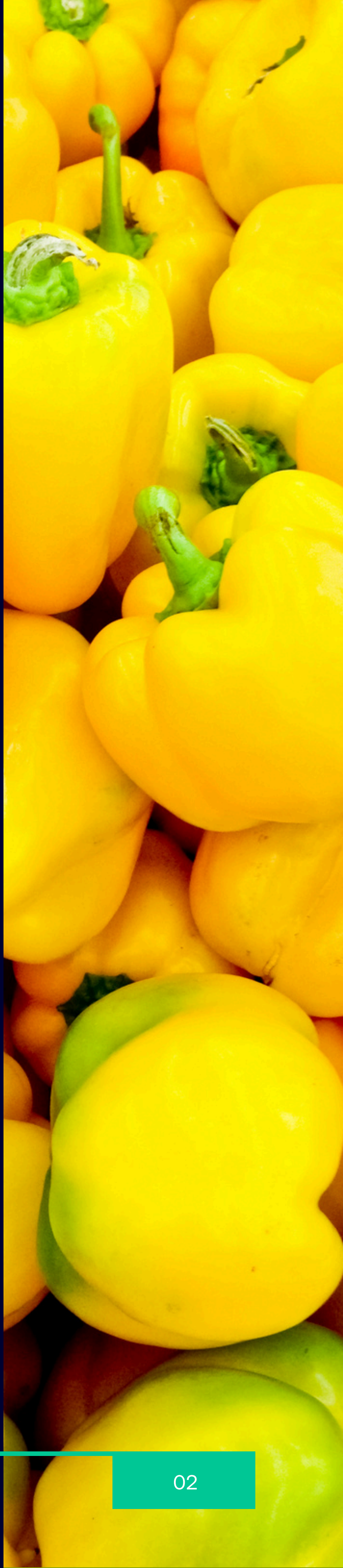
Cardano Impact Financial Inclusion Fund (I)

Annual Impact Report 2024

Contents



Dear Investor,

We are delighted to present our Annual Impact Report for 2024. Building on the momentum from 2023, where we expanded our presence in existing markets, this year we have ventured into new territories, investing in 13 new entities and extending our reach to 2 additional countries.

In 2024, we have also delved into the critical intersection of climate change and financial inclusion. While climate change disproportionately impacts emerging markets and developing countries and demands our immediate attention, financial inclusion serves as a vital solution to empower individuals in these regions. A few of our investments this year have been strategically aimed at increasing financial support for local communities facing climate-related challenges and those seeking to invest in renewable energy solutions. We believe that these initiatives not only address urgent needs but also pave the way for a more equitable and resilient future.

Although investing in emerging markets and developing countries is often perceived as high-risk, investing through financial institutions mitigates this risk. Our experiences show that these markets harbor untapped potential for resilient and sustainable growth. In this Annual Impact Report, we present the non-financial results of the Fund for 2024. Besides reporting on impact numbers, we share client stories to illustrate how the Fund's investments contribute to the 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 Cardano Impact Financial Inclusion Fund (I) (CIFIF I or the “Fund”) has achieved over the years.

Warm regards,

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

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1. About Cardano Impact Financial Inclusion Fund (I)

Our story so far

Our history

Cardano has been 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 risk-return. A second microfinance fund was launched in 2008, followed by the Cardano Impact Financial Inclusion Fund (I) which was launched in 2014.

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

- invested about 1.5 billion Euro;
- into almost 230 financial institutions;
- in 50+ emerging countries;
- serving 3.6+ million end-clients.

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

Sustainability objective

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 markets and developing countries. In doing so, the Fund intents 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 Advisor, 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 emerging and developing countries. 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.

