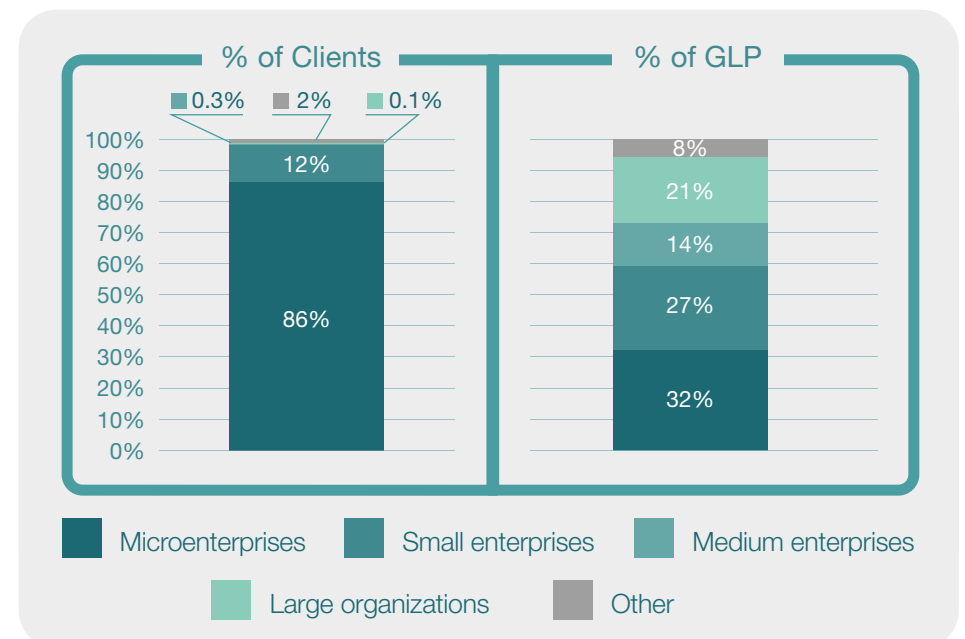
Impact Goal 2



Contribute to quality job creation and inclusive, sustainable economic growth through small and medium-sized enterprises

In developing countries, micro, small, and medium-sized enterprises (MSMEs) often account for the majority of businesses, the fastest expansion in jobs, and a large share of GDP. But businesses at the smaller end of the spectrum face multiple constraints to accessing the financing they need to grow— from risk perceptions to collateral requirements and high lending rates for smaller ticket sizes. DWM’s portfolio companies address these barriers with financial products developed specifically for the MSME segment.

Figure 7. Business Clients by Type



DWM’s investments are guided by its three Strategic Impact Goals, which are aligned with the SDGs and supported by evidence-based theories of change. Detailed definitions of each goal can be found in our [2023 Impact Report](#).

The loans portfolio companies provided were primarily used for income-generating purposes in sectors such as agriculture (32%) and trade and commerce (18%). The minority of loans (21%) used for consumption purposes can also play an important role in financial inclusion, by smoothing income and covering basic household needs for people with uneven cashflows (a common issue faced by micro and small business owners).

