

Building Markets



Welcome to the Impact Report 2021

TABLE OF CONTENTS

Key Figures	P.	3
Letter from the Managing Directors	P.	5
Our Contribution to the SDGs	P.	8
Our Approach to Impact & Sustainability	P.	9
Building Markets for People and Planet	P.	12
How We Leverage Standards to Facilitate Impact Management	P.	17
How to Green the Financial System	P.	20
How to Foster Digital Transformation	P.	23
About Finance in Motion	P.	26
Operational Results	P.	30
Our Portfolio	P.	33
Regional Operations	P.	35



Key Figures

All figures
by year-end 2021

IMPACT REPORT 2021

2

Table of Contents

3

Key Figures

5

Letter from the Managing Directors

8

Our Contribution to the SDGs

9

Our Approach to Impact & Sustainability

12

Building Markets for People and Planet

17

How We Leverage Standards to Facilitate Impact Management

20

How to Green the Financial System

23

How to Foster Digital Transformation

26

About Finance in Motion

30

Operational Results

33

Our Portfolio

35

Regional Operations

At a glance



9

Funds advised / managed

8

SFDR 9 funds advised/managed

6

Debt funds advised/managed

3

Equity funds advised/managed

Investing since 2009

Funding



EUR 2.9 bn

Assets under management/advisory

EUR 1.5 bn

Amount in private capital mobilized by the funds since inception

Investments



EUR 2.6 bn

Outstanding investment portfolio

EUR 6.0 bn

Cumulative volume invested

1,117

Investments facilitated

38

Active countries

168

Active partner institutions

13

Local currencies provided in loans to partner institutions

Technical Assistance



480

Technical assistance projects under management



EUR 35.0 mn

Volume of technical assistance projects under management



80,300

people benefited from TA



discover more

at the Operational Figures
on page 30

Key Figures

All figures
by year-end 2021

IMPACT REPORT 2021
2 Table of Contents
3 Key Figures
5 Letter from the Managing Directors
8 Our Contribution to the SDGs
9 Our Approach to Impact & Sustainability
12 Building Markets for People and Planet
17 How We Leverage Standards to Facilitate Impact Management
20 How to Green the Financial System
23 How to Foster Digital Transformation
26 About Finance in Motion
30 Operational Results
33 Our Portfolio
35 Regional Operations

Impact



100%

of investments
in emerging markets



108,600

Outstanding loans to micro, small
and medium enterprises (MSMEs)
and households

2.2 mn

Indirect jobs supported in MSMEs*

876,500

of which are women*

5,300

Jobs supported in investee
companies receiving equity finance



74%

of loans facilitated to MSMEs and
households provided in local currency

* Figures are modeled by Finance in Motion
based on primary reporting and third-party data.



EUR 7,000

Average size of loans facilitated
to MSMEs



23%

of loans facilitated in rural areas



1.0 mn t

CO₂ saved annually*

4.0 mn MWh

Energy saved annually*

1,100 MW

Renewable energy capacity supported

897,000 hectares

under sustainable management

4.8 mn m³

irrigation water saved*

3.4 mn t

CO₂ stored by (agro-)forestry activities*

Staff



273

Staff members

16

Offices

61

Nationalities



47%

of staff originating
from our investment countries



90%

of staff participating in training in 2021



discover
more

at Our Contribution to the SDGs
on page 8

Letter from the Managing Directors



IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

DEAR READER,

Every year, putting together this publication makes us reflect on what we set out to do, what we have accomplished and the events that continue to shape us. However, this positive reflection was abruptly when the Russian government waged an unprovoked war on Ukraine. We wholeheartedly condemn this war, and feel deep compassion for those Ukrainians suffering from it.

Finance in Motion has strong ties to Ukraine and its people and securing the safety of our local employees and their families became our priority. At the same time, we did what was within our power to support our business partners, while managing the short and long-term implications for the funds we advise.

These events highlight that no matter how challenging the environment, we remain committed to walking alongside our partners during their entire journey, building markets in the many countries in which we invest for their long-term prosperity and growth – it is our *raison d'être*.

With over 12 years of operating within emerging markets, which are typically characterized by higher levels of volatility, we have experienced first-hand the importance of being on the ground, where we can understand our markets inside out. The COVID pandemic was a good stress test for this, and it was heartening to witness a great level of resilience in our markets as they adjusted quickly to the ‘new reality’ and are achieving a speedier recovery than initially expected.

As part of our market-building approach, we are mindful of several elements that we need to pull together to deliver lasting impact. By providing financing to support many players along the value chain, we make sure that we are inclusive in our impact efforts, touching not just the financial sector but mobilizing tangible change across the depth and breadth of the real economy. Using the example of the agricultural sector we look to channel financing to producers, traders, and processors. This same inclusive approach is applied to our investees, which represent a wealth of financial intermediaries, businesses, and projects. The year 2021 illustrated the success of this approach, as we achieved a 14.5% increase in impact asset growth.

Complementing our investment activities are our technical assistance programs that accompany and support market developments and play a significant

role in the change process. In 2021 alone, the funds we advise provided around EUR 35 million on technical assistance support measures in 480 projects, which is an increase of 7.6 % than in previous years. Doing so allows us to equip businesses to achieve far beyond the financing that we offer and ties in with our overall strategy to create an eco-system in which entrepreneurs, companies, and financial institutions can thrive.

The evolution of regulatory frameworks heavily influences our ability to build markets and shapes the way we assist in building markets in many countries. We work closely with regulatory and industry bodies, promoting new standards and frameworks that are aligned with our impact focused investment agenda. It is encouraging to see the increasing and resolute incorporation of sustainability elements within regulatory developments not only in Europe but also in some

Letter from the Managing Directors

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

of the countries in which we invest. We welcome the integration of sustainability into regulatory and industry standards and consider this an important step to more fair and environmentally friendly markets.

Finance in Motion’s approach to building markets is rooted in our fundamental corporate values: credibility, commitment, entrepreneurial spirit, and diversity and inclusion.

As an asset manager entrusted to provide advisory services and manage other people’s money, we appreciate the importance of being transparent about where the capital is spent and what impact it achieves. This builds **credibility** within our communities and at a regional and global level. As a pure-play impact asset manager since inception, we have always strived to lead by example, and we hold ourselves accountable to the highest of standards, submitting to external vetting and signing initiatives of best practice for managing impact, such as the Operating Principles for Impact Management.

We are equally cognizant of our role in contributing to shaping the international impact investing market. Not only do we invest, but we dedicate time and effort as well as engage with a wide range of stakeholders, with the aim of building the bigger eco-system, mobilizing additional capital for impact and enabling positive change.

Our **commitment** to building markets is easily demonstrated by our on-the-ground presence in emerging markets. By this we mean setting up local offices, which are the backbone of our operations, and employing local staff. We develop long-standing relationships with our investee companies, to whom we offer direct financial and technical support also during times of crises. The pandemic, and now Russia’s war in Ukraine, are recent examples of this. Our funds’ commitment is illustrated by an increase in outstanding investments between 2020 and 2021, which showed growth from around EUR 2.0 to 2.5 billion.

Our **entrepreneurial spirit** is represented at three levels within our operations, as we seek to respond to the ever-changing needs of our investors, investees, and final beneficiaries.

For investors, we make impact investing relevant and accessible through innovative financial solutions.

LAGreen’s new green bond fund is an excellent example of this, with an advisory mandate granted in 2021 to broaden our product offerings to our investor base. There are new product offerings still under development, such as Arbaro II, which follows Arbaro I and has an additional carbon credit component. Through these impact investing solutions, we create more opportunities for private investors to contribute to the Sustainable Development Goals. In 2021 for instance, we expanded our investor group by welcoming a range of new investors. In the case of our partner institutions, it is clear that their needs have become

more diverse. In response to this, we are continuously innovating to create new product offerings that satisfy a changing environment and have graduated to a range of capital market products such as sub-variations of equity as example.

