

Social Performance Management & Social Reporting Practices

by Incofin Investment Management

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Impact Manager

Incofin IM

Experienced Impact Investor

Incofin at a glance:

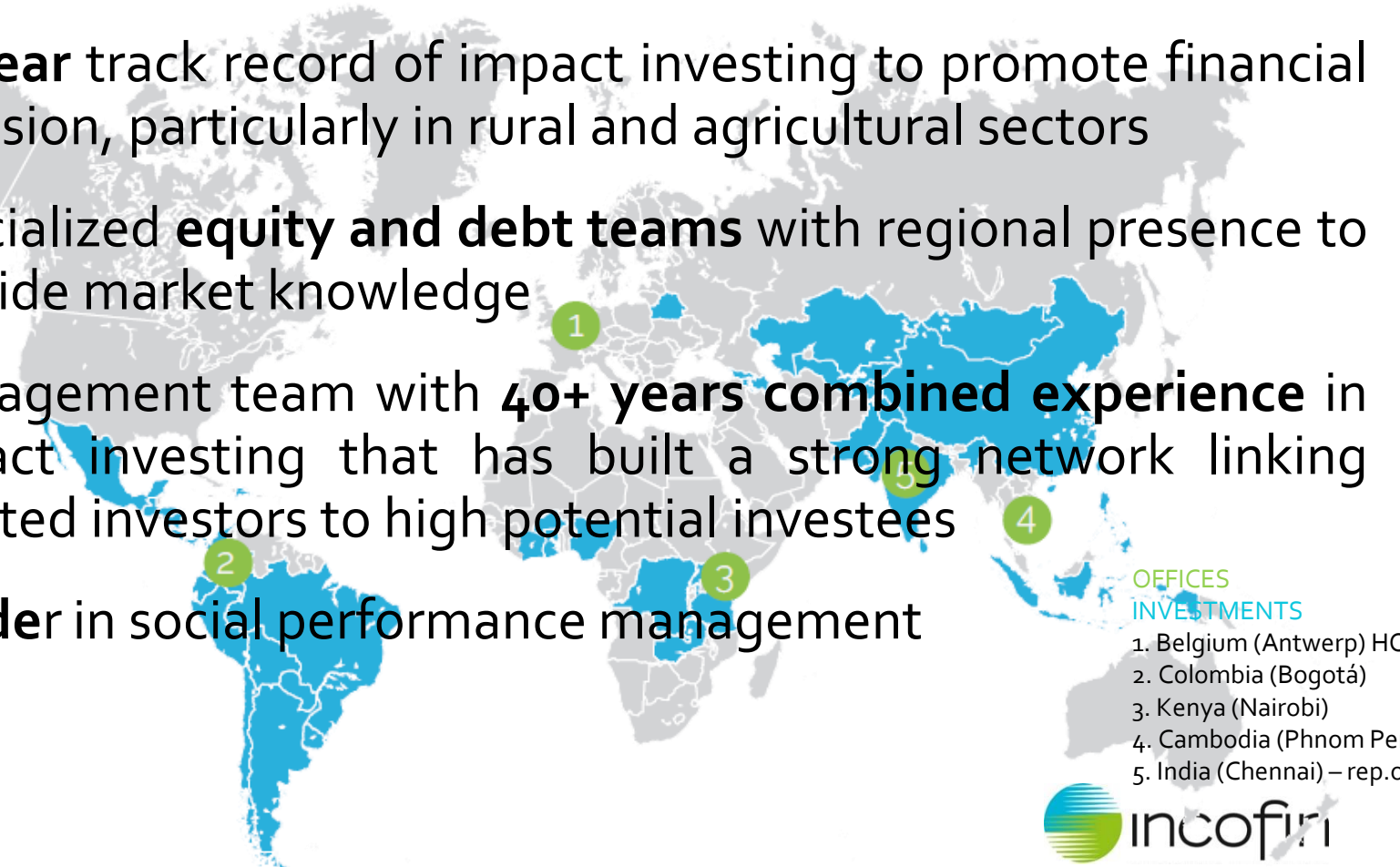
- | ~ \$ 750 M AuM
- | 4 offices + 1 representation
- | Investments in 48 countries
- | 29 equity stakes
- | Pioneer in social performance management
- | Annual E&S Reports

