



Building Resilience

Amartha Impact &
Sustainability Report
2020-2021





Prosperity for Everyone

We are more committed than ever
to help recover the economy during the pandemic time.

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INTRODUCTION

A. Message from the Founder and CEO

With great relief and gratitude, we conclude the challenging year of 2020 with solid performance and upgraded resilience.

The impact of the pandemic was beyond everyone's prediction. It was unprecedented. Nobody has ever been trained nor experienced such magnitude of the event. However, with the faithful support of all of our stakeholders, we have made it through remarkably.

Throughout the pandemic, our team draws valuable lessons from our customers. Micro businesses are the ones who are most impacted, especially women micro entrepreneurs. As a high-touch business, where all transaction activities mostly rely on physical interactions, the lockdown and local movement restriction have hit hard right in the centre point of rural economic pulse. However, they persevere.

Microbusiness Resilience

When I visit our customers in the villages, they share experiences which inspired me with optimism and creativity to circumnavigate the uncertainties. With all their limited capabilities and remaining resources, they thrive. From pivoting their product offering, to moving their sales online, I witness the authentic characters of Indonesian micro-enterprises: resilience.

Inspired by this grass-root distinction, Amarthas continues to innovate and offer support to the community even during the worst time. Despite the shortage of funding support during the market crisis, Amarthas continues to disburse working capital and mentorship to our borrowers. A total of IDR 1,8 trillion were channeled into recovering the economy in rural villages, almost 20% growth from the previous year. To help ease the burden of repayment, more than 143,000 borrowers received loan restructuring, while hundreds of others received additional mentoring programs to pivot their business and survive the turbulent year.



Personal Asset for Women as Sustainability Strategy

Since the early inception of Amarthas, we have put sustainability as an integral part of our business model. And since our customers are primarily women, we realize that building personal assets for women are very critical for their empowerment.

Therefore, as a digital financial service provider, Amarthas is motivated to build integrated products, beyond lending, to ensure that millions of rural women can build their personal assets in the future, with the help of Amarthas's financial products and continuous mentoring.

This "Amarthas Sustainability Report 2020-2021" is a footprint of our baby steps of continuous and faithful endeavors to achieve international best practices in sustainability. As a private sector, we voluntarily adopt the Code of Conduct of Ethical Lending Practices and become the signatories of Women Empowerment Principles (WEP) and UN Global Compact (UNGC). We also have completed our Impact Company certification from B-Corp in 2019, with Platinum result, the highest standard of an impactful company. Through collaborative stakeholders, we are confident that we could create a more resilient community towards a shared prosperity.

Let's go above and beyond!

Andi Taufan Garuda Putra
Founder & CEO

B. Amartha's Sustainability Vision

Amartha has a strong belief that we need to live harmoniously with other sentient beings on the planet, as part of the ecosystem that supports business growth and prosperity. This core value has become Amartha's foundation to form its vision of a sustainable and prosperous society for all. We believe that sustainability initiatives are an integral part of corporate risk management and profitability strategy.

With this spirit, Amartha has set a Sustainability Objective of creating shared prosperity through implementing ethical lending practices, promoting sustainable financing and supporting women empowerment.



Guiding Principles for Sustainability

Through these guiding principles, Amartha aligns its business model to the framework of Sustainable Development Goals (SDGs), Environmental, Social and Governance principles (ESG), Client Protection Principles (CPP), and Women Empowerment Principles (WEP). We see that doing well in business can always be in harmony with doing good to the community, through our participation in the global active citizenship movement.

As part of our commitment to sustainability, Amartha also opens its door for collaboration and partnership with Governments, international organizations and communities in strengthening common endeavors to achieve sustainability vision.

Sustainability Materialities

Under the SDGs framework, we prioritize our activities to achieve SDG-1 by reducing poverty level, SDG-5 by reducing discrimination against women especially in access to finance, SDG-8 by improving productive employment and strengthening capacity of domestic financial institutions and SDG-10 by promoting income growth for the bottom 40% population.

From these core priorities, Amartha also indirectly contributes to the achievements of SDG-3, SDG-4, SDG-6, SDG-12, SDG-14, SDG-16 and SDG-17 through various intervention, active participation and cooperation with multiple stakeholders.

In the area of ESG implementation, in 2021 we focus our initial steps in the area of building climate oversight for the environmental aspect, ensuring gender diversity and non-discrimination in the workplace for the social aspect, and building governance infrastructure to ensure implementation of ethics and anti-corruption, as well as data privacy policy.

In terms of upholding the seven principles of UN Women's Women Empowerment Principles (WEP), we focus our efforts in building gender equality, inclusion and non-discrimination in the workplace, as well as in our business activities.

We believe, by enforcing this voluntary principle of sustainability standards we will be able to improve our competitiveness in the market, while at the same time promote ethical and value-based business practices which can also be implemented by other startups and private sectors at large.

This newly revamped Amartha Sustainability Report 2020-2021 in front of you is a stepping stone towards our endeavor to share transparency and good business practices to the public, with the aim to engage all related stakeholders to go hand in hand in creating a better planet to live and to prosper, together.

Aria Widyanto

Chief Risk and Sustainability Officer



C. About Amartha Sustainability Report

Since 2016, Amartha has regularly published an annual impact report. This Sustainability Report 2020-2021 is an upgraded version of our annual presentation of Amartha's sustainability vision, strategy, priorities, initiatives, and contributions. While we are aiming to release a more standardized sustainability report using the GRI standard in 2022, this 2021 version is an overview of what we aim to achieve and what are the materialities that we want to highlight in the upcoming reporting period.

As a relatively young startup company, Amartha's impact footprint has been recognized internationally, such as through the award received from UN SDG Awards in Geneva 2019 as a growth stage company who has significant impact to reduce poverty. In 2019, Amartha also completed GIIRS Impact Rating from B-Corp with Platinum score, the highest in the industry. Also, recently in 2020, we are recognized as a Gender Responsive Marketplace from UN Women during the WEP Award session.

Through this sustainability report, Amartha's exposes its integrated impact management in serving rural communities through digital financial services approach.

Using SDGs, ESG principles, WEP and ethical lending metrics as reference, we benchmark our initiatives with international and market best practices to ensure that we are taking baby steps towards more ambitious sustainability goals that will shift the community, one step at a time.

The report is presented in eight sections, starting with the sustainability vision of the company, initiative and measurement of each sustainability metrics, highlights of our initiatives during the pandemic, and finally our envisioned future and sustainability plans.

Purpose and Strategy

The purpose of this sustainability report are the following:

- Provide information on the impacts of our business operations on various metrics of sustainability issues
- Provide transparency on risks and opportunities with regard to sustainability
- As a platform to communicate our efforts and achievements in driving sustainability initiatives within the company

The sustainability strategy and initiatives of Amartha are designed to achieve the following material objectives:

- Achieve international standard of client protection principles and implementation of ethical lending practices
- Enforcement of environmental, social and good governance principles according to ESG metrics
- Implementation of Women Empowerment Principles according to the UN Women's WEP directives.

