



DEVELOPING
WORLD
MARKETS

2019 IMPACT REPORT



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1 About Developing World Markets





DEVELOPING WORLD MARKETS

Our Mission

DWM seeks to provide investors access to return-first impact investments in the emerging and frontier markets.

Exclusive Focus on Emerging and Frontier Markets

For twenty five years, Developing World Markets (DWM) has exclusively focused on investing in emerging and frontier markets. To date, DWM has made investments in over 60 emerging and frontier markets.

Return-First Impact Investment Approach

DWM is an emerging and frontier markets investment manager, dedicated to making return-first impact investments that seek risk-appropriate returns for our investors and measurable environmental or social benefits for the developing world.

A History of Catalyzing Impact

DWM began impact investing in 1999 and shifted its focus exclusively to impact in 2007. By partnering with some of the world's largest institutional investors, DWM has invested or arranged \$1.5 billion in financing for more than 200 socially or environmentally positive companies.

New Multisector Impact Strategies

In 2018, DWM launched the first of two multisector strategies that invest in a broad range of impact sectors including financial inclusion, renewable energy, sustainable agriculture, water and sanitation and healthcare. In addition, in 2018, DWM received a grant from Convergence to support catalytic investments in the water and sanitation sectors.

Global Presence

Headquartered in Stamford, CT, with offices in New York City, Delhi, Nairobi, and Singapore, DWM has a presence in 11 global locations, including Costa Rica, Ecuador, Nicaragua, India, Japan, Germany, the Netherlands, France, Hong Kong, Kenya, and Singapore.

Africa Expansion

Beginning with the opening of a Nairobi office in 2017, DWM increased its investments in the African continent from USD 15 million at the end of 2016 to USD 47MM at the end of 2018. At year-end 2018, DWM had invested in Egypt, Zambia, South Africa, Kenya, and Rwanda.

Sustainability

DWM believes that impact investing should be conducted in a sustainable manner. To this end, DWM adopted a plan to purchase certified carbon credits annually to offset employee's air travel. DWM made good on that plan by purchasing 471mt-CO₂e of credits from Native Energy to fund Project Sky Wind in Maharashtra, India. DWM also seeks to promote sustainable office practices and hire locally in Latin America, Asia and Africa, reducing the need for trans-Atlantic and trans-Pacific flights.

2 Management Note

“Developing World Markets seeks to provide investors access to return-first impact investment in emerging and frontier markets.”



Dear Readers,

We are honored to be celebrating our 25th anniversary working in the emerging and frontier markets, of which we've spent the last two decades in impact investing.

With your help and through DWM's impact investing activities, we have championed innovators and businesses that have built and scaled market categories which were previously underserved or overlooked by conventional thinking. Collectively, as an organization, we have been reflecting on what it takes going forward to continue to build a sustainable and resilient brand with impact that endures across market cycles. DWM's longevity of experience in the field of impact investing has given us insights into scaling an investment platform in an evolving landscape. We recognize that this objective is inextricably linked to DWM's people, partners and clarity of purpose.

We are proud to be working alongside a committed team spread across 11 countries with diverse views and approaches that nevertheless shares a common purpose around what we can achieve together. We are honored to have the support of our clients (over 200 investee companies), investors (who themselves represent millions of pensioners, tax-payers, savings and insurance clients), and technical and service partners. This ecosystem of like-minded partners, which includes both impact veterans and first-time allocators, has contributed capital at scale

towards some of the world's most intractable issues such as economic exclusion, energy poverty, water and sanitation access – often doing so by helping marginalized segments including women, youth and forcibly displaced communities.

DWM has invested in over 60 countries, many of which are facing the effects of economic and social exclusion that is at times deeply rooted in complex underlying systems. These structures have further exacerbated marginalization, conflict, unprecedented depletion of natural resources and damage to natural safety nets. At DWM, our people and partners are brought together by our shared purpose and commitment to building inclusive, resilient, economically-strong, and environmentally-sound communities. As a global community, we are four years into the 2030 development agenda and as we face a growing number of issues, from climate change and poverty to forced displacement, the SDGs' emphasis on inclusion and interdependence underscores the need for a sustained commitment to achieve goals across the five dimensions of people, planet, prosperity, peace and partnership. At DWM, we stand ready to partner to strengthen our collective response to global challenges.

In reviewing this report, we hope you consider the commitment and contribution not only of our organization but of each of our employees, clients, investors and partners towards achieving the shared ambition of a more inclusive and resilient society that provides opportunity for all segments and demonstrates mutual respect for each other and our planet.

A handwritten signature in black ink, appearing to read "Peter Johnson".

Peter Johnson - Founder, Co-Managing Partner

A handwritten signature in black ink, appearing to read "Edward Marshall".


Edward Marshall - Co-Managing Partner


3

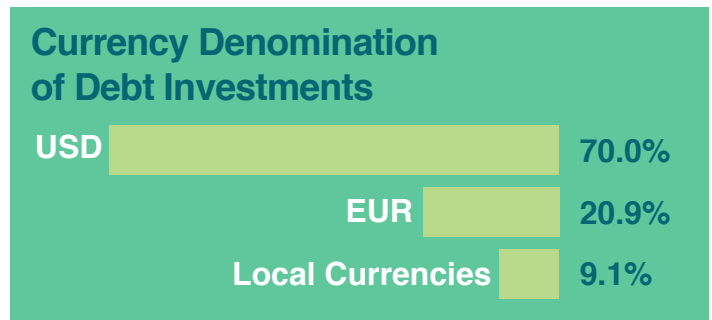
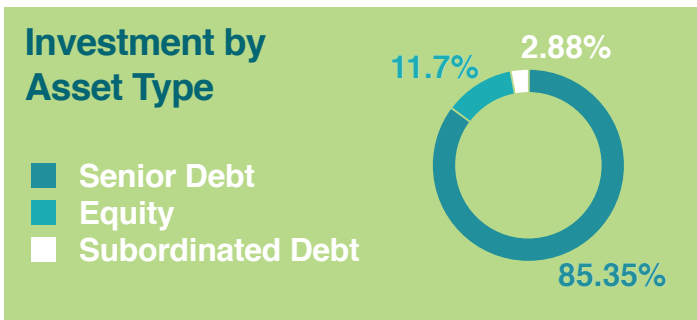
Portfolio Highlights



