



DEVELOPMENT FINANCE INSTITUTION

2021 Annual Report

J.P.Morgan



DANIEL ZELIKOW

Chair, J.P. Morgan Development
Finance Institution
Governing Board

I would like to congratulate J.P. Morgan's Development Finance Institution (JPM DFI) for generating strong results in its second full year of operation. The team extended the JPM DFI's reach by serving as development finance structuring agent in 20 transactions across new sectors, geographies and products. Its development impact assessments have proven to be a valuable tool for corporate and sovereign clients to measure and communicate their impact. The JPM DFI also worked with official development institutions that participated as anchor investors in transactions, each with significant development impact.

Beyond its transactional work, the team's extensive interactions with institutional investors and official development institutions provided opportunities to obtain feedback on the JPM DFI's methodology and for the governing board to approve a refinement of its criteria.

We expect the JPM DFI to continue to seek feedback for its impact methodology as the landscape for sustainable development-focused investing evolves.

The JPM DFI has laid the foundations for standards that define development impact investing in global financial markets to emerge. From the start, our philosophy at J.P. Morgan for this undertaking has been "open source." With this ethos in mind, the JPM DFI's impact methodology is in the public domain. In 2022, the team will work with key industry participants to build market standards for analyzing transactions for their development impact and alignment with the United Nations Sustainable Development Goals. In the wake of the social and economic impacts of COVID-19 and international conflicts, engaging the private sector's support for financing the sustainable development agenda has never been more important.



FAHEEN ALLIBHOJ

Managing Director, Head of
the J.P. Morgan Development
Finance Institution

Since the launch of the J.P. Morgan Development Finance Institution, we have seen increased engagement around sustainable development propelled by unprecedented public health and economic challenges, as well as an increasingly urgent focus on climate change. This focus has been underpinned by two key global agendas, the Paris Climate Accords and the UN Sustainable Development Goals, both of which are approaching the halfway mark of their 2030 targets. We have also seen a growing coalition of private sector institutions aligning toward these objectives, including J.P. Morgan, which has established a 10-year, \$2.5 trillion target to advance long-term solutions that address climate change and contribute to sustainable development.

In 2021, the transactions we engaged in highlighted that sustainable development and environmental, social and governance have attracted meaningful attention from corporates, governments, banks and institutional investors. Corporate clients have incorporated sustainability indicators and targets into their operations and reporting, and institutional investor clients have displayed a growing appetite for impact metrics and standardized methodologies when assessing transactions. We are excited to be part of this momentum and look forward to collaborating with partners, clients and other stakeholders in this important work.



EXECUTIVE SUMMARY

The J.P. Morgan Development Finance Institution (JPM DFI) was established in January 2020 to mobilize finance in support of the United Nations (UN) Sustainable Development Goals (SDGs) in emerging economies. The year 2021 saw accelerated action, an increased number and diversity of transactions, as well as a deepening of relationships with official development institutions (ODIs) and institutional investors¹ focused on sustainable development.

Highlights of our work in 2021 include:

- Assessed 631 Corporate & Investment Banking (CIB) transactions to have anticipated development impact for a total value of US\$124 billion²
- Acted as development finance structuring agent (DFSA) for 20 transactions, a fourfold increase from 2020
- Assessed transactions with impact that in aggregate, covered the majority of the SDGs³

Looking ahead, we will continue to collaborate with capital markets participants to establish common standards for identifying and assessing transactions with sustainable development impact. We also aim to continue working with institutional investors and ODIs to channel capital to projects and activities that address the gaps to achieving the SDGs.

This annual report provides an overview of the JPM DFI's activities in 2021 and how they align with the broader landscape of the firm's work on environmental, social and governance (ESG) factors. The following sections summarize the results of the JPM DFI assessments in 2021, including examples of transactions aligned with the SDGs and where we served as DFSA. The final section outlines our priorities for 2022 and beyond.



