

---

# 2021 IMPACT REPORT



DEVELOPING  
WORLD  
MARKETS





**1** ABOUT DEVELOPING  
WORLD MARKETS 03

---

**2** MANAGEMENT  
NOTE 05

---

**3** PORTFOLIO  
HIGHLIGHTS 10

---

**4** FINANCIAL INCLUSION &  
CONTRIBUTION TO SDGS 16

---

**5** RENEWABLE ENERGY &  
CLIMATE ACTION 23

---

**6** PARTNERSHIP  
RECOGNITION 27

---

**7** IMPACT  
MANAGEMENT 30

---





1

# About Developing World Markets





## DEVELOPING WORLD MARKETS

### Our Mission:

Developing World Markets (DWM) seeks investible solutions that sustainably address the social, environmental, and economic needs of the developing world.

Our staff, investors, and partners, share a common purpose: to use impact investing to build inclusive, resilient, economically-strong, and environmentally-sound communities, around the world.

### Impact Investing with Competitive Returns:

DWM is dedicated to making impact investments that seek risk-appropriate returns for our investors while obtaining measurable environmental and/or social benefits in the markets where we invest.

### Exclusive Focus on Emerging and Frontier Markets:

For over twenty-five years, DWM has exclusively focused on investing in emerging and frontier markets and to date has made investments in over 60 countries.

### A History of Catalyzing Impact:

DWM began impact investing in 1999 and shifted exclusively to impact investments in 2004. By partnering with some of the world's largest institutional investors, DWM has invested or arranged over \$2.2 billion in financing for more than 200 environmentally and socially positive companies.

### Multisector Impact Strategies:

Starting in 2016, DWM launched a groundbreaking structured product in the off-grid renewable energy space and has since brought to market or launched multiple multisector funds that invest in a broad range of impact sectors including financial inclusion, renewable energy, sustainable agriculture, water and sanitation, healthcare and forcibly displaced communities.

### Global Presence:

Headquartered in the U.S., DWM has a presence in 12 global locations including Costa Rica, Ecuador, India, Nicaragua, Japan, Germany, France, the Netherlands, Peru, Georgia, Kenya and Mexico.

### Partnership for Impact:

DWM became a signatory of the Operating Principles for Impact Management and released its first annual disclosure in December 2020. As part of the disclosure, DWM engaged Innovest Advisory to provide a rigorous analysis of its alignment with the Operating Principles, which was publicly re-

leased in March 2021. Additionally, DWM has worked with multiple partners including Bankable Frontiers (BFA), Criterion Institute, MicroSave and 60 Decibels to provide ongoing support to our portfolio companies on a broad range of issues including resilience, gender equity and climate mitigation and adaptation.

### Net Zero:

DWM believes that impact investing must be conducted in a sustainable manner and that all impact investing should be carbon neutral. This core principle led DWM to become a signatory to the Net Zero Asset Manager Initiative in March 2021— an initiative of global asset managers to achieve net zero emissions by 2050 or sooner. DWM has begun tracking portfolio emissions and evaluating systematic methods of reduction and mitigation to achieve a carbon-neutral or carbon-negative portfolio. DWM is already well on its way. Since 2016, DWM's investments in the off-grid renewable energy sector have resulted in total CO2 reductions of over 1.3 million metric tons.





2

Management Note





## Dear Readers,

In 2021, the Covid-19 pandemic, exacerbated by the Delta variant, continued to present the most immediate challenge to the health and economic well-being of people around the world, in particular those in developing economies. The International Monetary Fund estimates that the pandemic pushed an additional 95 million people into extreme poverty in 2020, compared to pre-pandemic projections.

### OUR COVID RESPONSE

Starting in 2020, DWM doubled down on its commitment to the inclusive finance sector in response to the unfolding pandemic. Our private debt and risk teams stress-tested our portfolio, shared results with key international lenders, and based on these results renewed \$86.5 million in loans to 16 inclusive finance institutions while providing \$182 million in new funding to new and existing portfolio companies. Meanwhile, our private equity team focused its attention on managing the operational and economic impact of the pandemic on 12 portfolio companies, that in turn manage \$4 billion in loans to microentrepreneurs and small- and medium-sized businesses. The result of these efforts, across the impact investing industry, serves as a model for how investment and impact goals can be mutually-reinforcing.

In 2021, with the pandemic far from receding, we shifted our focus past needed institutional support and directly toward the people these institutions serve. This includes 16.5 million individuals and their families in developing markets served by our private debt strategies, in addition to the 2.5 million lives served by our PE investments. We asked ourselves, 'How can the sector be better positioned to help individuals withstand future shocks? The data from this report point to challenges and solutions.



## LESSONS LEARNED DURING COVID

Perhaps not unexpectedly, our report shows that non-financial client programs, such as those providing health and nutrition education or enterprise skills development, declined in 2020. To comply with public health measures taken to reduce the spread of Covid-19, client programs were cut back or eliminated at the very moment they were most needed.

### Spotlight: The DWM Displaced Communities Fund

Non-financial programs are vital to the success of financial inclusion, and we are taking steps to ensure they are run sustainably, by incorporating them in our investment design and strategy. For example, DWM's private equity team has developed an inclusive finance strategy supporting displaced and migrant populations, principally in Africa. A key component of this strategy – designed in consultation with our target investee institutions – will be the development of displacement-inclusive products and services, displacement-inclusive business practices and financial literacy and non-financial skill building for clients. Incorporating client-focused practices and programs is another way that we are linking investment and impact goals in a self-reinforcing manner.

On the positive side, our report also shows that with the increased adoption of mobile platforms and digital technologies for access to financial services, customers are benefitting from greater data privacy and related protections. Increasing digital adoption and its subsequent customer protections remains critical going forward, as our recent study with BFA Global has shown. This study indicated that customers see less severe revenue drops and have greater resilience to financial shocks when utilizing digital payments. No doubt the pandemic accelerated a digital transformation already underway. Now, harnessing that momentum to more effectively reach underserved populations and build greater resilience to shocks will be critical to reaching our impact objectives.

Our report also points to advances in the promotion of gender equality and advancement among both clients and staff of inclusive finance institutions. We believe that a focus on gender equality within inclusive finance sector is more critical than ever, given the economic effects from the pandemic are expected to have exacerbated income inequality globally, with women at greater risk of falling further behind. With this focus in mind, we are partnering with the Criterion Institute to perform a deeper analysis on portfolio company processes and power dynamics that may be contributing toward gender inequality.

## POST-COVID TAKEAWAYS

The pandemic was a painful reminder that external shocks will continue to occur and will disproportionately affect developing economies and the very poor. We don't need to look far beyond Covid to see how extreme weather events such as droughts and floods caused by climate change, already upon us, threaten to cause even greater damage and dislocation. So, what role can impact investing and financial inclusion, specifically, play when it comes to climate change? DWM's \$62 million Off-grid, Renewables and Climate Action (ORCA) Notes offers one pathway.

### Spotlight: ORCA Note

The DWM Off-Grid Renewable Energy and Climate Action ("ORCA") Impact Note, which invested into off-grid solar companies and inclusive finance institutions providing credit for renewable energy and energy efficiency, was at the time of launch in 2016, one of the largest financing vehicles of its kind. Thanks to ORCA, DWM's investment portfolio has been carbon negative since 2016, and we are busy at work supporting the inclusive finance sector's role in climate mitigation, adaptation/resilience, and the circular economy and in building a portfolio of clean energy investments. This work will require capital, technical partners, and a commitment to comprehensive measurement, transparent reporting, and holistic management.