| **15 year** track record of impact investing to promote financial inclusion, particularly in rural and agricultural sectors

| Specialized **equity and debt teams** with regional presence to provide market knowledge

| Management team with **40+ years combined experience** in impact investing that has built a strong network linking reputed investors to high potential investees

| **Leader** in social performance management



OFFICES INVESTMENTS

1. Belgium (Antwerp) HQ
2. Colombia (Bogotá)
3. Kenya (Nairobi)
4. Cambodia (Phnom Penh)
5. India (Chennai) – rep.off.

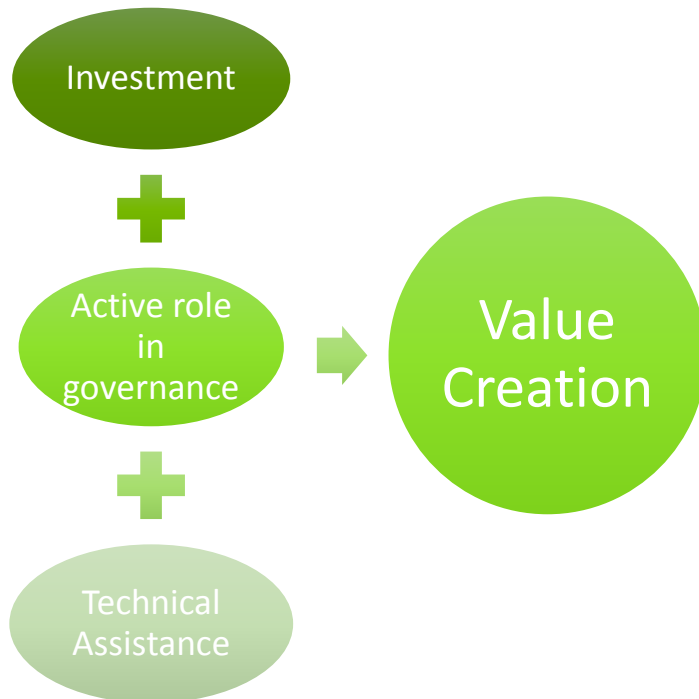


Committed Beyond Investment

What Incofin stands for

Delivering results

The Capital Plus Approach



Incofin's "**Capital Plus**" approach to generate financial and social value at each investee.

- Identify high potential investees, with triple bottom line objectives with extensive due diligence on **financial, social and environmental** dimensions
- For equity investees, actively **engage and support to management** team through Board member and shareholder representative
- Implement **best practices in corporate governance**
- Attract donor funding and select experts for **Technical Assistance projects** that lead to strategic, commercial and operational improvements

**If you want to deliver on results beyond financial return,
you need to measure them!**

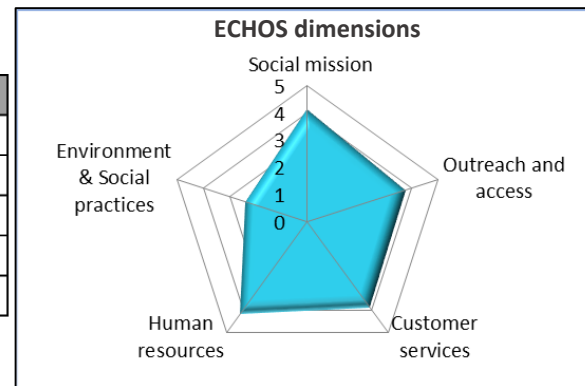
Incofin's approach to E&S

A decade long expertise

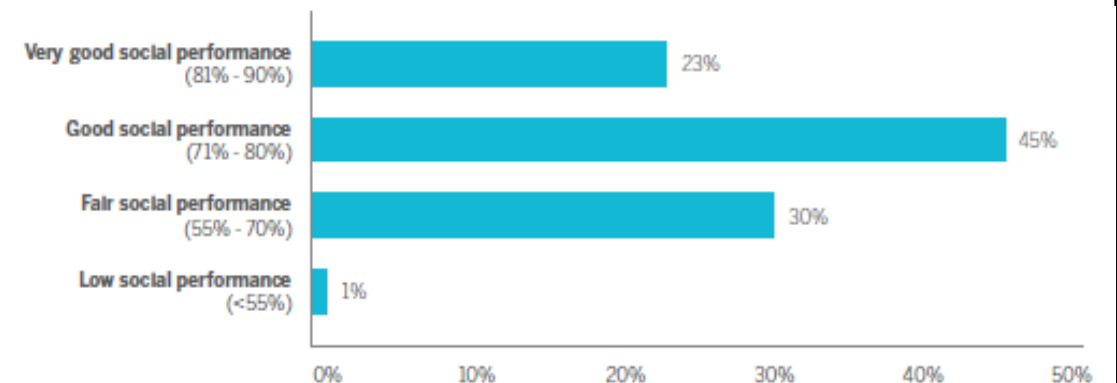
Social Performance Assessment: Incofin's ECHOS © Tool

