

Verifier Statement

Independent Verification Report

Prepared for DEG Impact: May 16, 2024

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, DEG Impact engaged BlueMark to undertake an independent verification of the alignment of DEG Impact’s impact management (IM) system with the Impact Principles. DEG Impact’s assets under management covered by the Impact Principles (Covered Assets) totals \$50.6 million², for the year ending December 31, 2023.

Summary assessment conclusions

BlueMark has independently verified DEG Impact’s extent of alignment with the Impact Principles. Key takeaways from BlueMark’s assessment are as follows:

Principle 1: Through GIIF investments, DEG Impact aims to promote sustainable jobs, renewable energy and transformative investments in emerging markets, focusing on high-risk opportunities that would otherwise not receive adequate financing. To improve, the team should more clearly evidence how it de-risks investments that would not otherwise be feasible for DEG Core.

Principle 2: For GIIF investments, DEG Impact leverages the DERA tool and an impact monitoring overview specifies key portfolio-level KPIs. To further align, DEG Impact could develop an IMM framework that is specific to GIIF and expand its impact-linked compensation structure to be more directly influenced by the impact performance of its co-investments.

Principle 3: DEG Impact’s financial contributions to GIIF comprise its relative flexibility around deal terms, while its non-financial contributions encompass its advisory services. To further align, DEG Impact should add detail and evidence to its investor contribution narrative and develop processes to monitor the status and results of its investor contribution activities.

Principle 4: In due diligence, DEG Impact leverages the DERA score prepared for each investment and prepares a formal investment proposal to CREDION, the asset manager of GIIF, detailing relevant context on the developmental impact considerations of each investment. To improve, DEG Impact should consistently consider potential impact risks of investments.

Principle 5: DEG Impact’s ESG systems are managed by a dedicated E&S team. The due diligence process is aligned with the IFC Performance Standards and the EDFI Harmonised Environmental Standards. The team collects ESG data annually and observes clearly outlined processes for mitigation where monitoring indicates underperformance.

Principle 6: DEG Impact monitors the impact performance of each investment in GIIF through annual DERA updates and maintains an internal dashboard tracking current and forecast DERA scores for all investments in GIIF. To improve, DEG Impact should develop a formal protocol for managing impact underperformance.

Principle 7: DEG Impact has outlined a set of key levers by which it sustains impact beyond exit. To further align, DEG impact should develop GIIF-specific documentation with which to adapt and consistently implement its exit policy.

Principle 8: DEG Impact conducts quarterly impact review sessions evaluating DERA scoring at the portfolio level, and documentation from annual GIIF strategy review sessions demonstrates periodic evaluation of GIIF’s investment strategy. To improve, DEG Impact should formally evaluate any negative or unintended impacts witnessed across the portfolio.

¹ Principle 9 states that signatories “shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.”

² Assets under management figure as reflected in DEG Impact’s 2024 draft Disclosure Statement as of 21st May 2024. BlueMark’s assessment did not include verification of the AUM figure.

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Detailed assessment conclusions

The chart below summarises findings from BlueMark’s verification of DEG Impact’s extent of alignment to the Impact Principles, using the following four ratings:³

- Advanced (Limited need for enhancement);
- High (A few opportunities for enhancement);
- Moderate (Several opportunities for enhancement); and
- Low (Substantial enhancement required).⁴

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

³ The scope of BlueMark’s assessment procedures does not include the verification of the resulting impacts achieved. BlueMark’s assessment is based on its analyses of publicly available information and information in reports and other material provided by DEG Impact. BlueMark has relied on the accuracy and completeness of any such information provided by DEG Impact. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from DEG Impact.

⁴ The decision to publicly disclose the results of BlueMark’s detailed assessment, and the specific ratings assigned to each Principle, is left to the sole discretion of DEG Impact.

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Assessment methodology and scope

DEG Impact provided BlueMark with the relevant supporting documentation for the policies, processes, and tools related to the IM system applicable to the Covered Assets. The scope of BlueMark’s work was limited to processes in place related to the Covered Assets as of May 2024. BlueMark’s assessment of the IM system included an evaluation of both the system itself and supporting documentation, as well as the consistency of the draft disclosure statement with the IM system. BlueMark believes that the evidence obtained in the scope of its assessment is sufficient and appropriate to provide a basis for our conclusions.⁵

BlueMark’s full assessment methodology, based on its professional judgment, consisted of:

1. Assessment of the IM system in relation to the Impact Principles, using BlueMark’s proprietary rubric, and examining processes and policies against the following criteria:
 - *Compliance* of the IM system with a threshold level of practice;
 - *Quality* of the IM system’s design in terms of its consistency and robustness; and
 - *Depth* of sub-components of the system, focused on completeness
2. Interviews with DEG Impact staff responsible for defining and implementing the IM system;
3. Testing of selected DEG Impact transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to DEG Impact, outlining areas of strong alignment and recommended improvement, as well as BlueMark’s proprietary benchmark ratings on the extent of alignment to each of the Impact Principles.

Permissions

This statement, including our conclusions, has been prepared solely for DEG Impact in accordance with the agreement between our firms, to assist DEG Impact in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit DEG Impact to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate DEG Impact’s alignment with the Operating Principles for Impact Management. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than DEG Impact for our work or this statement except where terms are expressly agreed between us in writing.

About BlueMark

BlueMark, a Delaware-registered public benefit company, is a leading provider of impact verification services in the impact investing market. BlueMark was founded with a mission to “strengthen trust in impact investing” and to help bring more accountability to the impact investment process. BlueMark has conducted this verification with an independent and unconflicted team experienced in relevant impact measurement and management issues. BlueMark has implemented a Standard of Conduct requiring our employees to adhere to the highest standards of professional integrity, ethics, and objectivity in their conduct of business activities.

BlueMark has office locations in London, UK; New York, NY; and Portland, OR; and is headquartered at 154 W 14th St, 2nd Floor, New York, NY 10011. Its outside investors include S&P Global, Temasek Trust Capital, Blue Haven Initiative, Gunung Capital, Tsao Family Office, Ford Foundation and Radicle Impact. For more information, please visit www.bluemark.co.

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