## STRENGTHENING THE DWM TEAM

**New Director of Impact.** Given our ambitious impact goals, we are very pleased that Hannah Schiff joined DWM this year as our Director of Impact. Hannah is a leader in impact design and measurement, having previously worked at the Global Impact Investing Network (GIIN) and at the asset management firm Nuveen. At DWM, Hannah will be responsible for the implementation of our impact strategies and the execution of DWM's impact measurement, management, and reporting function. She will also play a key role in supporting DWM's expansion into new impact sectors, through research and framework design.

Over 25 years ago, more than a decade before the term 'impact investing' was even coined, our founders at DWM set about demonstrating that there was a different way to invest — one that combined investing for financial returns with solving social and environmental challenges. Today, we are encouraged to see that our investment approach, impact investing, has gained widespread acceptance. Now that we know that private capital can be part of the solution, we also know that it must be, and there is no turning back.

We are proud of the actions that DWM and other impact investors took in response to the economic shock from the pandemic since the start of 2020, which serve as a model for how investing and impact goals can be self-reinforcing.

**DWM will continue to lead the way.**



Edward Marshall  
Co-Managing Partner



**Peter Johnson**  
Co-Managing  
Partner



**Edward Marshall**  
Co-Managing  
Partner



**Odette Tolliver**  
Partner,  
CFO



**Brad Swanson**  
Partner,  
Private Equity



**Aleem Remtula**  
Partner,  
Private Equity



**Courtland Walker**  
Partner,  
Head of Products  
& Partnerships

## EFIM CAZAC

is a fourth-generation beekeeper having grown-up at his grandparents' and parents' apiaries in Moldova. After school, Efim decided to return home and take over the family business. In 2015, having inherited about 40 hives, Efim applied to Microinvest for a project loan and with the loan was able to purchase another 150 hives. He has continually been expanding his apiary and today boasts over 1200 bee families in hundreds of hives across 8 villages Efim believes the loans are “a real rescue, and without which it is virtually impossible to develop a small business, especially in the agri-

cultural sector. If we had listened to others' opinions and had not applied for our first line of credit, today we wouldn't even have 100 hives.” In addition to managing his own apiary, Efim is the president of the Association of Beekeepers from Soroca Plain and is working to promote the Moldovan honey within his home country. Today 90% of the harvest is exported to Europe in bulk and so is working hard to promote it locally with the goal of producing his own brand of honey.







3

Portfolio Highlights



## Portfolio Overview

<p><b>79</b> Total Companies in Portfolio</p> 	<p><b>76</b> Inclusive Financial Institutions</p> <p>Including <b>9</b> IFINs with Renewable Energy Mandate</p> <p><b>3</b> Solar Operating Companies</p>	<p><b>31</b> Total Countries in Portfolio</p> 
---	---	---

**Types of Organizations**

**66** MFIs      **10** SMEs

**16,564,129**  
Active Borrowers Reached

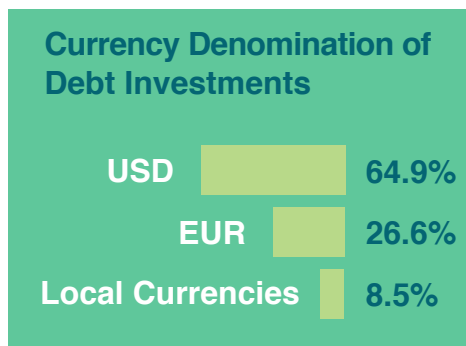
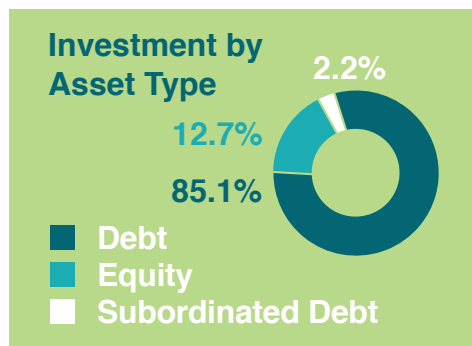
**351,242**  
SMEs Reached

**Regional Investment Breakdown**

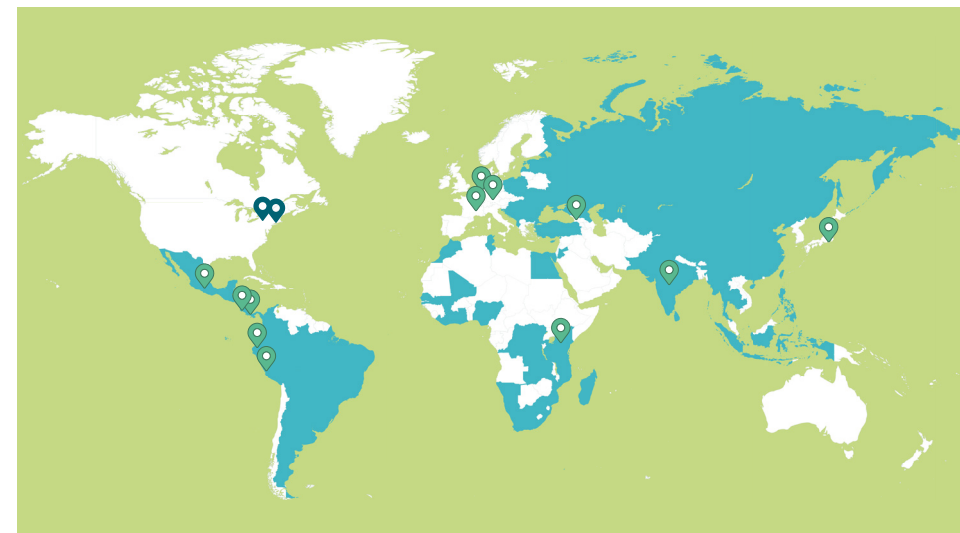
- 26% South, East, and Southeast Asia
- 23% Central American Common Market
- 18% South America
- 15% Eastern Europe
- 13% Caucasus and Central Asia
- 6% Africa and Middle East

**Within Off-Grid Portfolio**

<b>340,000</b>	<b>333,000</b>
Solar Home Systems deployed by OpCos	Metric Tons CO2 Avoided by Solar OpCos



## Where We Invest



### CENTRAL AND SOUTH AMERICA

Bolivia  
Brazil  
Colombia  
Costa Rica  
El Salvador  
Ecuador  
Guatemala  
Honduras  
Mexico  
Nicaragua  
Panama  
Paraguay  
Peru  
Uruguay  
Cayman Islands

### EASTERN EUROPE

Albania  
Bosnia  
Bulgaria  
Cyprus  
Estonia  
Hungary  
Kosovo

Latvia  
Macedonia  
Montenegro  
Poland  
Romania  
Russia  
Serbia  
Moldova  
Ukraine

### AFRICA & MIDDLE EAST

Côte d'Ivoire  
D.R. Congo  
Egypt  
Ghana  
Jordan  
Kenya  
Liberia  
Madagascar  
Mali  
Morocco  
Mozambique  
Nigeria  
Pakistan  
Rwanda  
Senegal  
South Africa  
Tanzania