Sustainability is part of Amartha's business strategy. We believe that a long lasting business depends on our customer's wellbeing and advanced lives, that we partake to contribute.

Assessment and Release Period

The assessment of measurement metrics in this report is presented as an annual year-on-year data, ending every 31st of December, unless otherwise a specific timeline is mentioned. This Sustainability Report is published annually at the end of the first half of the subsequent reporting year.

Research Methodology, Population and Sampling

We use a mixed method of quantitative and qualitative approach under the framework of social research methodology. On the quantitative aspects of the research, we collect the information on borrower's performance through a series of primary and secondary data retrieval on the borrower's profile, business, loan performance, entrepreneurs' characteristics, previous access to credit/borrowing history, business's performance, repayment, and growth plan of the customers.

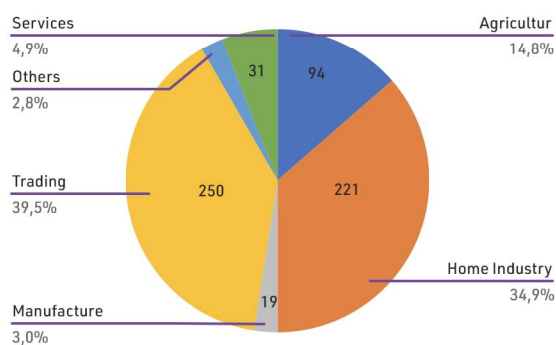
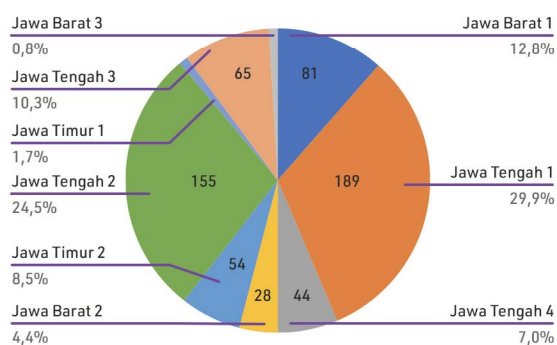
The data were collected randomly from 633 respondents who are Amarta's borrowers in various regions. Respondents are clustered into two categories of 358 (56,6%) smaller loan borrowers (of less than Rp. 5 million) and 275 (43,3%) larger loan borrowers (Rp. 5 million and above) to ensure diversity of loan profiles. Qualitatively, we also interviewed 8 respondents in Sumatra and Java to gather insights through in-depth interviews using semi-structured questionnaires.

In part, Amarta partners with the World Bank in gathering insights, collecting data and performing analysis related to the performance of borrowers during the pandemic. Other information and analysis presented in this report is derived from internal research activities of Amarta's impact research team.

Starting in 2022, Amarta will use GRI as the new standard for the ESG metrics reporting, while continuing to use UN Women's WEPs and Client Protection Principles for the other measurement.

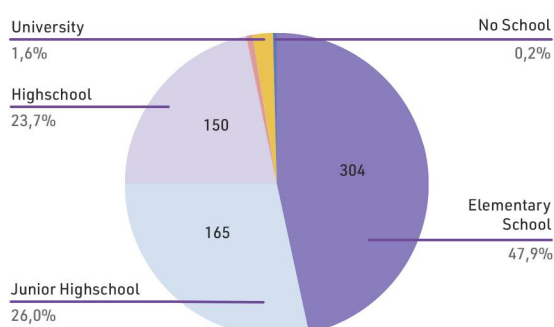
Geographically and by sectors, the distribution of our respondents are presented as follow:

Regional



Based on their education level, the distribution of the respondents is presented as follow:

Education Level



BUSINESS OVERVIEW AND IMPACT FOOTPRINTS

A. Amartha's Journey

Amartha started its humble journey from a small village in Bogor, West Java with two branch offices in 2010. The Peer-to-Peer Lending (P2P) model was then introduced in 2016, with the main objective to bring digital financial services available for the unbanked and underserved in rural villages. Since then, Amartha has been able to grow exponentially by maintaining a good quality portfolio. As of December 31, 2020, Amartha has disbursed Rp 3,18 trillion (US\$ 227 million) funds from mostly urban lenders to 569,417 women micro entrepreneurs across 18.900 villages in Java, Sulawesi, and Sumatra.

As an impact-oriented business, Amartha integrates its business model with the strategy to deliver values to the community. In this regard, Amartha's product development, market expansion and segmentation are always dedicated towards the advancement of customer's wellbeing. We always believe that doing good can always be in line with doing well or making sustainable profit. Therefore, the primary mission of Amartha is to create shared prosperity through financial inclusion and women empowerment.

Pillars of Financial Inclusion

In terms of financial inclusion objectives, Amartha's operation is dedicated towards achieving three main goals:

- Provision of affordable and flexible financial products
- Reduction of barrier to access financial services
- Reduction of cost in accessing financial services

Preservation of Social Cohesion

On the aspects of women empowerment, Amartha's group lending model is dedicated to preserve and nurture social cohesion. The social bonding among women as peer learning group within Amartha's "majelis" or group lending, is proven effective a tool for default risk mitigation as well as promoting support system and self-help group among the members, facilitated by Amartha's Business Partners (BP) or field officers.

Social cohesion among women is also a powerful tool to improve capabilities, from which they will have the opportunity to improve their position in making decisions, nurturing freedom of expression, leadership and social interactions which is beneficial for their business as well as their personal development.

Women Focus

Since the early inception of Amartha, Amartha also promotes women empowerment within the team by nurturing women leaders within the company through Amartha Women Leadership Academy, which provides mentorship programs and structured opportunity for female employees to upgrade themselves and enter into leadership positions. On average, with the total employee of 3,242 employees, 55,5% of them are women where 36% are in the managerial positions. Aligned with the commitment to promote women leadership, the number of women leaders will be increased to achieve at least 50% by 2024.