Figure 8. Top Sectors of Underlying Loan Portfolios

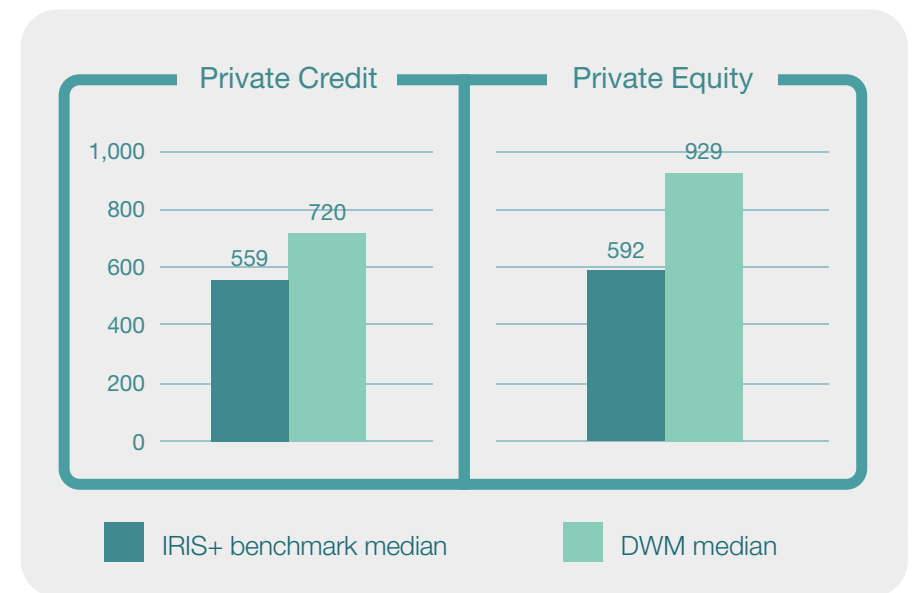
	Aggregate percent (number of loans)	Investment-weighted percent (number of loans)
Agriculture	32%	33%
Consumer	21%	10%
Trade and commerce	18%	28%
Service sector	5%	6%

Portfolio company data on outcomes is limited but shows some signs of growth in assets for end clients. About one-fifth of portfolio companies track growth in end clients’ revenue or assets. Among these, the average growth in revenue or assets per client ranged from 2% to 50%. One portfolio company did not track the average growth, but rather surveyed business customers whether they experienced any increase in income as a result of the loan and found 70% answered affirmatively. We hope to see more robust data on outcomes in future years.

Benchmarking Results:

Comparing DWM’s Investment-Weighted MSMEs Financed to the GIIN Financial Inclusion Benchmark

Figure 9. Investment-weighted MSME Clients per Portfolio Company



IRIS+ Analytics accessed March 25, 2024

Case Study



Satya MicroCapital's loans to 800,000 women in rural India provide them with capital to earn incomes and gain financial independence.

Satya MicroCapital

In the villages around the town of Palwal, in the Indian state of Haryana, buffalo milk is always in demand. Owning a buffalo is a stable way to not only guarantee your family's own supply of a nourishing key ingredient, but also earn a substantial income. Seema Devi has lived in the area for 10 years, since getting married. Until recently her family relied on her husband's salary from his job at a brick factory and part-time work loading goods in the local market, while Seema raised their two children. The family's typical monthly income ranged from \$150-160. As the children grew and began to need money for school tuition and supplies, Seema began to look for a way to supplement the family's income and decided to venture into cattle rearing.

A buffalo costs around \$625, and Seema began saving a small amount each month to put toward the cost. While she was gathering her savings, she heard from friends and neighbors about Satya MicroCapital, a microfinance institution providing small loans mainly to rural women clients. Seema heard the loans were processed quickly and the staff was friendly and helpful. She obtained a loan for \$438 with a 24-month term to add to her savings of \$187 and purchase the buffalo.

With the sales from buffalo milk, Seema has been able to add about \$105 to her family's monthly income (representing a 65% increase), about half of which she spends on education, better quality food, and health and hygiene. The other half is added to her savings. She plans to grow her dairy production business by investing the accumulated savings and taking out another loan after she repays her first.

Seema notes other benefits beyond improved income since becoming a Satya borrower: "I have developed a sense of independence and I have earned a say in the upbringing of my children. I get to interact with many fellow women borrowers in the village, which makes me better informed."

Impact Goal 3

Build adaptive capacity and resilience for climate-vulnerable people and mitigate further climate change

In 2023, the global climate crisis continued to have sweeping consequences for communities and businesses in emerging and frontier markets. From flooding in India's northeast to droughts in the Horn of Africa, climate-related disasters put livelihoods at risk, often for people with the least cushion to absorb these shocks. DWM has been working to better understand how inclusive finance institutions can help their clients adapt to and withstand these changes, as well as mitigate further climate change through transitioning to greener business practices.