As of December, 31 2018

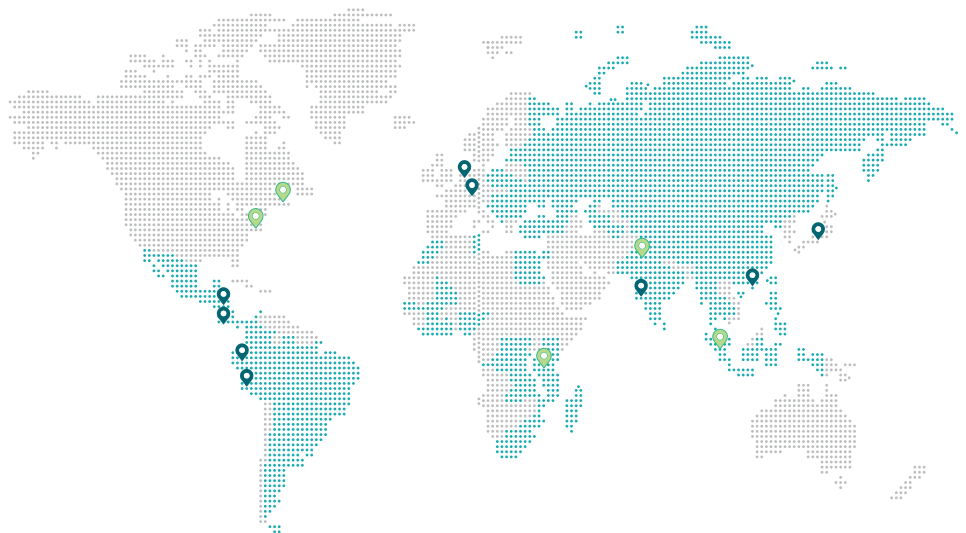
 <p>78 Companies In Current Portfolio</p>	<p>Financial Inclusion</p> <hr/> <p>Renewable Energy & Climate Action</p>	<ul style="list-style-type: none"> • 75 Inclusive Financial Institutions • Including 9 IFINs with Renewable Energy Mandate • 3 Solar Operating Companies
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<p>Regional Investment</p>  <p>31 Developing / Emerging Countries in Current Portfolio</p>	<table border="0"> <tr> <td>South, East, and Southeast Asia</td> <td>25%</td> </tr> <tr> <td>Central American Common Market</td> <td>19%</td> </tr> <tr> <td>South America</td> <td>17%</td> </tr> <tr> <td>Caucasus and Central Asia</td> <td>15%</td> </tr> <tr> <td>Africa and Middle East</td> <td>11%</td> </tr> <tr> <td>Eastern Europe</td> <td>9%</td> </tr> <tr> <td>Diversified</td> <td>4%</td> </tr> </table>	South, East, and Southeast Asia	25%	Central American Common Market	19%	South America	17%	Caucasus and Central Asia	15%	Africa and Middle East	11%	Eastern Europe	9%	Diversified	4%
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Africa and Middle East	11%														
Eastern Europe	9%														
Diversified	4%														



Where we invest

- | | | |
|----------------------|---------------------------------|--------------|
| LATIN AMERICA | Kosovo | Rwanda |
| Bolivia | Latvia | Senegal |
| Brazil | Macedonia | South Africa |
| Colombia | Montenegro | Tanzania |
| Costa Rica | Poland | Tunisia |
| El Salvador | Romania | Zambia |
| Ecuador | Russia | |
| Guatemala | Serbia | ASIA |
| Honduras | Moldova | Armenia |
| Mexico | Ukraine | Azerbaijan |
| Nicaragua | | Cambodia |
| Panama | AFRICA & MIDDLE EAST | China |
| Paraguay | Côte d'Ivoire | Georgia |
| Peru | D.R. Congo | India |
| Uruguay | Egypt | Indonesia |
| | Ghana | Kazakhstan |
| | Jordan | Malaysia |
| | Kenya | Mongolia |
| | Liberia | Myanmar |
| | Madagascar | Pakistan |
| | Mali | Sri Lanka |
| | Morocco | Philippines |
| | Mozambique | Tajikistan |
| | Nigeria | Taiwan |
| | Pakistan | Turkey |
| | | Thailand |

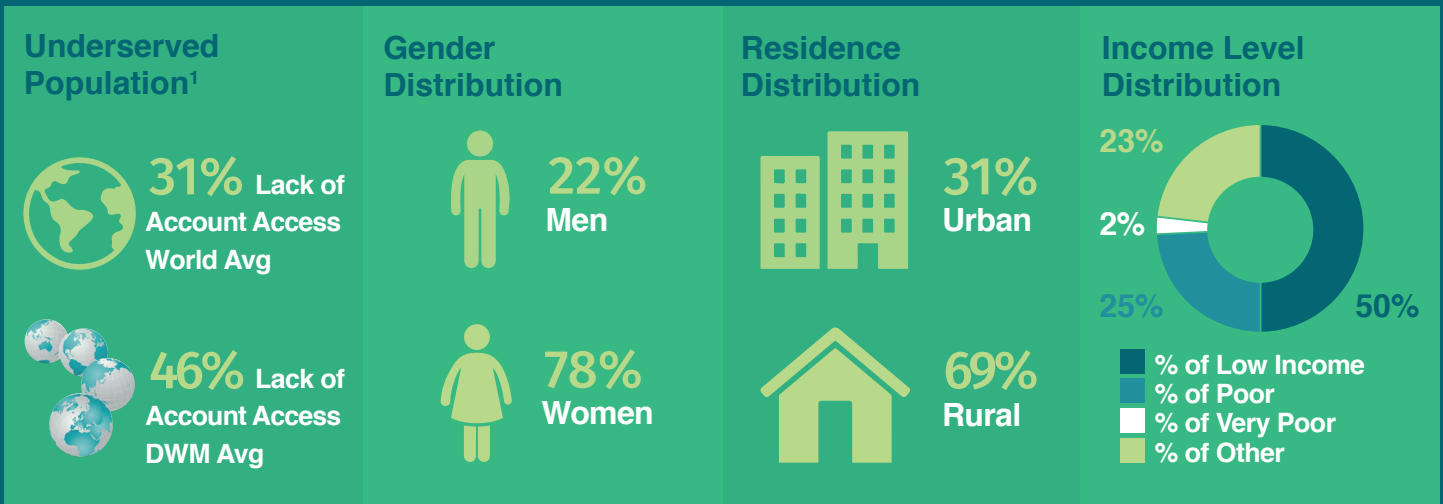


- Offices in New York, Connecticut, Nairobi, New Delhi and Singapore
- Additional staff in Costa Rica, Peru, Ecuador, Nicaragua, India, Japan, Germany, Netherlands, Hong Kong

DWM has invested in 200+ impact companies across 60+ developing countries.