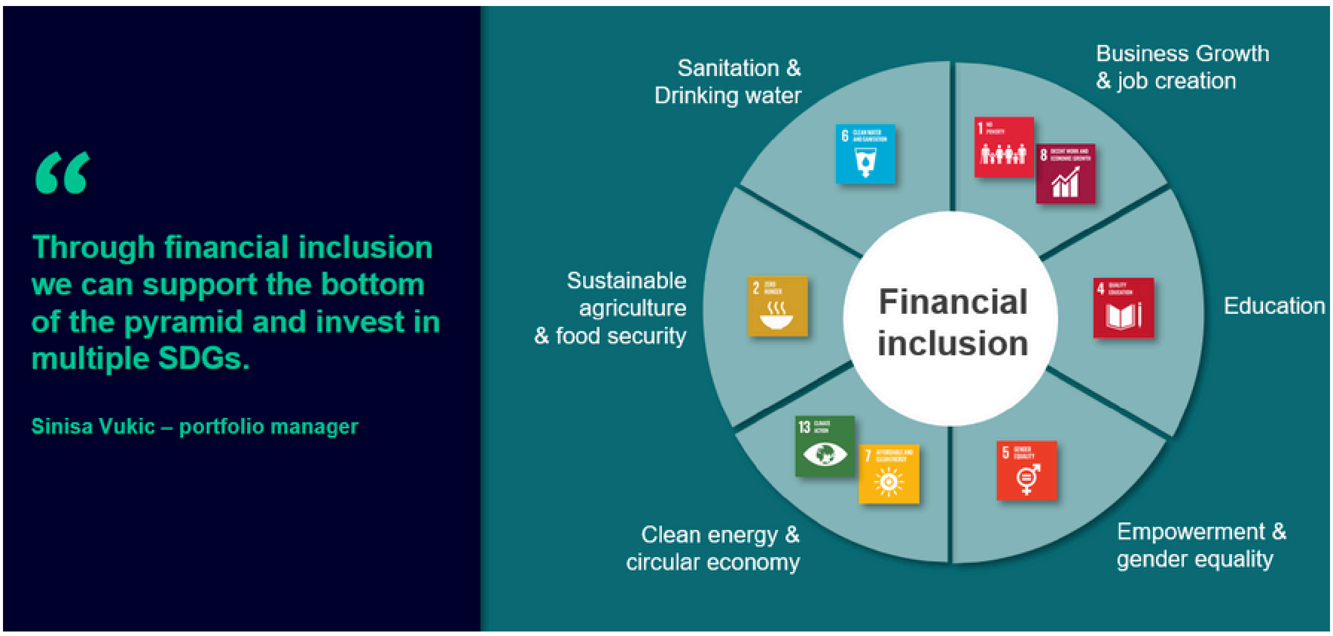
To increase access to finance, CIFIF I invests in the growth of local inclusive Financial Institution. This capital allows these organisations to enlarge their loan portfolio and provide responsible and affordable financial products to a larger number of low-income households and MSMEs. These client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

Access to finance helps low-income households and MSMEs 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. By investing in access to finance, we build the infrastructure that drives positive impact, enhances social equality and fosters a 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 inclusive 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 FIs about expanding their geographic and demographic outreach and to focus on providing access to financing in areas that remain underserved. In addition, FIs 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 2024