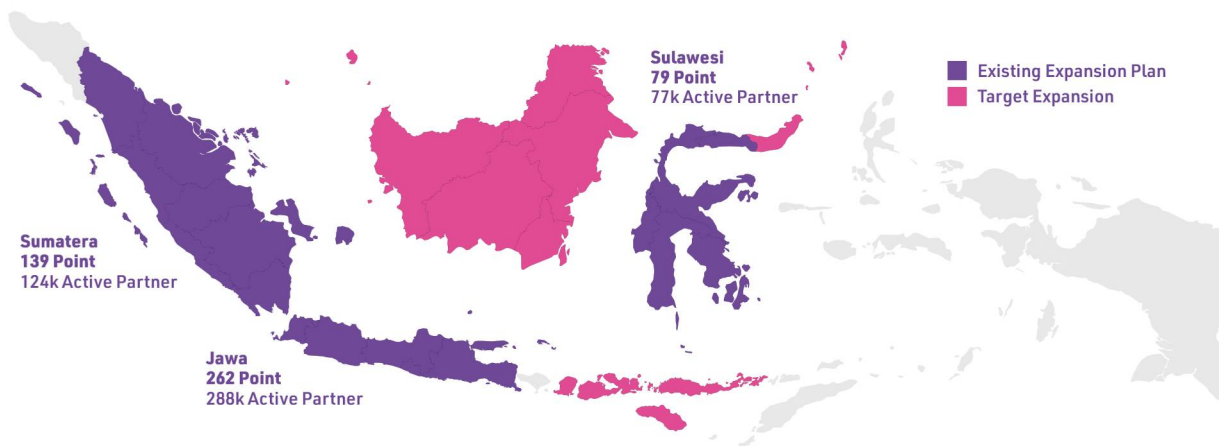
On the customer's side, Amartha's business model has been designed to serve women micro entrepreneurs in the villages, and therefore by default is dedicated towards women empowerment and reduction of gender inequality, especially in the economic areas.

"Amartha is the signatory of Women Empowerment Principle (WEP) as our commitment to continuously raise the bar and lead the steps in promoting women empowerment in private sector".

B. Growth of Customers



C. Outreach of Service



"As part of our commitment to reduce the gap between Java and regions outside of Java Island, we plan to disburse more than 65% of our new loan in 2021 in Sulawesi and Sumatra".

D. Customer's Wellbeing

Throughout 2020, there are various intervention programs conducted by Amarthya to ensure the wellbeing of customers are maintained, even during the pandemic time. Below are some of our initiatives and intervention results during the pandemic year.



Health & Eye Check



Business Branding



Business Training



Toilet and Water Facility Donation



Sanitation Facility Donation



Sunlight Entrepreneurship

Income Improvement

As part of our prosperity goals for borrowers, we periodically measure the income improvement as a proxy of financial wellbeing. To better understand the growth of our borrower's income based on the size of their business and loan, we categorize the respondents into several brackets for a clearer analysis.

As a result, we understand that borrowers with weekly income of less than Rp 1 Million are experiencing improvement on their average income of 263% within one year after joining Amarthya, which is the highest among other income brackets.

This signifies that working capital, especially for first time borrowers, is critical to initiate new home business that will eventually generate additional income for their families.

On all income brackets combined, the average monthly income has also improved from Rp. 3,799,340 to Rp. 4,197,924 (+10,5%) which is relatively encouraging especially during a pandemic time. As a comparison, during the normal days, the average of income improvement was between +200% up to +700% in a year.

Financial Literacy

Throughout 2020, Amarta conducted hundreds of sessions of financial literacy education in a hybrid form of offline and online training, seminars, webinars, workshops and classroom sessions with a total of 103,603 participants. The programs are conducted in partnership with regional offices of Otoritas Jasa Keuangan (OJK), universities, local municipal governments and supported by donors, such as the World Bank and Unilever.

Amartha also conducted public and media awareness on fintech and financial inclusion through a signature conference called “Amartha Impact Talk”, to mainstream the discussion on impact investment, as well as introduce fintech as an alternative source of working capital which is effective to drive financial inclusion especially for micro and small businesses in rural areas.



Entrepreneurship Training

We have rolled out four batches of workshops (offline and online) on entrepreneurship modules dedicated to provide basic business skills for our borrowers. More than 45,000 women have participated in this program.

Female Youth Entrepreneurs Training

Female youth entrepreneurs are also the focus of Amartha in delivering its impact interventions, aiming at improving their financial independence and capabilities. Below are some of the highlights of our activities in 2020:

- 120 participants have joined Amartha's financial education session for children.
- 270 women have graduated from our business and home industry product development training, specifically dedicated to those who have lost their businesses during the pandemic.
- 2,591 employees of Amartha have received training on business and financial management materials, of which 224 of them were also trained as Trainers or facilitators (ToT).

- 135 female youth have participated in our leadership and financial literacy workshop.

Health, Hygiene and Sanitation

To support community health and sanitation, Amartha has raised a donation and partnered with Rumah Zakat to build a community toilet and clean water well for the villagers of Sumber in Cirebon Regency, West Java. The community toilet could serve up to 100 households or 400 villagers with clean water and a hygiene toilet.

Amartha has also conducted free eye health checks and provided free glasses to 1,027 women entrepreneurs to improve their productivity.

Disaster Relief Program

As part of our contribution to relieve the burden of borrowers who suffered from natural disasters, Amartha has distributed Rp. 196 million worth of donations to more than 500 beneficiaries during 2020. The recipients were mostly from the area of Sumatra and Sulawesi



Our Business Partners on the fields are the front liners to help our women micro-entrepreneurs recover from the pandemic effect.

E. Research on Women's Capabilities

During the period of April through October 2020, we conducted research to better understand the empowerment level among our women customers and whether the pandemic has an influence on their capabilities. With a total of 263 respondents in Sumatra and Java, we performed quantitative closed-ended surveys and followed up by 8 qualitative in-depth interviews.

We use the Capabilities Theory as a framework (Nussbaum, 2010 and Sen, 2000) and reference the ten core functional capabilities as proxies of women empowerment that we measure.

The summary of findings are outlined below:

- Group meetings facilitated by Amarth's business partners or field officers are proven effective in improving women's capabilities through the development of social cohesion.
- Social cohesion improves women's capabilities in the following areas:
 - Freedom in initiating business ideas
 - Freedom in participating in social gatherings
 - Ability to improve their own financial capabilities
- Cultural and interpretations of religious beliefs have influence in women empowerment, especially in the following areas of capabilities:
 - Ability to play and have recreational activities on their own;
 - Ability to own property, land or house under her own names;
 - Ability to work or build their own business;
 - Ability to attend social events outside of her house without male companies;
 - Ability to use contraceptives;
 - Ability to educate herself and her daughter.
- Provision of free health and medical services in rural areas are proven effective in improving women's capabilities in the area of bodily health, especially in the aspects of free medical check-up during pregnancy, free contraceptives, maternity training for pregnant women.
- During the pandemic time, the social cohesion aspects can be partly preserved through digital engagement, such as Whatsapp Group among the group members, or between the members and Amarth's field officers. However, it is not known yet whether it has the same effectiveness as physical gatherings or not, and whether it could replace face-to-face interactions in the future.
- Financial capabilities of women during the pandemic was significantly reduced, as most of their businesses are categorized as "high-touched" businesses which require physical interactions during the transactions, such as restaurants, pop shops, or beauty salons.
- During the first three months of the lock down, the income deteriorated between 20% to 70%, with the average of 40% decline. During this period, 18% of women lost their businesses.
- During the first six months of the lockdown (surveyed in July-August 2020), there was a declining trend of income reduction of minus 30% to 80%, with the average of 70% income decline. During this period, 40% of respondents lost their businesses and have zero monthly income.