Tunisia  
Zambia  
★ Burkina Faso

### ASIA

Armenia  
Azerbaijan  
Cambodia  
China  
Georgia  
India  
Indonesia  
Kazakhstan  
Malaysia  
Mongolia  
Myanmar  
Pakistan  
Sri Lanka  
Philippines  
Tajikistan  
Taiwan  
Turkey  
Thailand  
★ Uzbekistan  
★ Kyrgyzstan

- ★ Most recently added investee countries
- 📍 US Headquarters in Connecticut and New York

- 📍 Presence in the Netherlands, Japan, Kenya, India, Mexico, Peru, Costa Rica, Ecuador, Nicaragua, France, Germany and Georgia

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



# Financial Inclusion

## End Clients



78%

Female Clients



19%

MFIs serving 70% female client base



67%

Rural Clients



68%

MFIs providing Financial Literacy Training



80%

Low-income or below clients



8%

"Young Clients" (Age 16-29)

## Gender Distribution



78%  
Women



22%  
Men

## Residence Distribution



67%  
Rural

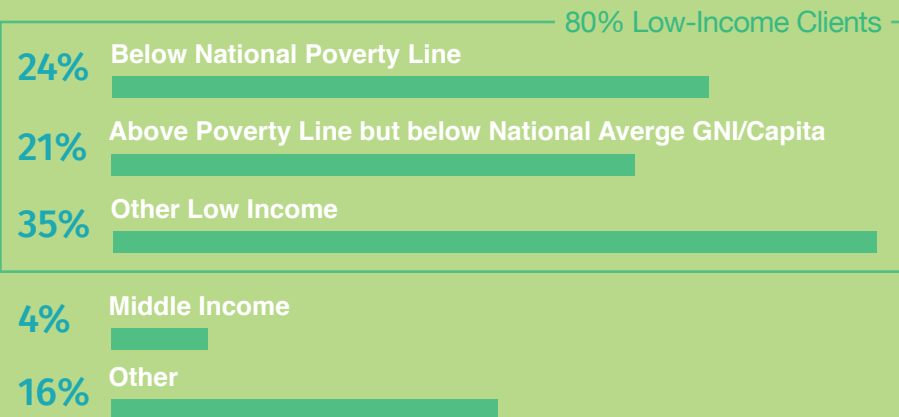


6%  
Peri-Urban



27%  
Urban

## Income Level Distribution of Clients



## Financial Products Offered in Addition to Loans (% of companies)



32%

Remittance Services



8%

Ag Insurance



13%

Micro Leasing



26%

Mobile Banking



29%

Saving Products



34%

Loan Insurance



11%

Health Insurance



37%

Life Insurance



21%

Debit/Credit Cards

## Non-Financial Services Offered



23%

Enterprise Skills Development



26%

Business Development Assistance



5%

Basic Medical Care



10%

Basic Health or Nutrition Education



68%

Financial Literacy Training



73%

Training on Evaluating Debt Capacity



## Client Protections

DWM is committed to prioritizing the protection of the end-borrowers. As part of this focus, DWM has signed the joint statement promoting the Client Protection Pathway, which aims to support client protection implementation in the financial inclusion sector. Highlighted below are specific examples of client protection initiatives adopted by DWM portfolio companies:

**73%** of IFINs offering training/guidance to clients on evaluating debt capacity

**90%** of IFINs who perform client satisfaction assessment

**92%** of IFINs who offer complaint mechanism for clients

**58%** of IFINs with board/senior management review of overindebtedness

**69%** of IFINs part of national banking association

There has been an increase in mobile and digital adoption by end clients that was accelerated by the COVID 19 pandemic. With this increased utilization comes an increased importance on maintaining strong data privacy and protection practices. Below are some of the practices portfolio companies are employing to ensure data security:

**73%** of IFINs that have data protection officer

**90%** of IFINs devoting “significant resources” to data privacy

## Gender Equity & Diversity

**45%** of IFINs with staff over 50% female

**21%** of IFINs targeting “Non-traditional” employees

**63%** of IFINs with board/senior management review of Gender Diversity

**20.6%** of IFINs offering training/guidance to clients on evaluating debt capacity

**32%** of IFINs who perform client satisfaction assessment

**32%** of IFINs offering training/guidance to clients on evaluating debt capacity

**16%** of IFINs who perform client satisfaction assessment

**11%** of IFINs who perform client satisfaction assessment

As part of its focus on gender equality, DWM has engaged the Criterion Institute to do a deeper study into the processes and power dynamics within portfolio companies that may be unintentionally exacerbating the gender equity gap. Through this study, DWM will provide recommendations on process level improvements to the portfolio companies on balancing power between management and staff, staff and customers, and among underserved and/or historically marginalized communities being served.

## MARÍA ESTAUFILIA BURGA DE MEJIA

from the province of Cajamarca, Peru runs a business engaged in the production and sale of lemons and passion fruit. She has been at the same small farm for over 20 years. Initially Maria had problems obtaining financing as several commercial banks deemed her business to be too small. Edpyme Alternativa was one of the few who were willing to work with her and sent an analyst to her farm to explain the potential

benefits of obtaining the loan. Maria first began taking loans from Edpyme Alternativa in 2007. Over this time, she has increased her farm from 8 hectares to 32 and has employed her entire family in helping her run the business. Her goal going forward is to continue to expand her business into both nearby and extra-regional markets.





## Climate Impact

As part of our increased focus on emissions and our pledge as part of the Net Zero Asset Managers Initiative, DWM has begun collecting emissions data from our portfolio companies. This process is ongoing, and we are coordinating with our portfolio companies to both generate and verify this data.

1. In our first year, about 20% of our portfolio companies reported on Scope 1, 2 and 3 emissions, as well as emissions reduced through internal mitigation strategies.
2. With about 20% of the portfolio reporting, Scope 1, 2 and 3 emissions were reported to be 13,416 metric tons, of which 1,823 metric tons were attributable to DWM's investments.
3. At the same time, DWM estimates that its renewables portfolio consisting of off-grid solar companies was responsible for a reduction in emissions of 333,000 metric tons of which approximately 26,000 metric tons were attributable to DWM's investment

**21%** of IFINs with emissions mitigation strategy

**23%** of IFINs utilizing clean energy/renewable energy sources in business operations

**55%** of IFINs monitoring Energy, Water or Land use

**35%** of IFINs providing clean energy/energy efficiency credit products







# 4

## Financial Inclusion & Contribution to SDGs



## Financial Inclusion:

Financial Inclusion is about democratizing financial services. This means all individuals, micro, and small enterprises should have the option to access banking products and services via accessible channels which are affordable<sup>1</sup>. Financial inclusion is designed to ultimately lead to financial well-being in which the individual or small enterprise is able to smoothly manage current financial obligations and have confidence in their financial future. This is particularly important for the most financially vulnerable populations. With 10% of the global population living on less than \$1.90 a day, there is a tremendous opportunity for financial inclusion to provide low-income households and microentrepreneurs with affordable economic opportunities.

## SDGs:

In 2019, DWM mapped its impact investing activities in the financial inclusion space, to five primary UN Sustainable Development Goals: SDGs 1, 5, 8, 10 & 17. In May 2021, the UN Principles for Responsible Banking released guidance for banks on financial inclusion, also identifying the same five goals.



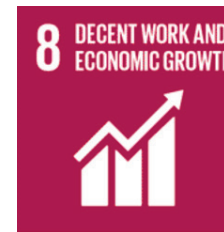
### SDG 1: No Poverty

Through investments in microfinance and SME lenders, DWM seeks to provide underserved, and particularly low-income populations with access to affordable and convenient financial tools. With almost 40% of the poorest households lacking a bank account, they lack the tools necessary to accumulate savings and to help deal with sudden health events, environmental disasters, or similar economic shocks<sup>2</sup>.