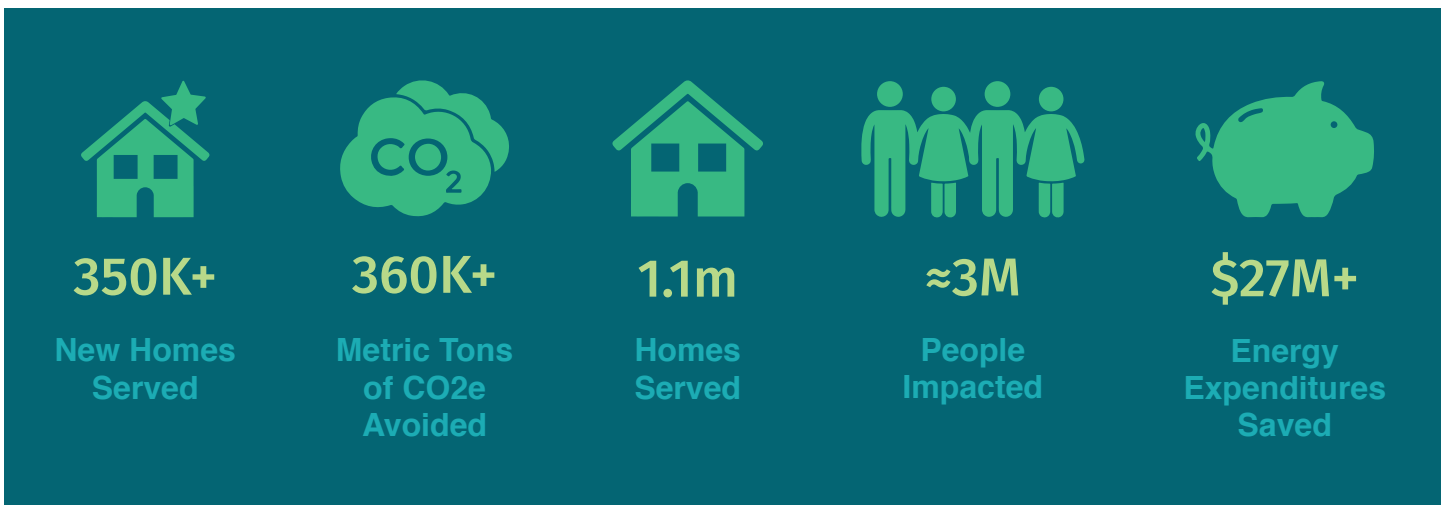
Financial Inclusion

* 53,766 SMEs were financed by the eight SME lenders, and 265,304 SMEs were financed by our MFIs.





Financial Inclusion Portion of DWM Off-Grid and Renewable Climate Action Note



4

Financial Inclusion



Financial Inclusion: Identifying the Need and the Solution

Credit Gap

While global poverty rates have been cut by more than half since 2000, one in ten people in developing regions are still living below the international poverty line of US\$1.90 a dayⁱ. According to the 2017 Global Findex Report, about 1.7 billion adults globally do not have an account at a financial institution or a mobile money provider. In developed countries, 94% of adults have accounts at financial institutions or mobile money providers. In developing countries, that number drops to 63% of adults. While in certain countries account ownership has surged, progress has been much slower in the developing world, especially among marginalized populations. Indeed, women and rural communities are over-represented among the world's unbanked and poor.ⁱⁱ

In addition, recent studies show that small and medium enterprises (SMEs) account for a majority of private sector business and economic activity in both developed and developing countries.ⁱⁱⁱ Formal SMEs contribute 45% of total employment^{iv} and 33% of Gross Domestic Product (GDP)^v in many developing economies, and some estimates indicate that 90% of total employment is from SMEs when considering the underserved informal sector. According to a 2017 World Bank report, there are 21 million SMEs in developing countries and 44% of them are financially constrained. An estimated \$4.5 trillion in additional investment is needed if we are to close the SME finance gap and provide better economic opportunities for people all over the world.^{vi}

Financial Inclusion as a solution

Financial inclusion offers a solution to the credit gap by providing lower-income populations access to financial services, such as microfinance, SME finance, and other specialized financial services. To varying degrees, financial inclusion enables access to credit, support for entrepreneurs, and income smoothing to create opportunities. Financial access alone is not sufficient, however, and for financial inclusion to be an effective solution it must be conducted in a responsible manner, with an emphasis on lending for productive purposes.

DWM's Impact

DWM supports financial inclusion through private debt and private equity investments in microfinance institutions (MFIs) and small and medium enterprise (SME) lenders, which provide financial access to underserved individuals, micro entrepreneurs, and small business segments. As of 2018, DWM had investments totaling over \$450 million including investments in **67 MFIs** and **8 SME lenders in 31 emerging markets**. DWM upholds financial inclusion conducted in a responsible manner. As a result, 94% of DWM's portfolio companies have implemented the Client Protection Principles.

Financial Inclusion's Primary Contributions to the SDGs

DWM bases its SDG taxonomy for financial inclusion on the research of the Consultative Group to Assist the Poor (CGAP), which concluded that financial inclusion primarily makes direct contributions to:



SDG 1: No Poverty Financial Inclusion's Contribution

Extensive research has confirmed that financial inclusion is beneficial for economic and social development. For example, a randomized evaluation study conducted by CGAP shows that microfinance helps households reprioritize their expenditures and smooth consumption, which can be extremely useful to poor households in managing unexpected expenditures and recovering from shocks. In addition to household consumption, microfinance helps improve other microeconomic indicators, including self-employment business activities and well-being.^{vii} Furthermore, an empirical study from the World Bank found improvements in economic growth indicators due to financial inclusion – namely, improvements in per capita income and rural poverty rates.^{viii}

SDG 2: Zero Hunger Financial Inclusion's Contribution

Studies show that access to credit, savings products, and micro-insurance can all improve rural livelihoods. Enabling farmers to access credit between harvests leads to more efficient labor allocation and to greater agriculture productivity^{ix}, while savings products allow them to make larger investments resulting in significant positive effects on agricultural yields and household expenditures.^x Insurance products similarly improve productivity by protecting against catastrophic risks, enabling farmers to make more meaningful technological investments.^{xi}





SDG 3: Good Health and Well-Being Financial Inclusion's Contribution

Research shows individuals with access to savings products are less vulnerable to unexpected health emergencies and tend to invest more in preventative health products.^{xii} Women-headed households spend more on nutritious foods and education after receiving saving accounts.^{xiii}

SDG 4: Quality Education Financial Inclusion's Contribution

CGAP highlights that savings products enable increased spending on education and that raising awareness of the importance of savings (i.e. financial literacy training) can lead to greater savings. Short-term extension of credit and remittance services also positively affected investment into the further education.^{xiv}



SDG 5: Gender Equality

Financial Inclusion's Contribution

Studies have shown that greater gender equality can improve household financial health, boost businesses' performance, and drive social development. Financial inclusion contributes to equality as providing women with access to financial services enables them to gain more control over household consumption decisions on durable goods, as well as increasing bargaining power for

women in households^{xv}. Broader economic data shows that closing the credit gap for women-owned SMEs in developing economies can boost real income per capita growth rates by around 85bp on average^{xvi}. Additionally, women in developing countries are more likely to be self-employed and thereby in need of financial services such as those offered through microfinance banks.^{xvii}

Financial Inclusion's Secondary Contribution to the SDGs

SDG 6: Clean Water and Sanitation
SDG 7: Affordable and Clean Energy
SDG 8: Decent Work and Economic Growth
SDG 9: Industry, Innovation, and Infrastructure
SDG 10: Reduced Inequalities
SDG 16: Peace, Justice, and Strong Institutions



Financial Inclusion's Contribution

Microfinance, SME lending, and micro leasing can act as sources of credit to finance the purchase of water and sanitation products as well as affordable, clean energy products, contributing to SDGs 6 and 7. To varying degrees, financial inclusion and the activities of microfinance institutions and SMEs also promote employment, vocational skill development, entrepreneurship, innovation, and the development of small-scale industry and economic growth, contributing to SDGs 8 and 9. Empowering individuals and companies from typically poorer backgrounds through financial services in a responsible manner can lead to increases in living standards and, over more extensive time horizons, reduced inequality. CGAP also contends that promoting economic opportunity fosters peace by reducing unrest and greater political stability.

