

A smiling woman with dark skin, wearing a white headband and a peach-colored t-shirt, is seated in the foreground. Behind her are large wooden racks filled with small, silvery fish, likely sardines, in a processing facility. A large metal bowl is visible to the left. The background shows industrial structures and a corrugated metal roof.

cardano

**Cardano Impact Financial  
Inclusion Fund  
Annual Impact Report 2023**

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# Dear Investor,

We are pleased to present our 2023 annual impact report. In a year of unprecedented global challenges, we are proud to report that our impact investing fund has continued to make meaningful progress towards our goal of driving positive social change.

Through investing in increased access to financial services for micro-, small- and medium-sized enterprises (MSMEs) and low-income people, Cardano Impact Financial Inclusion Fund ("CIFIF I") strives to help low-income people in emerging markets overcoming the challenges they face today. Increasingly, that means a focus on making investments that help build resilience to the inevitable climate disasters that disproportionately affect low-income populations around the world. However, also during hardships, adaptive business models emerge as MSMEs are eminently entrepreneurial, flexible and innovative. Hence, supporting local entrepreneurship contributes to economic development and more resilient societies.

In this annual report, we present the non-financial results of the Fund over 2023. Besides reporting on impact numbers, we share client stories to illustrate how the Fund investments contribute to improved wellbeing of end-clients and their households. While reading this report, we hope you will feel inspired and proud of the impact your commitment to CIFIF I has achieved over the years.

Warm regards,

Sinisa, Sylvia, Rik, Theo and Sytske  
The Cardano Financial Inclusion Team



**Sinisa Vukic**  
Senior Portfolio Manager



**Sylvia Giezeman**  
Senior Portfolio Manager



**Sytske Groenewald**  
Impact Manager Private  
Markets



**Theo Brouwers**  
External member  
Investment Committee



**Rik Klerkx**  
CIO LDI & Private Markets



# **1. About Cardano Impact Financial Inclusion Fund**





# Our story so far

## Our history

Cardano can be seen as a frontrunner in scaling up the microfinance sector. In 2007, Cardano Impact Investing launched its first microfinance fund for institutional investors dedicated to generating positive and measurable impact alongside realizing a market-based return. Based on the positive financial and impact results, a second microfinance fund was raised in 2008, followed by the Cardano Impact Financial Inclusion Fund which was launched in 2014.

During the lifetime of these 3 successive funds, we have;

- invested about 1.2 billion Euro;
- into almost 200 financial institutions;
- in 54 emerging countries;
- serving 3.4+ million end-clients.

Ever since, Developing World Markets (DWM) has been our Investment Manager supporting the different microfinance / financial inclusion Funds with deal sourcing, deal-making and monitoring of financial institutions\*.

## Sustainability objective

The current Cardano Impact Financial Inclusion Fund (CIFIF I) was launched in 2014 to make a positive contribution to social equity. This is done by promoting access to responsible and affordable financial products and services for low-income households and Micro-, Small-, and Medium-sized Enterprises (MSMEs) in emerging and developing countries. In doing so, the Fund intends to contribute to the growth and development of MSMEs and the financial wellbeing of low-income households.

“

As an impact investor,  
we enable financial  
institutions in serving the  
underserved.

\*In the selection of the Investment Manager, the available capacity and skills with regards to impact management are important criteria. This is also an important topic of the annual operational due diligence.



# Financial inclusion

## THE ROLE OF ACCESS TO FINANCIAL PRODUCTS & SERVICES IN SUSTAINABLE DEVELOPMENT

### Access to finance

Globally, about 1.4 billion adults have no access to an account at a financial institution or through a mobile money provider (World Bank, 2021\*). Most of these people live in developing and emerging economies. This leaves them unable to access reliable credit or savings accounts. Most of them have low and unpredictable incomes, and lack the resources to cope with unexpected household needs, or to invest in a better future.

To increase access to finance, CIFIF I invests in the growth of local Financial Inclusion Institutions (FIIs). Our capital allows these organisations to enlarge their loan portfolio and provide responsible and affordable financial products to a larger number of low-income households and MSMEs. These client segments are usually excluded by traditional financial service providers.

Access to finance helps low-income households and micro-entrepreneurs to develop and expand business activities, increase household income, cope with unexpected expenses, build a buffer for investments in health and education, and have some form of risk insurance.

### Catalytic effect

It is widely acknowledged that financial inclusion can open multiple paths to empower people and can create opportunities to unlock development outcomes. The UN recognizes the importance of financial inclusion and identifies it as an important means of achieving several SDGs. Hence, investing in financial inclusion is an appropriate strategy to create a positive contribution to greater social equality and sustainable society.

Figure 1. Visualization catalytic effect financial inclusion on multiple impact themes



\*Source: [Worldbank Findex Report 2021](#)

# Our strategic intent

## Our intent

CIFIF I has four impact goals that are aligned with the overarching Sustainable Objective of the Fund:

- 1 Improving access to financial services for micro-entrepreneurs and other underserved populations.
- 2 Decent job creation and economic development through SME financing.
- 3 Increasing gender equality through financial inclusion of women.
- 4 Increasing access to basic services through affordable household financing.

Each investment must contribute positively to at least one of these goals. Verifying that a potential investment makes a positive contribution to the impact goals is an important part of the impact assessment during due diligence. The results of this assessment feed into the final investment decision.

## Investments & engagement

To achieve our sustainable objective, we focus our investment on local financial institutions that specifically target underserved populations. Our investment helps financial institutions expand their portfolio to these low-income client groups. This is with the ultimate goal that these end-clients use the loan to expand their microenterprise or SME, or to invest in basic needs to improve their economic well-being. See Figure 2 for visualization of our approach.