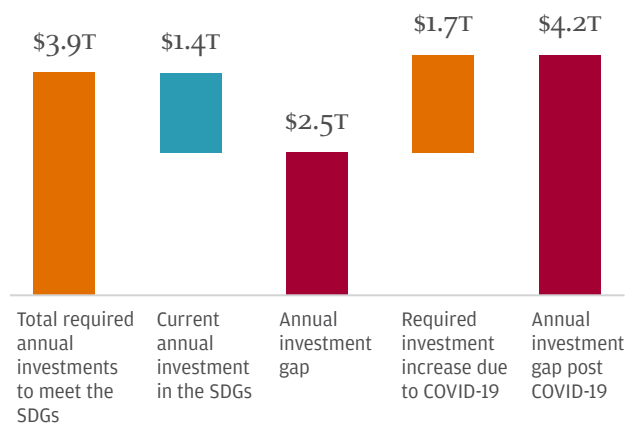
2021 IN REVIEW

Context of the Sustainable Development Goals

The SDGs, adopted by all UN member states in 2015, lay out a global agenda to alleviate poverty and inequality, expand access to health and education, and spur economic growth and employment, all while tackling climate change and working to preserve our natural ecosystems. Achieving these goals by 2030 requires unprecedented levels of investment across economic sectors, particularly in emerging markets. Before the COVID-19 pandemic, the UN had estimated that developing countries faced a gap of \$2.5 trillion per year to finance the SDGs.⁴ In its most recent outlook on sustainable development, the Organization for Economic Cooperation and Development (OECD) estimates that the annual financing gap has increased by \$1.7 trillion⁵ due to the impacts of COVID-19. Moreover, a key objective of the development community has been on how to shift the attention of financing this gap beyond official sources to the private sector.

In recent years, we have seen private sector banks and institutional investors demonstrate a growing interest in ESG and impact investing. As the ESG wave builds, we have observed meaningful changes in behavior from investors (e.g., ESG-aligned funds), corporates (e.g., focus on ESG frameworks and targets) and banks (e.g., public commitments). In 2021, J.P. Morgan advanced its own sustainability strategy in several ways, including growing our expertise through new and expanded teams focused

Estimated annual investment gap faced to meet the SDGs in developing countries (US\$ trillions)






Sources: The World Economic Forum, 2019. OECD Outlook on Financing for Sustainable Development, 2021.

on climate change and sustainable development, and by announcing our aim to finance and facilitate more than \$2.5 trillion by the end of 2030 to address climate change and contribute to sustainable development. The JPM DFI is a core component of—and the largest contributor to—the firm’s 10-year \$2.5 trillion sustainable development target.

The JPM DFI as development finance structuring agent

In 2021, the JPM DFI acted as DFSA for 20 transactions. As DFSA, our team helps clients to measure and communicate the anticipated development impact of transactions, integrates products provided by ODIs into the structure of transactions (if applicable), and identifies sources of capital that seek transactions with sustainable development impact.

Client services when acting as development finance structuring agent

 Development Impact Assessment	 Risk Mitigation	 Investor Outreach
<ul style="list-style-type: none"> Assist clients with disclosures related to the anticipated development impact of their transaction Provide clients with a development impact assessment, a report that applies the JPM DFI methodology to the transaction and offers a framework for impact reporting 	<ul style="list-style-type: none"> Identify and incorporate risk mitigation products offered by ODIs into the structure of assessed transactions (if applicable) 	<ul style="list-style-type: none"> Engage with investors that have strategies to deploy capital toward emerging markets and advancing the SDGs Identify ODIs that may support transactions as anchor investors

As DFSA, the JPM DFI engages with emerging markets corporate or sovereign clients to assess the anticipated development impact of their transactions. This includes the preparation of a development impact assessment (DIA), a report that applies the JPM DFI methodology to the transaction, provides a development intensity score and offers a framework for impact reporting. In the past year, approximately 60% of clients who received a DIA committed to annual reporting of their progress on the development indicators associated with the transaction. The JPM DFI may also support J.P. Morgan's syndicate function identify investors with strategies to deploy funds to investments that are expected to support the SDGs.

METHODOLOGY

The JPM DFI worked with leading ODIs, particularly the International Finance Corporation, to develop a methodology to assess the anticipated development impact of transactions executed by J.P. Morgan's CIB and provide a development intensity score of none, low, moderate, high or very high. The assessment also highlights the impact of transactions on the SDGs, including the specific SDG targets and indicators in scope of the transaction. The JPM DFI methodology has been refined since its launch in January 2020;⁶ this chapter describes the methodology used in 2021.⁷

CIB Transactions

JPM DFI Filters



1. Sector



2. Geography



3. Product

The JPM DFI methodology is applied to all eligible CIB transactions, which already adhere to J.P. Morgan's existing risk frameworks, including those related to credit, market, environmental and social, and customer onboarding processes.

1. The **sector filter** screens out sectors commonly excluded by ODIs (such as weapons and tobacco) in addition to J.P. Morgan's existing sector exclusions. The latest iteration of our methodology has added upstream oil to its sector exclusions list.
2. The **geography filter** evaluates whether the use of proceeds supports projects or activities in a developing country, defined as a country eligible to borrow from the World Bank Group.
3. The **product filter** targets products that either facilitate raising capital (financing or refinancing) or risk management; key products include corporate finance, M&A, and markets hedging and financing transactions.