For our final beneficiaries, including entrepreneurs, we support development in our target markets primarily through technical assistance projects, such as the SANAD Fund’s Jusoor Agriculture Accelerator and GGF’s Clim@ Scaler programme.

When building markets, we believe that a diverse and inclusive approach is critical to leverage the full potential of our investees and other stakeholders in the countries in which we invest. At an external level, this is evident in the diversity of our partner institutions but also end-borrowers, which range from the typical micro-finance client to bigger, more established businesses looking to transform to greener operations.

“For investors, we make impact investing relevant and accessible through innovative financial solutions.”

THE MANAGING DIRECTORS

Letter from the Managing Directors

Christoph Freytag
Managing Director

Sylvia Wisniwski
Managing Director

Elvira Lefting
Managing Director



IMPACT REPORT 2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

But it’s not just on the outside that we practice **diversity and inclusion**. These characteristics have been present in our company since its start, serving as the backbone to how we operate internally. Our staff come from a vast number of backgrounds and career paths, and represent over 60 nationalities, with an approximate 50/50 gender split, including a significant number of women in senior management roles. We genuinely believe that with a diverse team, we work and perform better. Diversity translates into holistic product offerings that combine both finance and technical assistance, and staff that buy into and contribute towards our unique approach, thinking differently about the long-term meaning of success.

But the development agenda is too big to accomplish alone, and for this reason, we are extremely grateful for and remain indebted to our partners – investors, investees, network partners and colleagues – for their loyal support and

long-standing collaboration but also for the opportunity to learn from and with them. For over a decade, they have helped us achieve lasting impact; and we have great confidence that we will achieve even more in the many decades still to come.

In closing, we wish to reiterate our ongoing commitment to driving positive change, no matter how much pressure our markets come under and what challenges arise. While we anticipate that there will be setbacks along the way, as is the case in Russia’s war with Ukraine, we are resolute in support of our values and are here to stay. Not only, but also in Ukraine where the need and our will to rebuild is greater than ever – and we will be there in full force.

Sylvia Wisniwski
Managing Director

Elvira Lefting
Managing Director

Christoph Freytag
Managing Director













“Finance in Motion’s approach to building markets is rooted in our fundamental corporate values: credibility, commitment, entrepreneurial spirit, and diversity and inclusion.”

THE MANAGING DIRECTORS

Our Contribution to the Sustainable Development Goals (SDGs)

IMPACT REPORT 2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

		2021	2020			2021	2020
	Number of loans facilitated to micro, small and medium enterprises (MSMEs) and households ¹	1,400,000	1,300,000		Share of loans in local currencies facilitated to MSMEs and households	74%	71%
	Average size of loans facilitated to MSMEs and households	EUR 7,000	EUR 6,800		Women-owned enterprises reached through MSME finance ^{1,2}	81,900	79,700
	Share of microfinance institutions among investee companies	25%	25%		Women benefited from TA ¹	15,700	13,800
	Share of lending in rural areas	23%	21%		MWh of energy saved annually ^{1,2}	4,000,000	3,800,000
	Hectares under sustainable management ¹	897,000	459,000		Tons of waste avoided/treated annually ^{1,2}	412,000	397,000
	Hectares of farmland under soil conservation practices supported ¹	416,000	193,000		Volume of loans enabled for sustainable production practices ¹	EUR 2.5 bn	EUR 2 bn
	M³ of water saved/treated annually ²	115,100	113,500		Hectares of soil erosion avoided ^{1,2}	520	500
	M³ of liquid waste treated or recycled ^{1,2}	277,000	194,000		Liters of herbicide use avoided ^{1,2}	134,000	37,000
	MW of renewable energy capacity supported ¹	1,140	1,095		Tons CO ₂ emissions saved annually	1,000,000	971,000
	Indirect jobs supported in MSMEs receiving financing through partner institutions ^{1,2}	2,200,000	2,000,000		Tons CO ₂ stored by (agro-) forestry supported ^{1,2}	3,400,000	1,000,000
	Direct jobs supported in investee companies receiving equity financing ¹	5,300	5,000		Volume of financing allocated to sustainable aquaculture ¹	EUR 4 mn	EUR 3.8 mn
	Partners supported with capacity building ¹	498	448		Hectares of (agro-)forestry promoted ¹	263,000	120,000
	People benefited from TA ¹	80,300	73,200		Hectares of farmland protected from deforestation ¹	377,000	260,000
	Active borrowers	123,600	140,300		Committed capital	EUR 3 bn	EUR 2.8 bn
	Investee companies ¹	325	290		Private investors	35	32
	Tons of materials saved annually ²	16,200	16,200		Private capital mobilized ¹	EUR 1.4 bn	EUR 1.2 bn
	Share of outstanding portfolio in local currencies	20%	15%		Volume of technical assistance projects ¹	EUR 79 mn	EUR 68 mn
					Investment countries	38	36

¹ Cumulative figure since inception

² Figures are modeled by Finance in Motion based on primary reporting and third-party data.

Our Approach to Impact & Sustainability

IMPACT REPORT 2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

WORKING TOWARD IMPACT AND SUSTAINABILITY

At Finance in Motion, our mission is to harness the power of finance to make a positive difference for people and planet. We responsibly invest public and private capital where it is needed to address the world's social and environmental challenges.

For our investments, we apply a two-pronged focus:

- **Regional focus**
We are active exclusively in emerging markets across five continents. Funds under management/advisory usually target a certain region to address a specific challenge with a dedicated investment strategy.
- **Thematic focus**
Our funds under management/advisory target sectors with a high impact potential to positively contribute to addressing social and environmental challenges. Their activities are clustered around two thematic categories:
 - Promoting a green economy: channeling capital to green sectors, including for instance sustainable agriculture and renewable energy
 - Promoting entrepreneurship and livelihoods: channeling capital to small businesses and low-income households

All our work is geared towards one or several final **impact goals**:

- **Addressing climate change**
We are committed to climate action. We provide dedicated financing for reducing CO₂ emissions – through energy efficiency measures and the production of renewable energies – and for storing and sequestering existing CO₂. And by investing in technologies to reduce the use of natural resources, we are also supporting businesses and people cope with the effects of a changing climate.
- **Strengthening biodiversity conservation**
We channel financing toward certified sustainable farming and recognized business practices to help preserve or restore biodiversity-rich ecosystems. These include natural forests, mangroves, and other ecosystems.
- **Fostering sustainable use of (natural) resources**
We promote the sustainable use of (natural) resources, such as water, energy, and land, with dedicated funding. This reduces pressure on our planet and at the same time supports green economic growth.
- **Improving livelihoods**
We direct capital to financially underserved groups, such as low-income and underbanked households. Ensuring their financial inclusion enables them to cover basic needs, strengthen their economic resilience, and take up or expand income-generating activities.
- **Promoting economic opportunities**
We expand the availability of financial services to micro, small, and medium enterprises. By helping local businesses grow, we promote economic development and employment opportunities from the ground up.

Our approach to managing impact and sustainability builds on a system that combines managing and mitigating potential negative outcomes with enhancing positive impact.

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

All funds under our advisory work towards a sustainable investment objective and therefore fall within the scope of Article 9 of the Sustainable Finance Disclosure Regulation (SFDR).

As a signatory of the Impact Principles, the leading industry standard for impact management, we underwent an independent verification of our impact management system against the Impact Principles in 2021.

Read Finance in Motion's Disclosure Statement and the detailed verification report at [our website](#).