DWM's Primary Contributions to the SDGs through Financial Inclusion

SDG	DMW's Contribution	
SDG 1: No Poverty	50%	of end clients are low income
	27%	of end clients are poor
	72%	of end clients are micro-enterprises
	59%	of DWM IFIN portfolio companies provide business, agricultural, or life insurance
	\$2,057	is the median loan size of DWM IFIN portfolio companies
SDG 2: Zero Hunger	20%	of lending by DWM IFIN portfolio companies is to the agriculture sector
	5	DWM IFIN portfolio companies have a majority allocation to the agriculture sector
SDG 3: Good Health & Well-Being	21%	of DWM IFIN portfolio companies provide a basic medical service to clients
	10%	of DWM IFIN portfolio companies provide basic health or nutrition education to clients
SDG 4: Quality Education	75%	of DWM IFIN portfolio companies provide financial literacy training to clients
	30%	of DWM IFIN portfolio companies provide business development assistance to clients
SDG 3 & 4	41%	of DWM IFIN portfolio companies offer voluntary deposit savings products to clients
SDG 5: Gender Equality	40	DWM IFIN portfolio companies have a client base that is majority female (by # of clients)
	25	DWM IFIN portfolio companies have a portfolio that is majority female (by amount of credit extended)
	11	DWM IFIN portfolio companies have a client base that is over 80% female (by # of clients)
	8	DWM IFIN portfolio companies have a portfolio that is over 80% female (by amount of credit extended)

DWM's Secondary Contributions to the SDGs through Financial Inclusion

SDG	DWM's Contribution to the SDGs	
SDG 6: Clean Water and Sanitation	9	DWM IFIN portfolio companies provide credit products in water and sanitation
	35,000	toilets and sanitation facilities funded through DWM WASH investments
SDG 7: Affordable and Clean Energy	18%	DWM IFIN portfolio companies provide credit products in clean energy or energy efficiency
SDG 8: Decent Work and Economic Growth	75%	of loans of DWM IFIN portfolio companies are for income-generating purposes
SDG 9: Industry, Innovation, and Infrastructure	34%	of DWM IFIN portfolio companies utilize some tech-driven product in the field
	18%	of additional DWM IFIN portfolio companies have a tech-driven product in development
SDG 8 & 9	8	DWM IFIN portfolio companies specialize in lending towards small and medium-sized enterprises
SDG 10: Reduced Inequalities	78%	of clients of DWM IFIN portfolio companies are female
	69%	of clients of DWM IFIN portfolio companies live in rural areas
	80%	of DWM IFIN portfolio companies operate as non-banks and serve a smaller sized target market
	50%	of DWM IFIN portfolio company micro clients are low income (Repeated from SDG 1)
	27%	of DWM IFIN portfolio company micro clients are poor (Repeated from SDG 1)
SDG 16: Peace, Justice, and Strong Institutions	75	is the number of inclusive finance investments that DWM holds to promote inclusive economic prosperity in a range of country and political environments

5

Portfolio Company SDG Insights



In 2018, DWM’s Proprietary Impact Questionnaire was enhanced to understand if DWM IFIN (Inclusive Finance Institution) portfolio companies aligned their mission to the SDGs. As part of their impact monitoring, DWM IFIN portfolio companies were asked to provide examples of products and services that support each goal to support the case for mission identification.

This monitoring, and the results which follow, serve as an empirical complement to the arguments provided above based on industry research studies on the topic. We believe this additional, empirical data will help drive continued alignment between the data collection process and impact.

% of DWM IFIN Ivestees who Identify their Mission Objectives with SDGs



SDG 1: No Poverty

DWM IFIN portfolio companies indicated their alignment with the goal through extending credit for income generation purposes to lower-income populations. Companies pointed to administering group loans, administering credit in rural areas, and administering mobile-based credit as factors enabling greater outreach to relatively poorer borrowers. DWM IFIN portfolio companies also identified their role as an alternative to predatory “loan shark” lending whereby informal lenders charge high interest rates and carry out aggressive collection practices. Remittance and insurance products were also seen as mitigating poverty levels.

SDG 2: Zero Hunger

DWM IFIN portfolio companies highlighted agricultural lending and equipment leasing to farmers as evidence of alignment. Various technical assistance services specific to agriculture provided to clients were also seen as direct contributions to SDG 2 and included training sessions on livestock, various crops, and pasture decomposition.

SDG 3: Good Health and Well-Being

DWM IFIN portfolio companies viewed loans extended for purposes of purchasing water, sanitation, and other health-related products as factors contributing towards the goal. Emergency loans were also seen as offering a product to meet health emergencies. In addressing SDG 3, DWM IFIN portfolio companies also pointed to various Corporate Social Responsibility (CSR) projects constructing hand-washing facilities at schools and running gratuitous medical assistance programs for clients and near-by communities.

SDG 4: Quality Education

In limited instances DWM IFIN portfolio companies offered lending for educational purposes to directly contribute towards the goal of quality education. In numerous instances, financial literacy trainings and technical assistance for business development were seen as meeting SDG 4 by providing informal education in the form of vocational training and numeracy skills. Various CSR initiatives including providing funding for various levels of schooling for clients’ children and people in the surrounding communities were also mentioned.

SDG 5: Gender Equality

DWM IFIN Portfolio companies who serve women to larger degrees identified this targeted outreach towards women as contributing towards the goal. Contributions included extension of credit and other ancillary products or services to support female clients. For example, in 2018, FINCA Kosovo launched a new product to help women in entrepreneurship. The product is called FINCA Women Entrepreneurship Loan, and carries 0% administrative costs and attractive conditions for business development. As of year-end, 2,508 female clients are using this product for their business. FINCA also launched an education training program for women covering topics including marketing, communication, finance and accounting.



DWM IFIN Portfolio Companies also reported contributions to other SDGs, including SDG 6: Clean Water & Sanitation, SDG 7: Affordable and Clean Energy, SDG 8: Decent Work and Economic Growth, SDG 9: Industry, Innovation, and Infrastructure, SDG 10: Reduced Inequalities, and SDG 16: Peace, Justice and Strong Institutions.