4. Development Intensity Assessment



4.a Development gap assessment

Compare relevant development indicators to peer group



4.b Investment contribution

- i Outputs and outcomes addressing sector gaps
- ii Cross-cutting criteria
- iii Market development
- iv Financial innovation

4.a Benchmarks the country's in-scope SDG indicators against other countries eligible to borrow from the World Bank Group to identify the relative magnitude of the development gap.

- 4.b Evaluates how the use of proceeds of the transaction, directly or indirectly, are expected to address the aforementioned development gaps. The investment contribution assessment is comprised of four dimensions:
 - i **Addressing sector gaps:** Specificity and magnitude of impact metrics and targets disclosed by the client at the transaction level
 - ii **Impact on cross-cutting criteria:** Policies and practices employed by the client in relation to environmental sustainability, job creation, gender and diversity, and corporate governance; the score is also enhanced if the transaction is denominated in local currency
 - iii **Impact on market development:** Spillover effects of the transaction on the broader economy and society (e.g., supply chain effects, knowledge development)
 - iv **Financial innovation:** The complexity and innovative elements of the financial transaction



No sustainable development impact



4.c Receive a development intensity score: low, moderate, high or very high

4.c The development gap and investment contribution assessments are averaged to provide the overall development intensity score of low, moderate, high or very high.



5. Transactions are also evaluated for their contributions toward the SDGs by identifying whether the client has disclosed intentions to make incremental progress on any of the 231 unique SDG indicators (or key performance indicators that approximate such indicators) and has presented quantifiable targets to advance such indicators. Given that each SDG indicator maps to unique SDG targets, the SDG targets that will be advanced by the transaction are also identified during this process.⁸

Example⁹—DIA of a corporate bond expected to support agriculture in Ethiopia

J.P. Morgan CIB transaction—As a CIB transaction, it has already been evaluated on J.P. Morgan’s risk, credit, Know Your Client, and environmental & social requirements

Step 1—Sector filter: The transaction benefits the agricultural sector which is a permitted sector per the JPM DFI methodology




Step 2—Geography filter: The use of proceeds support projects in Ethiopia, a country that is eligible to borrow from the World Bank Group

Step 3—Product filter: The transaction helps the corporate raise new capital

Step 4.a Development Gap Assessment	Step 4.b Investment Contribution			
Comparison of relevant SDG indicators for the target country to other emerging markets	Addressing sector gaps	Cross-cutting criteria	Market development	Financial innovation
The prevalence of undernourishment is 16.2% in Ethiopia (a metric which falls in the third quartile of the distribution of all developing countries); while the cereal yield, a measure of agricultural productivity, is 2.4 tons per hectare (a metric which falls in the second quartile of the distribution of all developing countries). The proportion of land that is degraded in Ethiopia represents 29% of the country’s total land area (a metric which falls in the third quartile of the distribution of all developing countries). ¹⁰	Enhancing agricultural productivity & promoting sustainable agriculture: Increasing farmer yields and promoting resilient agricultural practices by providing fertilizers, seeds, irrigation technology, and training to over 1 million farmers per year until 2025. The actions are estimated to increase agricultural productivity by 30% compared to their 2021 baseline. Restoring degraded land: Supporting more than 1 million farmers to plant 1 million indigenous trees by 2025.	Climate/environment: The tree-planting initiative is expected to mitigate environmental degradation and strengthen resilience to climate change. Jobs: Encouraging 50,000 households to take up agriculture as a livelihood through the farm extension program. Gender: Providing support to female entrepreneurs in communities in which the company operates. Governance: Client will disclose its progress toward achieving its impact targets on an annual basis.	Knowledge development: Farmers trained in the programs may train other farmers in their communities. Supply chain effects: The agricultural inputs will be sourced using 80% local content, thereby indirectly supporting jobs throughout the supply chain. Company will disclose its sustainable sourcing policy.	Debut issuance of standard bond format: The bond is a high-grade corporate 144/Reg S USD issuance, which is a common structure in the market. However, it is a debut bond that required the issuer to obtain audited financial statements and credit ratings for the first time.
Development Gap Score = High	Score = High	Score = High	Score = Moderate	Score = Moderate
Investment Contribution Score = High				