€224M
€ NAV Fund

62
FIs* in portfolio

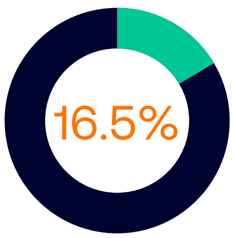
€3.4M
€ Avg. loan size to FIs

27
Countries in portfolio

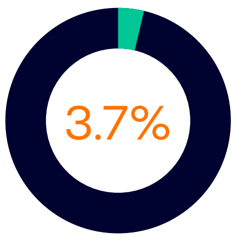
13
Unique local currencies

35%
NAV in local currencies

*FIs = Financial Institutions



% NAV targeted
towards SMEs



% Sub-ordinated
loans

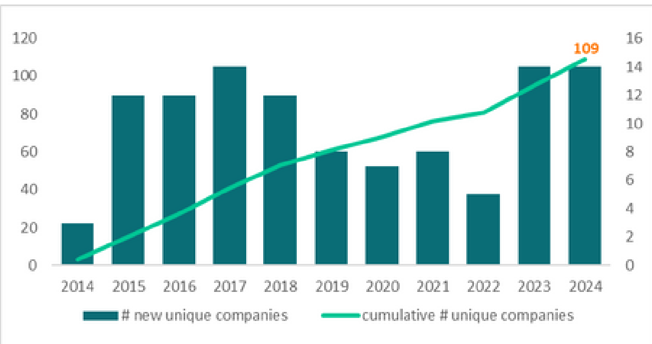


Figure 3. # new financial institutions in portfolio

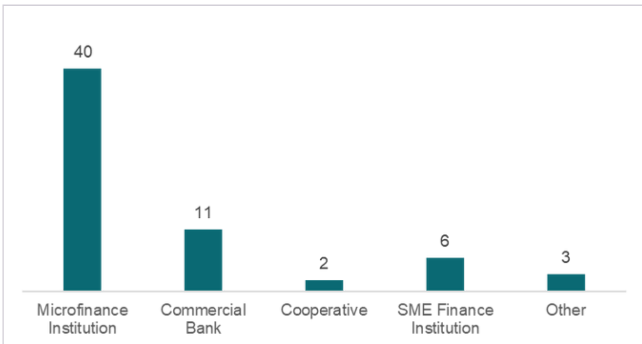


Figure 4. Division portfolio companies, per type of institution

Geographic presence

By year-end 2024, the portfolio was invested in 27 countries (see Figure 6). The majority of the countries are classified as lower-middle income according to the World Bank country classification* (Figure 5).

Since 2014, CIFIF I has invested in 40 countries across all emerging and developing regions in the world. Countries with an exposure of more than 5% of the NAV are India, Ecuador, Kosovo, Georgia, Uzbekistan, Mongolia, Nicaragua, Indonesia, and Kazakhstan.

With support of our Investment Manager DWM, we have expanded our portfolio to 14 new Financial Institutions (Figure 2) and 2 new countries: Nigeria and Vietnam in 2024. We aim to have a highly diversified portfolio in terms of geographic and entity exposure.

The Fund has invested in 109 Financial Institutions since its inception in 2014. The vast majority of the entities are microfinance institutions (Figure 4). We apply a buy and hold strategy to be able to support investees over a longer time to help them realise their impact ambitions.

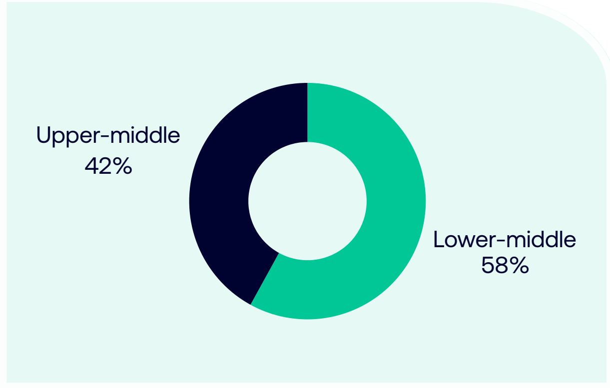
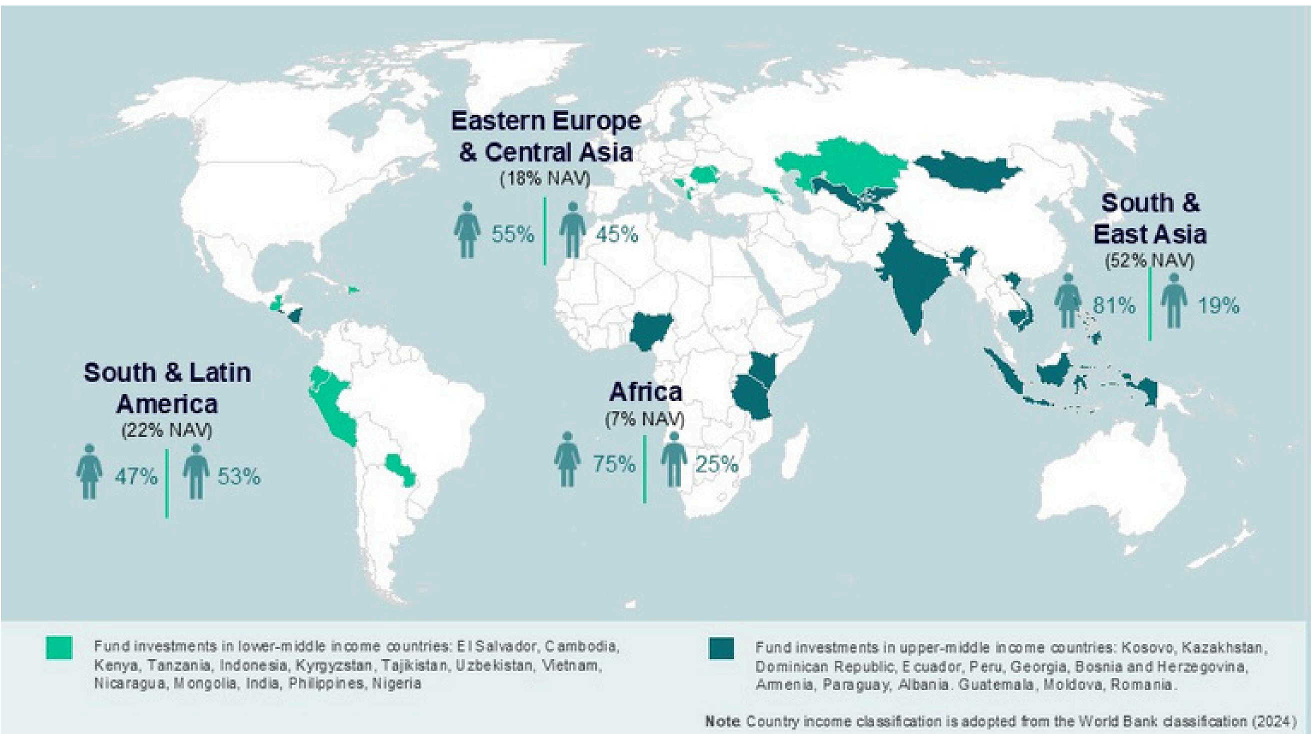