Portfolio companies cited contributions to SDG 6 through the provision of water and sanitation credit products and SDG 7 through the provision of renewable energy and energy efficiency credit products. WiDWM IFIN portfolio companies also highlighted contributions to SDGs 8 and 9 through income-generating credit, especially SME lending, business/vocational trainings, lending to start-ups, and the use of innovative mobile technologies to widen access to financial services. Offering a wide range of products and services was also seen as a factor that increases demand and economic growth.

Client Story

Saija



Empowering through Microfinance

Saija Finance Private Limited is a microfinance company in India operating in Bihar and other states in the northern and eastern regions of India. The company's client base is comprised of 98% female borrowers, with 70% of clients residing in rural areas. Saija's average loan size is \$210, representing 10% of GDP per capita. In addition to microfinance loans, the company provides life insurance and financial literacy training.

In 2016, DWM made a green loan to Saija as part of the ORCA Note program. The loan provided \$3.5 million in four-year financing with the proceeds used to finance solar and renewable energy products. Halfway through the notes program, Saija has disbursed \$4.5 million in clean energy-related loans. Below, we feature a report from Saija on the impact of a loan made in 2015 for a solar lamp product which DWM's 2015 ORCA Note program helped support.

"In a village located in the Dholi region of Bihar, Rojida Khatun lives with her husband and two children. Her husband is a day laborer who supported his family while Rojida supplemented his income by selling bangles. Along with raising her two children and doing daily household chores, Rojida worked every day – through scorching heat or pouring monsoon rains – with the goal of selling a few bangles every day. She dreamed of having her own bangle shop and began to save what was needed to pull together the initial investment required to open her shop."

While initially struggling to save the needed funds, discovering Saija through the recommendation of a friend gave Rojida access to the capital required to open her micro-business, a bangle store:

"In 2015, Rojida enrolled herself as a Saija client in a nearby group and received a loan of Rs. 15,000 that day.

Rojida opened a shop right in front of her house within the next few days. She even added a few more products to sell, including earrings and bindis. The store did well and was open until dusk, helping Rojida improve her livelihood."

In the subsequent year, and following repayment of her first loan, Rojida took on a second, larger loan to improve her business and expand her existing inventory and products to also include garments. However, "Over time she began to realize that business slowed down for 1 to 2 hours every day during the daily power cuts." Through a Saija field officer, Rojida became aware of a new product the company was offering: Solar Lamps. "After learning more about the product, Rojida decided to buy it to run her shop during power cuts."

The interventions through Saija's microfinance and energy loans provided timely support to implement Rojida's plans for business setup and growth, while also enhancing the family's quality of life through increased productivity, earnings and access to clean energy sources.



6

Renewable Energy & Climate Action



Renewable Energy & Climate Action: Identifying the Need

Clean Energy Gap

According to the International Energy Agency’s 2017 Outlook Report ^{xviii}, 1.1 billion people (14% of the world’s population) did not have access to traditional electricity sources, with the majority of these individuals living in rural areas.

Grid utilities are often too expensive for poor countries to expand and maintain. As a result, people living off the electric grid in developing countries

typically use carbon-based products to fuel primary lighting, which can be expensive, pollutive, and can pose health risks. Therefore, off-grid renewable energy presents a practical alternative to address the challenge of energy poverty. However, as discussed above, people in developing countries still face challenges to gaining financial access to improve their quality of life, including the purchase of off-grid energy products.