Step 4.c Development Intensity Score

High

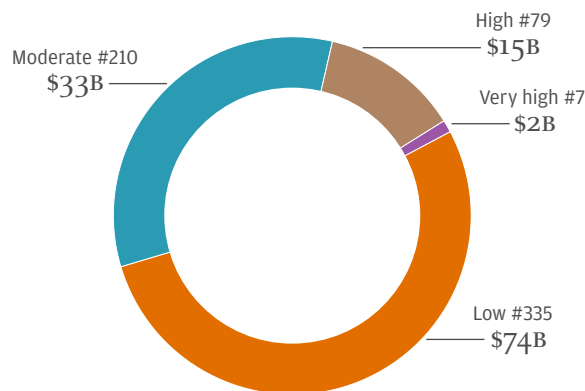
Step 5 Alignment with the SDGs			
Forward-looking quantitative targets	Alignment with SDG indicators	Corresponding SDG targets	Corresponding SDG
Providing agricultural inputs and training to 1 million farmers to increase agricultural productivity by 30%	2.3.1 Volume of production per labor unit by classes of farming/pastoral/forestry enterprise size	2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment	 2 ZERO HUNGER
Encouraging 50,000 households to take up agriculture as a livelihood through the farm extension program	2.4.1 Proportion of agricultural area under productive and sustainable agriculture	2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality	
Planting 1 million indigenous trees by 2025	15.3.1. Proportion of land that is degraded over total land area	15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world	 15 LIFE ON LAND



2021 RESULTS

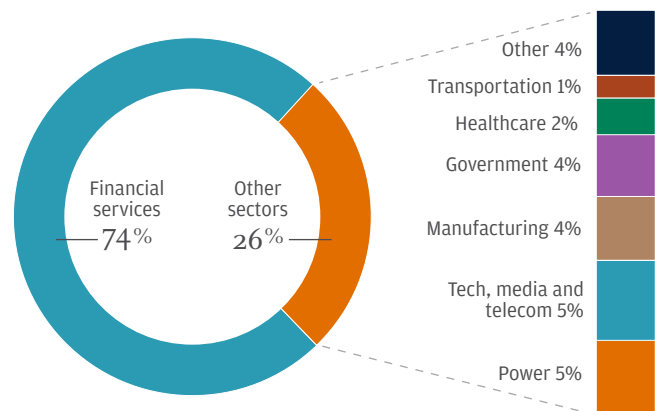
In 2021, the JPM DFI assessed 631 CIB transactions to have anticipated development impact representing a total value of \$124 billion. This section summarizes the breakdown of these transactions by development intensity, sector, geography and product.¹¹

Transactions with anticipated development impact by intensity
631 transactions, \$124 billion



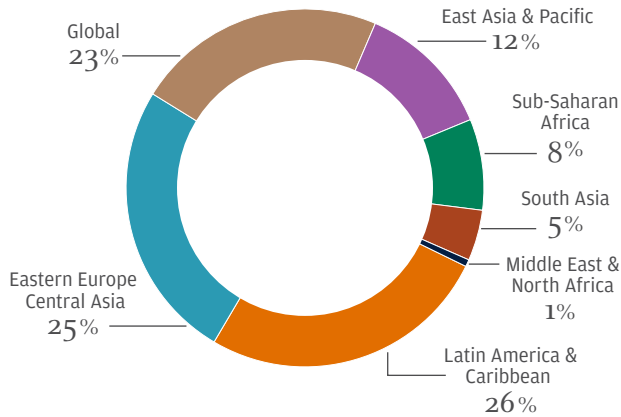
Assessed transactions had development intensity scores that ranged from low to very high. Transactions with a low score were primarily with financial intermediaries and for risk management purposes. These typically received a lower development intensity score due to the lack of specific information on the use of proceeds by the transaction's beneficiaries. Transactions with higher scores were those with specific development impact targets, including those for which the JPM DFI acted as DFSA, as well as those in countries and sectors with the greatest development gaps.

Transactions with anticipated development impact by sector
% of number, 631 total



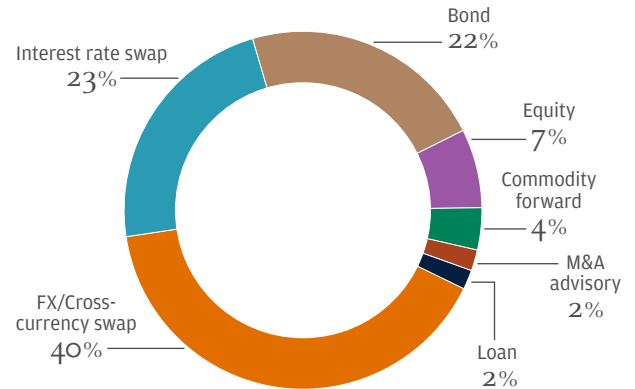
Across industry sectors, financial services (which include transactions with ODIs) represented the largest segment of assessed transactions, accounting for 74% of the total. Transactions with governments represented 4% of the total number of transactions assessed with anticipated development impact, while a range of commercial sectors including telecom, power, manufacturing and healthcare accounted for most of the remainder, or 22% of total transactions.