Research on women's capabilities is a continuous survey performed among Amarth's women customers, with emphasis on different aspects of empowerment areas based on selected factual and relevant issues.

F. Active Citizenship

As part of Amartha's commitment to align its business strategy and risk management framework with sustainability, active citizenship is part of Amartha's continuous efforts to keep itself relevant and meaningful to the community. Some of notable participations of Amartha in the international community that supports sustainable development metrics, include the following:

- Become the signatory of Indonesian Fintech Lending Association's (AFPI) Code of Conduct (CoC) on ethical lending practices;
- Become the signatory of UN-Global Compact Network (UNGC) from 2020;

- Become the signatory of UN Women's Women Empowerment Principles (WEP) since 2020;
- Become the member of Financing Task Force of National Plastic Action Partnership (NPAP), part of global alliance to reduce plastic waste pollution;
- Voluntarily publish an annual report of impact and sustainability.

For this efforts, Amartha received various international award and recognitions, such as:

- UN Women's Award as a gender-responsive marketplace;
- Receive international GIIRS Certification from B-Corp, with Platinum grade or highest score.



Sustainable Development Goals (SDG)

As a northstar of our business activities, we benchmark our operations into the SDGs metrics and measure the results using a self-assessment method. The SDGs targets are selected based on the relevance to Amartha's business model as well as intervention strategy, particularly in the advancement of rural economy and women empowerment. The target and assessment results are presented below.

Our target for the SDGs are the following:

- SDG-1: help reduce poverty rate by improving income of the borrowers by 10% through provision of working capital and financial education.
- SDG-4: promote children and girls education by ensuring education is our borrower's top three priorities of their financial planning.
- SDG-5: support women's leadership in micro-business and rural economy by ensuring that >75% loan disbursement go to income generating activities.
- SDG-8: support employment and job creation in rural areas, by disbursing at least >75% of working capital in rural and peri-urban areas to stimulate jobs and
- SDG-10: strengthen women's economic capacity at the bottom 40% of population by ensuring >75% borrowers are women.
- SDG-12: promote transparency and sustainability practices in the private sector by publishing annual impact reports or
- SDG-17: actively engage with external stakeholders, such as development agencies, Governments, NGOs and other civil society in promoting sustainability practices.

SDG Target

Initiatives and Results

1.1. Eradicate extreme poverty for all people everywhere.

1-4. Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources.



Through provision of working capital loan and continuous mentoring for 50 weeks, on average, the income of Amartha's borrower during the pandemic increased by 10,5%, and 265% for those in the lower income brackets of less than Rp. 4 million per month.

Amartha's focus of operation in more than 18,900 villages and rural areas in Indonesia helps the poor and vulnerable have equal rights to access affordable and flexible financial services.

4-1. Ensure that all girls and boys complete free, equitable and quality primary and secondary education.

4-5. Eliminate gender disparities in education and ensure equal access to all.



Amartha's focus of operation in more than 18,900 villages and rural areas in Indonesia helps the poor and vulnerable have equal rights to access affordable and flexible financial services.

Based on our survey, women with their own personal income puts children's education as their number one priority on the list of their financial planning.

5-1. End all forms of discrimination against all women and girls everywhere.

5-5. Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

5-b. Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women.



In 2020, 98% of Amartha's loan disbursement went to income generating or productive purposes (working capital).

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By promoting women to have their own income and build personal assets, Amartha helps women to participate and lead in the economic life of their families.

Access to digital financial products enhance the capabilities of our customers to use technology and information technology, which opens opportunity to wider access of information and further empowerment.

8-5. Achieve full and productive employment and decent work for all women and men.

8-10. Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

8-b. Develop and operationalize a global strategy for youth employment.



In 2020, 85% of Amartha's loan were disbursed in rural villages and peri-urban (district level) areas.

Provision of Amartha's working capital loan helps promote growth of business in rural villages and improve employment. In 2020, more than 250,000 new entrepreneurs received Amartha's working capital loan, of which 30% of them were able to hire additional manpower, creating jobs in their villages.

Amartha is a local domestic financial institution that contributes to promoting financial inclusion, where more than 680,000 entrepreneurs are empowered, and 80% of them are new customers who have no previous access to banks or financial institutions.

Amartha's borrowers consist of 25.7% youth females under the age of 35 years old. In this sense, Amartha has promoted strategic action to drive youth employment from the village.

10-1. Progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.

In 2020, 100% of Amartha's borrower were women.

On average, monthly income of Amartha's borrowers improved from Rp. 3,799,340 to Rp. 4,197,924 (+10,5%) during 2020, while the economic growth experienced a contraction of -2,07% as the pandemic hit.

10-2. Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.



Amartha's mission to improve access to finance for women in rural areas improves the capabilities of women from the lower income brackets, and reduces the gap in their social, economic, and gender status.

12-6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.



Since 2016, Amartha has been publishing annual impact reports as public disclosures and promotion of sustainability practices in private sectors.

Amartha also voluntarily became the signatory of UN Global Compact, international guiding principle to uphold best practices in sustainability.

Furthermore, Amartha is also the Signatory of UN Women's Women Empowerment Principles (WEP), which shows our commitment in advancing the wellbeing of women through our business practices and corporate governance.

17-16. Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals.



Amartha built partnerships with World Bank, UN, UN Women, Indonesian Governments, private sectors, Universities and other stakeholders in promoting financial inclusion for women, environmental protections and social impacts. These partnerships promote the elements of partnership for sustainable development.

Environment, Social and Governance (ESG)

Environmental Aspect

Our target for the environmental aspect are the following:

- Identify risk exposures related to climate
- Establish five-year roadmap and action plan to comply with ESG standards and principles

Climate Oversight / Board

E1-1. Observance to the framework for Board

Why it is measured?

Increased awareness and understanding of climate-related risks and opportunities within the company resulting in better risk management and more informed strategic planning.

How it is measured?

Climate-related issues are measured using risk assessment metrics (Key Risk Indicators) and reported to the management and Board on a regular basis as part of the periodic Board Oversight mechanism.

Results

Amartha has identified ESG's issue and risk related to climate during 2020. The most prominent risk was probability of loss due to climate-related disasters, such as flooding and landslides in Banten, South Sulawesi and West Sulawesi area, which causes direct financial loss of Rp. 113 million and up to 2% of portfolio quality decline in disaster affected areas.