### SDG 5: Gender Equality

Multiple studies have shown that there is a financial inclusion gender gap, i.e. higher rates of exclusion from financial services among women than men, with women being 7% less likely to be involved in the formal economy. With a portfolio that is almost 80% female clients, DWM supports the increase in access to financial services that will allow women greater control over their economic livelihoods and prioritization of household spending, further aided by gender-specific tailored services such as business and leadership training for female clients.



### SDG 8: Decent Work & Economic Growth

SMEs account for the majority of private sector businesses in both developing and developed countries with some country estimates having it as high as 90% of employment when including the informal sector<sup>3</sup>. However, these crucial businesses have an unmet funding demand of over \$4.5 trillion<sup>4</sup>. DWM invests in SME lenders to enable SMEs increase employment opportunities and drive economic growth.



### SDG 10: Reduced Inequalities

With the wealthiest 1% owning 82% of the wealth worldwide, the income inequality gap is growing. This gap increases within the urban-rural divide, with 90% of the world's poor living in rural areas. With its portfolio of 67% rural clients, DWM is providing targeted capital toward these areas. Additionally, the poor, and particularly the rural poor face further limitations on access to quality health and education services. The additional non-financial services provided by IFINs to their clients, such as insurance, health or education programs help increase household security and opportunities for rural, low income clients.

## Other SDGs



While DWM's investments directly target reducing poverty, this goal has additional follow-on effects of supporting reduction in hunger, increasing health, and increasing access to education.

In addition to the access to credit provided by the IFINs, access to savings and micro-insurance products have been shown to improve agricultural productivity and increase crop yields while at the same time providing protection against catastrophic environmental risks.

These products also help the clients better deal with unforeseen healthcare emergencies. With approximately 100 million people driven into extreme poverty due to healthcare related expenses, the products provided allow for proactively investing in a more nutritious diet and preventative health products, reducing the likelihood of these incidents.

In low-income countries, education costs can become up to one third of household budgets so increases in financial stability allow households to better meet those demands while not having to sacrifice on other needs.

In addition to the green loan portfolios at many of DWM's investees, DWM has also provided direct investment in companies targeting energy and environmental initiatives. DWM is also doing more to promote environmentally friendly operations and loans within its MFI and SME borrowers and as a signee of the Net Zero Asset Managers Initiative, is focused on reducing carbon emissions throughout its portfolio.

The credit provided by MFIs and SMEs along with microleasing also helps households purchase higher upfront cost water and sanitation products that would otherwise be unaffordable.

IFINs also provide additional "non-financial" services such as vocational skills development, business development assistance and leadership training that promote both higher and improved employment and increase the growth potential of MSMEs.

## DWM's Impact

DWM's investments in Inclusive Finance Institutions (IFINs) include microfinance institutions (MFIs), Small and Medium Enterprise (SME) lenders, banks, and specialty lenders (e.g. those with a focus on sectors including affordable housing, education, renewable energy and energy efficiency, equipment and vehicle leasing) who provide financial services to the un- and under-banked individuals, micro entrepreneurs and SMEs in developing countries. As of Dec 31st, 2020, DWM's aggregate portfolio of investments totals \$621 million including 66 MFIs and 10 SME lenders in 31 countries.

## DWM's contribution to the SDGs

Given DWM's role in driving private, institutional capital towards achieving key impact objectives in financial inclusion, the firm's strategy and that of its funds contribute to and directly align with targets identified under five of the UN Sustainable Development Goals.



## DWM's Direct Contributions to SDGs through Financial Inclusion

SDG 1: No Poverty	80%	% of end clients low income or below
	78.57%	% of end clients who are micro-enterprises
	50%	% of IFINs providing business, ag, health or life insurance
	\$2,061.96	Median Loan Size
SDG 5: Gender Equality	34%	% of IFINs with client base majority female
	21%	% of IFINs with portfolio base majority female
	10%	% of IFINs with client base over 80% female
	9%	% of IFINs with portfolio base over 80% female
	20.6%	% of Female Board Members
	32%	% of Female Management
	32%	% of IFINs offering tailored services for women
	16%	% of IFINs offering leadership training for women
11%	% of IFINs offering women's rights/gender issue training	
SDG 8: Decent Work & Economic Growth	77%	Loans for income generating purposes
SDG 8 & 9	10	IFINs specializing in SME lending
SDG 10: Reduced Inequalities	78%	% of clients female
	67%	% of clients rural
	84%	% of IFINs operating as non-banks/serving smaller sized target markets
	80%	% of clients low income or below

## DWM's Indirect Contribution to SDGs through Financial Inclusion

<b>SDG 2:</b> Zero Hunger	<b>31%</b>	% of Lending in Ag Sector by loans
	<b>11%</b>	IFINs with majority of loans in Ag
	<b>8%</b>	% of IFINs offering Ag insurance
<b>SDG 3:</b> Good Health & Well-Being	<b>5%</b>	% of IFINs providing basic medical care
	<b>10%</b>	% of IFINs providing basic health or nutrition
	<b>11%</b>	% of IFINs offering health insurance
<b>SDG 3&amp;4</b>	<b>39%</b>	% of IFINs offering voluntary deposit savings
<b>SDG 4:</b> Quality Education	<b>68%</b>	% of IFINs providing financial literacy training
	<b>26%</b>	% of IFINs providing business development assistance
	<b>23%</b>	% of IFINs providing enterprise skills development assistance
	<b>16%</b>	% of IFINs providing women's leadership training
<b>SDG 6: Clean Water &amp; Sanitation</b>	<b>34%</b>	# of IFINs providing credit in water & sanitation
<b>SDG 7: Affordable and Clean Energy</b>	<b>35%</b>	% of IFINs providing credit in clean energy/energy efficiency
<b>SDG 9: Industry Innovation and Infrastructure</b>	<b>11%</b>	# of IFINs utilizing tech product in field
<b>SDG 13: Climate Action</b>	<b>50%</b>	% of IFINs providing credit in either water/sanitation or clean energy/energy efficiency



% of DWM IFINs who Identify their Mission Objectives with SDGs



## SENG HOU

is 63 years old and lives in Sambour Village in Cambodia. Sambour is a small town of approximately 200 households. Seng works multiple small business with his six family members and first requested a loan from the microfinance institution, AMRET, in 2017 for his second business, a motor shop run by his son, Leng Kimhong. Prior to using AMRET, Seng had taken other loans, including one from a private individual to boost his working capital but found it difficult to repay the loan in such a short period. AMRET was able to negotiate flexible payments along with acceptable interest rates and thorough documentation. With the seasonality of his business, Seng appreciates

the flexible payments as it allows him to manage his cashflow more effectively. His motor shop now employs three adults who assist with repairs and installation. With his business continuing to grow, he has been able to increase the salary of his employees four-fold and has been able to provide vacation periods around the Khmer New Year and Pchum Ben Khmer celebrations. In addition to increases in salary for his employees, Seng has been able to increase his stock of motors to include imports and bought a new car for his personal use. With the support of AMRET loans, Leng has goals of expanding the business to also include car sales.