**Transactions with anticipated development impact by geography
% of number, 631 total**



Transactions were diversified across emerging markets regions. The largest was Latin American & Caribbean, representing 26% of all the transactions. Eastern Europe & Central Asia, with 25% of the total, followed by East Asia & Pacific at 12%. The remaining transactions were in Sub-Saharan Africa, South Asia, the Middle East and North Africa. ODIs operating globally (i.e., not tied to a specific emerging market region) accounted for 23%.

**Transactions with anticipated development impact by product
% of number, 631 total**



Transactions represented diverse forms of financing, advisory and risk management solutions, led by cross-currency swaps and interest rate derivatives—that provide risk management to activities with anticipated development impact—which respectively accounted for 40% and 23% of the total. Bonds represented 22% of the total and equities were 7%. Commodity futures, loans and M&A advisory together made up the remaining 8%.

ALIGNMENT WITH THE SDGS

In 2021, JPM DFI-assessed transactions were anticipated to have development impact across the majority of the 17 SDGs. While a single transaction may support several SDGs, the table below provides an example of a transaction aligned with its principle SDG to illustrate the diversity of transactions executed across products, geographies and sectors in 2021.

SDG	COUNTRY	SECTOR	TYPE OF FINANCING	IMPACT(S) ¹²
1 NO POVERTY 	Cameroon	Government	Bond	Financing the national development plan, including objectives to reduce the poverty rate below 10% and improve income equality by 2035
2 ZERO HUNGER 	Thailand	Retail	Equity offering	Expansion of a retail grocery chain with a strong focus on sustainable sourcing
3 GOOD HEALTH AND WELL-BEING 	Kenya	Government	Bond	Funding the effort to procure and administer COVID-19 vaccines
4 QUALITY EDUCATION 	Gabon	Government	Bond	Supporting plans to upgrade educational facilities by building about 3,500 classrooms and renovating about 1,000 existing classrooms
5 GENDER EQUALITY 	Central America and the Caribbean	Power	Bond	Supporting a company's effort to increase the proportion of women in high-skilled, technical positions and female-owned businesses through their supply chain
6 CLEAN WATER AND SANITATION 	Pakistan	Water utility	Bond	Funding a state-owned public utility's new projects for clean power generation and water storage
7 AFFORDABLE AND CLEAN ENERGY 	Mexico	Power	M&A	Advising on an acquisition that supports a company's energy transition, providing a platform for innovation and potential new investments in renewables, hydrogen, ammonia, energy and carbon storage
8 DECENT WORK AND ECONOMIC GROWTH 	Georgia	Financial institution	Bond	Financing the bank's capital base, supporting lending initiatives as its sustainable loan portfolio, which includes financing to support education and youth development

SDG	COUNTRY	SECTOR	TYPE OF FINANCING	IMPACT(S) ¹²
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	Uruguay	Fintech	IPO	Funding a fintech company's product development and global expansion plans in emerging economies, while expanding the company's access to international capital markets
10 REDUCED INEQUALITIES 	India	Finance Institution	M&A	Supporting the acquisition of a bank that supports financial inclusion through providing unsecured loans for SMEs and self-employed individuals
11 SUSTAINABLE CITIES AND COMMUNITIES 	Egypt	Government	Bond	Funding the improvement of sustainable infrastructure and urbanization, by increasing potable water coverage, building roads and developing urban centers
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Chile	Retail	Bond	Supporting a retail company to finance waste disposal strategies that reduce the solid waste volumes in sanitary landfills and introduce circular economy practices
13 CLIMATE ACTION 	Serbia	Government	Bond	Raising capital for expenditures anticipated to reduce GHG emissions including expanding renewable energy generation capacity, improving energy efficiency of buildings, expanding public transportation and the use of hybrid and zero-emissions vehicles, and promoting sustainable agriculture
15 LIFE ON LAND 	South Africa	Pulp & paper	Bond	Funding a company's sourcing of wood fiber and paper products to follow responsible forestry and sourcing practices
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	Uzbekistan	Government	Bond	Financing the national development strategy which focuses on improving state and public institutions, reforming the judicial and legal system, and fostering economic development and liberalization
17 PARTNERSHIPS FOR THE GOALS 	Turkey	ODI	Cross-currency swap	Providing a cross-currency swap that hedges a multilateral development bank's local currency portfolio, thereby allowing it to expand its local currency lending in Turkey