Social Aspect

Our target for the social aspect are the following:

- Manage employee turnover to be less than 5% on quarterly basis
- Ensure gender diversity and appropriate representation of female employees in the company, where at least 50% of employees are female and 30% of senior leaders are female by 2024
- Include and implement non-discrimination principles in our human resources policy by 2022



Gender Diversity

S2-1. Percentage: total enterprise headcount held by men and women

S2-2. Percentage: entry and mid-level position held by men and women

S2-3. Percentage: senior and executive-level position held by men and women

Why it is measured?

Increasing the diversity of thought (as embodied in men and women) may lead to enhanced creativity, greater team productivity, and the alleviation of systemic inequities.

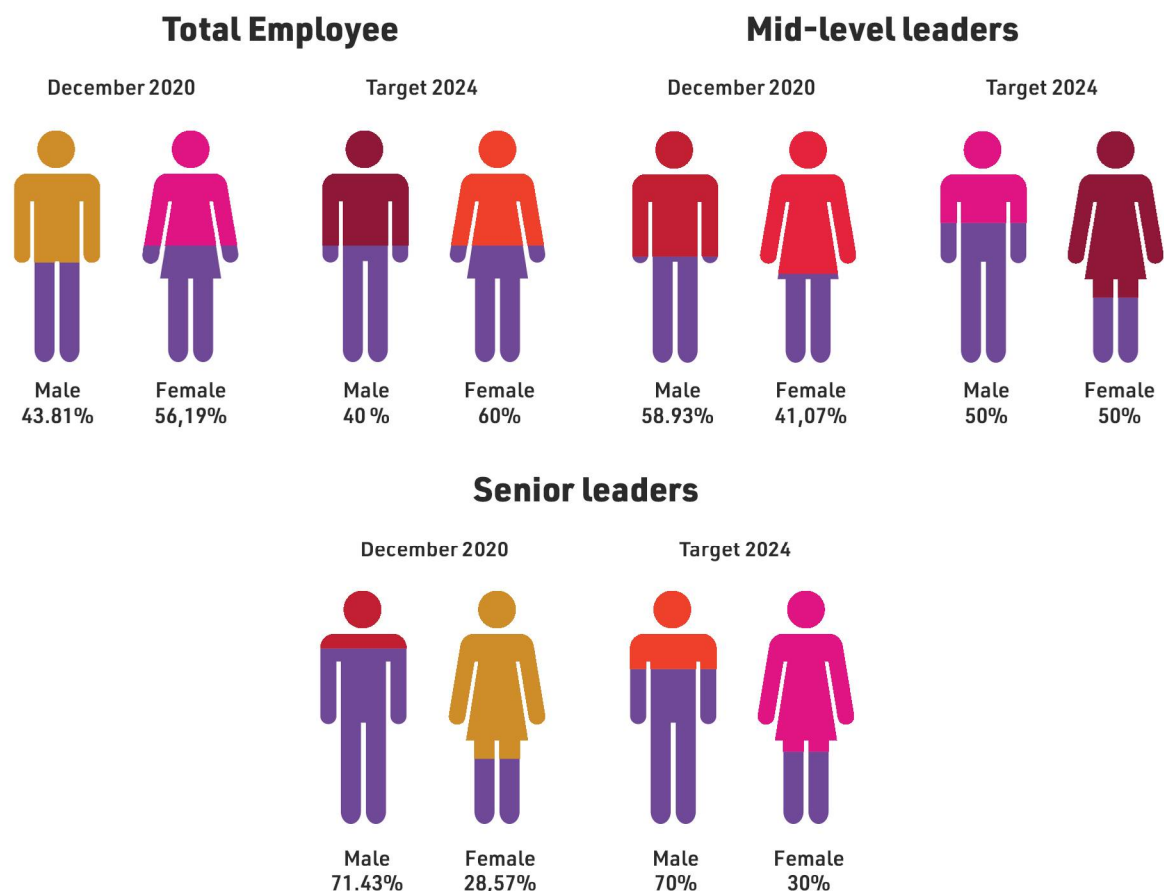
How it is measured?

Percentage of male to female metrics, broken down by various organizational levels.

Results

As of December 2020, the total number of employees was 2,883 people, where 56,19% of them are female.

The ratio of mid-level leaders (Lead up level) was 41,07%. While in senior leadership positions (Head of Departments up), the ratio of female leaders was at 28,57%.



Non Discrimination

S3-1. Compliance to anti sexual harassment and non-discrimination policy

Why it is measured?

The information provides valuable insight into human capital strategy and management regarding certain aspect related to fair and non-discriminatory employment practices.

How it is measured?

Establishment of internal procedures and policies where non-discriminatory clauses are explicitly stipulated to ensure company's employment practices are in accordance with the non-discriminatory standards. Further, number of reported case of discrimination within the company, collected from internal whistle-blowing channel and external reporting mechanism, need to be observed.

Results

Principles of non-discriminatory clauses are being evaluated throughout 2020 and will be gradually implemented in 2021, which covers recruitment and promotion processes.

Throughout the year of 2020, there was no report of incidents involving discrimination that we received through our internal whistle-blowing channel or external reporting mechanism. The internal and external whistle-blowing channels have been introduced and socialized since October 2019.



Governance Aspect

Our target for the governance aspect are the following:

- Establishment of internal procedure on anti-bribery and anti-corruption policy
- Establishment of data privacy policies on all aspects of Amartha's products and services

Ethics and Anti Corruption

G1-1. Compliance to ethics and anti-corruption policy

Why it is measured?

This code illuminates company values and commitment to high standards of ethical conduct. Demonstrating a "good faith effort" to prevent illegal acts may reduce the financial risks associated with government fines for ethical misconduct.