5

Renewable Energy  
& Climate Action

## Renewable Energy & Climate Action: Identifying the Need

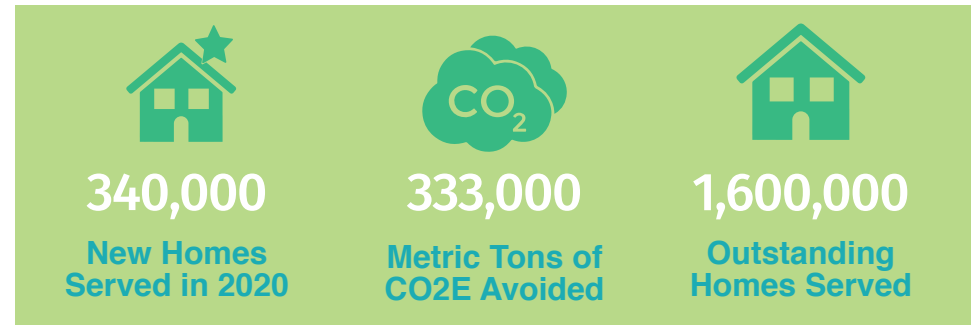
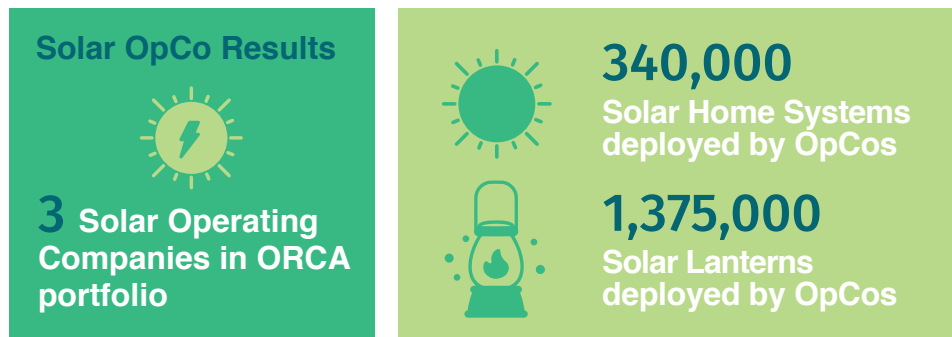
### Clean Energy Gap

In recent years, tremendous effort has been made to close the energy gap and bring affordable and clean energy to more people. In the past 2 years, an estimated 260 million people have gained access to electrification but that still leaves approximately 840 million in the dark<sup>5</sup>. This number also does not include the estimated 3 billion (about 40% of the global population) who must rely on wood, charcoal, and other solid fuels as their main energy source. This large population relying on carbon-based energy sources is often the result of developing economies not having the financial capacity to effectively develop and maintain electrical grids. These carbon-based energy sources are typically more costly, highly polluting and contribute to a multitude of health risks.

In recent years, a practical solution has been off-grid renewable energy. A key challenge to making off-grid available to those who need it most is the means to finance its purchase or use.

Over the past four years, DWM has been addressing this challenge through investments made by the DWM Off-Grid, Renewable Energy and Climate Action (ORCA) Impact Note and DWM's multisector funds.

### DWM ORCA Impact Note, Impact Results in 2020



### Highlights of the cumulative, four-year, impact performance of the ORCA Impact Note were as follows:

The Note invested in three off-grid solar companies (Solar OpCos), that as of year-end 2020, were providing 1.6 million homes with access to electricity (an increase of some (1.2) million homes vs a baseline of 418,000 in 2016). During the four-year life of the ORCA Impact Note, the solar systems sold by these Solar OpCos, resulted in a total CO2 reduction of over 1.3 million metric tons, equivalent to removing 289,000 passenger vehicles, driving 3.3 million miles, from the road for a year.

Additionally, the nine IFINs financed by the ORCA Impact Note were responsible for over \$325 million in ORCA-thematic on-lending to their underlying clients, including loans for renewable energy and energy efficiency. This includes disbursements of an estimated 300,000 solar lamps and solar fans across India.



# Renewable Energy’s Contribution to the SDGs

## Renewable Energy and Energy Efficiency’s Contribution to the SDGs

Investments in renewable energy and energy efficiency, such as those made by the DWM ORCA Note help to reduce greenhouse gas emissions and create a sustainable environment in furtherance of SDGs 7,9, and 13.



In addition, these investments contribute to SDGs 1, 3 and 4.



- Customers who purchase solar systems benefit from electricity access and savings in energy and mobile charging expenditures, contributing to SDG 1.
- Off-grid renewable energy lighting products can also reduce fire and health risks and positively contribute 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 (compared to those using kerosene-based or other lighting sources).



- The use of solar-energy systems when compared to kerosene lamps maps to SDG 4, quality education, as the solar systems double the hours of light available to a household enabling children approximately 2 hours of extra study time. In a study, a reported 91% of households reported children spending more time on homework in the evenings and of those 97% report higher grades<sup>6</sup>.



DEVELOPING WORLD MARKETS presents:

# RESILIENCY IN TIMES OF STRESS

Perspectives from DWM's Private Equity Portfolio

Webinar on building institutional resiliency to navigate the new normal in financial inclusion

**Thursday, May 7, 2020**

- > 10:00 AM (EST)
- > 4:00 PM (CET)
- > 7:30 PM (IST)

Register at: <https://bit.ly/DWMResiliencyinStress>

**Bodo Lieberam**  
Chief Executive Officer  
Microcred China

**Archil Bakuradze**  
Chairman  
JSC MFO Crystal

globesight DEVELOPING WORLD MARKETS IFC International Finance Corporation

**VIRTUAL ROUNDTABLE**

## SCALING INNOVATIVE FINANCING SOLUTIONS FOR FORCIBLY DISPLACED PEOPLE, REFUGEES AND THEIR HOST COMMUNITIES

**SPEAKERS**

**Aleem Remtula**  
Partner and Co-Head, Private Equity  
Developing World Markets (DWM)

**Kruskaia Sierra-Escalante**  
Senior Manager, Blended Finance  
International Finance Corporation (IFC)

**Betsy Lippman**  
Chief of Section, Resilience & Solutions Division  
UN High Commissioner for Refugees (UNHCR)

**Bruce D. Cameron**  
Director, Finance  
US International Development Finance Corporation (DFC)

**MODERATOR**

**Cédric Joutet**  
Advisor, Development Finance  
Globesight

**DATE:** MONDAY SEPTEMBER 13, 2021  
**TIME:** 8:00 AM EST | 16:00 PM GST

The event will be live-streamed on Globesight's YouTube channel

In an effort to bring content to the industry on a variety of topics, DWM has proudly hosted and co-hosted a number of webinars. These webinars have focused on areas of end-borrower resiliency in times of stress, innovative financing techniques to be used in aiding forcibly displaced people, refugees and their impacted communities, and on impact considerations when exiting private equity investments.