Figure 5. % FIs division per country income classification*

> 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

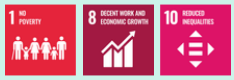
Figure 6. Geographic exposure portfolio per year-end 2024



*According to the World Bank Country classification (2024)

3. Results on impact goals

Related SDGs



Access to finance

THE KEY RESULTS ON IMPACT GOAL 1

Increasing financial inclusion

The 62 Financial Institutions in CIFIF I's portfolio provide a range of financial products and services to MSMEs and low-income households. Together, they reached 23.6 million end-clients (year-end 2024). 6% of the end-clients reached were "first-time borrowers." This client segment consists of people who were previously "unbanked" and did not have access to capital, demonstrating progress in expanding financial services.

Attributional change

Since we are not the only investor supporting financial institutions, we also calculate the impact that can be attributable to our investment. This is the total impact weighted by CIFIF I's share of each company's total assets in the portfolio. At year-end 2024, the number of end-clients served attributable to our fund investments was 189,084 clients. This number is significantly higher than last year (142,963 people) which is caused by the increased number of financial institutions in the portfolio.

Figure 7 provides an overview of the total attributable numbers of people served since the inception of the Fund in 2014. In total, the Fund served about 1.19 million end-clients which indirectly contributes to additional incomes for more than 6 million household members ***.

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
23.6 million end-clients served (attribution: 189,084)
1.4 million first time borrowers (attribution: 43,819)
~ 6 million household members benefitting

CONTRIBUTION
78% FIs are providing financial literacy training
42% FIs offer business development services

RISK
90% Microfinance companies comply with all 8 client protection standards set by Cerise/SPTF.

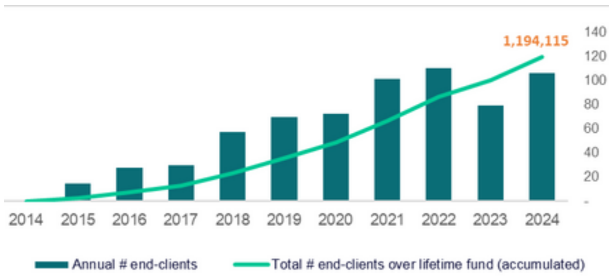


Figure 7. # end-clients supported, attributable to Fund **

69%
female end-clients

50%
rural end-clients

45%
loans via group-lending

28%
clients < poverty line

Targeting underserved clients

The majority of the end-clients are from underserved client segments: women (69%), people living in rural areas (50%) and people with a low-income (72%) of which 28% has an income below the national poverty line. 45% of the loans are 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.

*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, weighted by the Fund's size of the investment on the total assets of each individual financial institution.
***We assume that households worldwide consist of an average of 5 family members.