- Because we have a **double bottom line mandate** we make sure that all our investment decisions are based on an analysis of **financial and social performance**.
- We have developed our own proprietary tool (**ECHOS ©**), used for social due diligence done on any investee and included in each investment memo.
- A minimum ECHOS© score of 55% is required to be eligible.

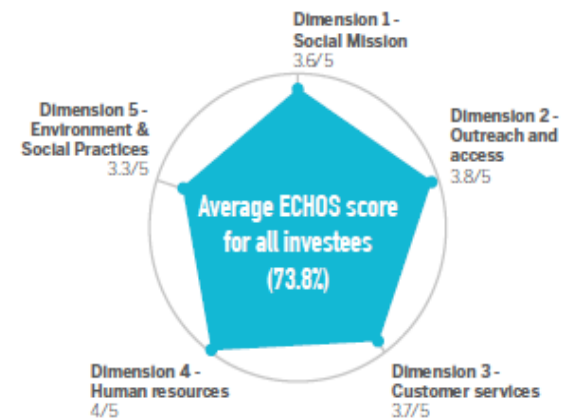
ECHOS RATING	
Advanced level of Social Performance	91% - 100%
Very Good Social Performance	81% - 90%
Good Social Performance	71% - 80%
Fair Social Performance	55% - 70%
Low Social Performance	< 55%



2015 ECHOS © rating across Incofin's Portfolio



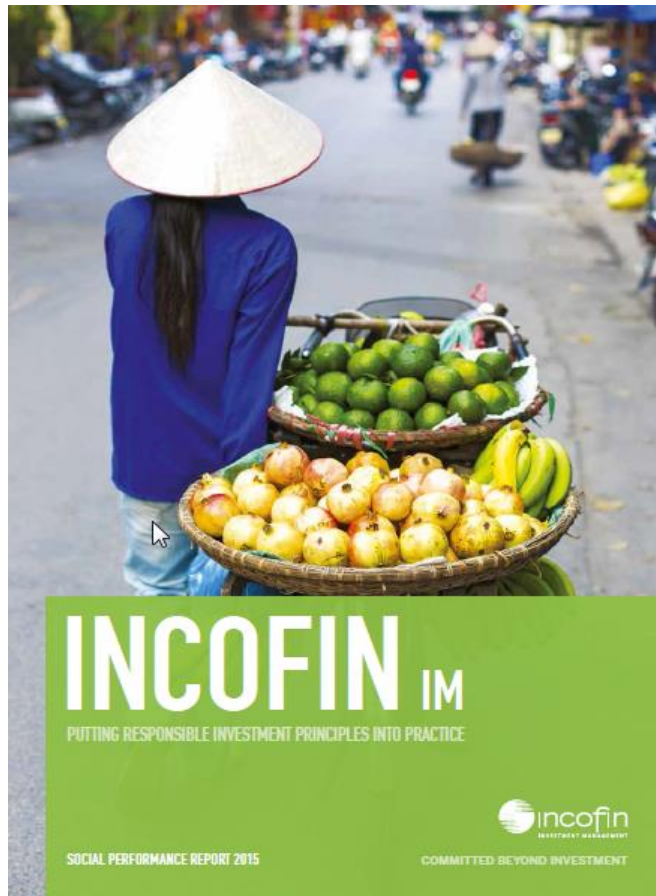
2015 consolidated ECHOS © score (total and per dimension)



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Incofin's Social Performance Report 2015