DWM’s Contributions to the SDGs through Renewable Energy

Renewable Energy & Climate Action



3
Solar Operating Companies



350K+
Solar Home Systems Installed



≈2.2M
Solar Lanterns Sold



350K+

New Homes Served



360K+

Metric Tons of CO2E Avoided



1.1m

Homes Served



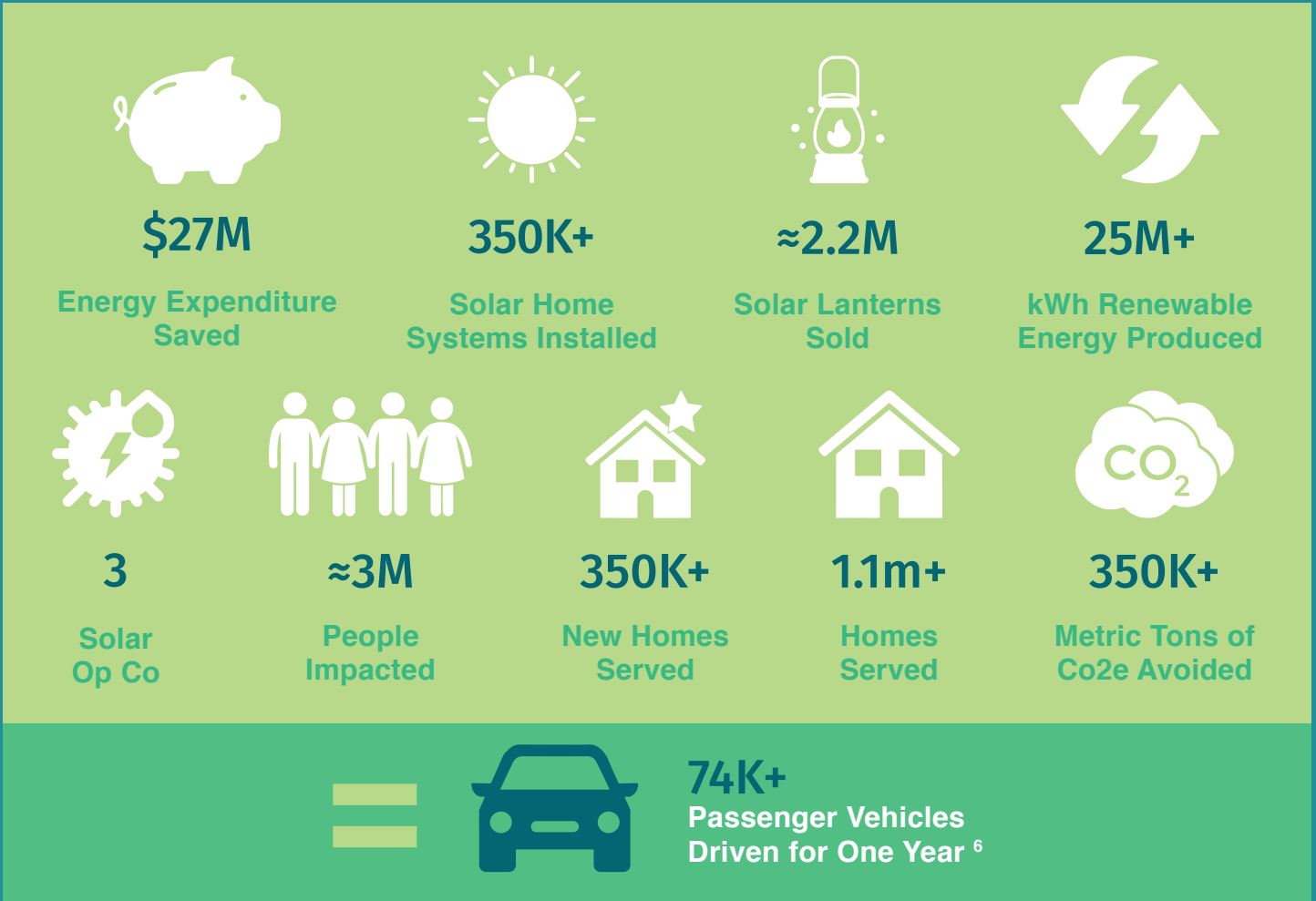
≈3M

People Impacted



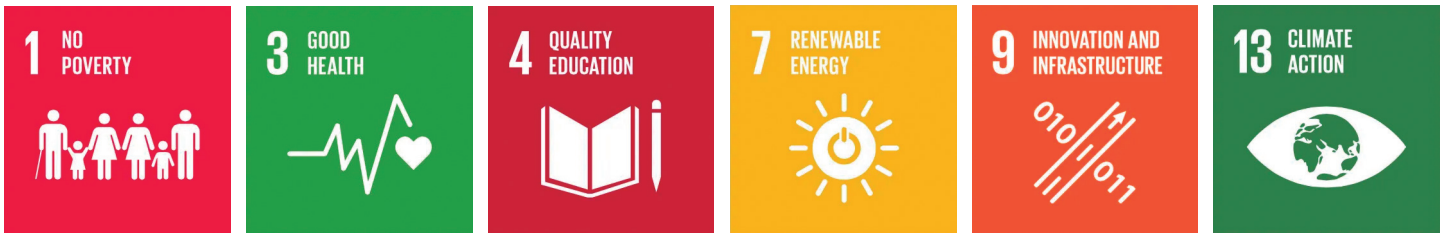
\$27M+

Energy Expenditures Saved



DWM has invested in three off-grid solar companies that in 2018 provided more than 350,000 solar home system installations as well as sold approximately 2.2 million solar lanterns. Purchases of these products are expected to lead to energy expenditure savings of \$27 million through servicing 350k households and effectively 3 million people during the last year. These companies service 1.1 million households, which include 350,000 new households in 2018. This activity is expected to lead to 25M kWh of renewable energy produced and 350k metric tons of CO2 emissions avoided.

Renewable Energy's Contributions to the SDGs



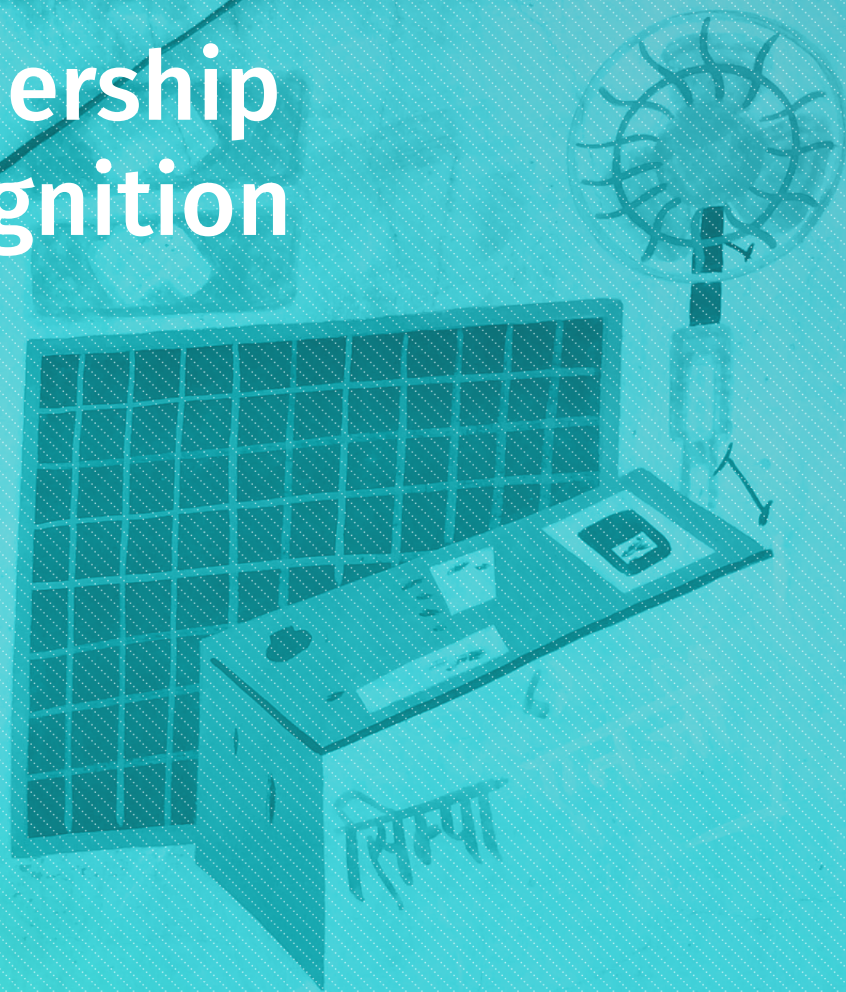
Off-Grid, Renewable Energy, and Energy Efficiency's Contribution to the SDGs

Research shows that replacing carbon-based products can help to reduce greenhouse gas emissions and help to create a sustainable environment at the global level addressing SDGs seven, nine, and thirteen.

Based on data reported to DWM from the three solar operating companies in which it has invested, customers who purchase solar systems benefit from savings of \$138 (on average) in energy and mobile phone charging expenditures and electricity access, contributing to SDG 1. The foregoing calculation is based on DWM-collected metrics over an expected minimum unit lifetime of 5-years.

Off-grid renewable energy lighting products can also reduce fire and health risks contributing to SDG 3. A study shows that households purchasing solar kits from DWM investee, d.Light, experienced 88% fewer burns from lighting sources and 93% fewer fires than those who didn't use d.light solar products, who often use kerosene-based lighting.

7 Partnership Recognition



सर्वोत्तम क्वालिटी
सौर उपकरणों के साथ
लंबे समय की गारंटी

Investment Partnership¹

This results reflected in this report would not be possible without the support of the following institutions:



Industry Collaboration



The Smart Campaign advocates a common code of conduct in the microfinance industry, governing and establishing client protection safeguards. The Client Protection Principles (CPP) are the Campaign's outlined minimum standards that clients should expect to receive when doing business with a microfinance institution.

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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. In 2011, the Principles for Investors in Inclusive Finance (PIIF) were created as a distinct subset within the PRI Initiative, providing investors with a framework for responsible investment focused on access to finance for poor and vulnerable populations. DWM is signatory to both the PRI and the PIIF and submits annual progress reports.



Microfinance Information Exchange provides objective and qualified financial and social performance information on micro-

finance institutions, covering some 2,000 institutions globally. DWM encourages microfinance clients to submit annual Social Performance Standards Report to MIX and to acquire social ratings.



The Global Impact Investing Network (GIIN) is a nonprofit or-

ganization 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.