In addition to the financial support, CIFIF I engages the FIIs about expanding their geographic and demographic outreach and to focus on providing access to financing in areas that remain underserved. In addition, FIIs are encouraged to increase their transparency and properly protect the interests of their end-clients while maintaining their financial health.

Figure 2. Visualisation of impact pathway CIFIF I





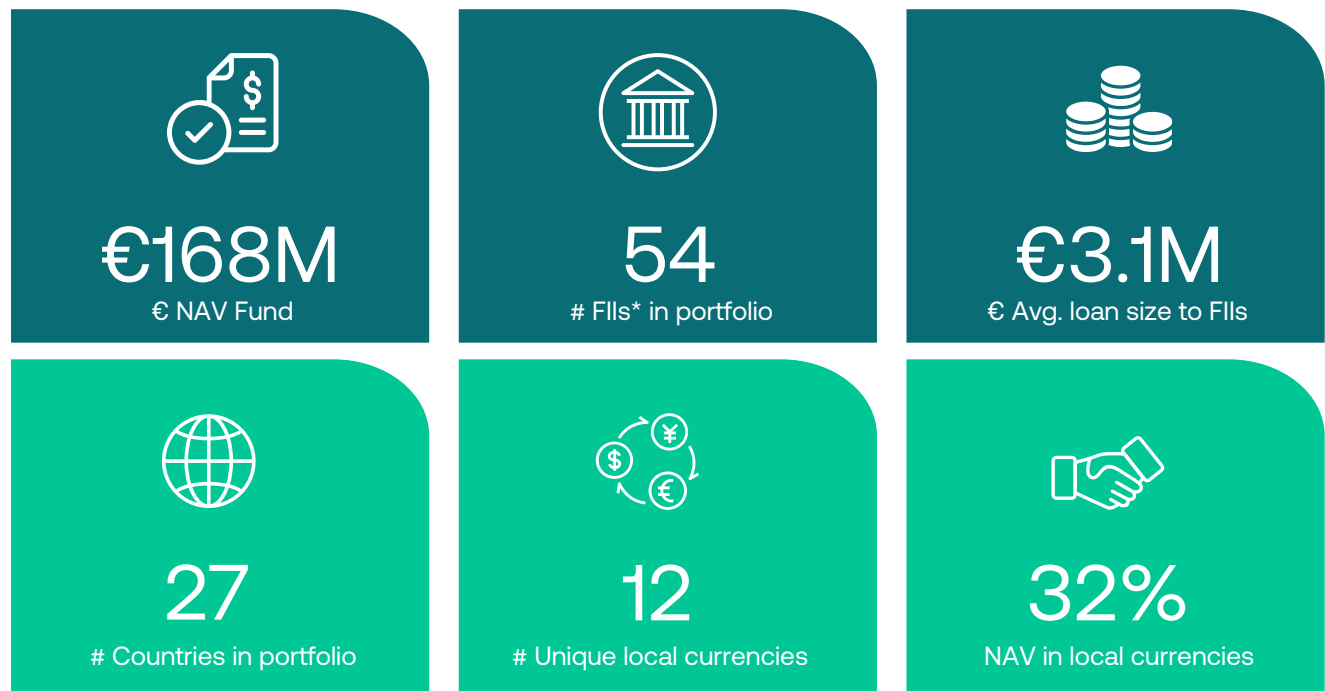
## 2. Portfolio Highlights



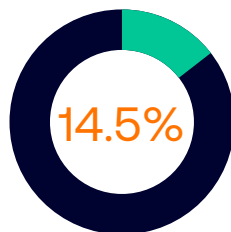


# Portfolio snapshot

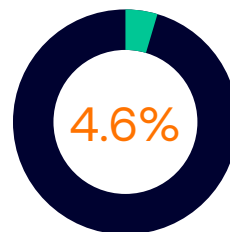
## Highlights year-end 2023



\*FIs = Financial Inclusion Institutions



% NAV targeted towards  
towards SMEs and basic needs



% Sub-ordinated loans and  
senior loans

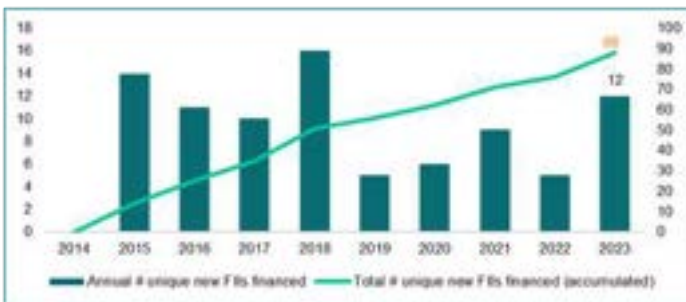


Figure 3. # new Financial Inclusion Institutions financed

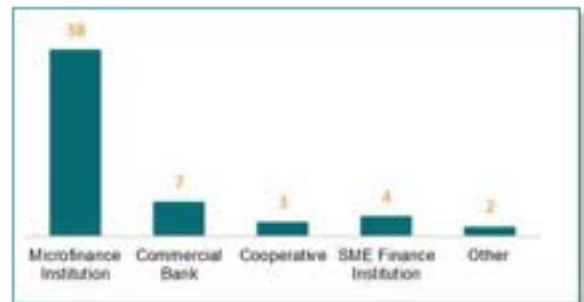


Figure 4. Division portfolio companies, per type of institution

## Geographic presence

Since 2014, CIFIF I has invested in 40 countries across every developing region in the world. With support of our Investment Manager DWM, we have expanded our portfolio to 12 new Financial Institutions (Figure 2) and 2 new countries: the Dominican Republic and Philippines in 2023. We aim to have a highly diversified portfolio in terms of geographic and entity exposure.