Impact Principles		BlueMark Rating
		– Low – Moderate – High – Advanced
Strategic Intent	1. Define strategic objectives consistent with the investment strategy	
	2. Manage strategic impact on a portfolio basis	
Organization and Structuring	3. Establish Manager's contribution to the achievement of impact	
	4. Assess the expected impact of each investment, based on a systematic approach	
	5. Assess, address, monitor and manage potential negative impacts of each investment	
	6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately	
Portfolio Management	7. Conduct exists considering the effect on sustained impact	
Impact at Exit	8. Review, document and improve decisions and processes based on the achievement of impact and lessons learned	

8. Publicly disclose alignment with the Principles and provide regular independent verification of the alignment

Our Approach to Impact & Sustainability

 **discover more**
<https://www.finance-in-motion.com/our-impact>

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

Impact Scoring Tool

In 2021, we introduced a new Impact Scoring Tool for our funds under advisory to further strengthen systematic impact management. The tool considers the impact logic of the funds and reflects the targeted impact on their investees as well as the final impact to be supported through the investments. It is aligned with industry frameworks such as the 5 Dimensions of Impact by the Impact Management Platform and the SDGs. In assessing the potential impact of each investment, the tool considers the need for and relevance of an investment in a particular country and sector. It further evaluates the investees' outreach to the target group as well as its commitment and capacity to deliver positive impact. Finally, the fund's investor contribution is estimated, considering the financial and non-financial additionality of each investment. The tool is fully integrated in the investment lifecycle and is used for impact assessment during the due diligence process as well as to monitor impact over time, at exit and to manage impact at portfolio level.

Managing positive impact

Impactful investing takes intentionality, strategic focus, and continuous management. Measuring and managing our positive impact allows us to track progress towards our impact goals and provides us with learnings and insights – ultimately enabling us to fine-tune our strategy.

Assessing both the expected and realized impact is crucial for effectively managing positive impact. This work is guided by each fund's impact objective and specific Theory of Change, which inform a specific set of industry-aligned key performance indicators.

For our funds under management/ advisory, these impact pathways consider both the direct impact on the investee (for example, by improving a financial institution's capacity to serve the micro, small, and medium enterprise sector) and the indirect impacts on or through the investee's end-clients (such as increasing CO₂ sequestration through expanding forestry).

We combine a range of internal and external data sources to track the funds' progress toward their impact goals, including reporting by the investees on their financing activities, our own monitoring, and third-party data for impact estimations where appropriate and in accordance with best practices. Finally, our geographical proximity to investees and stakeholders through our network of local offices supports regular on-site visits and continuous dialogue, contributing both qualitative and quantitative impact information.

Managing environmental and social risks

As part of its holistic approach to facilitating systemic impact, Finance in Motion is committed to integrating ESG requirements into each phase of the investment cycle. We prioritize supporting each of our funds in effectively managing – i.e. avoiding, minimizing, and mitigating – the potential environmental, social and governance risks and impacts associated with their investments. Due to the different investment focus of each fund, such impacts and risks can be substantially

different. To that end, Finance in Motion maintains, implements, and continuously hones its ESG management system, and tailors it to the respective investment focus and approach of each fund. It is also aligned with international best practice and recognized frameworks, such as IFC Performance Standards.

As part of the investment process, an ESG due diligence is undertaken for each investment to identify potentially significant adverse sustainability impacts and assess the investee's capacity and commitment to addressing and mitigating these impacts. Once capital is deployed, investees' ESG performance is regularly monitored.

Read more about our approach to impact and sustainability, including our sustainability-related disclosures in line with requirements of the SFDR [on our website](#).

Building Markets for People and Planet

IMPACT REPORT	
2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations



Building Markets for People and Planet

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

WHY WE AIM TO BUILD MARKETS

Our mission is to harness the power of finance to address the world’s social and environmental challenges. We believe that finance has the potential to spark positive change. However, we learned that if we want to create sustainable impact, it is not sufficient to take a transaction-based approach. We must aim for changing the markets and ecosystems around the particular social or environmental challenge that we are tackling.

For instance, take such a vital thing as addressing unemployment, it might help a few people if we provide jobs in a specific industry or location. However, if we create an ecosystem in which entrepreneurs can thrive, and micro, small and medium enterprises (MSMEs) can grow, the system itself will foster more jobs. This will benefit many more people

in the long-term. Similarly, if we want to reduce CO₂ emissions at scale, we need to pull a much more powerful lever than reducing emissions of just one company. By working with financial institutions to set up systems that measure and monitor client CO₂ emissions and create dedicated financial products to help reduce these emissions, we will have a much wider impact.

That is why we, as Finance in Motion, go beyond just focusing on a specific transaction – but aim to provide holistic approaches that include coupling financial investment and capacity building while working with a large range of stakeholders and market participants. Only when we build markets and strengthen the respective ecosystems, solutions are sustainable, systematic, and able to generate long-term change at scale.

HOW WE BUILD MARKETS WHERE WE INVEST

As a credible impact investor, we deliberately focus on creating real-world impact in our investee markets.

Creating impact across different market levels

Working specifically on the financial market and real economy levels of these given markets, allows us to create long-term change across various levels.

The financial market level: creating a robust system
Investing through a wide range of financial institutions allows us to achieve scale, strengthen the local financial sector and reach a diverse group of investees. Each of these financial intermediaries addresses a specific financing need, and ultimately fills the financing gap for a respective group of end borrowers. Take

sustainable agriculture as an example, we address the range of financing needs along the agricultural business spectrum, by working with cooperatives and commercial banks to leasing companies. But it is not only financing as such that is expanded, by passing on very specific eligibility criteria and strict ESG requirements, combined with capacity building and advisory we create impact at the level of the real economy as well.

The real economy level: focusing on sustainability
We invest in impact relevant companies and projects directly, and also embed sustainability into core business processes. By investing in and creating value through these companies and projects, we further demonstrate to other investors the viability of sustainable

Building Markets for People and Planet

IMPACT REPORT 2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

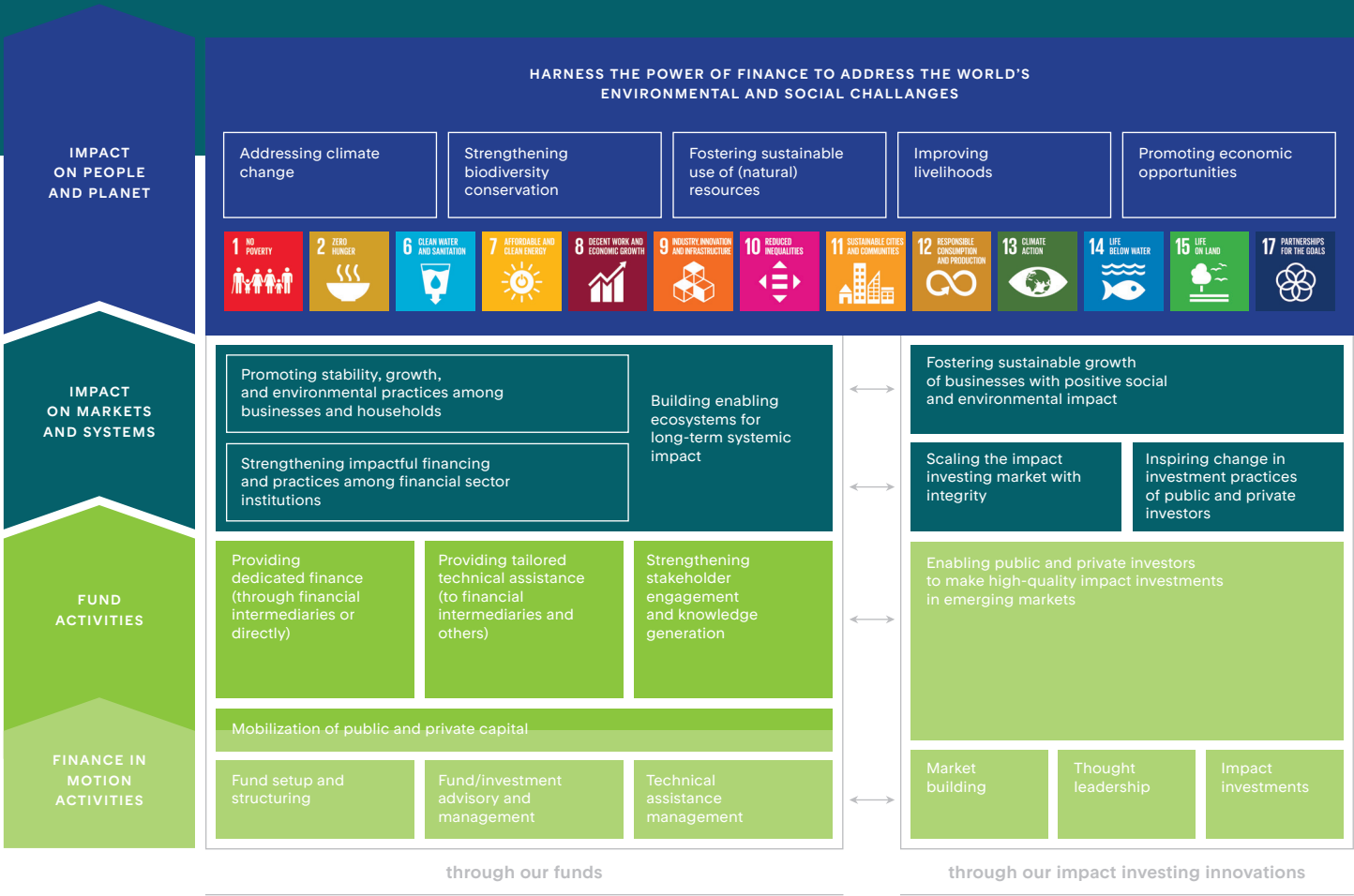
investments. These projects and investments are diverse and can range from lighthouse investments in renewable energy – which are often one of the first of their kind in their country – to greenfield ventures in the financial inclusion space, which address underserved segments and geographic areas.