Social Performance of Investees as of March 2015

Dimension 1 - Social mission	
% of Investees with Social Dashboard	50%
% of Investees reporting to the MIX on social indicators *	86%
% of Investees with external social rating within the last 2 years	47%
Dimension 2 - Outreach and access	
# of borrowers served	8,293,381
% of MFIs' borrowers who are female	63%
Average loan size disbursed by Investees	USD 3,000
Average outstanding loan size of Eastern European and Central Asian Investees	USD 2,606
Average outstanding loan size of Latin American Investees	USD 2,062
Average outstanding loan size of East Asian and Pacific Investees	USD 1,881
Average outstanding loan size of South Asian Investees	USD 220
Average outstanding loan size of African Investees	USD 1,367
# of savers served	16,699,820
Average savings balanced by Investees	USD 1,497
Activities financed by MFIs	
Agriculture	26%
Production	9%
Services and trade	47%
Consumption & Other	18%
Rural score (for Investees in RIF I and RIF II)	72%
Dimension 3 - Customer services	
% of Investees endorsing the Smart Campaign *	84%
Average CPP score for all Investees out of 5 points	3.46
% of technical assistance projects on SPM/CPP	14%
% Investees offering more than credit products	58%
% of Investees with score of 4 out of 5 or higher on the CPP Transparency dimension	48%
Dimension 4 - Human resources	
Total # of MFI employees	82,034
% of Investees with code of ethics	90%
Dimension 5 - Environment & Social Practices	
% of Investees with environmental policy and/or eco products	84%

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Incofin IM and the Universal Standards of Social Performance Management

- SPI₄ is the common data collection and assessment tool for the Universal Standards of Social Performance Management (USSPM) in line with GIIN/IRIS.
- SPI₄-ALINUS is a light version of SPI₄ aimed to conduct social due diligences for investors.
- In June 2016, Incofin decided to transition to SPI₄-ALINUS to relieve E&S reporting burdens and contribute to SPM harmonization and benchmark creation.



Why use SPI4 ALINUS?

Benefits	
Enhancing of SP Analysis	<ul style="list-style-type: none"> ✓ Removes bias related to average loan size and institutional set ups (i.e. commercial banks can score high also if have good practices) ✓ Easy, audit list that aids in more objective assessment of SPM ✓ Possibility to benchmark through access of CERISE database, which will include non-Incofin investees
Leading the Industry Harmonization Wave	<ul style="list-style-type: none"> ✓ Only tool fully aligned to USSPM; ✓ Other MIVs are endorsing ALINUS ✓ Maintaining our reputation as SPM pioneers by using an industry recognized tool
Reducing data collection and reporting burdens	<ul style="list-style-type: none"> ✓ +150 MFIs already using SPI4, which will make the data collection faster ✓ All in one package with questionnaire, APR calculations and dashboard.
Increasing Visibility towards Asset Owners Community	<ul style="list-style-type: none"> ✓ Streamline reporting with asset owners ✓ GIIN recently updated their IRIS catalogue of financial services impact indicators using SPI4 indicators
Means to realize our “value creation” theory in SPM	<ul style="list-style-type: none"> ✓ Monitoring of equity investees e.g. tool can be shared with investees and used to empower their SPM work, as well as guide TA