Countries with an exposure of more than 5% of the NAV are India (10%), Ecuador (8%), Kosovo (7%), Mongolia (7%), Kazakhstan (6%) and Albania (6%).

By year-end 2023, the portfolio was invested in 27 countries (see Figure 6). The majority of the countries are classified as low-income or lower-middle income according to the World Bank country classification\* (figure 5).

The Fund has invested in 88 financial inclusion institutions since its inception in 2014. The vast majority of the entities are microfinance institutions (Figure 4). We apply a buy and hold strategy, with longer term horizon, to be able to support investees over a longer time to help them realise their impact ambitions.

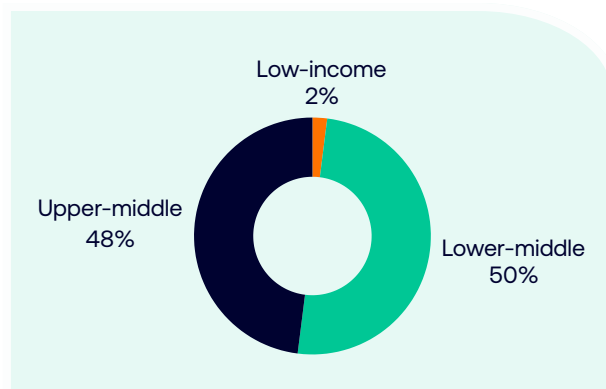


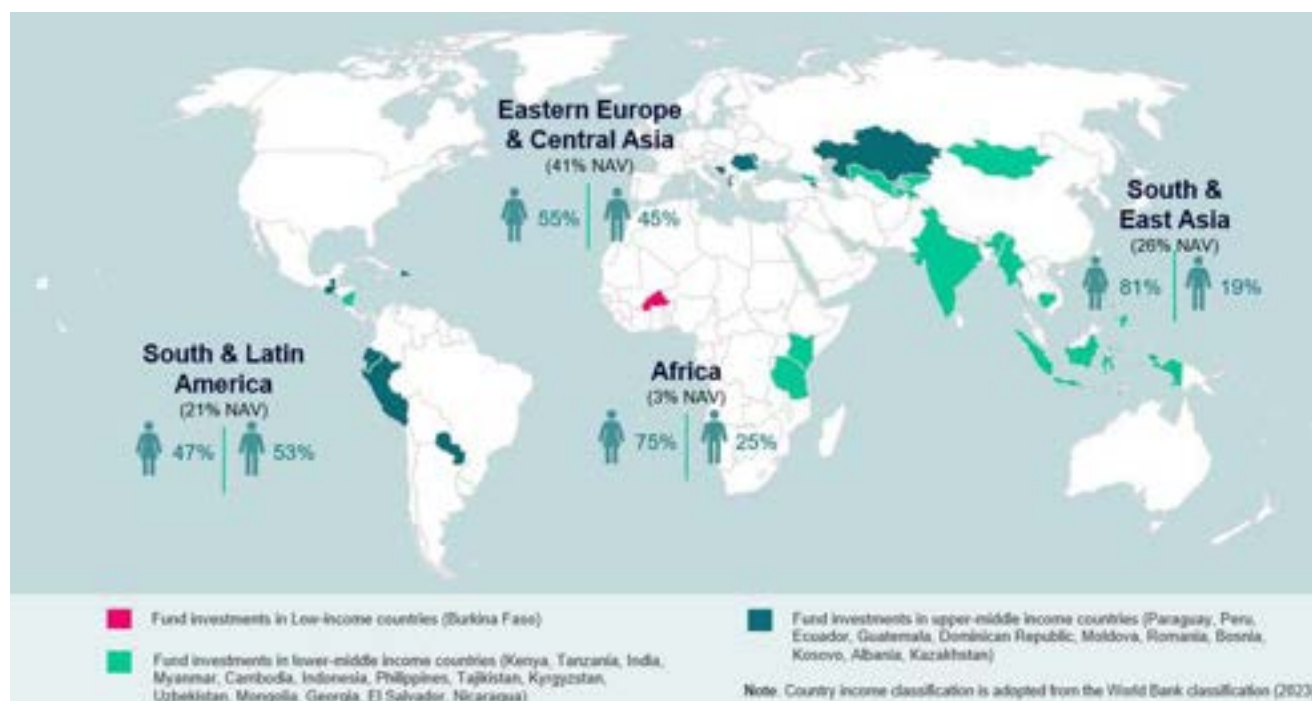
Figure 5. % FIIs division per country income classification\*

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We strive to support financial institutions in countries with a relatively high percentage of "unbanked" (people without a bank account) or countries with a large finance gap.

Sylvia Giezeman - portfolio manager

Figure 6. Geographic exposure portfolio per year-end 2023



\*According to the World Bank Country classification (2023)



### 3. Results on impact goals





# Access to finance

## THE KEY RESULTS ON IMPACT GOAL 1

### Increasing financial inclusion

The Financial Institutions in CIFIF I's portfolio provide a range of financial products and services to MSMEs and low-income households. Together, they reached 17.6 million end-clients (year-end 2023). Over the year, we reached 15.8M people on average. 17% of the end customers reached were "first-time borrowers." These people were "unbanked" and did not previously have access to capital.

#### Attributional change

Since we are not the only investor supporting financial inclusion institutions, we also calculate the impact that can be attributable to our investment size. This is the total impact weighted by CIFIF I's share of each company's total assets in the portfolio. At year-end 2023, the number of end-clients served attributable to our fund investments was 142,963 clients. This number is slightly lower than last year because two institutions saw a significant decrease in their client base. Figure 8 provides an overview of the total attributable numbers of people served since the inception of the Fund in 2014. This means that over time, about **6 million** household members benefit from additional sources of income.