RESILIENCY IN TIMES OF STRESS

INSIGHTS DRAWN FROM MSMEs ACROSS 6 COUNTRIES

OCTOBER 20TH, 2020  
9:00 AM EDT / 3:00 PM CEST / 6:30 PM IST

REGISTER HERE:  
[HTTP://BIT.LY/MSME-RESILIENCY](http://bit.ly/MSME-RESILIENCY)

DEVELOPING WORLD MARKETS

# IMPACT INVESTING

AND THE ELUSIVE RESPONSIBLE EXIT

JOIN US FOR A WEBINAR IN WHICH WE WILL REVIEW REFLECTIONS AND LESSONS LEARNED FROM THE LAST DECADE OF EXIT ACTIVITY FROM DWM'S INCLUSIVE FINANCE IMPACT PE FUNDS

DATE: JULY 28, 2021  
TIME: 8:00 ET AM  
CLICK [HERE](#) TO REGISTER  
FOR ANY QUESTIONS YOU WOULD LIKE ADDRESSED PLEASE EMAIL: [PRIVATEEQUITY@DWMARKETS.COM](mailto:PRIVATEEQUITY@DWMARKETS.COM)





# 6

## Partnership Recognition



## Investment Partnership

DWM's work takes place in a collaborative ecosystem where investors and investment partners are not just financial partners but intellectual partners, as we deploy funds into impact investments, targeting financial and impact goals. The results reflected in this report would not be possible without the support of the following institutions:












## Industry Collaboration



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.



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.





Microfinance Information Exchange provides objective and qualified financial and social performance information on microfinance 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.



Operating Principles for Impact Management (Impact Principles), launched in April 2019, provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle. The Impact Principles bring greater discipline and transparency to the impact investing market, requiring annual disclosure statements and independent verification of impact management systems and processes. DWM became a signatory of the Impact Principles in December 2019, published its first annual disclosure statement in December 2020 and had this disclosure publicly verified by Innovest Advisory in March 2021.



The Global Impact Investing Network (GIIN) is a nonprofit organization dedicated to increasing the effectiveness of impact investing through collaboration, research and advocacy. GIIN has developed the Impact



Reporting & Investment Standards (IRIS), an independent set of common metrics for impact reporting.

#### NET ZERO ASSET MANAGERS INITIATIVE



Net Zero Asset Managers Initiative is an international group of managers committed to reducing greenhouse gas emis-

sions to net zero by 2050 or sooner. Launched in December 2020, the Net Zero Initiative aims to encourage those throughout the industry to commit to net zero emissions. DWM became one of the first hundred signatories in March 2021.



#### CP Pathway

cerise + SPTF

Client Protection Pathway is a new initiative through SPTF and CERISE to support client protection implementation across the financial service industry. In September 2021, DWM signed a joint statement calling on financial service providers to join the CPPs and committed to supporting its partners in pursuing client protection excellence.



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.





7

Impact Management



## 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.



**2004**  
Begins providing annual social performances data for investors

**2006**  
Develops methodology for impact measurement

**2008**  
Endorses Smart Campaign's **Client Protection Principles (CPP)** and **MFTransparency**



**2009**  
Signs UN Principles of Responsible Investment (**UN PRI**)



**2010**  
1. Encourages portfolio companies to submit annual social performance standards report to the **MIX Market**  
2. Develops **social scorecard**



**2011**  
1. Enhances Social IQs with **GIIN** and **IRIS** standards  
2. Signs UN Principles for Investors in Inclusive Finance (**UN PIIF**)



**2012**  
Strengthens loan agreement requirement with specific attention **to transparency** and prevention of **over-indebtedness**

**2013**  
Received Global Impact Investment Rating System (**GIIRS**) rating for the DWM equity fund



**2017**  
Develops **Environmental and Social Management System**, in collaboration with OeEb

**2018**  
Develops UN SDG Impact Framework



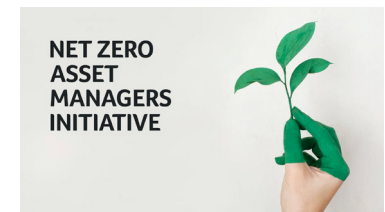
**2019**  
Selected as a leading impact investment manager



**2020**  
Selected as a leading impact investment manager




**2021**  
Became signatory of **Net Zero Asset Managers Initiative**



## Impact Measurement Methodology

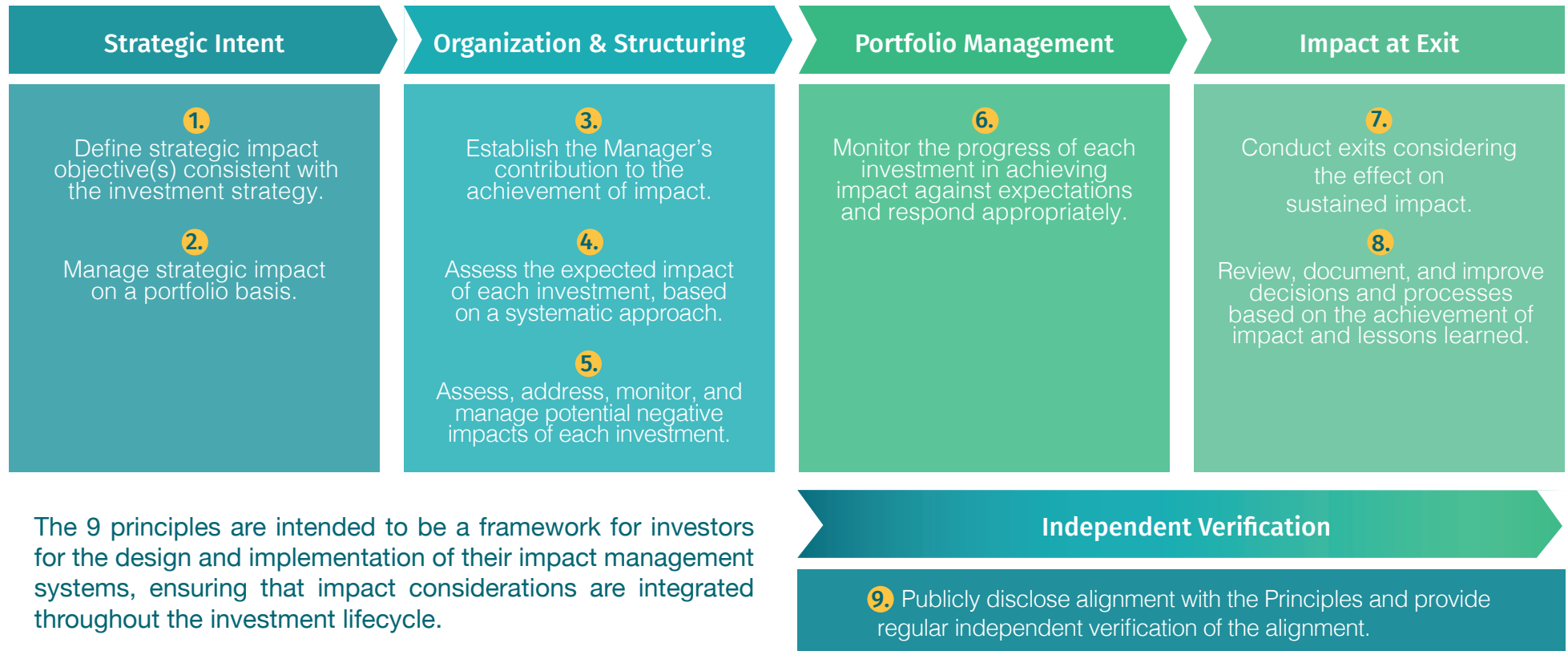
DWM became a signatory of the Operating Principles for Impact Management in 2019

**INVESTING FOR IMPACT:**  
*Operating Principles for Impact Management*



**Description:**

The Operating Principles for Impact Management (“the Impact Principles”) were officially launched at the World Bank Group – IMF Spring Meetings in April 2019.



The 9 principles are intended to be a framework for investors for the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment lifecycle.