Long-term sustainable impact: a holistic approach

To impact our target markets, we implement an ever evolving a holistic approach which includes:

Combining targeted investments with customized technical assistance

In addition to our debt and equity funds, we manage technical assistance facilities to provide tailored capacity building to financial institutions, investee companies and sector players. These facilities strengthen processes and practices while fostering an overall empowering environment. Consider the example of



greening financial systems, we have been working towards this goal by supporting financial institutions in building up green portfolios and demonstrating the business case for delivering green

finance. In doing so, our funds strive to increase access to green finance at scale, while mainstreaming sustainability in business practices and operations,

generating systemic impact, and ultimately benefitting economies at large. Learn more about the green economy transition in the article [“How to green the financial system”](#).

Building Markets for People and Planet

The estimate current
size of the market
is at USD 715 billion.

GIIN 2020 ANNUAL
IMPACT INVESTOR SURVEY

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

Pushing standards and innovation

We require our investees to adhere to leading industry standards, for example in managing ESG risks and impacts. Should a due diligence reveal a gap, we develop action plans and deploy tailored support to ensure these requirements are met. International frameworks and standards are also informing our eligibility assessment and impact management. Learn more about how some funds we manage are implementing standards in [“How we leverage standards to facilitate impact management”](#). Furthermore, we work closely with our investees to innovate for better results. For example, we have been supporting digital transformation across value chains. COVID-19 has shown the vulnerability of an increasingly interconnected world, and the added value of implementing practical digital solutions. Moreover, financing for entrepreneurs and MSMEs in innovative and growing sectors, such as fintech, creates opportunities to boost overall impact. Explore how the funds are fostering digitalization in [“How to foster digital transformation”](#).

Continuous engagement and local solutions

Our local presence – coordinated out of our 16 offices worldwide – not only allows us to have continuous engagement and dialogue with our investees but to design solutions that are tailored to and integrated into local systems. A key focus for Finance in Motion funds in 2021, for instance, was to make more funding available in local currency. It is this type of responsible financing that builds a sustainable and resilient financial infrastructure.

HOW WE GROW THE IMPACT INVESTING MARKET

Our commitment as an impact investor goes beyond our investment activities.

Advancing sector growth

We also take our responsibility of [contributing to the growth of impact investing](#) seriously. Ultimately, we aim to have an impact on the global financial sector, supporting a paradigm shift

towards mainstreaming sustainable investing and impact investing in particular. To that end, we are continuously innovating, pushing the frontier, implementing aspirational frameworks and setting new standards – actively contributing to the growth of the sector one step at a time.

Creating innovative impact investing solutions

Over the last 12 years, we have created several innovative impact investing vehicles: we helped set up the very first blended finance funds, developed a fund-specific local currency hedging mechanism and most recently supported the design and launch of LAGreen in 2021, the first green bond fund dedicated to Latin America. Through all these activities, we contribute to Sustainable Development Goal 17 – Partnerships for the Goals – by creating new and improving current impact investing solutions. By mobilizing additional private capital, we work to scale impact and enhance support for our investee markets.

Collaboration and leadership within the industry

Building markets also requires transparency and knowledge sharing by engaging with peers and other market participants. We are, therefore, not only an active member of the Global Impact Investor Network (GIIN) Investor Council and the Bundesinitiative Impact Investing, but also contribute to a range of working groups, events and thought leadership initiatives. By contributing to many leading industry networks and being signatory to key principles and standards, we help build the impact industry’s credibility and contribute to providing investors with the confidence that impact investing is trustworthy.

Our commitments



Building Markets for People and Planet



<https://www.finance-in-motion.com>

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

Our colleagues also play an active role by speaking at conferences, such as COP26, the Sustainable Finance Forum and the Sustainable Investor Summit, and are lecturing at business schools and universities, as well as providing data and input to market studies.

Actively ensuring accountability

Accountability is an important aspect of building trust in the market and towards that end, external verification is gaining traction. As signatory of the Operating Principles for Impact Management, in 2021, we underwent an external verification of our impact management system by the specialist impact verification services provider BlueMark and received exceptionally high ratings. Discover how we enhance our alignment Impact Principle 4 in “[How we leverage standards to facilitate impact management](#)”. In its most recent report, BlueMark has listed Finance in Motion among the top-performing impact management practitioners, putting the company on its list of “Practice Leaders”.

The focus on measurability contributes to the industry’s drive to expand standards alongside the increasing demands of regulators and investors. Since the EU Sustainable Finance Regulation entered into force in March 2021, Finance in Motion’s advised funds have been positioned as Article 9 funds, following the highest set of disclosure standards for sustainable investment funds.

ESG investing vs. impact investing

Impact investing goes beyond ESG investing. Growing awareness of sustainability has seen companies, financial institutions, and funds adopt environmental, social and governance (ESG) standards. Investors increasingly apply an ESG lens. While this appetite for ESG-focused assets is welcome, it is not to be confused with impact investing, which requires intentionality, impact-driven investment design, and systematic impact measurement and management.

LESSONS LEARNED

When it comes to building markets, we’ve learned some key lessons that have been shaping our approach.

No one can do it alone, partnership is key – change is most effective if stakeholders join forces, combine skills, and pool financial means.

It requires patience and resilience to drive change – it takes time to change mindsets and long developed routines. Progress will not be linear and there will be major setbacks, such as those brought on by external factors, for example war or pandemics. Focusing on the long-term target and adapting to new circumstances helps to stay the course.

Never stop evolving – we work in dynamic markets that require a dynamic response. Being integrated in our target markets allows us to identify challenges but also new trends early on and to work with our local partners on developing solutions.

Moving forward, we will strive to further build our investee markets by taking a holistic approach at both the financial sector and real economy levels. As a committed impact asset manager, we will continue to collaborate with our investors, peers and other key stakeholders to build up the industry and unleash positive change.

How We Leverage Standards to Facilitate Impact Management

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations



How We Leverage Standards to Facilitate Impact Management

IMPACT REPORT
2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

MAKING STANDARDS PART OF IMPACT INVESTING'S DNA TO INCREASE CONFIDENCE IN THE INDUSTRY

To secure confidence among investors and other stakeholders, impact investing must show that the highest standards are ingrained in its DNA. The industry's integrity relies on its ability to show clear evidence that it is delivering the social and environmental benefits that are at the core of its purpose. Public bodies and private investors cannot make decisions about complex issues based on superficial claims.