Climate risk is increasingly considered at the board level. Perhaps in recognition of the growing impacts of climate change, a greater share of portfolio companies reported having a board-level review of climate risk in 2023 (23%, compared to 17% in 2022). A slightly higher share also now have an environmental or ESG policy applicable to clients (56%).

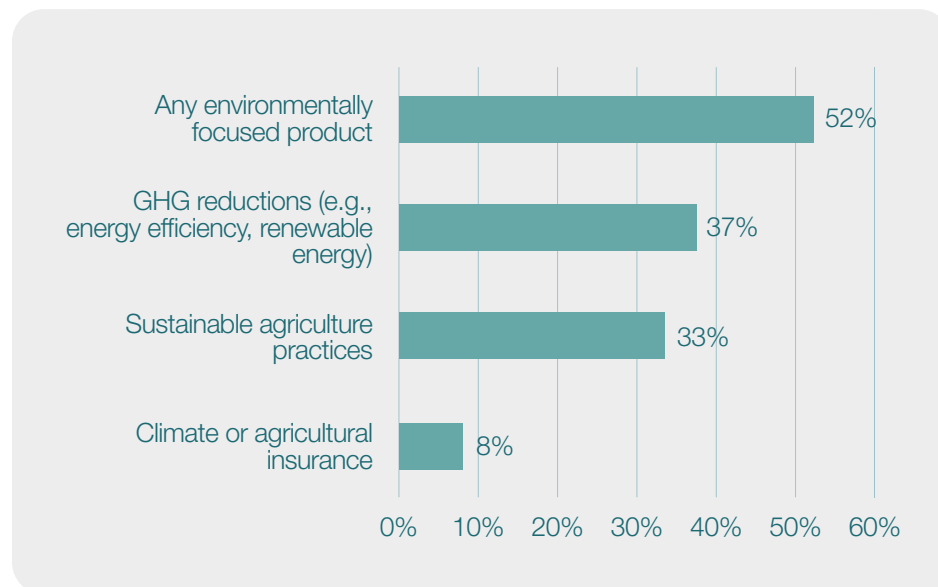
Over half of portfolio companies (52%) offer financial products specifically focused on climate or environmental themes. The most common, offered by 37% of portfolio companies, are loans focused on reducing greenhouse gas emissions through energy efficiency or renewable energy, followed by loans for sustainable agricultural practices, which are offered by 33% of companies. Only 8% of companies offer climate or agricultural insurance. Several companies offer loans related to electric vehicles or other sustainable mobility options.

DWM's investments are guided by its three Strategic Impact Goals, which are aligned with the SDGs and supported by evidence-based theories of change. Detailed definitions of each goal can be found in our [2023 Impact Report](#).

“Green lending” portfolios increased significantly in 2023 compared to the prior year, from \$345.6 million to \$771.6 million. The increase stems from both growth among existing portfolio companies and the inclusion of several new companies active in this type of lending.

Although many portfolio companies offer these kinds of loans, they still represent a relatively small proportion of each institution’s gross loan portfolio, signaling room for growth. As noted in DWM’s recent report on [“Climate Change and Inclusive Finance,”](#) taxonomies to track loans in climate change mitigation, adaptation, and resilience remain underdeveloped, likely leading to broad underestimations of the extent to which inclusive finance institutions are already supporting these goals.

Figure 10. Percent of Portfolio Companies that have Climate-related Loan Products



Case Study

NDT Vietnam, a subsidiary of Helio Energy

Expanding sources of clean energy is a particularly important goal for Vietnam, where power outages driven by high summer temperatures and disruptions to power plants increasingly threaten communities and businesses. NDT is a subsidiary of Helio Energy, which is a Vietnamese renewable energy project developer with roughly 40 employees that helps to address this critical need. NDT Vietnam is a client of EVN Finance, one of DWM's portfolio companies.

Established in 2020, Helio Energy develops small-scale solar projects that help fuel the energy needs of local businesses. For example, its subsidiary NDT Vietnam generates electric power through rooftop solar projects that power agricultural production. A loan provided by EVN Finance enabled the expansion of this project.

