

08/05/2017

## **Management Response**

### **to the Evaluation Study: Evaluating the Promotion of E&S Standards in DEG's Investment in Financial Intermediaries**

DEG acknowledges the results of the study "Evaluating the Promotion of E&S Standards in DEG's Investment in Financial Intermediaries" carried out by Citrus Partners, London, who brought their international knowledge of and experience with environmental and social standards as well as evaluation practice to the study.

Financial intermediaries – financial institutions and private equity funds – constitute almost 50% of DEG's portfolio as a means to reaching small and medium-sized enterprises (SMEs). To ensure that environmental and social standards are applied adequately, DEG requires financial institutions and private equity funds to implement Environmental and Social Management Systems and supports them in doing so.

We thank Citrus Partners for a detailed analysis, the robust methodology and independent judgements which allow us to reflect on our current work and potential improvements.

We are pleased to learn that by promoting environmental and social standards through the implementation of sound Environmental and Social Management Systems, we have contributed to changes and sustainable approaches on and even beyond the institutional level of our partners.

We recognize the significant efforts that our partners undertake in implementing effective systems. Some have themselves developed effective and efficient approaches, which have become good practice in their sector, country or region. We will continue to strengthen our support for financial intermediaries in this area, among others through our special advisory service and the work of our sustainability department. In doing so, we will put particular focus on two aspects: (1) financial intermediaries with portfolios involving potential medium environmental and social risks in less developed countries where environmental and social regulations are still weak; (2) financial institutions with thousands of SME clients, who face challenges in implementing effective, practical approaches for managing the environmental and social risks of their portfolio.

Investing sustainably in financial institutions and funds remains one of our strategic pathways to supporting small and medium-sized enterprises, who still face considerable challenges in accessing finance, and to strengthening local financial markets that can form the basis for a thriving local economy.