Putting in place E&S Practices

Khushhali Bank, Pakistan

Leading the social agenda at the BOD level

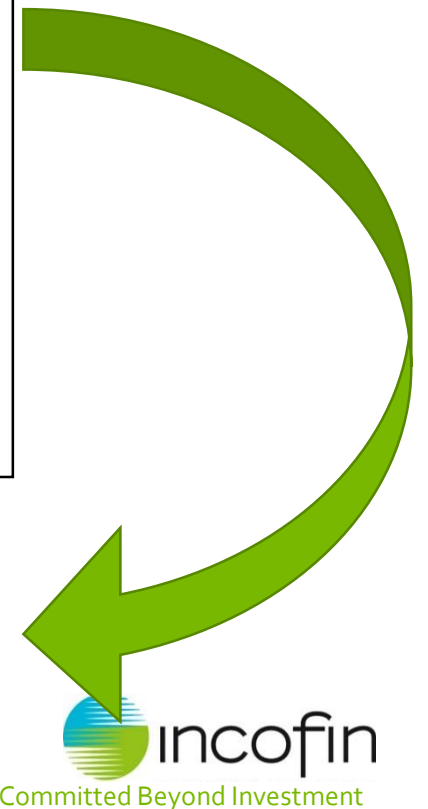
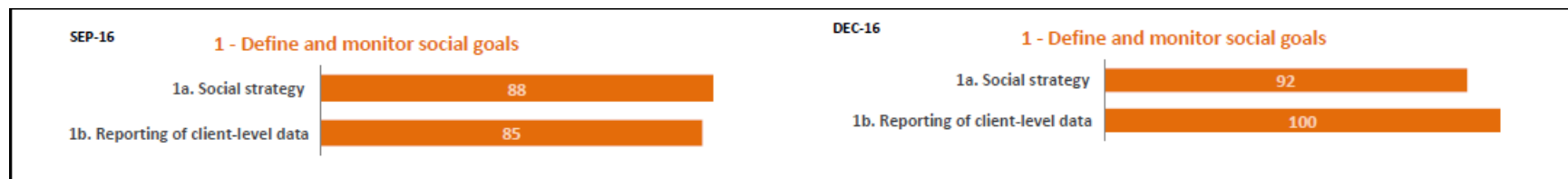
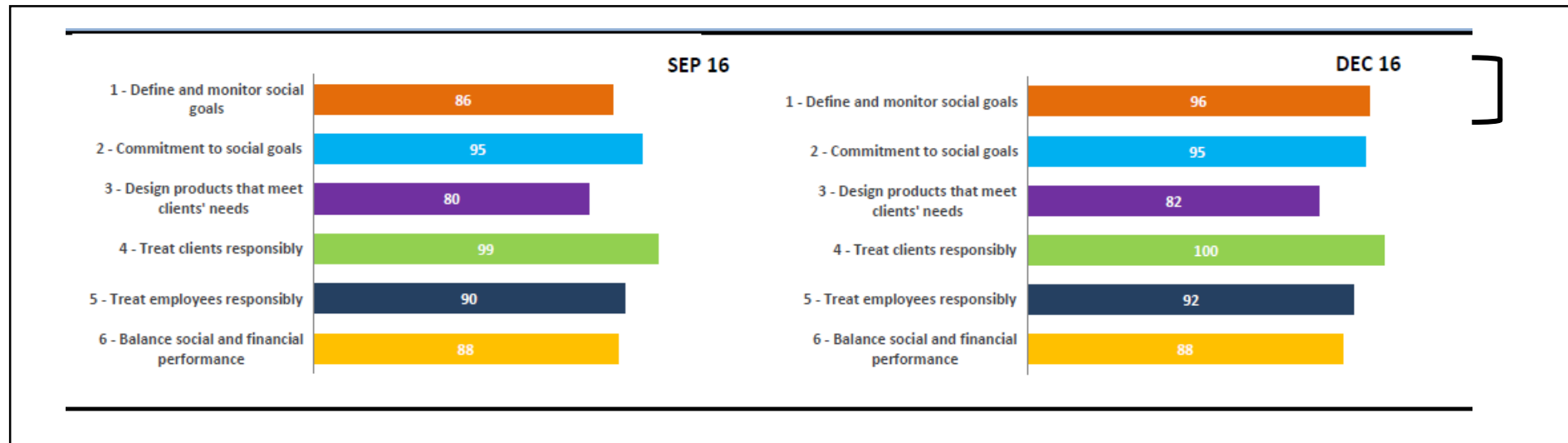
- Shareholder Agreement mentioned: “ to set-up and E&S function with a dedicated person in charge, within one year after investment”.
- Post-investment: E&S unit has been set up as part of the Risk Department
- Discussion on the social mission at the BOD level
- Finalization of a social dashboard in line with the social mission
- Tracking for USSPM implementation through SPI₄
- Creation of an SPM committee at the BOD level

“To strengthen the economic base of low-income populace and micro-entrepreneurs by improving their accessibility to financial services. By offering a diverse product suite, exemplary service and cost efficient next generation delivery systems, we intend to achieve our core objective of outreach and sustainability.”

Putting in place E&S Practices

Khushhali Bank, Pakistan

BOD Social Dashboard : excerpts



Conclusion

Status of Social Performance Management

- We used to have as many social scorecards as we have “impact investors”.
- With SPI4 we have the opportunity to have one standard to measure social performance: “social statements”
- Such tool will allow true comparison and reward of investors which are trying to pursue both financial and social returns.
- It will bring the needed clarity and transparency to assess what works and what does not when investments claim to have an impact.

Thank you

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