Across all its projects and funds – such as LAGreen, the first green bond fund dedicated to Latin America and the Arbaro Fund for sustainable forestry – Finance in Motion is committed to aligning with best practice with maximum transparency.

This gives assurance to institutional investors that are looking beyond straight forward risk and return to include an impact lens.

Raising awareness of robust standards

Green bonds, for example, are in their infancy in Latin America where LAGreen is committed to raising awareness of their role and building the market for these financial instruments. Following the International Capital Market Association (ICMA) principles is widely considered to be best practice for a green bond framework. By requiring alignment with ICMA, LAGreen can offer confidence to bond issuers and in turn to build capacity to develop green bonds that apply these principles, growing the market and ultimately mobilizing more private finance.

The Arbaro Fund applies the highest standards in the industry – which is the Forest Stewardship Council (FSC) certification – in addition to a very robust



environmental and social management system. The fund seeks to develop new hectares of sustainable forestry whilst taking millions of tons of CO₂ out of the atmosphere, creating formal employment and protecting against deforestation – such as projects in Paraguay where plantation forests are developed alongside conservation of the natural forest.

The FSC certification principles and criteria are first applied when assessing

potential projects, and if investment proceeds, then formal certification is put in place. FSC also requires that investments are subject to external verification, monitored not only by the Arbaro Investment Advisor but also by way of third party audits and reviews on the ground and subject periodic certification renewal. Whilst the FSC certification may not provide immediate price advantage, it does bring economic benefits by opening up market

How We Leverage Standards to Facilitate Impact Management

Sarah Hessel
Impact & Sustainability
Senior Manager
at Finance in Motion



IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

opportunities and providing a globally accepted confirmation of economic, environmental and social sustainability.

Working with today’s standards and beyond

Simply aligning to today’s standards is not enough. Finance in Motion is constantly striving to further define and ingrain these standards across the funds it manages and advises. All assets under Finance in Motion’s advisory/management are aligned with the practices and systems defined by the Operating Principles for Impact Management (Impact Principles). Building on the 2021 verification and market developments, we are continuously working to strengthen our systems. For instance, Arbaro is looking at new ways of measuring biodiversity change against a backdrop of evolving international standards and initiatives such as the Partnership for Biodiversity Accounting Financials (PBAF), the Taskforce on Nature-related Financial Disclosures (TNFD) and the ENCORE Resource Tool.

HOW A NEW IMPACT SCORING TOOL HELPS DRIVE STANDARDS HIGHER

Sarah Hessel, Impact and Sustainability Manager, introduces the new impact scoring tool

Sarah explains: as signatory of the Operating Principles for Impact Management, we wanted to further refine our approach to ex-ante impact assessments and strengthen our alignment with Impact Principle 4 – assessing the expected impact of each investment. The new impact scoring tool enhances our impact management approach across the investment cycle: It provides a consistent and structured assessment, thereby making the expected impact of investments comparable, and allows for continuous impact management throughout the investment period.

It thereby also establishes a steering mechanism at the individual investment as well as at the portfolio level. And finally, the tool benefits our wider impact

approach as it also allows us to identify areas for capacity building support and to collect additional impact data from our investments.

Q: How does the tool work?

A: While it is a proprietary tool that is tailored to the respective investment strategy’s Theory of Change, we built on industry standards, such as the Impact Management Platforms 5 Dimensions of Impact and draw on external data and benchmarks for the assessments. The tool is integrated into the due diligence and the scoring will be updated regularly during the investment period based on the actual performance. At exit, initial expectations will be confirmed. This way, we can track changes and identify good practices.

Q: What are the wider benefits of the tool?

A: Impact is complex and context specific. Building on recognized standards, such as the 5 Dimensions of Impact, allows to assess impact in that

complexity but at the same time make it comparable and accountable throughout the investment cycle, which we also see as important considering the regulatory requirements towards impact funds. Finally, we aim to use this structured approach to identifying lessons learned to feed back into investment strategy and industry discussions.

“The new impact scoring enhances our impact management approach across the investment cycle.”

How to Green the Financial System

IMPACT REPORT 2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

How to Green the Financial System

IMPACT REPORT 2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

BUILDING A ROBUST GREEN FINANCIAL SYSTEM

To tackle the environmental and social challenges facing the world, Finance in Motion, channels capital – through its funds – to local financial institutions and other financial intermediaries. This creates change on a meaningful scale through robust local financial sectors, which in turn funnel much needed financing to the real economy.

Through our green funds, such as the Green for Growth Fund (GGF) and the eco.business Fund, Finance in Motion is at the cutting edge of the drive to green the financial systems – by contributing to building an ecosystem that will deliver green finance to high standards.

Developing innovative solutions

GGF invests in reducing energy consumption, resource use and CO₂ emissions in Southeast Europe, the

Caucasus, the Middle East, and North Africa, while eco.business Fund's focus is sustainable agriculture, forestry, aquaculture and tourism in Latin America and sub-Saharan Africa. They are helping to develop innovative finance for a greener economy by having investment teams on the ground which work hand in hand with local partners.

Record year for our green funds

In 2021, the GGF recorded its strongest ever net growth in outstanding portfolio, having, to date, facilitated over EUR 1.2 billion in impactful green loans to over 42,000 end borrowers. The eco.business Fund also closed the year with over USD 530 million in outstanding portfolio, exceeding its business plan for the year, and raising a record amount of USD 80 million in private funding, including in senior shares, which has increased private sector participation to 40%.

ProCredit Bank Serbia is one of the local partners of GGF which – by providing energy efficiency loans – helps businesses reduce energy use and increase competitiveness, as highlighted in 2021 on GGF's [green journey](#). For instance, with ProCredit Bank Serbia's help, KEPO, a producer of heaters for sustainable fuel made from biomass pellets, has bought a laser cutting tool to help save energy and save costs. Since GGF partnered with ProCredit Bank Serbia in 2016, the bank has distributed more than EUR 50 million in green loans to over 600 business clients.

Among eco.business Fund's partners in Ecuador is Banco Guayaquil, which provides finance for sustainable agriculture and aquaculture. Over the course of 2021, the eco.business Fund Development Facility has supported the bank in strengthening its sustainability



strategy, including introducing an Environmental and Social Management System (ESMS), which helps to identify and manage the potential environmental and social risks of a planned investment. Having this robust ESMS was an important steppingstone for Banco Guayaquil towards being able to design its first green financial product (GFP). Through this first GFP, the bank will address the underserved market of aquaculture and agriculture producers

How to Green the Financial System

 **discover more**
<https://greenjourney.ggf.lu>

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

– providing credit to help shrimp and banana producers switch from fossil fuel to renewable energy sources across their production value chain.

At both funds, the work goes beyond providing finance through partner institutions to end-users for environmentally beneficial projects. Their approach aims for a systemic impact by establishing sustainability as a core business principle for financial institutions and their clients – and to build capacities and awareness around green finance topics.



Creating a competitive edge through green finance

This is where the GGF’s Green Academy and eco.business’s Sustainability Academy play an important role. They provide training and support to financial institutions and businesses to equip them with the knowledge and tools to identify and support green projects and promote sustainability.

Just as investors back projects that offer a financial return as well as an environmental or social benefit, financial intermediaries benefit from actively developing green lending operations. From diversifying their portfolios and expanding their networks to differentiating their financial operations and reducing financial risk – they have a competitive edge.

Through collaboration with partners and across the entire investment cycle, from designing sustainability strategies which include green financial products to running environmental audits,



GGF and ProCredit Bank Serbia
Since partnering with GGF in 2016, ProCredit Bank Serbia has distributed more than EUR 50 million in green loans to more than 600 new and existing business clients, including EUR 300,000 of energy efficiency investments for small and medium enterprises.

Finance in Motion and its funds are increasing the capacity and demand to create a cohesive system for green transformation.



eco.business Fund and Banco Guayaquil in Ecuador
Implementing an Environmental and Social Management System, with support from the eco.business Fund Development Facility, has enabled Banco Guayaquil to obtain additional international financing and develop new green financial products.