EVN Finance provides the features and service NDT needed as a small business—flexibility in the loan amount, a competitive interest rate, and a short turnaround time. EVN Finance's experience in the energy sector also made them a valuable financing partner for the company.

A 7-year loan from EVN Finance enabled NDT to successfully implement a solar power project in Bình Thuận, a province on Vietnam's southeastern coast with a large amount of agricultural land. The project provides electricity to a farm and sells excess capacity to the national grid.

EVN Finance and NDT are putting impact investment to work in support of Vietnam's renewable energy transition and local economic development.

EVN Finance supports Vietnam's green energy transition and economic growth by financing small-scale solar projects via small and medium-sized enterprises.

Impact Management

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. In our [most recent verification](#) of alignment conducted by BlueMark, DWM achieved top-quartile ratings across all principles.

The graphic at right 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+)
- Investment 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 calculated
- 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
- Use insights to inform impact strategy and decision-making

Managing ESG and Impact Risks



Overview of ESG Management

DWM's investment screening and management processes integrate risks stemming from environmental, social, and governance (ESG) issues. The goal of DWM's ESG management is to avoid or mitigate any possible unintended negative impacts and material risks to our end clients, portfolio companies, and investors. See more information on our approach in [DWM's ESG Policy](#).

Figure 11. ESG Process

DWM Impact Frameworks are used to source investments that create positive social and/or environmental impact in one of our core impact themes (aligned with the Sustainable Development Goals). The ESG process is then applied to these impact-generating investment opportunities.

STEP 1. Screen against DWM Exclusion List

STEP 2. Assess company management of key ESG issues

STEP 3. Engage investees on areas for improvement

STEP 4. Report regularly

Investor Contribution:

Supporting a portfolio company to enhance ESG risk management

A critical part of DWM's approach to impact management is assessing strengths and weaknesses in impact and ESG among portfolio companies and supporting enhancements in those areas. In early 2023, DWM partnered with Rentek, a Colombian SME finance provider focused on equipment leasing, to develop and implement strong ESG policies. Guided by DWM's in-person and virtual technical assistance, the company has now integrated robust practices based on industry standards throughout Rentek's credit assessment and monitoring processes.

Rentek
Apoyamos el desarrollo exitoso de las empresas



Client protection is foremost among ESG issues, given that inclusive financial institutions typically serve poor and low-income populations with low levels of financial literacy, making them potentially vulnerable to irresponsible practices. DWM requires all financial services portfolio companies to either join the SPTF+Cerise [Client Protection Pathway](#) or demonstrate practices at least on par with the “CP Commit” level (a common minimum standard).

Overall, 79% of portfolio companies had formally committed to implement all eight Client Protection Standards, and nearly half have had their alignment to the standards certified by a third party. In addition, 69% of companies provide training or guidance to clients on evaluating their own debt capacity. This type of service helps clients avoid taking on more debt than they can afford.

Most portfolio companies have their own formal mechanisms of ESG risk management. Just over 80% of portfolio companies have an organizational ESG policy, and 64% train their staff on ESG risk management. Board oversight of ESG issues is a regular practice among 40% of companies.

In 2023, DWM supported portfolio companies and partnered with industry groups in key areas of ESG risk management. For example, DWM provided hands-on technical assistance to a Colombian portfolio company to develop and implement best-in-class ESG practices (see example at left). In addition, DWM conducted a monitoring trip to Cambodia to assess client protection risks recently highlighted by local non-governmental organizations. DWM also engaged with SPTF and other microfinance investors to promote the application of new lending guidelines to prevent over-indebtedness in the country.

Collaboration

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:

Investment Partnerships

cardano

m o n e g a ■

Nordea

TRILL IMPACT

Industry Collaboration

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.



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.



2X Global is a field-building organization focused on advancing gender lens investing.



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



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



The United Nations Principles for Responsible Investment (PRI) provides a framework for incorporating ESG issues into decision-making and ownership.



dwm

100 First Stamford Place, Suite 450
Stamford, CT 06902, USA

T: +1 203.655.5453
E: info@dwmarkets.com

www.dwmarkets.com

This report was prepared by the DWM Team
and designed by Martín Londoño.