### 5 Dimensions of Impact

- WHAT**  
Financial institutions are receiving funding to grow their microfinance portfolio.
- WHO**  
Micro-entrepreneurs with limited/no access to capital across different emerging markets.
- HOW MUCH**  
10.8 million micro-entrepreneurs (attribution = 118,350)  
3 million first time borrowers (attribution = 37,198)  
€ 2,478 is average loan size micro-loans
- CONTRIBUTION**  
77% FIIs are providing financial literacy training  
43% FIIs offer business development services
- RISK**  
89% Companies comply with all 8 client protection standards set by Cerise/SPTF.

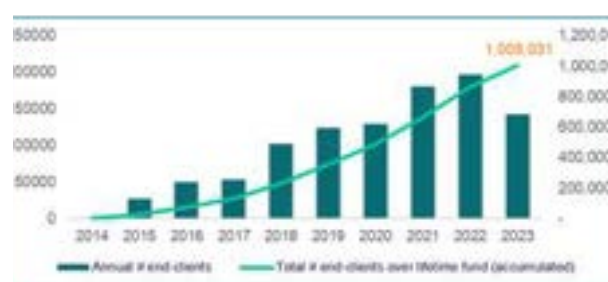


Figure 7. # end-clients (MSMEs) supported, attributable to Fund \*\*

### Targeting underserved clients

The majority of the end-clients are from underserved client segments: women (72%), people living in rural areas (53%) and people with a low-income (64%) of which 19% has an income below the national poverty line. In total, 17% of all clients were previously unbanked individuals and entities, demonstrating progress in expanding financial services. 49% of the loans is obtained by a solidarity group. Mutual trust and personal dignity are important factors underlying the high repayment ratios (up to 96% on average\*) in microfinance.



**72%**  
female end-clients



**53%**  
rural end-clients



**49%**  
loans via group-lending



**19%**  
clients < poverty line

\*Microcredit, explained: how microcredit can help the world's poorest - Vox

\*\*Attributable impact is the share of the total end-clients served by all financial institutions the scaled by the Fund's investment size on the total assets of each individual company.





## Satya MicroCapital

Investment Case in spotlight

# Investing in a buffalo to make ends meet

## Raising a family in rural India

In the villages around Palwal, a town in the Indian state of Haryana, buffalo milk is always in demand. Owning a buffalo is a stable way to provide your own family with this nutritious ingredient, as well as to earn a substantial income. Seema Devi has lived in the area for 10 years, since she got married. Until recently, her family depended on her husband's salary from his job in a brick factory and his part-time work loading goods at the local market, while Seema raised their two children. The family's typical monthly income ranged from \$150-160. When the children grew up and needed money for school fees and school supplies, Seema started looking for a way to supplement the family income and decided to raise cattle.

With the sales from buffalo milk, Seema has been able to add about \$105 to her family's monthly income, 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."**

## A buffalo to pay school fees

A buffalo costs about \$625, and Seema began saving a small amount each month to cover the cost. While accumulating her savings, she heard from friends about Satya MicroCapital, a micro-finance institution that provides small loans mainly to rural women. She got a 24-month \$438 loan to supplement her savings of \$187 and buy the buffalo.

## Satya is a new entity for CIFIF I

In 2023, CIFIF I provided a senior loan of USD 2.5 million in INR to Satya MicroCapital. Satya is a new entity for the fund focused on supporting people at the bottom of the pyramid in setting up their businesses and livelihoods. The institution serves more than 1.7 million end-clients in more than 53 thousand villages in rural India.



# Financing SME sector

## THE KEY RESULTS ON IMPACT GOAL 2

### Engine of economic growth

Small and medium-sized enterprises (SMEs) are crucial for local economic development, playing a noteworthy role in job creation, poverty alleviation and economic growth. They account on average for more than 40 percent of GDP and 70 percent of jobs in developing countries. In developing countries, SMEs generally represent more than 90% of all enterprises\*.

SMEs are more likely to create jobs, and at a faster rate, when they have access to financing. Yet, lack of access to finance is one of the biggest barriers to small businesses growing and creating jobs. Banks play a key role in providing this much-needed financing to SMEs. The Fund invest a small percentage of its capital specifically to this underserved sector.

#### 5 Dimensions of Impact

- WHAT**  
Financial institutions receive capital to finance local SMEs and grow economic development
- WHO**  
SMEs with limited/no access to capital across different emerging and developing countries.
- HOW MUCH**  
747,475 SMEs financed (Attribution = 6,299 SMEs)  
935,595 jobs sustained/created by SMEs  
€ 42,541 is average loan size to SMEs
- CONTRIBUTION**  
4,180 SMEs of total clients served are attributable to our investments.
- RISK**  
89% Companies have ESG policy for underlying portfolio companies.

### Contribution to development

SMEs that are able to grow their business with support of working capital or investment in new machinery can created additional jobs for employees. The attributable SMEs in the portfolios of the financial institutions we financed in 2023 have created/sustained more than 935,595 jobs. To ensure the jobs created are decent jobs we ask the financial institutions to develop a ESG policy for their portfolio companies to set standards on labour and working conditions. If there is no policy we encourage a company to develop one. The average loan size to SMEs is 42k which is significantly higher than the average loan size to micro-enterprises (about 2,478 euros).