How to Foster Digital Transformation

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations



How to Foster Digital Transformation

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

MAKING DIGITALIZATION A CATALYST FOR CHANGE

Digitalization has an important function in impact investing, helping to improve efficiency, create jobs and drive economic growth. The SANAD Fund for MSME (SANAD) and the European Fund for Southeast Europe (EFSE), funds advised by Finance in Motion, actively promote, and support digital innovation.

In an interconnected world, investments in digitalization make businesses more cost-effective and enables them to better serve their customers. For banks and financial intermediaries, digital transformation helps them assess projects more efficiently, target and support businesses and retail clients, and optimize their products and operations. Digitalization supercharges the financial system by increasing its capacity and

acting as a catalyst for financial inclusion, for instance, expanding financial products to rural communities. It also provides proofing against crises such as the COVID-19 pandemic and future technological developments.

Championing digital game changers

In the Middle East, North Africa and sub-Saharan Africa, SANAD successfully deploys digitalization to support the micro, small and medium enterprises that are the backbone of local economies. It provides funding and technical assistance to financial intermediaries who lend to entrepreneurs, and it also invests directly, such as a USD 2 million equity investment in the fintech POSRocket alongside other investors.

A provider of cloud-based point of sale technology to small retail and restaurant businesses, POSRocket was already



How to Foster Digital Transformation



<https://www.efse.lu/news-events/all/newsdetail/microfinance-in-western-balkans-in-the-fast-lane-to-digital-transformation>

IMPACT REPORT 2021

- 2 Table of Contents
- 3 Key Figures
- 5 Letter from the Managing Directors
- 8 Our Contribution to the SDGs
- 9 Our Approach to Impact & Sustainability
- 12 Building Markets for People and Planet
- 17 How We Leverage Standards to Facilitate Impact Management
- 20 How to Green the Financial System
- 23 How to Foster Digital Transformation
- 26 About Finance in Motion
- 30 Operational Results
- 33 Our Portfolio
- 35 Regional Operations

familiar to SANAD, having previously taken part in the Fincluders Challenge – an accelerator for early-stage entrepreneurs organised and sponsored by the SANAD Technical Assistance Facility. As a shareholder to/of POSRocket, SANAD supported the company’s development of its environmental and social framework and strengthened its corporate governance and co-led its Series B financing round.

In December 2021, SANAD sold its stake as part of the acquisition of POSRocket by a leading restaurant technology company in the region. Under the new ownership, POSRocket will be able to expand further and in turn help its thousands of client business owners to grow their operations.

Steering microfinance institutions into the digital fast lane

Just as SANAD works with financial intermediaries to improve their digital practices, EFSE also offers local digital expertise and tools to provide tailored support to its partners. This support includes identifying how and where

digitalization will create opportunities, for instance how to better serve a wide array of clients – ranging from larger and developed organizations to rural small enterprises.

In 2021 for example, EFSE deployed the first phase of its Digital Transformation Programme to support four partner microfinance institutions, MCF Partner, MCC EKI, and MCF MI-BOSPO in Bosnia and Herzegovina and Alter Modus in Montenegro. The programme assessed their digital readiness and analysed any constraints before developing a strategy and action plan for digital transformation. It enabled them to integrate digitalization into their processes for offering responsible and cost-effective products and services to microfinance and business clients.

Turning technology into a transformation tool

SANAD’s and EFSE’s work on digitalization illustrates how Finance in Motion collaborates to jump-start transformation, providing expertise combined with



capital provided by its funds, to act as an engine for economic growth. From small fintechs to more established financial intermediaries, digital

transformation creates an ecosystem that delivers economic and social benefits, not just for today, but for the future too.

About Finance in Motion

IMPACT REPORT 2021

- 2 Table of Contents
- 3 Key Figures
- 5 Letter from the Managing Directors
- 8 Our Contribution to the SDGs
- 9 Our Approach to Impact & Sustainability
- 12 Building Markets for People and Planet
- 17 How We Leverage Standards to Facilitate Impact Management
- 20 How to Green the Financial System
- 23 How to Foster Digital Transformation
- 26 About Finance in Motion
- 30 Operational Results
- 33 Our Portfolio
- 35 Regional Operations



About Finance in Motion

IMPACT REPORT
2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

MAKE A SUSTAINABLE,
POSITIVE DIFFERENCE

At Finance in Motion, we harness the power of finance to make a positive difference for investors, people and the planet. As a world-leading impact asset manager and trusted private sector partner, we invest in emerging markets to address the world's environmental and social challenges while delivering sustainable long-term returns.



Real impact. Real experts.

We create positive outcomes in emerging markets across the impact value chain with our unique skill sets.

Regional and matter expertise

We use our many years of learnings and insights to continuously enhance the reach and depth of our investment performance and impact management. Operating across 16 offices worldwide, our staff members are experts in impact investing providing and leveraging much needed on-the-ground market knowledge. Our impact management system has been independently verified as best in class by BlueMark according to the Operating Principles for Impact Management. The impact asset management we practice integrates compliance and ESG to the same high standards as our investment and risk management, and all are delivered by outstanding professionals.

Innovative financial solutions

Our intrinsic understanding of impact investing allows Finance in Motion to create innovative and tailor-made financial solutions for the full spectrum of public and private investors. With more than a decade of experience, we can offer holistic investment solutions that not only address the environmental and social challenges prevalent in emerging markets – but also investors' specific needs and requirements.

Unparalleled in-house specialists

We drive systemic change in the financial sector and various industries by an array of exceptional leaders and teams who enable decarbonisation of bank portfolios, direct flows to sustainable and green practices, build green infrastructure, finance sustainable land use, lead on energy and resource efficiency finance at scale, and advance financial inclusion and entrepreneurship development.

Value creation beyond finance

We accelerate the required change and adaptation to more sustainable and responsible practices by closing not only funding and capital gaps but importantly knowledge, awareness and information gaps. We therefore engage systematically and deeply in capacity building with our investees, sectors and regulatory bodies.

Proven track record

Finance in Motion's impact history of over a decade speaks for itself. Our approach to impact investing creates long-term value across the entire value chain for investors, investees, people, and planet, improving the lives of the communities and protecting the environment. Despite the perceived risks of investing in emerging markets, we have successfully invested in these regions for over a decade. Our robust tranching structures allow investors to select their level of risk when investing in these regions.

About Finance in Motion

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

OUR VALUES DRIVE US

Credibility

We communicate with our stakeholders openly, directly, and transparently. We encourage critical reflection internally and with partners and promote a culture of active and honest dialogue to drive performance excellence. Above all, ‘we walk the talk’ by applying our values and principles to all aspects of our business operations.

Commitment

We are dedicated to enabling development finance to generate positive change for investors, people and the planet. We offer robust green and social finance solutions for our investors and investees, actively sourcing and developing strong partnerships to achieve our objectives. Our commitment to harnessing the power of finance to make a positive difference extends to our internal culture and rules of engagement.

Entrepreneurial Spirit

We aim to create tangible outputs and solutions to global challenges that balance impact, risk and return for all our stakeholders. Our strategy and corporate development are subject to ongoing critical reflection, allowing for innovation and growth. As an impact-focused company, we are decisive and follow a risk-based approach, managing our resources carefully and sustainably.

Diversity and Inclusion

We promote diversity and inclusion at all levels of our organization by championing equal opportunities and actively promoting fair and unbiased treatment for all employees. We aim to leverage individual knowledge and experiences to strengthen collaboration and consider internal global diversity a critical asset in sourcing practical and sustainable investment solutions.