## Signatory & Disclosure

- In December 2019, DWM became a signatory of these principles and by doing so, publicly demonstrated their commitment to implementation of a global standard for managing investments for impact. As part of the signatory process, DWM agreed to publish an annual disclosure statement describing how each principle is incorporated into the investment process and DWM's alignment.
- In December 2020, DWM reaffirmed its status as a signatory by publishing its first annual disclosure statement. This document is publicly available, both on DWM's site ([dwmarkets.com](https://dwmarkets.com)), as well as the reporting page for the impact principles. (<https://www.impactprinciples.org/signatories-reporting>).
- As part of its commitment, DWM received an independent 3rd-party verification from Innovest Advisory in March 2021 that is also available on both DWM's page and the reporting page for the impact principles.
- As part of the verification process, Innovest Advisory provided and assessment on DWM's alignment with each of the individual principles. In the interest of transparency, we are committed to sharing this assessment.



Principle Definition

Alignment Score

Principle	Principle Definition	Alignment Score
Principle 1	Define strategic impact objective(s), consistent with the investment strategy.	Very High
Principle 2	Manage strategic impact on a portfolio basis.	Very High
Principle 3	Establish the Manager's contribution to the achievement of impact.	Medium
Principle 4	Assess the expected impact of each investment, based on a systematic approach.	Medium
Principle 5	Assess, address, monitor, and manage potential negative impacts of each investment.	High
Principle 6	Monitor the progress of each investment in achieving impact against expectations and respond appropriately.	High
Principle 7	Conduct exits considering the effect on sustained impact.	High
Principle 8	Review, document, and improve decisions and processes based on achievement of impact and lessons learned.	High



## Impact Analysis

- DWM's Impact Questionnaire & Scorecard (DWM Impact IQs) is a proprietary data-driven tool used to evaluate potential investments during the due-diligence process and to track ongoing impact performance on an annual basis, thereafter. The DWM Impact IQs are aligned with and include metrics from IRIS+, HIPSO and SPTF. The DWM Impact IQs use nearly 150 indicators to evaluate alignment with the SDGs and impact across five additional vectors:

1. Outreach & Targeting
2. Client Benefit & Welfare
3. Responsibility to Community and Staff
4. Governance
5. Environment

The DWM Impact IQs are customized based on the portfolio company types, including microfinance institutions, SME lenders, and solar operating companies. Data is cross-checked for accuracy against DWM's financial database.

- In addition to the Impact IQs, broader ESG performance at investees is also assessed through use of international best practices, toolkits, and frameworks such as an E&S Risk Management System (designed with technical assistance of OeEB, the Austrian Development Bank), the UN PRI, and the Client Protection Pathway, among others.



Methodology

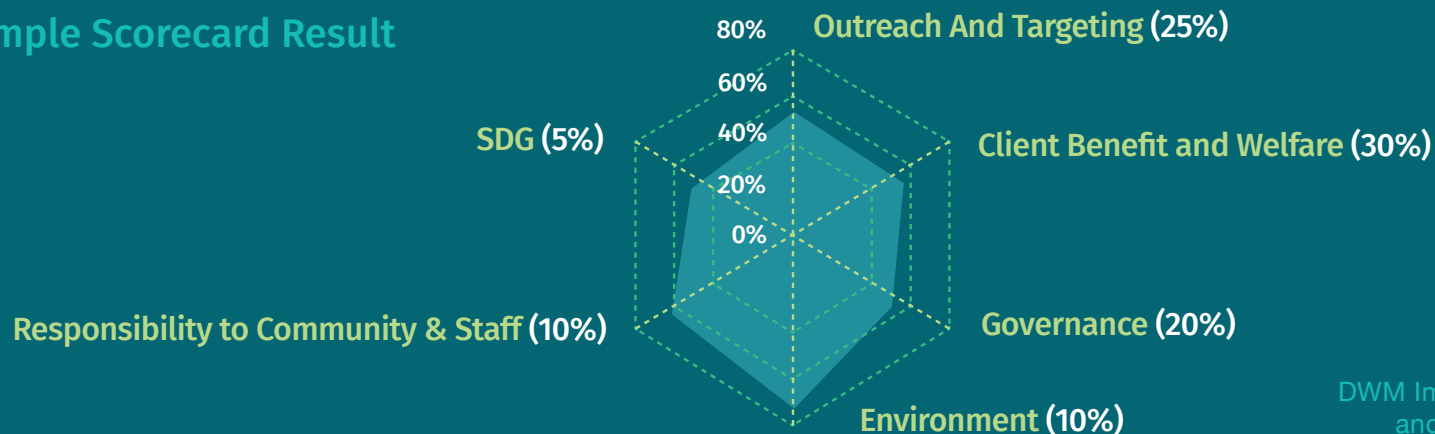
Evaluation Dimension

Indicator Examples

DWM Impact IQs

<b>Client Benefit &amp; Welfare</b>	<b>30%</b>	- Borrower Indebtedness Prevention - Non-financial products and services
<b>Outreach &amp; Targeting</b>	<b>25%</b>	- Average Loan Size; Client poverty levels - Rural vs. Urban
<b>Responsibility to Community &amp; Staff</b>	<b>10%</b>	- Staff feedback, grievance mechanism - Contributions to community
<b>Environment</b>	<b>10%</b>	- Internal environmental policies and products - Environmental education and promotion
<b>Governance</b>	<b>20%</b>	- Mission and vision - Salaries, remuneration, and incentives
<b>SDG</b>	<b>5%</b>	- Women in Management - MFIs offering basic medical care

