

Verifier Statement

Independent Verification Report

Prepared for DEG: May 21, 2024

Introduction

As a signatory of the Operating Principles for Impact Management (the Impact Principles)¹, DEG engaged BlueMark to undertake an independent verification of the alignment of DEG's impact management (IM) system with the Impact Principles. DEG's assets under management covered by the Impact Principles (Covered Assets) totals \$11.4 billion², for the year ending 31 December 2023.

Summary assessment conclusions

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

Principle 1: DEG's impact strategy comprises commitments related to impact, climate and transformation and specifies five cross-cutting SDG-aligned impact objectives. To further align, DEG Core should refine its theory of change so that the logic and assumptions are explicit and substantiated by supporting external evidence and organisational learnings.

Principle 2: DEG leverages the DERA tool to monitor and compare impact performance across all its investments in line with its thematic objectives. Annual bonuses are directly linked to the achievement of portfolio-level DERA targets.

Principle 3: DEG's investor contribution strategy centres the technical assistance (TA) programmes of its partner organisation, DEG Impulse, and the competitive financing terms and structures it offers. To further align, DEG should clearly articulate its investor contribution strategy and develop a process for tracking the status and results of DEG Impulse's TA initiatives.

Principle 4: DEG has a structured approach to impact assessment using the composite DERA scoring tool. To improve, DEG should formally consider elements of impact risk and identify mitigation actions for potential negative impacts as part of ex-ante investment decision making.

Principle 5: DEG'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 monitors the impact performance of its investments via annual DERA scoring updates. To improve, DEG should formalise a process for managing impact underperformance and consider opportunities to solicit feedback from affected stakeholders of its investments.

Principle 7: DEG works to embed impact in its portfolio companies beyond exit through ESG engagement and TA programmes through DEG Impulse. To align, DEG should develop a responsible exit framework detailing its intended approach to sustaining impact during the holding period and after exit.

Principle 8: Leveraging DERA monitoring, DEG has several channels to review the impact performance of its portfolio, including quarterly strategy board meetings and annual review sessions. To improve, DEG should ensure that impact review processes systematically evaluate any negative impacts that may have materialised 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's draft 2024 disclosure statement as of 05/21/2024. 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’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	H I G H
2. Manage strategic impact on a portfolio basis	A D V A N C E D
3. Establish the Manager's contribution to the achievement of impact	M O D E R A T E
4. Assess the expected impact of each investment, based on a systematic approach	H I G H
5. Assess, address, monitor, and manage potential negative impacts of each investment	A D V A N C E D
6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	H I G H
7. Conduct exits considering the effect on sustained impact	L O W
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned	H I G H

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. BlueMark has relied on the accuracy and completeness of any such information provided by DEG. The assessment results represent BlueMark’s professional judgment based on the procedures performed and information obtained from DEG.

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.

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Assessment methodology and scope

DEG 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 staff responsible for defining and implementing the IM system;
3. Testing of selected DEG transactions to check the application of the IM system; and
4. Delivery of detailed assessment findings to DEG, 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 in accordance with the agreement between our firms, to assist DEG in fulfilling Principle 9 of the Operating Principles for Impact Management. We permit DEG to disclose this statement in its entirety online, or to furnish this statement to other interested parties to demonstrate DEG’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 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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