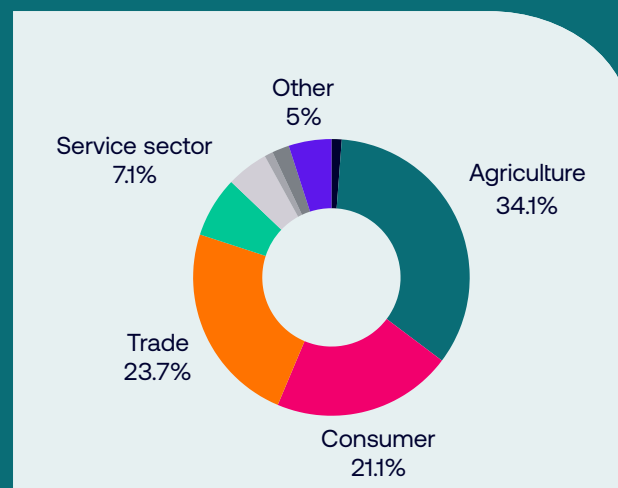


Figure 8. % End-client sector exposure

\*Attributable impact is the share of the total result realised by all financial institutions scaled by the Fund's investment size on the total assets of each individual company.





# Investing in women

## THE KEY RESULTS ON IMPACT GOAL 3

### Gender gap

In 2021, 74 percent of men but only 68 percent of women in developing economies had an account, reflecting a 6% gender gap. The gender gap in access to finance has narrowed, but it still exists leaving 745 million women worldwide outside the formal financial system (1). Women-owned MSMEs also have less access to external finance than men-owned businesses (2). Increasing financial inclusion of women contributes to greater control over their financial lives, greater independence and greater say over household budgets. Lack of economic independence for large numbers of women leads to lower decision-making ability, lower self-esteem, physical insecurity, and reliance on men. Digital financial services, such as mobile money accounts, has increased opportunities to better reach women and other traditionally excluded populations with financial products and services (3). However, this is not enough to bridge the gender gap; financial services must also be tailored to the needs and preferences of women.

| Leadership                                                                    |         | Share 2023 portfolio aligned |
|-------------------------------------------------------------------------------|---------|------------------------------|
| Share of women ownership / founded business<br>Threshold per company = 30%    | No data |                              |
| Leadership                                                                    |         |                              |
| Share women in senior management<br>Threshold per company = 30%               |         | 71%                          |
| OR<br>Share women on Board or Invest Committee<br>Threshold per company = 30% |         |                              |
| Employment                                                                    |         |                              |
| Share women in workforce<br>Threshold per company = 40%                       | 71%     |                              |
| AND                                                                           |         |                              |
| One "quality indicator beyond compliance<br>Threshold per company = Y/N       | 76%     |                              |
| Consumption                                                                   |         |                              |
| Product/service especially benefits women<br>Threshold per company = Y/N      | 51%     |                              |

Figure 9: Alignment with 2XChallenge indicators and thresholds

### 5 Dimensions of Impact

- WHAT**  
Women have access to affordable and responsible financial products and services.
- WHO**  
Low-income women and female business owners with limited/no access to capital.
- HOW MUCH**  
8 million women financed (attribution = 104,756)  
4.4 million women-led SMEs (attribution 64,578)  
72% of the client base is women
- CONTRIBUTION**  
27 financial institutions offer products/services that specifically benefit women
- RISK**  
89% Companies comply with all 8 client protection standards set by Cerise/SPTF.

### Access to finance for women

Increasing financial inclusion for women is a specific objective of CIFIF I to enable them to gain their own income and strengthen their economic empowerment. FIIs can increase their female client base by a.o. offering tailored products and services to women, providing non-financial services such as training on financial literacy and leadership and by using delivery services designed to reach excluded women (e.g. digital banking services). CIFIF I supports FIIs that provide one or more of these services meeting women needs.

In addition, the Fund follows the [2XChallenge](#) set of indicators (see Figure 9) to assess the gender division among staff members and within the management board of the FIIs itself. 71% of the FIIs in the portfolio have more than 40% female employees and 33% of the investees have at least 30% female board members managing the company. 51% of the portfolio companies have >50% female end-clients.

(1) Global Findex Database 2021 (Accessed, May 2023)

(2) Goldman Sachs: "Giving credit where it is due: How closing the credit gap for women-owned SMEs can drive global growth." (2014)

(3) GIIN Framework: Evidence on Increasing Gender Equality through Financial Inclusion (2021)



## ASA Kenya

Investment Case in spotlight

# Microloans for low-income women



Since 2016, CIFIF I is supporting ASA Kenya. ASA Kenya is a for-profit non-deposit taking microfinance institution, providing small, socially responsible loans for income-generating purposes to low-income. ASA has about 200K end-clients, predominantly female entrepreneurs. The company applies a lending approach based on individual lending via client groups. They offer individual loans. Group members are only responsible for non-financial obligations, such as the screening or selecting of potential new clients. In addition, the social cohesion within the groups means that members help foster financial discipline by encouraging each other to repay loans on time. The financial institution actively seeks to prevent overleveraging of clients by capping loan sizes and not granting new loans before current loans are fully repaid. As part of its social objective, ASA Kenya, diligently seek meaningful ways of touching the lives of members in the communities where they operate. ASA organizes and conducts a diverse range of community programmes in health, education, environment, and disaster relief. Evelyn is one of the female entrepreneurs that is client of ASA.

### Evelyn's small poultry farm

Evelyn (52) lives with her oldest son and grandchildren in a small village outside Kikuyu town, Kiambu County in central Kenya. In 2018, she started a small poultry farm with 20 chickens in her backyard as she saw a large demand for fresh eggs. With the support of a small loan, she constructed a hen house and invested in feed and antibiotics. Over time, she has grown the number of chickens to 300 animals. Recently, she obtained a second loan from ASA to purchase another 400 one-day chicks. She has the ambition to grow her poultry to 3.000 by the end of 2024. She sold all her eggs to a middleman who resells them to the hotel sector in the region. With these additional incomes she can save for later.

With her business income, she contributes to the household budget and has been able to pay for her children's education and save for medical expenses. Janet is continuing to build up her assets and now owns a house and a parcel of land. She looks forward to one day purchasing a storefront rather than renting as she does now.