“ We create positive outcomes in emerging markets across the impact value chain with our unique skill sets. ”

61

Nationalities

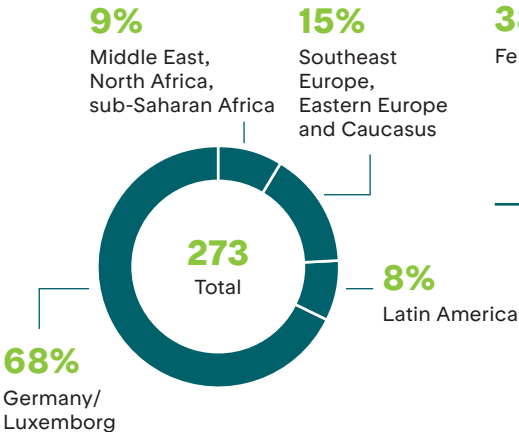
47%

Share of staff originating from our investment countries

90%

Share of staff participating in training

Staff by location



Staff by gender

49.8%

Females



50.2%

Males

Company senior management by gender

38.5%

Females



61.5%

Males

About Finance in Motion



EUR 395,000

Donations to social projects since inception of charity

IMPACT REPORT 2021	
2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

WALKING THE TALK

We "walk the talk", and our actions are consistent with the values that we stand for.

Green Committee

Just as our environmental impact funds work towards moving climate action forward in their spheres of influence, Finance in Motion employees have created the Green Committee to further green action within our organization. This employee-organized, volunteer working group is committed to exploring new ways to further reduce the environmental footprint of our operations. Some recent noteworthy initiatives include:

- Hosting zero waste and recycling workshops – in collaboration with a local zero waste supermarket
- Rolling out the bike leasing program Jobrad
- Creating the Green Finance Club – where employees gather information on and discuss options for how they can invest their own money in a more sustainable way
- Implementing Green Committee Exchange Rounds on how everyday activities such as cooking, travel and energy consumption can be done more sustainably

The Green Committee also raises awareness among fellow staff on environmental issues and the difference they can make by hosting ongoing events such as lectures or relevant film screenings.

fimshare

fimshare is an employee founded and run charitable association. Established in 2013, fimshare was created by our employees to actively support charitable projects in the areas of education, infrastructure development, and poverty alleviation as well as emergency aid projects in developing and transition countries. In 2021, fimshare implemented 6 projects. Since its inception, fimshare has:

- implemented 64 projects in 28 countries
- donated around EUR 395,000 to charitable projects

EUR 395,000

fimshare donations to social projects since inception of charity

6

fimshare projects implemented in 2021

64

fimshare projects implemented since inception

28

Countries with fimshare projects implemented since inception

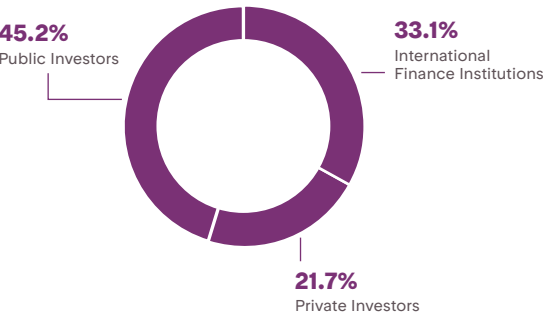
Operational Results

IMPACT REPORT 2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

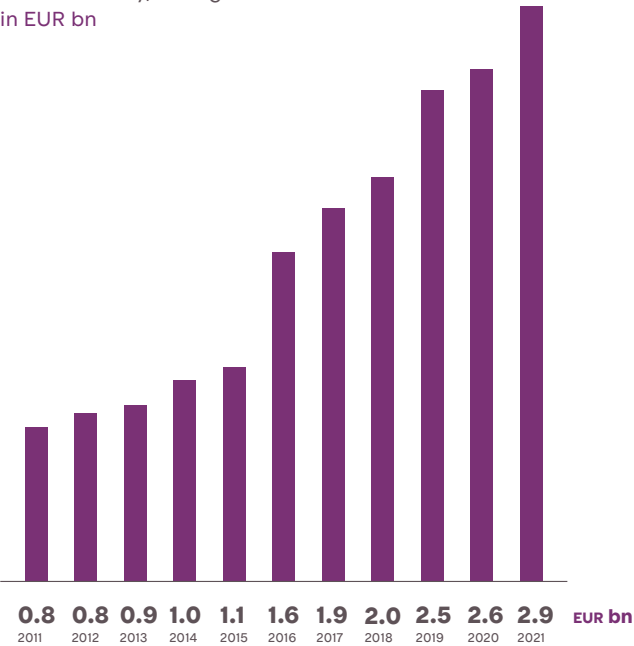
Funding

Fund investors by type in %



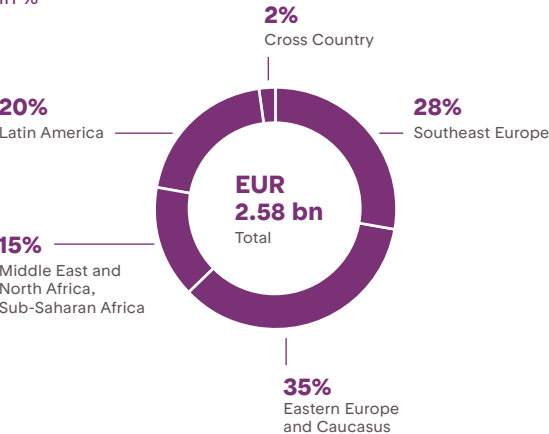
Investments

Development of assets under advisory/management in EUR bn



Investments

Outstanding investment portfolio by region in %



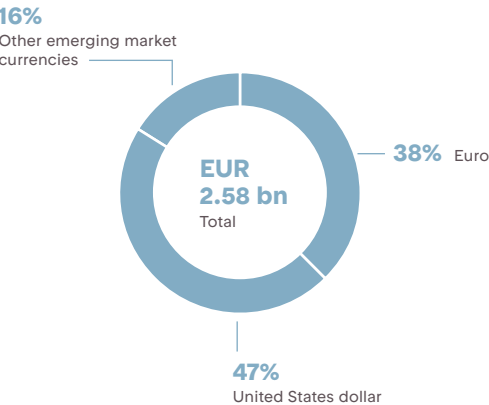
Operational Results

IMPACT REPORT 2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

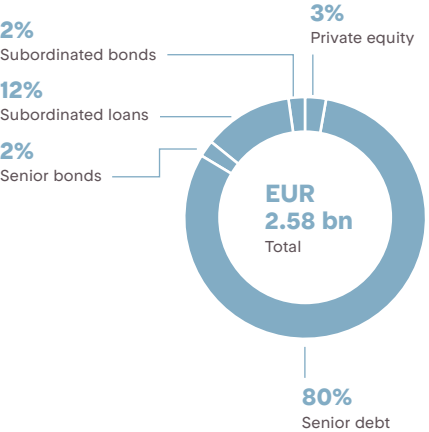
Investments

Outstanding investment portfolio
by currency
in %

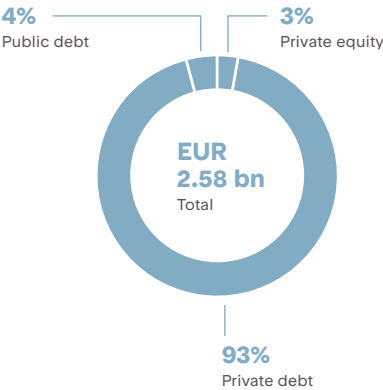


Other emerging market currencies comprise 13 different currencies from Latin America, sub-Saharan Africa, Southeast Europe and Eastern Europe and Caucasus, Middle East and North Africa.