Embroidery as a business

Continuing a cultural tradition

In Ecuador, for centuries, embroidery by hand has been an important aspect of their culture and artistic expression. Using traditional materials such as cotton, wool, and alpaca, women have been making brocades and tapestries that now are famous because of the technique used. Likewise, Mrs. Narcisa. She has been sewing since she was 12 years old. Sewing is her main source of income. The main embroideries she makes are small tablecloths and little paths, which she sells in Otavalo and the Quito craft market. Mrs. Narcisa is 63 years old. She was born in La Esperanza parish in the Province of Imbabura, city of Ibarra, where she currently lives. Mrs. Narcisa is married and has four daughters and one son. Her increased income contributes to improved livelihoods for her family.

> **"Long ago I was ill and could not repay my loan at that time. Fortunately, that was not an obstacle for the bank to grant me a new loan recently."**

To increase her incomes, Mrs Narcisa joined a solidarity group in the area where she lives and together with other women, she obtained a loan of approximately 3,000 USD. This additional capital allowed her to purchase inputs and equipment that enabled her to improve the quality of her products and expand her workplace. Thanks to the new supplies for her embroidery she saw her sales increase. Mrs. Narcisa started doing embroidery alone and currently, she seeks the support of up to four people - including her daughters - when orders are high, which has allowed her to employ some people from the area where she lives.

VisionFund Ecuador

In 2024, CIFIF I provided a senior loan of USD 1 million USD to VisionFund Ecuador. VisionFund Ecuador 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 only low-income people and has more than 74,000 loans outstanding.

Related SDGs

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
460,684 SMEs financed (attribution: 3,206)
2,9 million jobs sustained/created by SMEs
USD 11,546 is average loan size to SMEs

CONTRIBUTION
3,200 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 create additional jobs for employees. The attributable SMEs in the portfolios of the financial institutions we financed in 2024 have created/sustained more than 2,9 million jobs. To ensure the jobs created are decent jobs we ask the financial institutions to develop an 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 11,5k which is significantly higher than the average loan size to micro-enterpreneurs (about 1,250 euros).

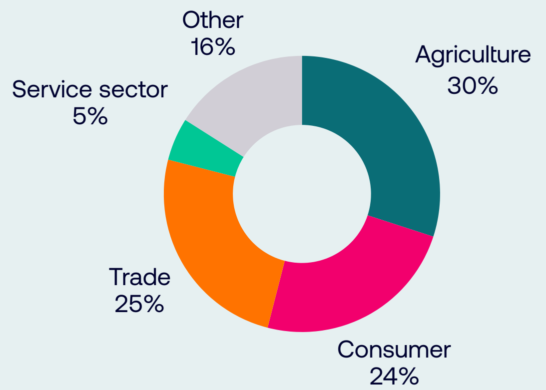


Figure 8. % End-client sector exposure

*Source: World Bank 2024.

Related SDGs

5 GENDER EQUALITY

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 emerging and developing economies had a bank 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.

	Share 2024 portfolio aligned
Leadership	
Share of women ownership / founded business *Threshold per company = 30%*	75%
Leadership	
Share women in senior management *Threshold per company = 30%* **OR** Share women on Board or Invest Committee *Threshold per company = 30%*	73%
Employment	
Share women in workforce *Threshold per company = 40%*	72%
AND	
One "quality indicator beyond compliance *Threshold per company = Y/N*	80%
Consumption	
Product/service especially benefits women *Threshold per company = Y/N*	63%

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
7.6 million women financed (attribution = 107,826)
1.6 million women-led SMEs (attribution 46,913)
69% client base is women (78% of attributed clients)

CONTRIBUTION
32 financial institutions offer products/services that specifically benefit women.

RISK
90% FIs 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. FIs 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). 80% of the FIs in portfolio use sex-disaggregated data to understand their outreach and usage. CIFIF I supports FIs 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 FIs itself. 72% of the FIs in the portfolio have more than 40% female employees and 38% of the investees have at least 30% female board members managing the company. 49% 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)

Related SDGs

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 2024, the portfolio companies provided 251,117 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, sanitatin and energy.

HOW MUCH
251.117 loans for basic needs (attribution: 6,168)
3.7 million loans for food & agri-production
28% end-clients with income below poverty line

CONTRIBUTION
18% FIs provide medical health care
40% FIs offer life and/or health insurance

RISK
90% FIs 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

Investing in green finance

EXPLORING HOW FINANCIAL INCLUSION CAN CONTRIBUTE TO CLIMATE ACTION

Why investing in climate mitigation

CIFIF I is dedicated to supporting low-income individuals in improving their lives and building resilient communities in emerging en developing markets. We empower these individuals to increase their incomes, benefit from savings and insurance, build stronger businesses, and access essential services.