Sample Scorecard Result

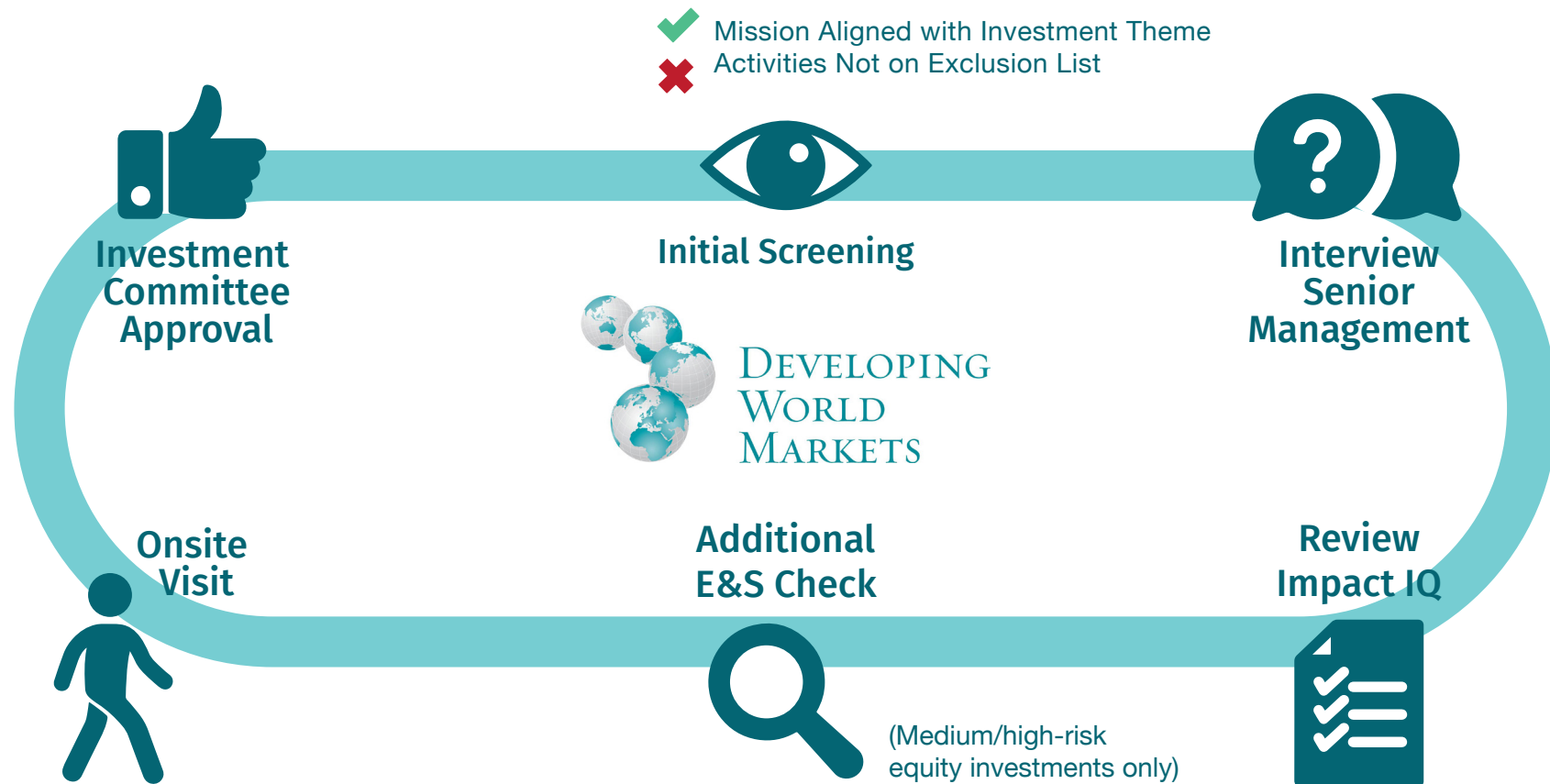


DWM Impact IQs subject to change, and not necessarily with notice.



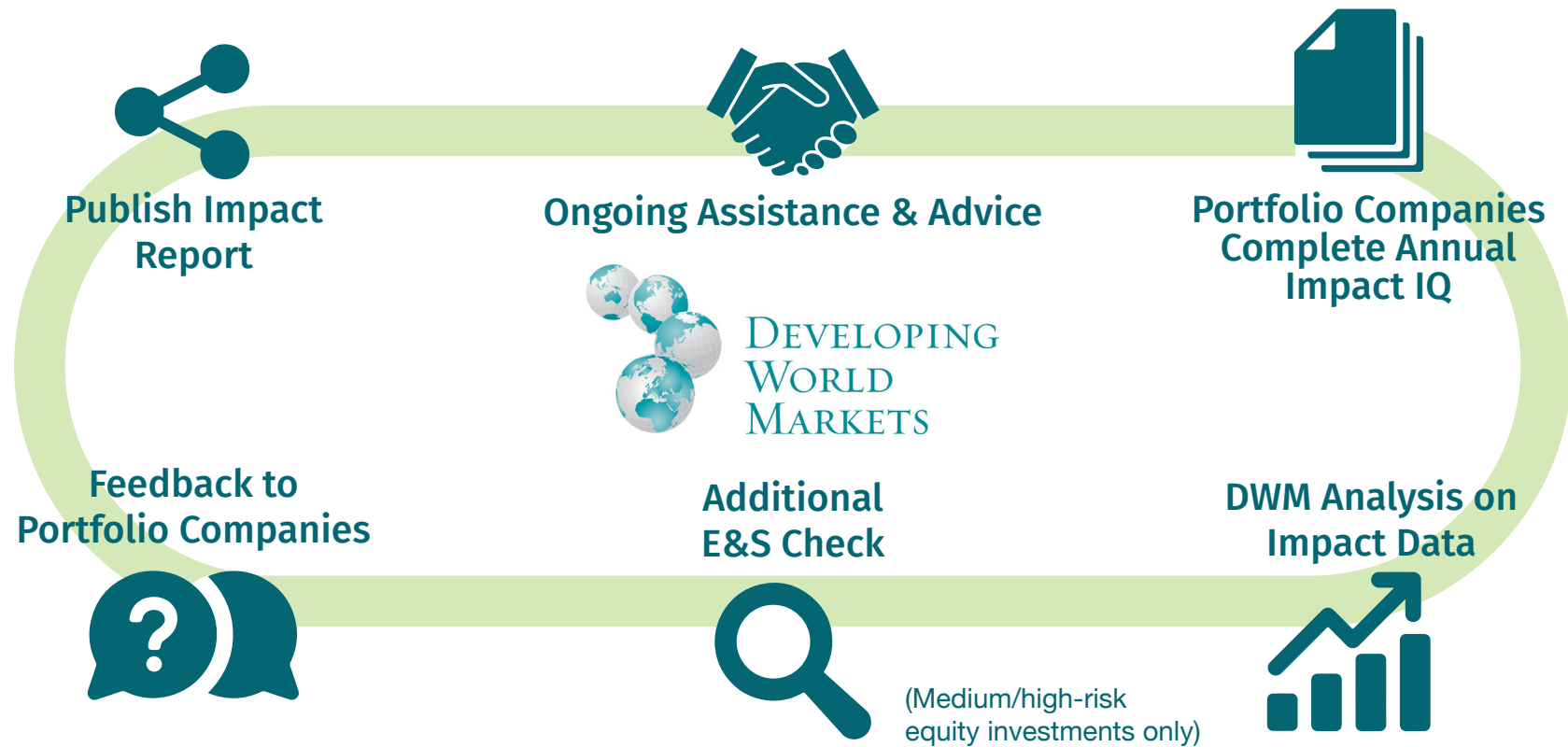
## Pre-Investment Process

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, when COVID restrictions allow, onsite visits.



## Post-Investment Process

On an annual basis, DWM collects social and environmental data to track trends and identify areas of strength, improvement, and future growth opportunities for each portfolio company. Additionally, DWM performs annual visits which were performed virtually during the COVID 19 pandemic and are performed on-site when health restrictions allow.







1. <https://www.unepfi.org/wordpress/wp-content/uploads/2021/05/PRB-Guidance-Financial-Inclusion.pdf>
2. [https://sustainabledevelopment.un.org/content/documents/2655SDG\\_Compendium\\_Digital\\_Financial\\_Inclusion\\_September\\_2018.pdf](https://sustainabledevelopment.un.org/content/documents/2655SDG_Compendium_Digital_Financial_Inclusion_September_2018.pdf)
3. <https://oecd-development-matters.org/2017/04/03/unlocking-the-potential-of-smes-for-the-sdgs/>
4. <https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/MSME%20Report.pdf>
5. <https://www.un.org/development/desa/en/news/sustainable/decade-of-sustainable-energy.html>
6. <https://shellfoundation.org/app/uploads/2020/06/Improving-the-quality-of-life-of-Kenyan-households-with-off-grid-solar-home-systems.pdf>





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

Address effective February 2022

**T: +1 203.655.5453**

**F: +1 203.656.9528**

**E: [info@dwmarkets.com](mailto:info@dwmarkets.com)**

**[www.dwmarkets.com](http://www.dwmarkets.com)**



**DEVELOPING  
WORLD  
MARKETS**