Outstanding investment portfolio
by financial instrument
in %



Portfolio
by asset class
in %



Operational Results



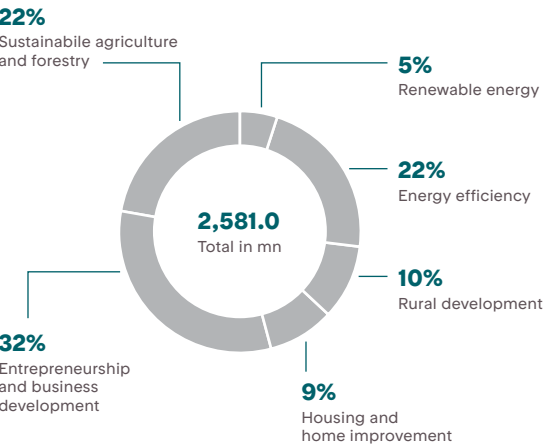
<https://www.finance-in-motion.com/about-us/>

IMPACT REPORT 2021

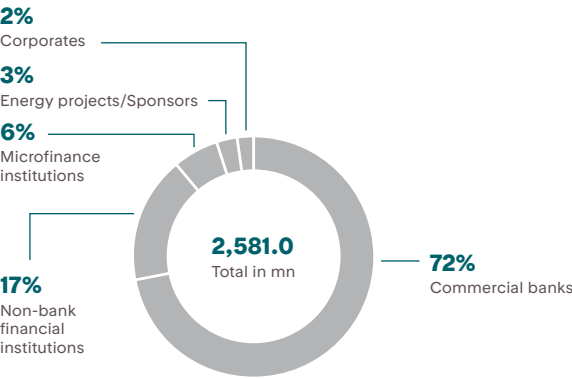
- 2 Table of Contents
- 3 Key Figures
- 5 Letter from the Managing Directors
- 8 Our Contribution to the SDGs
- 9 Our Approach to Impact & Sustainability
- 12 Building Markets for People and Planet
- 17 How We Leverage Standards to Facilitate Impact Management
- 20 How to Green the Financial System
- 23 How to Foster Digital Transformation
- 26 About Finance in Motion
- 30 Operational Results
 - 33 Our Portfolio
 - 35 Regional Operations

Investments

Outstanding investment portfolio
by product/topic
in %

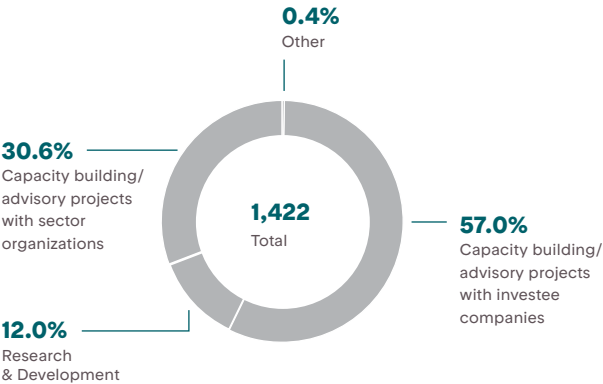


Outstanding portfolio
by investee company
in %



Technical Assistance

Accumulated number of capacity building/
research projects by project type
in %



Our Portfolio

All figures are as of year-end 2021

IMPACT REPORT 2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations



Assets under Management	EUR 1.1 bn
Outstanding investment portfolio	EUR 969 mn
Active countries	15
Active partner lending institutions	73
Number of technical assistance projects managed	136
Volume of technical assistance projects managed	EUR 13.2 mn
Number of outstanding subloans to MSMEs and households	90,560
Volume of outstanding subloans to MSMEs and households	EUR 1.0 bn
Indirect jobs supported by MSMEs receiving financing through partner institutions ^{1,2}	1,900,000
of which, women ^{1,2}	799,000
Share of total MSME and rural subloans disbursed in local currency	76%
Share of subloans disbursed to rural end-borrowers	23%
Average size of subloans facilitated to MSMEs and households	EUR 11,320



Assets under Management	USD 484.0 mn
Outstanding investment portfolio	USD 401.0 mn
Active countries	9
Active partner institutions	43
Portfolio companies ESF I	5
Portfolio companies ESF II	2
Technical assistance projects managed	116
Volume of technical assistance projects managed	USD 10.0 mn
Number of outstanding subloans to MSMEs and households	18,000
Volume of outstanding subloans to MSMEs and households	USD 257.0 mn
Indirect jobs supported by MSMEs receiving financing through partner institutions ^{1,2}	267,000
of which, women ^{1,2}	78,000
Share of sub-loans in local currency	93%
Share of sub-loans disbursed to rural and semi-urban end-borrowers	24%
Average size of subloans facilitated to MSMEs and households	USD 3,570

¹ Cumulative figure since inception

² Figures are modeled by Finance in Motion based on primary reporting and third-party data.

Our Portfolio

All figures are as of year-end 2021

IMPACT REPORT 2021
2 Table of Contents
3 Key Figures
5 Letter from the Managing Directors
8 Our Contribution to the SDGs
9 Our Approach to Impact & Sustainability
12 Building Markets for People and Planet
17 How We Leverage Standards to Facilitate Impact Management
20 How to Green the Financial System
23 How to Foster Digital Transformation
26 About Finance in Motion
30 Operational Results
33 Our Portfolio
35 Regional Operations



Assets under Management	EUR 754.8 mn
Outstanding investment portfolio	EUR 683.3 mn
Active countries	17
Active partner institutions	62
Number of technical assistance projects managed	175
Volume of technical assistance projects managed	EUR 10.1 mn
Tons CO ₂ saved annually ²	1,000,000
MWh energy saved annually ²	4,000,000
MWh renewable energy capacity supported	1,140



Assets under Management	USD 616.0 mn
Outstanding investment portfolio	USD 597.1 mn
Active countries	12
Active partner institutions	33
Number of technical assistance projects managed	47
Volume of technical assistance projects managed	USD 3.3 mn
Hectares of farmland under sustainable management ¹	856,000
Hectares farmland under soil conservation practices supported ¹	416,000
M ³ irrigation water saved ^{1,2}	4,800,000
Tons CO ₂ stored by (agro-)forestry activities (absolute) ^{1,2}	23,300,000



Assets under Management ³	USD 53.4 mn
Outstanding investment portfolio	USD 38.5 mn
Active countries	3
Number of portfolio companies	3
Hectares under sustainable management ¹	35,500
Tons CO ₂ sequestered ^{1,2}	6,950,000

¹Cumulative figure since inception

²Figures are modeled by Finance in Motion based on primary reporting and third-party data.

³Total assets from official financial statement

Regional Operations

- Countries where Finance in Motion and its funds have been active through investments or technical assistance
- Countries eligible for investment or technical assistance
- 🏠 Finance in Motion offices

IMPACT REPORT 2021

2	Table of Contents
3	Key Figures
5	Letter from the Managing Directors
8	Our Contribution to the SDGs
9	Our Approach to Impact & Sustainability
12	Building Markets for People and Planet
17	How We Leverage Standards to Facilitate Impact Management
20	How to Green the Financial System
23	How to Foster Digital Transformation
26	About Finance in Motion
30	Operational Results
33	Our Portfolio
35	Regional Operations

Central and South America

- Colombia 🏠
- Costa Rica
- Ecuador
- El Salvador 🏠
- Guatemala
- Honduras
- Nicaragua
- Panama
- Paraguay

Sub-Saharan Africa

- Côte d'Ivoire
- Ghana
- Kenya 🏠
- Mauritius
- Rwanda
- Senegal
- Sierra Leone
- Uganda

Southeast Europe, Eastern Europe and the Caucasus

- Albania
- Armenia
- Azerbaijan
- Belarus
- Bosnia and Herzegovina 🏠
- Bulgaria
- Croatia
- Georgia 🏠
- Germany 🏠
- Kosovo 🏠
- Luxembourg 🏠
- North Macedonia 🏠
- Moldova 🏠
- Montenegro 🏠
- Romania
- Serbia 🏠
- Turkey 🏠
- Ukraine 🏠

Middle East and North Africa

- Egypt 🏠
- Iraq
- Jordan
- Lebanon 🏠
- Morocco
- Palestinian Territories
- Tunisia
- Yemen



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Publisher

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Listed in the ImpactAssets 50
fund managers



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- Page 18: Courtesy of the Arbaro Fund
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- Page 22: Courtesy of the Green for Growth Fund and eco.Business Fund
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