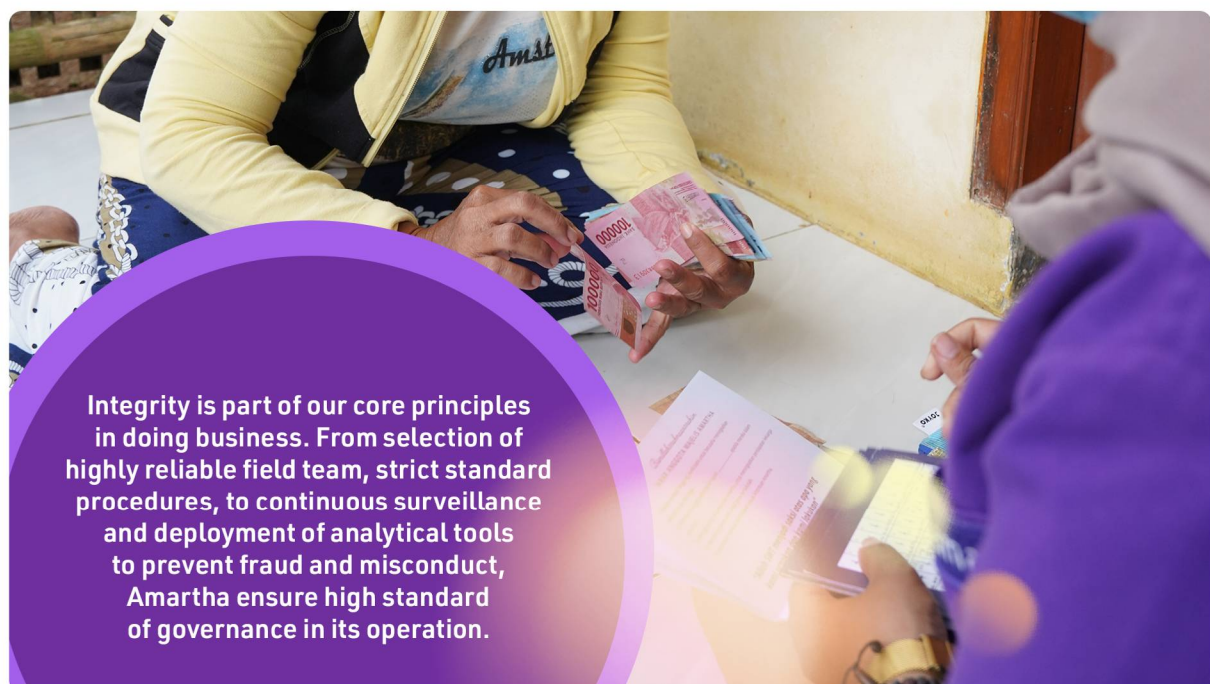
How it is measured?

Enactment of internal policies which also comply with local authorities' standards of ethics and compliance. Number of reports related to breach of anti-bribery and anti-corruption policy received from the company's whistleblowing channel.

Results

Internal procedure on anti-bribery and anti-corruption policy has been established as part of OJK compliance.

Throughout the year of 2020, there was no report of incidents involving ethical breach and/or corruption cases that we received through our internal whistle-blowing channel or external reporting mechanism. Internal and external whistle-blowing channels have been introduced and socialized since October 2019.



Data Privacy

G2-1. Compliance to data privacy policy

Why it is measured?

Data privacy, protection, and stewardship has become a prevalent issue, specifically in the context of a digital economy. Many stakeholders assert that virtualized identity and property should be vigorously protected, and they use this metric to measure the sophistication of a company's risk and security protocols.

How it is measured?

Provision of data protection and privacy on the platform's terms of use and all customer contracts. Number of information security related incidents, number of unresolved tickets, and system reliability (uptime) as measured in the monthly Key Risk Indicators (KRI).

Results

As part of regulatory compliance, the platform's terms of use and all customer contracts have been equipped with data privacy and protection policies.

Throughout the year of 2020, there was no report of incidents involving information security breach. System reliability (uptime) was at 99.99%. Policy and procedures have been implemented. ISO27001:2003 Certificate is obtained and active.



To maintain customers' trust, we have complied with the international standard of information security management through ISO27001:2013, as well as customer data protection principles and ethics.

Women Empowerment Principles (WEP)

Our target for the women empowerment aspect are the following:

- Establishment of company's vision and statement to promote female leadership
- Stipulation of non-discrimination policy in hiring, promotion and equal pay policy
- Establishment of support system for mental health and whistleblowing system

Leadership Promotes Gender Equality

WEP1-1. High level corporate leadership

Why it is measured?

Corporate leadership is a key and integral part of making gender equality and women's empowerment a top strategic priority. It publicly signals the CEO's and the executive team's goals and targets for implementing the WEPs and how the seven Principles will become part of the corporate sustainability strategy, day-to-day operations, and organizational culture.

How it is measured?

Number of female employees in the senior leadership of the company and the strategic intervention and development programs in place to nurture female leadership within the company

Results

There are 28,57% female in the senior leadership position as of December 2020.

Amartha Women Leadership Academy has been rolled out in 2020, aiming at providing better opportunities for female employees to step up into leadership positions with structured training and mentoring programs. The program is aimed at increasing the senior leadership ratio up to 40% by 2026.

**Gender balance is not about quota,
but more importantly how we provide opportunity
for female employee to have options and
infrastructure they need to develop their
optimum potentials.**

- Amartha -

Leadership Promotes Gender Equality

WEP2-1. Treat all women and men fairly at work without discrimination

Why it is measured?

Treating all women and men fairly at work aligns with international human rights principles. It also translates to better talent acquisition, higher employee retention and satisfaction, increased productivity and better decision making. Removing all forms of discrimination in corporate policies, strategies, culture and practices is a solid step forward in a company's WEPs journey.

How it is measured?

Establishment of a policy of equal pay for women and men is in place; equal treatment for hiring and promotion as well as flexible working hours and maternity leave for women.

Results

Amartha does not discriminate between men and women in terms of pay, hiring, offering and promotion. Amartha has introduced new maternity and paternity leaves, where women have an additional 30 days of flexible working hours or work from home (WFH) during maternity period in addition to 3-month paid maternity leave, and additional 30 days of flexible working hours or work from home (WFH) for men who are on paternity leave.



Helping digital transformation for women micro-entrepreneurs in rural villages is part of Amartha's leadership in promoting women empowerment.

Health, Safety and Freedom from Violence

WEP3-1. Employee health, wellbeing and safety

Why it is measured?

Employers play a key role in preserving and promoting the physical and emotional health, safety and wellbeing of their women and men employees. Sexual harassment and violence signify high costs to women in terms of lost earnings, missed promotions and overall wellbeing. Companies are impacted in the form of employee absenteeism and productivity losses.

How it is measured?

Establishment of framework to disseminate awareness of physical and emotional health, safety and wellbeing within the company; provision of health insurance for employees; provision of awareness training on prevention of physical, emotional and sexual harassment; provision of grievance channel for potential violation of physical, emotional and sexual harassment; provision of mental health support and counseling for employees.

Results

Amartha has proactively conducted training, seminars, discussions and counseling to promote physical and mental health. Insurance programs are available for employees. Support group for mental health was also established in 2020 to ensure employees who need counseling and mental support can be accommodated. A whistleblowing channel is available with strict confidentiality to report any case of violation, abuse or harassment to the employee. In 2020, there is no report related to the violation of physical, mental and sexual harassment within the company.



Client Protection Principles (CPP)

Our target for the client protection principles aspect are the following:

- Ensure delivery method of the loan product fits with the needs of borrowers
- Establishment of policy to prevent over-indebtedness
- Disclosure of risks of funding, business and portfolio performance in the company's website
- Disclosure of interest and fees information in every customer's contract
- Stipulation of customer data protection and privacy in every customer's contract
- Establishment of whistleblowing channels and compliance to ethical collection practices

Appropriate Product Design and Delivery

Why it is measured?