# Investing in basic needs

## THE KEY RESULTS ON IMPACT GOAL 4

### Access to basic services

Affordable access to and use of quality financial services not only helps families and small business owners generate income, manage irregular cash flows, invest in opportunities and work their way out of poverty. Financial inclusion can also empower people and communities to meet their basic needs. Having access to finance allows low-income people to receive basic services such as nutritious food, clean water, housing, education and health care.

CIFIF I invests in financial institutions with specific loan portfolios to provide dedicated loans to access these basic services. At year-end 2023, the portfolio companies provided 217.816 loans to invest in basic services. Often people save part of the amount themselves that they supplement with a loan to improve their home or build a decent toilet, for example. These investments benefit not only borrowers, but also other members of the household.

#### 5 Dimensions of Impact

- WHAT**  
Low-income people have access to loans enabling them to invest in basic services.
- WHO**  
Low-income people with limited access to basic services such as housing, sanitation and energy.
- HOW MUCH**  
217.816 loans for basic needs (attribution = 4,723)  
19% end-clients with income below poverty line
- CONTRIBUTION**  
12% FFIs provide medical health care  
19% FFIs offer life and/or health care
- RISK**  
93% FFIs have formal policies on total absolute debt as a % of income to protect low-income people from over-indebtedness.



“

Financing smallholders enables farmers to invest in technologies that are crucial for the transition towards sustainable food systems with positive effects on climate change and biodiversity.

Sytske Groenewald – Impact Manager

## 4. Contribution to the SDGs







# Direct linkages to the SDGs

THIS SECTION INCLUDES THE RESULTS THAT ARE LINKED TO THE SUSTAINABLE DEVELOPMENT GOALS.

## Results of portfolio companies at year-end 2023\*

|                                                 |                                                                                                                             |                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1</b> NO POVERTY</p>                      | <p>Global access to financial services by 2030, including all men and women and in particular vulnerable people.</p>        | <p><b>19%</b> Of end-clients has income below national poverty line<br/> <b>5.7M</b> End-clients with poor or low-income<br/> <b>3M</b> Unbanked clients provided with access to finance</p>                                                                                           |
| <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> | <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> | <p><b>71,545</b> Employees working for portfolio companies<br/> <b>935,595</b> Indirect jobs sustained through financing SMEs<br/> <b>35%</b> Of FIIs have a formal diversity, equity, &amp; inclusion strategy<br/> <b>92%</b> Of FIIs have a formal employee grievance mechanism</p> |
| <p><b>10</b> REDUCED INEQUALITIES</p>           | <p>Reduce inequality within and among countries</p>                                                                         | <p><b>3M</b> first-time borrowers reached by FIIs financed<br/> <b>100%</b> Of investments in emerging/developing countries<br/> <b>27</b> Low-income / lower-middle income countries</p>                                                                                              |

\* All data in this section represent the total amounts realized by all portfolio companies. These figures do not represent the attributable impact related to the Fund's investment size on the total assets of each individual company.

# Indirect linkages to the SDGs

Access to financial products and services enables people to invest in basic services such as food, affordable housing, clean energy, health and education services, drinking water and sanitation. Especially for low-income households this is relevant as this helps to improve their livelihood.

Below an overview of how financial services are related to basic services and how these are linked to the SDGs.

|                                                                                                                                |                                                                                                                                     |                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  <p><b>2</b> ZERO HUNGER</p>                  | <p>Access to financial services as a means to double agriculture productivity and incomes of small-scale food producers by 2030</p> | <p>2.5M Smallholder end-clients provided with financial<br/>3.8M Services micro loans invested in agriculture sector<br/>34% Of total gross loan portfolio invested in agriculture<br/>19% Of FIs offer technical assistance in agriculture</p>           |
|  <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>  | <p>Ensure healthy lives and promote well-being for all at all ages</p>                                                              | <p>13% Of FIs offer health insurances to clients<br/>12% Of FIs offer basic medical care<br/>33% Of FIs offer life insurances to end-clients<br/>10% Of FIs offer health &amp; nutrition training</p>                                                     |
|  <p><b>4</b> QUALITY EDUCATION</p>          | <p>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>                         | <p>10,660 Loans provided for educational purposes<br/>77% Of FIs offer financial literacy training<br/>28% Of FIs offer business development training</p>                                                                                                 |
|  <p><b>6</b> CLEAN WATER AND SANITATION</p> | <p>Ensure availability and sustainable management of water and sanitation for all</p>                                               | <p>29% Of FIs providing credit in water &amp; sanitation<br/>4,746 Loans provided to access clean water and sanitation</p>                                                                                                                                |
|  <p><b>13</b> CLIMATE ACTION</p>            | <p>Ensure access to affordable, reliable, sustainable and modern energy for all</p>                                                 | <p>4,100 Loans provided to invest in access to renewable energy<br/>29% Of FIs offer loans for sustainable agricultural practices<br/>37% Of FIs offer loans for improvements to reduce GHG emissions (e.g., via energy efficiency, renewable energy)</p> |



## 5. How we invest responsibly and manage our impact



# Responsible investing

## SUSTAINABILITY IS INTEGRATED IN ALL PHASES INVESTMENT PROCESS

### Initial screening

Offering responsible financial products and services to MSMEs borrowers indispensably requires a framework that combines financial and non-financial considerations and conditions. The Fund does not invest in FIIs that do not comply, at a minimum, with the Cardano Fundamental Investment Principles. To be eligible, a FII should operate in line with applicable international standards as mentioned in these Principles. In addition, social standards of the Fund include conformity with the Principles for Responsible Investment (PRI), adherence to the Client Protection Standards (see also page 24) and reporting on financial and non-financial performance in line with the Responsibility and Impact Framework of the Fund itself. This includes an annual assessment of a portfolio company focusing on the social policies, practices and performance, as well as the social characteristics of the products and services offered by the FII to its clients.