LIQUID TELECOM



In February 2021, J.P. Morgan acted as joint lead manager, joint bookrunner, joint dealer manager and DFSA for Liquid Telecom’s \$620 million corporate bond issuance. Liquid Telecom is one of the largest multi-country fiber network operators in Sub-Saharan Africa. In the African countries where Liquid Telecom is expanding its services, there are 0.8 fixed broadband subscriptions for every 100 people (versus a median of 3.7 for other developing countries) and 92 mobile cellular subscriptions for every 100 people (versus a median of 100 for other developing countries). The company’s investment plans are expected to address key sectoral

development gaps by connecting approximately 800 buildings and 5,000 homes to the fiber-to-the-home (FTTH) network in the Democratic Republic of the Congo (DRC), Rwanda and Zambia, doubling capacity of the FTTH network to approximately 100,000 existing homes in Kenya, Rwanda, Uganda and Zambia, building up cross-border fiber networks in South Africa, Botswana and the DRC, expanding the FTTH network into the DRC to reach approximately 75% of the population (via service providers), and creating new jobs including approximately 150 permanent employees and more than 500 contractors in the DRC and South Sudan.¹⁰

The JPM DFI mapped the issuance to relevant SDGs and associated targets, including:



- Target 8.2** Achieve higher levels of economic productivity
- Target 8.5** Achieve full and productive employment and decent work for all



- Target 9.a** Facilitate sustainable and resilient infrastructure development
- Target 9.b** Support domestic technology development and research and innovation
- Target 9.c** Significantly increase access and affordability to information and communications technology



PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY

In May 2021, J.P. Morgan acted as sole global coordinator and joint bookrunner, green structuring agent and DFSA for the inaugural \$500 million bond issuance of Pakistan Water and Power Development Authority (WAPDA), the state-owned utility responsible for the operation of hydropower assets, power generation and water storage in Pakistan. This was the first-ever corporate transaction from Pakistan in international markets and the country's first green bond. Pakistan faces development challenges in the water and energy sector, as only 35.3% of the population uses safely managed drinking water services across rural and urban

areas and 26.0% of Pakistanis do not have access to electricity. The projects supported by the bond are expected to provide nearly 9,000MW to WAPDA's installed capacity, build 81 kilometers of new roads, increase the country's current water storage capacity by approximately 8 million acre-feet (MAF), and employ around 7,000 workers during peak construction. WAPDA has committed to report on its progress against its anticipated development impact on an annual basis.¹⁰

The JPM DFI mapped the issuance to relevant SDGs and associated targets, including:

6 CLEAN WATER AND SANITATION



Target 6.1 Achieve universal and equitable access to safe and affordable drinking water for all

Target 6.2 Achieve access to adequate and equitable sanitation and hygiene for all

Target 6.b Support the participation of local communities in improving water and sanitation management

7 AFFORDABLE AND CLEAN ENERGY



Target 7.1 Ensure universal access to affordable, reliable and modern energy services

Target 7.2 Increase substantially the share of renewable energy in the global energy mix

8 DECENT WORK AND ECONOMIC GROWTH



Target 8.3 Promote policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Target 9.1 Develop quality, reliable, sustainable and resilient infrastructure, with a focus on affordable and equitable access for all

13 CLIMATE ACTION



Target 13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries



GEORGIAN RAILWAY

In June 2021, Georgian Railway issued its debut \$500 million Green Eurobond with J.P. Morgan acting as joint lead manager and DFSA. The financing is expected to support the company’s long-term infrastructure objectives, including increasing the speed and reducing travel time for freight trains from the Azerbaijani and Armenian borders to the Georgian Black Sea ports, increasing the overall volume of cargo transportation and lengthening the railway network to over 1,440 kilometers. The company will also promote the safety of women and girls by installing educational advertisements across its stations and establishing a hotline to report cases of violence against women. The company has also committed to allocate at least 10% of jobs from new projects to female employees.

These developments are expected to contribute to the country’s ambitions of becoming a transportation hub in the Caucasus region, facilitating the movement of key exports and supporting the country’s tourism strategy. The company has committed to report on the progress of the development outputs annually through its website. Two ODIs, namely the European Bank of Reconstruction and Development (EBRD) and the Asian Development Bank (ADB) served as anchor investors in this bond.¹⁰

The JPM DFI mapped the issuance to relevant SDGs and associated targets, including:

5 GENDER EQUALITY



Target 5.5 Ensure women’s full and effective participation and equal opportunities for leadership

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Target 9.1 Develop quality, reliable, sustainable and resilient infrastructure

8 DECENT WORK AND ECONOMIC GROWTH



Target 8.5 Achieve full and productive employment and decent work for all
Target 8.8 Protect labor rights and promote safe and secure working environments for all