Global Impact Investing Rating System (GIIRS), a project of the independent non-profit B Lab, is a comprehensive and transparent system for assessing the social and environmental impact of companies and funds with an approach to ratings analogous to Morningstar's and an analytic approach similar to Capital IQ's. Ratings are subject to the GIIRS verification process, which is executed with the support of a third-party documentation review. DWM was named a pioneer by GIIRS and has one of the first funds to receive a GIIRS Impact Rating.

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¹ It is not known whether the DWM listed above approve or disapprove of DWM Finance or the advisory services provided.

8

Impact Measurement Methodology

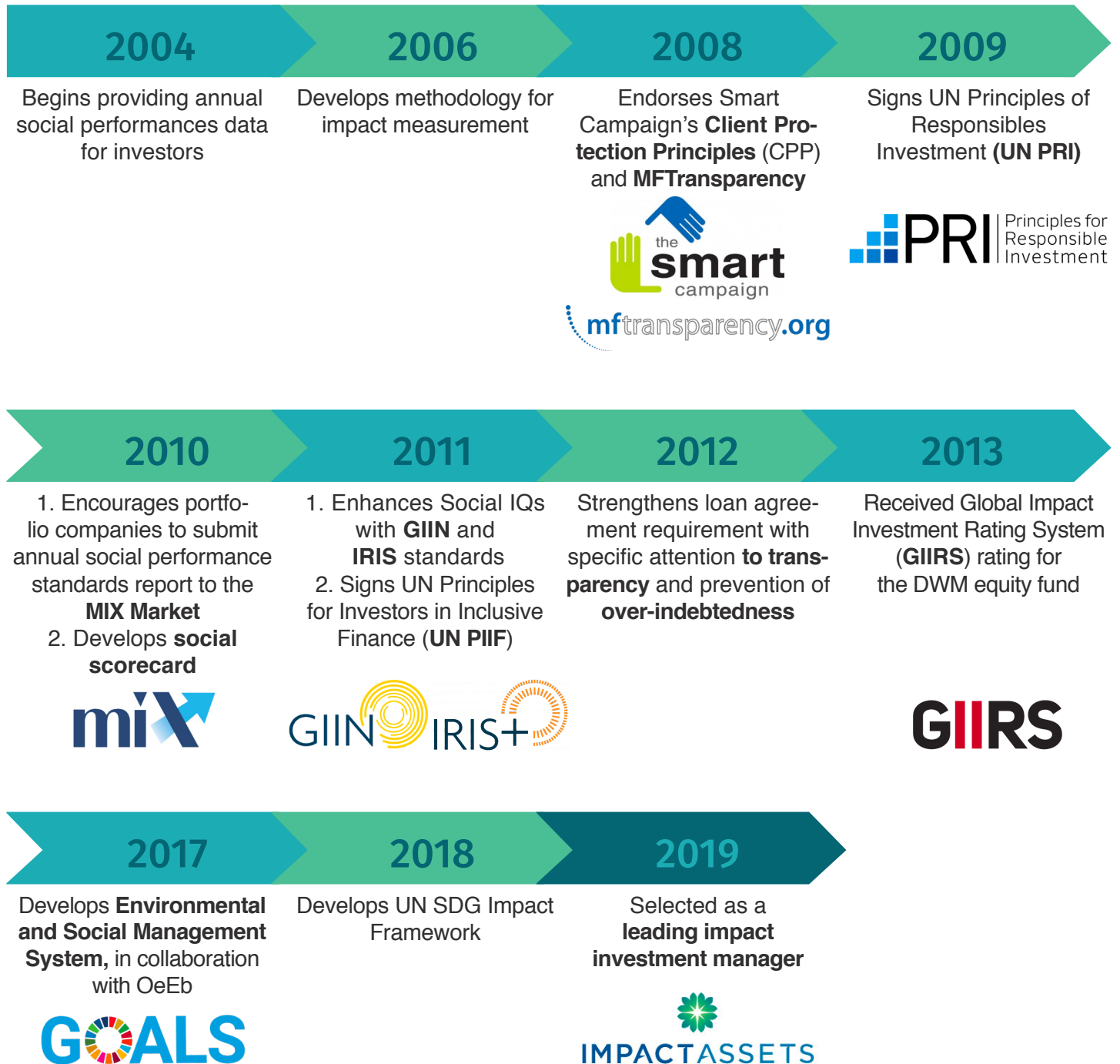


Impact Measurement

With a commitment to drive positive social and environmental impact and to contribute to the SDGs, DWM measures and monitors the impact of our portfolio companies in both a qualitative

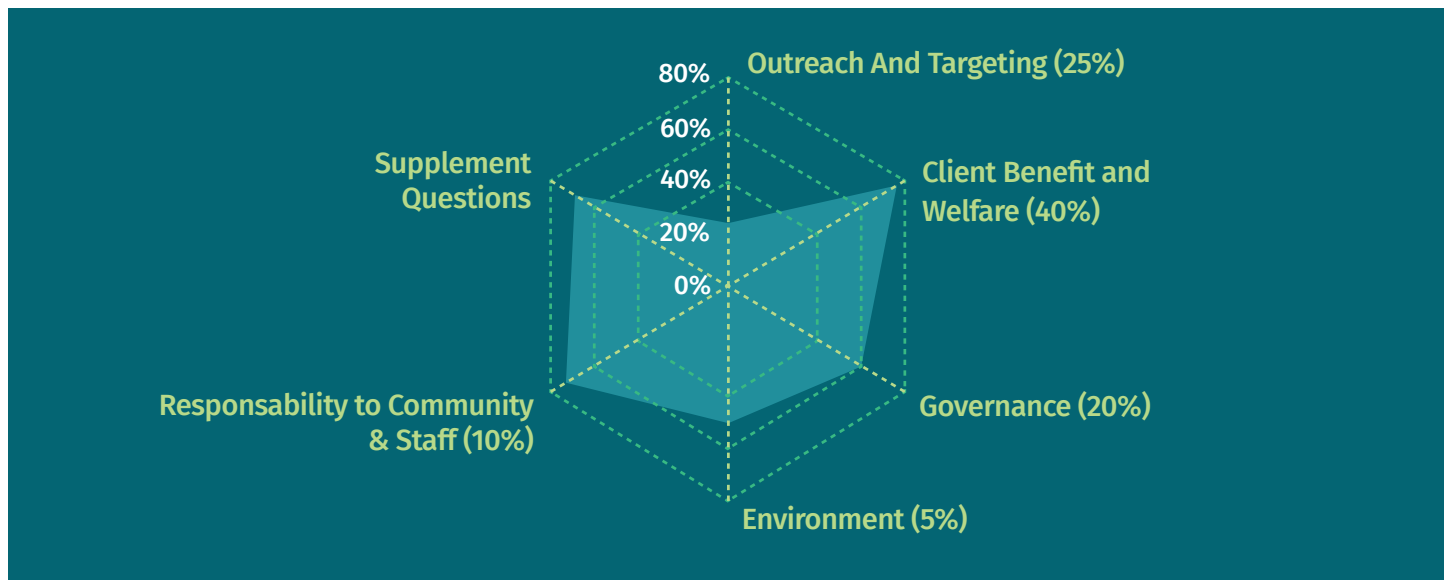
and quantitative manner. Over the years, DWM has adopted and adapted several impact measurement tools and endorsed industry standards for different investment sectors.