### Sustainability assessment

Cardano, together with DWM, has developed a Social Scorecard and Social Impact Questionnaire – a proprietary data-driven tool used to evaluate potential investments during the screening process and to track ongoing impact performance on an annual basis, thereafter. The Social Scorecard is aligned with and includes metrics from IRIS+, HIPSO and SPTF. The tool consists of nearly 150 indicators to evaluate alignment with the SDGs and impact across five complementary dimensions:

- Outreach & targeting
- Client wellbeing
- Responsibility to Community and Staff
- Governance
- Environment

In addition to the scorecard, broader ESG performance at investee level is also assessed and verified through field visits and due diligence research.

### Monitoring

Upon approval, each portfolio company is financially monitored on at least a monthly basis (more if necessary). On an annual basis, DWM performs an on-site visit and collects social and environmental data to track trends and identify areas of strength and opportunities for improvement for each portfolio company. Based on the data provided by DWM, Cardano publishes an annual Responsibility & Impact Report.



Figure 10. Impression impact dashboard CIFIF I prototype



# Portfolio visits

## KENYA

An important aspect of the company-level due diligence research is the impact and ESG-analysis. Our investment manager conducts this through desktop research, site visits, and discussions with company management. In November 2023, our colleague Sytske Groenewald (Impact Manager Private Markets) travelled to Kenya to join the DWM team to observe the process as well as to participate in the discussions with the management of the financial institutions and end-clients.

### Premier credit

During the field trip in Kenya, we have visited a new portfolio company for a social due diligence and to assess the impact on the end-clients of Premier Credit. Premier Credit is looking for additional capital to increase their SME portfolio. According to the Central Bank of Kenya (CBK), SMEs constitute circa 98% of all businesses in Kenya, creating 30% of the available jobs. To get to know the company, we first had an extensive discussion with the board members of the financial institution. They explained their impact ambitions. For example, they have the goal to grow their SME portfolio and to open new branch offices in smaller cities in the most underdeveloped regions of the country. Furthermore, the company avails financing for repeat customers to purchase water tanks, invest in improved sanitation and purchase household appliances (fridge, cookers etc.). This helps low-income households to improve their livelihoods. Afterwards, we travelled to the city centre of Nairobi to meet a few end-clients. It was clear that the financial institution provides fair and transparent products to their customers. The company maintains a conservative policy on the amount lent and is careful to avoid over-indebtedness.

### ASA Kenya

ASA Kenya has been in our portfolio since 2013. An important partner to reach many low-income households in the rural communities. The company provides small size micro-loans through group lending. We visited two groups of women outside Nairobi. They proudly told about the milk they sell from the cows and goats they bought with their micro-loans. The women were satisfied with the support of the financial institution and are perceived as a trustworthy partner. ASA Kenya protects and guides their clients, who sometimes can not read. For example, loan officers visit all the homes of their clients to explain in easy language the obligations belonging to a loan.



# Protecting end-clients

## THROUGH RESPONSIBLE AND AFFORDABLE FINANCIAL PRODUCTS

### Client protection measures

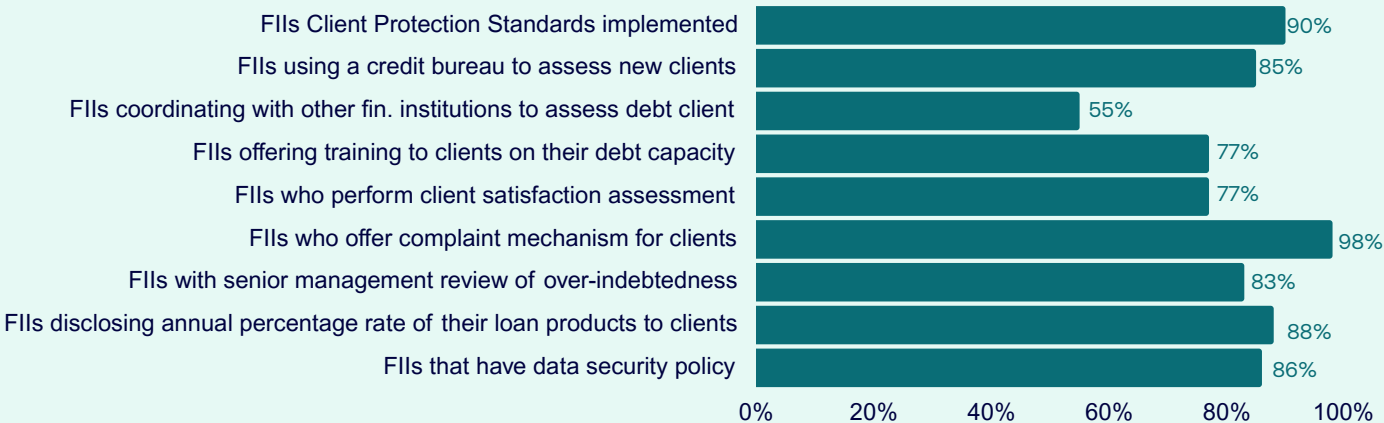


Figure 11. % Financial Institutions implementing each client protection measures

### Responsible products

Particularly in countries with a financial inclusion sector in development, poor practices by financing companies can cause negative impact on the borrowers. This may include clients taking on too much debt and running into repayment problems, but also failure to screen clients for other debts, charging high interest rates and/or employing harmful debt collection methods. For this reason, Cardano prompts FIs to commit to CP Pathway and implement the Client Protection Standards.