GOVERNMENT OF MONGOLIA

In June 2021, the government of Mongolia issued a \$1 billion sovereign bond with J.P. Morgan acting as joint bookrunner and DFSA. The transaction enables the government to improve the country’s healthcare, infrastructure and technology sectors, addressing key development gaps in the region. In Mongolia, the risk of dying between the ages of 30 and 70 from cardiovascular disease, cancer, diabetes or chronic respiratory disease is 35.0% (versus a median of 22.1% for other developing countries), the logistic performance index, an indicator reflecting the quality of transport and trade infrastructure, in Mongolia is 2.4 (versus a median of 2.6 for other developing countries) and 4.7% of value added in the economy comes from medium and high tech manufacturing (versus a median of 15.3% for

other developing countries), indicating a very high gap for Mongolia in the sectors addressed by the transaction.

In particular, the financing is expected to address these gaps by building a second branch of the National Cancer Center to improve early detection and diagnostic and treatment capacity. Additionally, the financing is expected to increase the capacity of the public transport system by procuring 1,500 electric buses, which are also expected to reduce fuel costs by 65% and improve access for people with disabilities, to issue citizens and registered organizations digital signatures, and to establish a nationwide unified and integrated address information system.¹⁰

The JPM DFI mapped the issuance to relevant SDGs and associated targets, including:

3 GOOD HEALTH AND WELL-BEING



Target 3.4 Reduce by one-third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being

Target 3.c Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries

11 SUSTAINABLE CITIES AND COMMUNITIES



Target 11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



Target 16.6 Develop effective, accountable and transparent institutions at all levels



AEGEA SANEAMENTO

In July 2021, J.P. Morgan acted as lead coordinator and DFSA for the R\$7.8 billion (approximately US\$1.5 billion) bridge debenture for the acquisition of water distribution and sewage collection and treatment concessions in the state of Rio de Janeiro, Brazil. Currently, only 51.6% of people in urban areas of Brazil use safely managed sanitation services and 7.7% of the population in urban areas does not have access to safely managed drinking water, indicating room to bridge development gaps in the water utilities sector. The development impacts of the transaction include granting access to quality water and proper sewage collection and treatment for over a million households, improving access to

water and sanitation for the low-income population through the expansion of social tariffs (subsidies on water bills in Rio de Janeiro), decreasing water losses by as much as 50% and creating approximately 5,000 jobs for the local community. Aegea Saneamento has committed to report on the progress of these development outputs annually through its website.¹⁰

The JPM DFI mapped the issuance to relevant SDGs and associated targets, including:



Target 3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination



Target 6.1 Achieve universal and equitable access to safe and affordable drinking water for all

Target 6.2 Achieve access to adequate and equitable sanitation and hygiene for all



Target 8.5 Achieve full and productive employment and decent work for all



ACWA POWER

In September 2021, ACWA Power Sirdarya entered into a \$200 million interest rate swap with J.P. Morgan. The transaction is expected to help hedge a project finance loan for the construction and operation of a 1,500 megawatt Sirdarya combined cycle gas-turbine (CCGT) power plant. In 2018, carbon dioxide emissions from fuel combustion were 108 million tons in Uzbekistan, which is significantly above the median of 18.7 million tons for developing countries. Building a modern and efficient CCGT plant is expected to reduce greenhouse gas emissions per kilowatt-hour of energy generated in Uzbekistan, as 14% of its current power is produced from more carbon-intensive energy sources.¹³

Upon completion, the plant is expected to meet 15% of the country's power demand. The company anticipates that the project will provide direct and indirect employment opportunities in the country by creating 1,345 jobs and training and upskilling 1,150 local employees. The transaction, a 17-year interest rate swap, is the longest tenor interest rate swap that J.P. Morgan has provided to an Uzbek entity, which was partially achieved through the incorporation of a political risk guarantee provided by a multilateral development agency. The company has committed to report on the development outputs associated with the swap in its annual sustainability report.¹⁰

The JPM DFI mapped the issuance to relevant SDGs and associated targets, including:

7 AFFORDABLE AND CLEAN ENERGY



Target 7.1 Ensure universal access to affordable, reliable and modern energy services

Target 7.a Enhance international cooperation to facilitate access to clean energy research and technology

8 DECENT WORK AND ECONOMIC GROWTH



Target 8.5 Achieve full and productive employment and decent work for all



LOOKING AHEAD

In 2021, the JPM DFI ramped up its activities and worked as the DFSA for transactions with corporate and sovereign clients across the emerging markets. It also continued to engage with institutional investors with respect to its impact methodology, sharing best practices on how to measure and communicate impacts toward advancing the SDGs.