Resilience is crucial for long-term improvement in people's lives and livelihoods. Therefore, we have increasingly collaborated with financial institutions to support low-income communities. We have learned that we can provide financial services that enable access to renewable energy and agricultural investments, helping to build resilience against climate change and biodiversity loss.

In 2024, for example CIFIF I financed access to electric vehicles in India, a growing sector as cities aim to significantly reduce air pollution.

Climate loans in current portfolio

- USD 960 M is portfolio size in climate or “green” financial products of FIs in our portfolio.
- 42.245 climate-related loans provided by the financial institutions in portfolio by year-end.
- 35% portfolio companies offer financial products focused on climate themes.
- 41% of climate loans provided by FIs in our portfolio are focused on reducing GHG emissions through energy efficiency.
- 32% of climate loans are related to electric vehicles or sustainable mobility.
- 4% of financial institutions offer climate or agricultural insurance.

Investing in EV rickshaws in India

Namdev India

Maya Bunkar, a mother of two from Jaisinghpura Khor, struggled to support her family with her sewing work. Her husband's income was not sufficient anymore. As their children grew, expenses increased, making it difficult to make ends meet. To improve their financial situation, Maya decided to invest in an electric rickshaw. She took a loan from Namdev and was pleased with the quick and easy process. With the loan, she purchased an EV rickshaw and rented it out, earning ₹400 daily. This extra income allowed her to pay the loan's interest and support her family. Maya is now able to purchase all school materials, cloths and shoes for the children and now and then even saves money. Maya's story shows how Namdev's loans can help individuals create new income sources and achieve financial stability and a better future for her family.

Namdev India

In 2024, CIFIF I has embarked a new financial institution in its portfolio. Namdev is a financial lender based in Rajasthan, India. It offers products for low-income households and MSMEs in rural and semi-urban areas. The company has 20.7k MSME clients.

It provides secured loans to customers in rural areas who are new to credit or have limited credit history. The company offers loans for predominantly income-generating activities through MSME loans and loans for (electric) rickshaws. Recently, Namdev also offer loans to obtain solar panels for both residential and commercial properties to empowers clients and contributes to climate change mitigation.

The investment of CIFIF I will help support Namdev's growth including an increase in Namdev's MSME loans, geographic expansion and employment base.

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 2024*

1 NO POVERTY	Global access to financial services by 2030, including all men and women and in particular vulnerable people.	23.6M underserved end-clients reached with financial services 3.5M end-clients have a low-income** 2.2M end-clients have income below national poverty line
8 DECENT WORK AND ECONOMIC GROWTH	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	89.712 employees working for portfolio companies 2.9M indirect jobs sustained through financing SMEs 48% of FIs have a formal diversity, equity,& inclusion strategy 95% of FIs have a formal employee grievance mechanism
10 REDUCED INEQUALITIES	Reduce inequality within and among countries	1.4M first-time borrowers reached by FIs financed 100% investments in emerging/developing countries 37 lower-middle income countries in portfolio

* 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. **low-income is defined as all incomes above national poverty line up to 2/3 of national median income

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.

2 ZERO HUNGER	Access to financial services as a means to double agriculture productivity and incomes of small-scale food producers by 2030	2.8M smallholder end-clients provided with financial services 3.4M micro loans invested in agriculture sector 29% of total gross loan portfolio invested in agriculture 26% of FIs offer technical assistance in agriculture
3 GOOD HEALTH AND WELL-BEING	Ensure healthy lives and promote well-being for all at all ages	21% of FIs offer health insurances to clients 18% of FIs offer basic medical care 37% of FIs offer life insurances to end-clients 6% of FIs offer health & nutrition training
4 QUALITY EDUCATION	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	63,843 loans provided for educational purposes 76% of FIs offer financial literacy training 42% of FIs offer business development training
6 CLEAN WATER AND SANITATION	Ensure availability and sustainable management of water and sanitation for all	24% of FIs providing loans to access water & sanitation 41,983 loans provided to access clean water and sanitation
13 CLIMATE ACTION	Ensure access to affordable, reliable, sustainable and modern energy for all	42,245 climate related loans provided 2,810 loans provided to invest in access to renewable energy 40% of FIs offer loans for improvements to reduce GHG emissions (e.g., via energy efficiency, renewable energy)

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 FIs that do not comply, at a minimum, with the Cardano Sustainability Policy. To be eligible, a inclusive FI should operate in line with applicable international standards as mentioned in CIFIF(I)'s Sustainability & Impact Policy. 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 Sustainability & Impact Policy 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 FI to its clients.