Industry Collaboration



Evaluation Dimension Indicator Examples

Client Benefit & Welfare (40%)	Borrower indebtedness prevention Non-financial products and services
Outreach & Targeting (25%)	Average loan size, Client socioeconomic levels, rural vs. urban
Responsibility to Community & Staff (10%)	Staff feedback, grievance mechanisms, Contributions to community
Environment (5%)	Internal environmental policies Environmental education and promotion
Governance (20%)	Mission and vision Salaries, remuneration, and incentives



Impact Questionnaire & Scorecard (DWM Impact IQs)

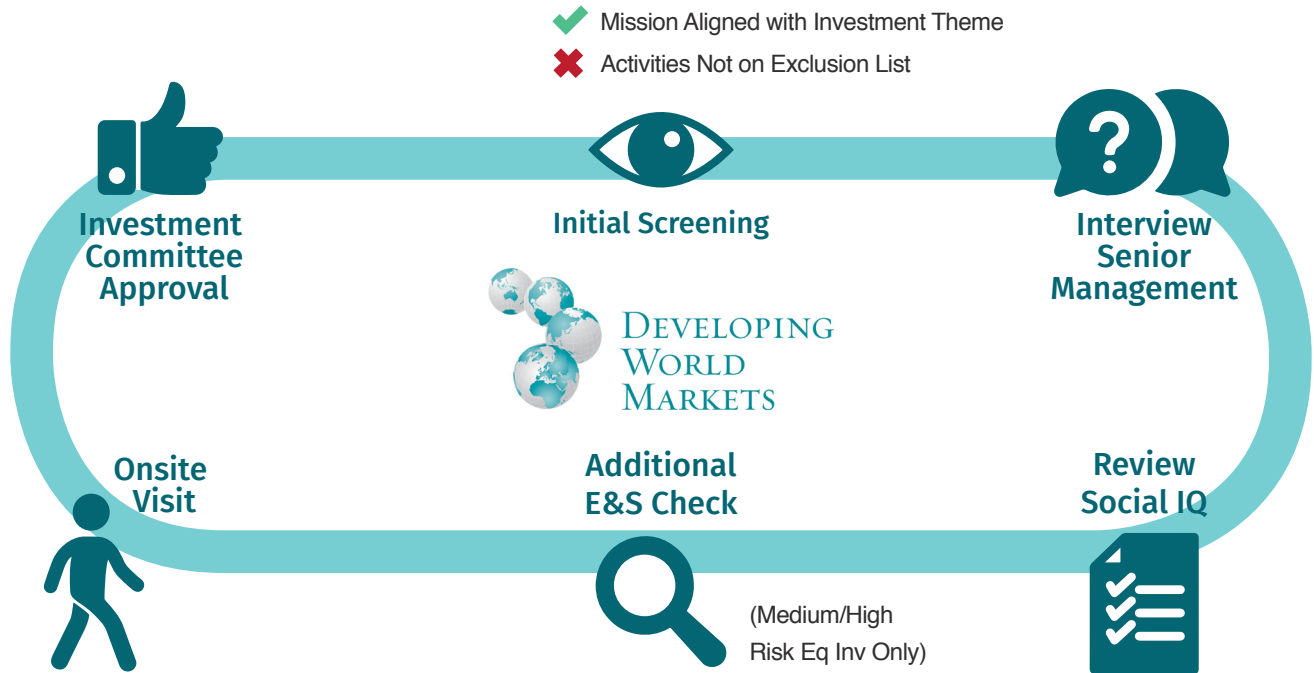
Impact Questionnaire & Scorecard (DWM Impact IQs) is a proprietary, data-driven tool used during the due diligence process and on an annual basis post-investment. The DWM Impact IQs use approximately 60 indicators to evaluate impact across five dimensions and is customized based on the portfolio company types, including microfinance institutions, SME lenders, and solar operating companies. Data are cross-checked for accuracy against DWM’s financial database and the Smart Campaign website.

Environmental & Social Management System Integration

In 2016, DWM developed an environmental and social management system in collaboration with OeEB, the Austrian development bank, and integrated it with our existing impact management framework. As a result of the environmental and social management system integration, additional due diligence related to social and environmental performance is conducted on companies, such as SME lenders, to determine if they are low, medium, or high risk.

Pre-Investment Process

DWM collects social and environmental data and evaluates the impact of potential investments during due diligence. The analysis is conducted through both desktop due diligence and an onsite visits.



Post-Investment Process

On an annual basis, DWM performs an on-site visit. In addition, we collect social and environmental data to track trends and identify areas of strength and improvement for each portfolio company.



- i** <https://www.worldbank.org/en/topic/poverty/overview>
- ii** Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank
- iii** <https://oecd-development-matters.org/2017/04/03/unlocking-the-potential-of-smes-for-the-sdgs/>
- iv** http://www.ilo.org/wcmsp5/groups/public/--dgreports/---dcomm/---publ/documents/publication/wcms_615594.pdf
- v** <https://openknowledge.worldbank.org/bitstream/handle/10986/26324/113906-WhatsHappeningintheMissingMiddleLessonsinSMEFinancing-29-32017-14-20-24.pdf?sequence=1&isAllowed=y>
- vi** <https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/MSME%20Report.pdf>
- vii** <https://www.cgap.org/sites/default/files/CGAP-Forum-Latest-Findings-from-Randomized-Evaluations-of-Microfinance-Dec-2011.pdf>
- viii** <http://documents.worldbank.org/curated/en/730041468152101741/pdf/WPS6655.pdf>
- ix** <https://www.povertyactionlab.org/evaluation/impact-food-and-cash-loans-smallholder-farmers-zambia>
- x** <http://www.nber.org/papers/w20946.pdf>
- xi** http://www.ilo.org/wcmsp5/groups/public/--ed_emp/---emp_policy/documents/publication/wcms_437194.pdf
- xii** <https://www.poverty-action.org/study/saving-health-expenditures-kenya>
- xiii** Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank
- xiv** Leora Klapper, Mayada El-Zoghbi, and Jake Hess. Achieving the Sustainable Development Goals: The Role of Financial Inclusion. CGAP
- xv** http://www.people.hbs.edu/nashraf/FemaleEmpowerment_WorldDev.pdf
- xvi** <http://www.goldmansachs.com/our-thinking/public-policy/gmi-folder/gmi-report-pdf.pdf>
- xvii** Leora Klapper, Mayada El-Zoghbi, and Jake Hess. Achieving the Sustainable Development Goals: The Role of Financial Inclusion. CGAP
- xviii** <https://www.iea.org/energyaccess/database/>



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