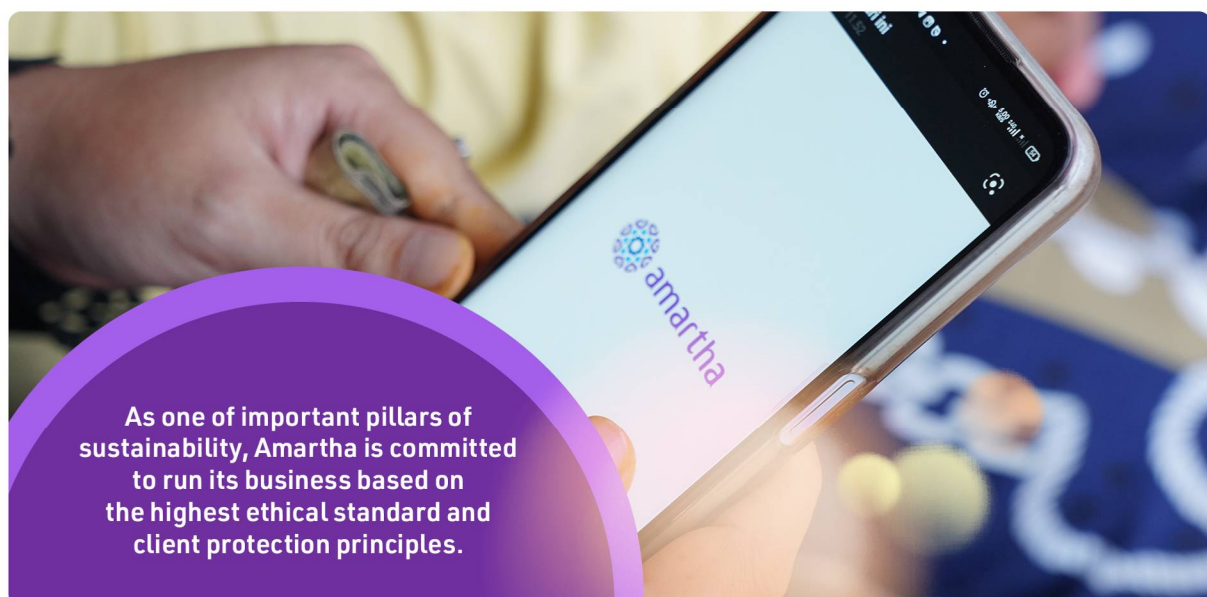
The standard will ensure that the company has adequate care to design products and delivery channels in such a way that they do not cause client's harm. Products and delivery channels will be designed with client characteristics considered.

How it is measured?

Loan products appropriateness with customer segment. Delivery method in accordance with the segment being served.

Results

Amartha has designed the loan product to fit with the needs of working capital loan for communities of unbanked in rural and peri-urban areas. The delivery of the product has considered the unequal digital adoption rate in rural areas, therefore field officers as the intermediary of offline-to-online transactions is present.



Prevention of Over-indebtedness

Why it is measured?	The standard will ensure that the company has adequate care in all phases of their credit processes to determine that clients have the capacity to repay without becoming over-indebted. In addition, providers will implement and monitor internal systems that support
How it is measured?	Implementation of debt to income ratio as part of a significant indicator in determining credit worthiness of the borrower.
Results	Number of active loans and the amount of active loans are considered as a proxy of the debt to income ratio, which is measured as part of the credit scoring assessment. On average the debt installment to income ratio is 40%.

Transparency

Why it is measured?	The standard will ensure that the company will communicate clear, sufficient, and timely information in a manner and language that clients can understand, so that clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted.
How it is measured?	Stipulation of information on risks, interests, fees in company's website as required by the regulator. Stipulation of clear interest rate calculator and fees (if any) in borrowers' contracts.
Results	Amartha has transparently disclosed information on risks, fees, and other information required by lenders to make investment decisions on the website. Information on interest rate, fees and their calculation are also stipulated in borrowers' documents.

Amartha has complied with the code of conduct on ethical lending practices set by the Indonesian Fintech Lending Association (AFPI).

Privacy of Client Data

Why it is measured?	The privacy of individual client data will be respected in accordance with the laws and regulations of individual jurisdictions. Such data will only be used for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed with the client.
How it is measured?	Stipulation of customer data privacy on borrowers' contracts and platform's terms of use.
Results	Amartha has implemented data privacy policies according to the local regulatory requirement as well as compliance to the standard of ISO27001 on information management.

Mechanism for Complaints Resolution

Why it is measured?	The company will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.
How it is measured?	Establishment of a whistleblowing channel for customers to convey their grievances.
Results	Amartha has a whistleblowing channel to ensure grievances from customers (borrowers and lenders) can be recorded and followed up according to the regulatory requirement and standard of customer excellence. A dedicated team of customer experience has also been established to follow up customer's complaints and feedback.

**Part of governance is building trust
from our stakeholders, by being transparent
and protect their data.**

COVID-19 Responses

The COVID-19 pandemic has severely impacted the micro businesses in rural villages. The local lockdown and restriction of movement have caused high-touch models of micro businesses to halt, such as closure of restaurants, street vendors and retailers who mostly rely on cash and face to face interactions.

Throughout the pandemic, we performed internal research to understand the situation of our customers and field teams, in order to provide necessary responses and interventions to ease their burden.

The first survey was conducted on July 6th 2020, or three months after the first lockdown, and the second survey was conducted on September 25th 2020, or six months after the pandemic first hit. The surveys involved 462 respondents, which we clustered based on the severity of lockdown in particular areas of our operations, and therefore we categorized as Red (strict and full lockdown), Yellow (partial lockdown) and Green zone (less or not impacted by lockdown). The research used semi-structured interviews with Amartha's active borrowers in Sumatra, Java and Sulawesi.

Some of the findings are presented below:

Quality of Repayment During the Pandemic

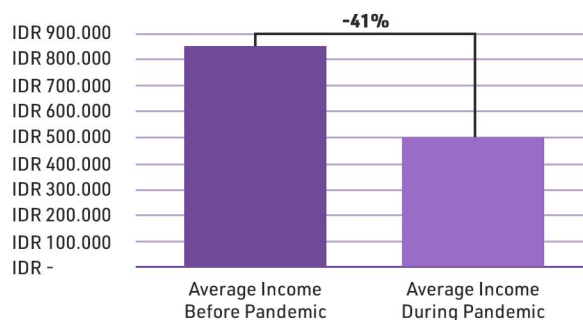
- Three months after the pandemic, 95% of borrowers in Banten and 70% of borrowers in West Java could not repay their loans on time. Meanwhile, 12,5% borrowers in Central and East Java areas were affected. Borrowers in Sumatra and Sulawesi were almost unaffected.
- Based on our qualitative analysis, borrowers in Banten and West Java who did not repay the loan ontime are not only caused by their businesses' income decline but mostly due to over-indebtedness and lack of personal asset ownership, such as savings or other collateralized assets.