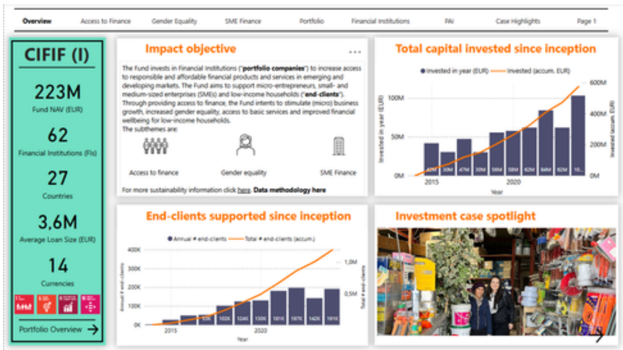


Figure 10. Impression impact dashboard CIFIF I

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 Impact Report.

Portfolio visits Nicaragua

An important aspect of the company-level due diligence research is the Impact and ESG assessment. Our investment advisor DWM conducts this through desktop research, site visits, and discussions with company management. As fund manager, we want to build our own opinion and get a good feeling of the local context of the financial institutions in the portfolio. Therefore, members of the Investment Committee visit a few companies per year. In June 2024, we visited Nicaragua. Not only to observe the underwriting process but also to participate in the discussions with the management of the financial institutions and to visit some end-clients. We visited Pro Mujer which is a new entity in our portfolio. CIFIF I provided a senior loan of EUR 3.5 million to support Pro Mujer growing their activities to support women at the base of the pyramid.

Pro Mujer

During the field trip we visited the country office of Pro Mujer in Leon; a colonial city which serves as an agricultural center for surrounding villages. Pro Mujer Nicaragua is a branch of the US-based not-for-profit company. Pro Mujer has been working to advance gender equality for more than 35 years, across Latin America. The organisation focusses fully on underserved women and provides financial and digital inclusion, skills training, and low-cost health and well-being services.

In Nicaragua, Pro Mujer serves about 43,534 women with small loans (average loan size is EUR 700). The office in Leon has a small medical clinic that women can visit when needed. The clinic employs qualified medical staff and helps women with minor surgeries, assists with deliveries and performs all kinds of minor medical procedures and treatments.

Health care

We joined a lending group of 8 members who had come to the office to receive their loans. They had to wait for some time as a lot of information was shared and papers had to be signed before the money was disbursed. This gave us the opportunity to connect with the people and ask about their businesses. We met a woman (58 years old) who told us that she is very grateful. In 2018, she found out during a regular medical check that she had breast cancer. Pro Mujer gave her the right medication and psychologic support. Since then, life has not been easy as she is often tired and cannot work whole days. She will use her loan (~EUR 350) to buy ingredients for her catering activities. Together with her mentally challenged daughter, she prepares food to sell in her neighborhood. Her income is minimal, but this way they manage to make ends meet.

Protecting end-clients

THROUGH RESPONSIBLE AND AFFORDABLE FINANCIAL PRODUCTS

Client protection measures

Figure 11. **% Financial Institutions implementing each client protecion 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

it is important to avoid double counting and impact exaggeration. Therefore we measure our impact "attribution" as the share of impact realized that can be attributed to the size of the investment by the Fund. 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.

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

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 CO_2 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 2024.

Contribution to job creation

The model outputs indicate that the 62 FIs in the portfolio annually supported more than 89.7k jobs directly (as employer). Through investing in FIs, who in turn on-lend capital to MSMEs, the Fund contributes to 2.94 million jobs.

GHG emissions

The estimated amount of Greenhouse Gas (GHG) emissions of all FIs in the portfolio at year-end 2024 was: 145.215 tCO_2. This can be divided into:

Scope 1 GHG emissions (tCO_2eq): 290
Scope 2 GHG emissions (tCO_2eq): 1.509
Scope 3 GHG emissions (tCO_2eq): 143.415

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

Joint Impact MODEL

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.