These Client Protection Standards focus on:

1. Appropriate Product Design and Delivery;
2. Prevention of Over-indebtedness;
3. Transparency;
4. Responsible Pricing;
5. Fair and Respectful Treatment of Clients;
6. Privacy of Client Data;
7. Mechanisms for Complaint Resolution.

### Affordability

Fair pricing is an important aspect of client protection. Interest rates of micro-loans may vary considerably from country to country. But regardless of these differences, they are higher than the rates charged by formal banks. FIs targeting underserved client segments in more remote areas are facing higher operational costs due to the smaller loan sizes and training courses they offer to their clients. Notwithstanding the higher costs, the interest rates should be proportional and fair. For this reason, CIFIF I includes an affordability assessment into its investment decision. Our analysis goes beyond looking at the gross interest rates: we critically look at portfolio yield and profitability levels, we compare interest levels of other local market actors, and we check the policies and procedures in place to assess end-clients' ability to repay the loans.



# How we measure impact

## IMPACT IS BASED ON A LARGE SET OF IMPACT INDICATORS

### Indicator framework

To measure the impact of the Fund investments, we have defined a Fund objective and corresponding impact goals and indicators to measure our progress. In addition, we have developed a Theory of Change for CIFIF I to unravel the impact pathways. The impact indicators are aligned with the IRIS+ framework to increase comparability and benchmarking. Data on the indicators is collected through an extensive Social Impact Questionnaire that is sent out annually to all portfolio companies. Data cleaning and analysis is done afterwards, enabling us to draw conclusions and learnings.

### Our attribution

We consider our impact "attribution" as the share of impact realized that can be attributed to the investment size of the Fund. To do this cleanly, it is important to avoid double counting and impact exaggeration. We use an approach that reflects the fact that CIFIF I is not the only investor in the underlying companies. This means only a small part of the total impact generated by the financial institutions can be attributed to CIFIF I.

When reporting on the aggregate CIFIF I level impact, we calculate pro-rated outreach based on our commitment to the underlying companies as a percentage of the total assets of the financial institution we have been supporting. That means we scale the total outreach of an investee by the percentage that CIFIF I represents in the total assets of the company.

### Estimating indirect effects

Creating and safeguarding jobs is crucial for sustainable development, as employment creates a path out of poverty. The MSME sector is one of the most important creators of jobs across emerging and frontier economies. However, understanding and measuring indirect impacts can be highly complex. This is where modelling can help. CIFIF I uses modelling in estimating its investment impact on indirect and induced jobs supported and in calculating the CO2 emissions of the portfolio companies.

CIFIF I has used the Joint Impact Model (JIM) in order to obtain an overall estimate of the gross direct and indirect economic and environmental impacts of our portfolio by year-end 2023.

#### Contribution to job creation

Preliminary results indicate that the 54 FIIs in the portfolio supported annually more than 71.5k jobs directly (as employer). Through investing in FIIs, which in turn on-lend capital to MSMEs, the Fund contributes to 935,595 jobs.

#### GHG emissions

The estimated amount of Greenhouse Gas (GHG) emissions of all FIIs in the portfolio at year-end 2023 was: 100,690 tCO<sub>2</sub>. This can be divided into:

Scope 1 GHG emissions (tCO<sub>2</sub>eq): 1,477  
Scope 2 GHG emissions (tCO<sub>2</sub>eq): 629  
Scope 3 GHG emissions (tCO<sub>2</sub>eq): 98,690

The model to calculate the attributed results of the Fund according to the Partnership for Carbon Accounting Financials (PCAF) recommendations.



# Sector alignment

WE ACTIVELY PARTICIPATE IN SECTOR INITIATIVES AND COOPERATES WITH PEERS TO EVOLVE SECTOR STANDARDS AND SUPPORT FURTHER PROFESSIONALISATION.



## PRI

The United Nations Principles for Responsible Investment (PRI), created in 2005, provides a network of international investors with a framework of six principles for incorporating environmental, social and governance issues into their decision-making and ownership practices. Cardano is signatory to the PRI and submits annual progress reports.



## Client Protection Pathway

In 2021, SPTF and CERISE launched the Client Protection Pathway. This is a new initiative to support and improve client protection practices across the financial service industry. Cardano signed a joint statement calling on financial service providers to commit to the Client Protection Standard and Cardano is committed to support its partners in pursuing client protection excellence.



## Netherlands Advisory Board

Cardano is a founding member of the Netherlands Advisory Board on impact investing (NAB). This is an independent, non-profit organisation that aims to accelerate the growth and improve the effectiveness of the impact investing market. Cardano is involved in working groups to further professionalise the sector.



## IFC Operating Principles

Operating Principles for Impact Management (Impact Principles), provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle. Our Investment Advisor DWM is a signatory of the Impact Principles in and publicly disclosed their impact methodology and independent verification on their website.

## GIIN / IRIS+



The Global Impact Investing Network (GIIN) is a non-profit organization dedicated to increasing the effectiveness of impact investing through collaboration, research and advocacy. GIIN has developed the Impact Reporting & Investment Standards (IRIS), an independent set of common metrics for impact reporting. Cardano makes use of this framework to monitor the social performance.

## Joint Impact Model (JIM)



The JIM is a publicly available model, which enables the quantification of indirect jobs, value added, and GHG emissions related to investments of financial institutions. The aim of the initiative is to bring comparability, accountability, and transparency to the financial industry by measuring key impact indicators in a harmonised way.

## Phenix Impact Gems



In 2020, Phenix Capital Group, set up the proprietary framework Phenix Impact GEMS for the purpose of assessing the robustness of a fund's impact proposition. Cardano received the final report of Phenix Capital on the Fund's impact proposition following an extensive assessment and received a score of 51/62 for its CIFIF I.





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