- To anticipate further deterioration of portfolio quality, Amartha implemented restrictions of disbursement policy for types of businesses affected by the pandemic, such as tourism, export-related activities, inter-city or inter-region supply chain related businesses. This new policy was integrated into Amartha's automated credit scoring system and successfully keep the current rate of above 99% since implementation.

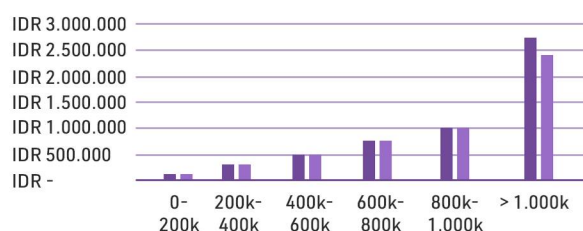
Lockdown and Its Impact to Micro Business Income

- In July, or three months after the first April lockdown, on average the income of our borrowers dropped by 41%. The highest decline was experienced by the higher income earners of >Rp. 1 million per week.

Average Borrower Income Before & During Pandemic



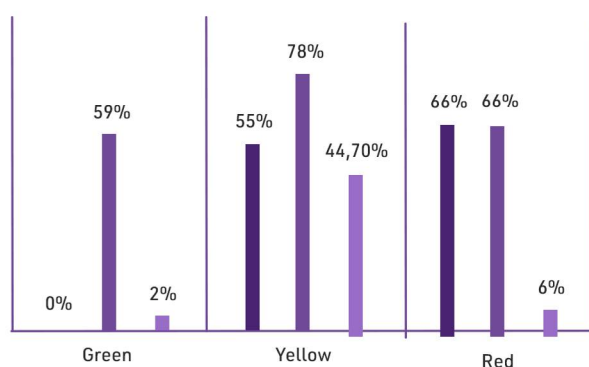
Borrower Weekly Income Before & During Pandemic



- In three months observation between July 6th and September 25th 2020, borrowers in the Green Zone started to experience income drops due to the weakening demand of their products, or decline in sales. As a result, 59% of them said that their income started to drop. The average severity of the income drop was at 40%, where 2% of the respondents in Green Zone experienced zero income (went bankrupt) in September 2020.

- Borrowers in the Yellow Zone said that 55% of them experienced a decline in their income in July, and the numbers kept rising where 78% of the population experienced income decline in September 2020. The average income decline was 50%, where 44,70% of borrowers' businesses in the Yellow Zone went bankrupt or need to close down in September 2020.
- Borrowers in the Red Zone declared that 66% of them experienced income decline in July, and the percentage remained the same in September 2020. The average income decline was 70%. Interestingly, only 6% of borrowers' businesses in the Red Zone were bankrupt.
- The Red Zone, where the strict lockdown policy was in place since the beginning of the pandemic and applicable to all areas in the neighborhood, showed more consistent figures where the affected population remained (66%) the same throughout the observation period, with only 6% of the borrowers went to bankruptcy. It may be implied that during the six-month consistent lockdown period, the businesses learned to adapt and therefore able to survive the pandemic.
- In the Green Zone, the 59% population who suffered income decline were mainly due to the weakening purchasing power of their customers and loss of customers due to closures of public schools, offices and limitation of mobility.

Covid Zoning



- Based on the results above, we learned that the Yellow Zone, where the lockdown policies were inconsistent and differed up between one neighborhood to another, have caused uncertainties to businesses, and therefore caused the highest rate of bankruptcy among our small businesses entrepreneurs.

Confidence Level of Respondents

- Despite continuous uncertainty, 84% respondents feel confident that their business will resume to normal in six to twelve months from now.
- 75,3% of respondents mentioned that repayment of their loan to Amarta is their first priority, which signifies a relatively high willingness to pay despite the pandemic situation.
- With regards to the capability to pay, 100% respondents in the Green Zone and 93% respondents in the Yellow Zone said that they do have the capability to pay. Meanwhile, only 50% of the respondents in Red Zone have the capability to pay the loan at the moment.



Covid teaches how to survive and fight



Covid makes me have to think more so that the business continues



During covid, sales are done online



Covid makes our family more observant in looking for side business opportunities



Covid teaches us to keep trying even though it's down



rise! rise! rise!

Since the very beginning of the pandemic, Amartha has continuously deployed measures to contain and help recover the business, its customers and team members from the crises.

Some of the measures taken are among others:

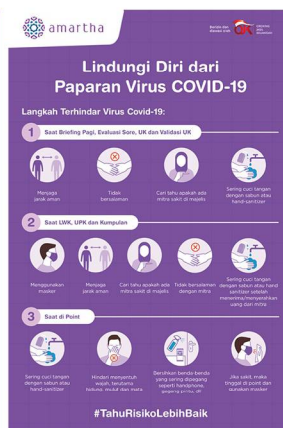
- Deploy our field team to be the volunteer of #DesaLawanKorona or Fight the Corona movement, where we helped local district and village leaders to perform socialization of hygiene practices to the villagers. Amartha's team also perform disinfection activities to public facilities in the villages such as schools and mosques.



- Amartha also distributed face masks, hand sanitizer and vitamins to the villagers and borrowers, who are mainly local residents in the area of our operations.
- For the internal team members, Amartha performed internal socialization and guidance to protect self and families from the spread of the virus, through various media and events.



- To help our borrowers recover from the pandemic, Amartha has performed loan restructuring to more than 143,000 customers with grace periods and flexible repayment scheme to ease the burden of our borrowers.
- Amartha performed business pivot training to borrowers who are most impacted by the pandemic, especially in Java. Some of the training include face mask making and snack making and packaging, who are considerably in high demand during the pandemic.





Way Forward

Recovering from the unforeseen pandemic requires resilience and optimism from all team members of the organization. The spirit that we also learned from our customers. Through continuous improvements, efficiencies of operations, and digitization in business processes we see the light at the end of the tunnel. In 2021, our loan disbursement started to resume to normal pace, while portfolio quality has improved significantly.

In terms of compliance and good governance practices, we are also committed to start our international standard of ESG reporting in 2022, and therefore all efforts are made to ensure that our environmental, social and governance standards are gradually upgraded. This endeavor is made to protect the interest of our customers and stakeholders, and eventually safeguard the future sustainability of Amarta, as a business and as a vision of shared prosperity for Indonesia.

Let's go above and beyond!



amartha

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