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.

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.

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.

Netherlands Advisory Board

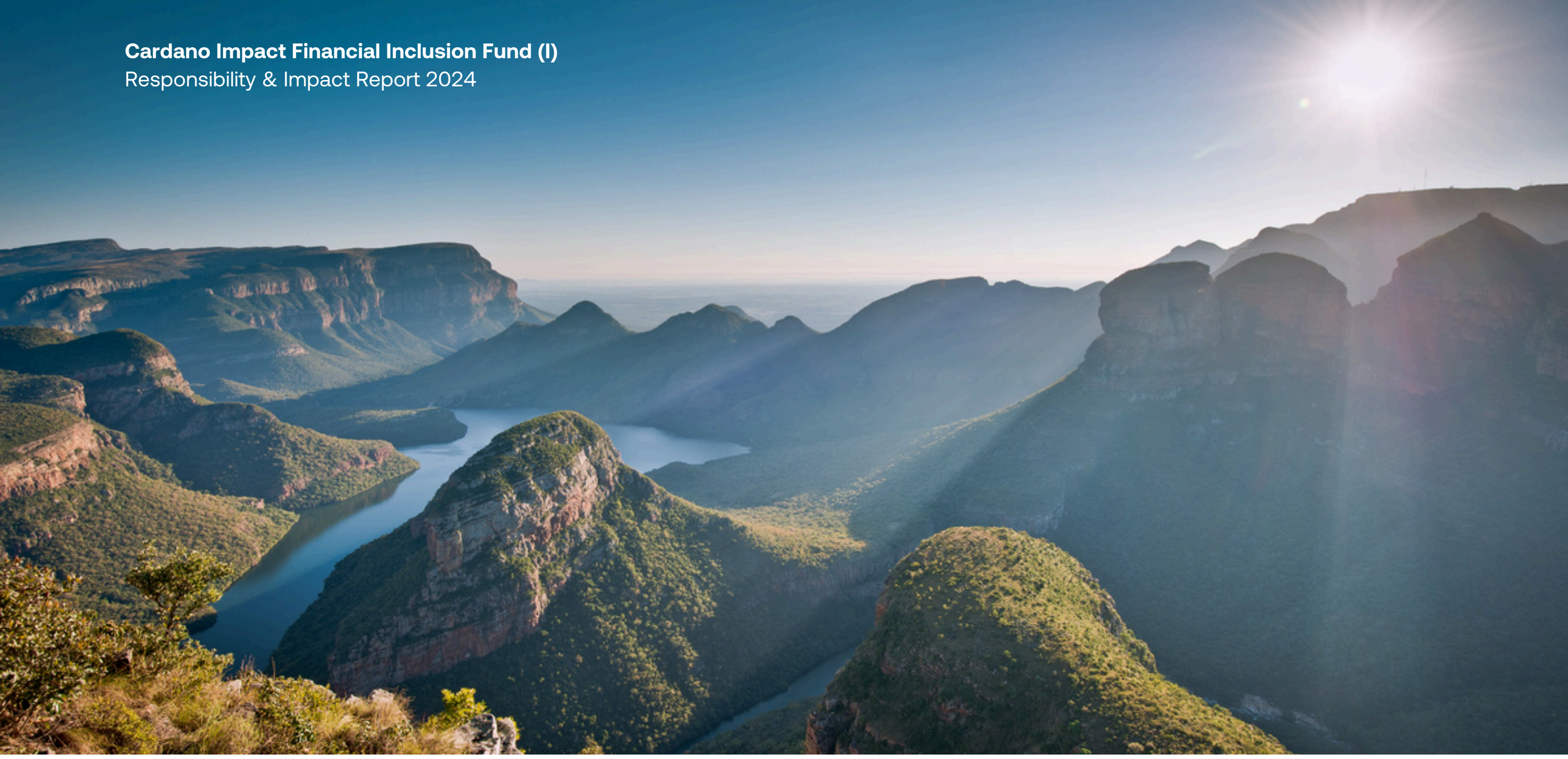
Cardano is a founding member of the Netherlands Advisory Board on impact investing (NAB). This is an independent, non-profit organisation that aims to accelerate the growth and improve the effectiveness of the impact investing market. Cardano is involved in working groups to further professionalise the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

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.

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.



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Disclaimer

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