Looking forward, our focus will be creating standards for sustainable development in fixed-income securities, collaborating with ODIs to provide innovative financial solutions in emerging markets and expanding our relationship with institutional investors interested in promoting sustainable development. As the themes of ESG and sustainable development gain momentum, it would be beneficial for capital markets participants to coalesce around common market standards.

We also aim to continue working with ODIs to combine our capabilities to provide innovative solutions for emerging markets clients. ODIs have played a key role as anchor investors in bonds where the JPM DFI served as a DFSA, which further reinforced our ability to attract institutional investors with interest in sustainable development.

To support these priorities, the JPM DFI continues to refine its methodology¹⁴ to ensure that we are aligning with industry best practice in measuring the anticipated development impact of banking and markets transactions. Any changes will mirror the evolution of the sustainable development landscape and will be published to promote transparency and encourage feedback from clients, capital providers and experts within the field.

GLOSSARY

CCGT: Combined Cycle Gas-Turbine

CIB: Corporate & Investment Bank

DFSA: Development Finance Structuring Agent

DIA: Development Impact Assessment

FTTH: Fiber-To-The-Home

JPM DFI: J.P. Morgan Development Finance Institution

ODIs: Official Development Institutions

SDGs: Sustainable Development Goals

UN: United Nations

ENDNOTES

¹For the purposes of this report, “clients” is used to refer broadly to issuers, borrowers and counterparties to derivatives and financial sponsors/strategic buyers in mergers and acquisitions. “Institutional investors” refers to financial institutions that may serve as investors or lenders.

²The JPM DFI has adopted industry calculation conventions including: For debt capital markets and equity capital markets transactions, the full value of the transaction if J.P. Morgan is sole lead manager or sole global coordinator; in any other instances, J.P. Morgan’s apportioned value as designated by Dealogic league tables. For loan transactions, if J.P. Morgan is the sole arranger, the entire facility size and in any other instances, J.P. Morgan’s original commitment amount to the facility. For M&A transactions, the full announced transaction value. For derivative transactions, their notional amounts. In cases where J.P. Morgan was involved in both the financing and the derivative transaction, only the greater value of the two transactions was tracked.

³The JPM DFI development impact assessments describe the SDGs that are anticipated to be advanced by the transaction. Each transaction may be assessed to advance one or several of the SDGs. Across the portfolio of transactions assessed in 2021, 16 of the 17 SDGs were anticipated to be affected by at least one transaction.

⁴<https://www.un.org/press/en/2019/dsgsm1340.doc.htm>

⁵<https://www.oecd.org/about/secretary-general/global-outlook-on-financing-for-sustainable-development.htm>

⁶The JPM DFI made two refinements to its methodology in 2021 to more accurately reflect the scope of our work:

- For the investment contribution assessment, it only utilized disclosures provided by corporates and sovereigns at the transaction level (e.g., a bond prospectus), whereas in 2020, it also assessed transactions using disclosures provided at the entity level (e.g., a corporate sustainability report).
- A change in our tracking methodology: In 2020, if J.P. Morgan was engaged as a bond underwriter and swap provider to hedge the proceeds of the bond, their values were combined independently; in 2021, we accounted only for the greater value of the two. The process for evaluating the anticipated development impact for transactions with ODIs did not change.

⁷The process described in this chapter is employed for evaluating transactions with corporates and sovereigns in eligible geographies, and transactions with ODIs for specific projects and activities. Due to the exclusive development mission of ODIs, transactions supporting the general budgetary purposes of these organizations (i.e., without disclosures on specific impact targets at the transaction level) will receive a development intensity score of low if denominated in a developed market currency, and receive a score of moderate if they are denominated in an emerging markets currency or have disclosure on the themes that they support.

⁸The majority of SDG indicators have a one-to-one relationship with a corresponding SDG target. For the few SDG indicators that correspond to multiple SDG targets, a determination is made on which targets are relevant based on the context of the transaction.

⁹This example is hypothetical, does not cover the full spectrum of analysis under each of the investment contribution pillars, and has been provided for illustrative purposes only.

¹⁰ The JPM DFI leverages only the indicators that are available in the UN Statistics Division SDGs Indicators Database, the World Bank’s World Development Indicators, and/or other authoritative third party sources. The most recent statistics available at the time of the assessment have been used. Developing countries refers to the 144 countries eligible to borrow from the World Bank Group

¹¹Numbers in the charts may not add to 100% due to rounding.

¹²The use of proceeds of the transactions may not be solely dedicated to the SDGs highlighted in the table and may include financing other activities, including those aligned to other SDGs or other general activities that are not excluded by the JPM DFI methodology.

¹³Based on the most recent data available (2018).

¹⁴The latest version of our methodology can be viewed at www.jpmorgan.com/dfi/methodology

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