

Social Performance Reporting: The responsAbility Approach

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World Microfinance Forum Geneva, October 1st, 2008

responsAbility Social Investments AG

Who we are:

- One of the leading social investments companies, founded in 2003
- Today USD 650m under management

Our objectives:

- Enable people at the base of the global income pyramid to have access to markets, information and other services important for development.

What we do:

- Managing 3 Microfinance Funds and an SME Private Equity Fund
- Create innovative investment products with a double bottom line

→ Creating social returns and transparent reporting on it is an integral part of our business model

Integrating the social dimension into investment process & reporting

UN Millennium Development Goals	<ul style="list-style-type: none"> ▪ Analysis of microfinance impact studies ▪ Exchange with development agencies/experts
Social Investment Principles	<ul style="list-style-type: none"> ▪ responsAbility Guiding Principles for Microfinance Investments ▪ responsAbility Exclusion Policy for MFIs
Social Performance Indicators (SPI)	<ul style="list-style-type: none"> ▪ For credit analysis ▪ For reporting purposes ▪ Active contribution to methodological discussion
Regular reporting	<ul style="list-style-type: none"> ▪ Yearly Social Performance Report ▪ Monthly reporting on key SPI ▪ Social Compliance Review with investment partners
Dealing with Dilemmas	<p>Focus themes and discussion papers, examples:</p> <ul style="list-style-type: none"> ▪ Are high interest rates justified taken by MFIs? ▪ Consumer Credits for the poor: risk or opportunity?
Stakeholder Dialogue	<p>Active participation in industry working groups/initiatives Contributions to conferences/university lectures</p>

A closer look: The Social Performance Report

Why publish a Social Performance Report?

- Transparency and accountability for investors
- Report on developmental and social outcome of investment activities

Methodology applied

- Social performance reporting not a social rating

Scope: What do we report on?

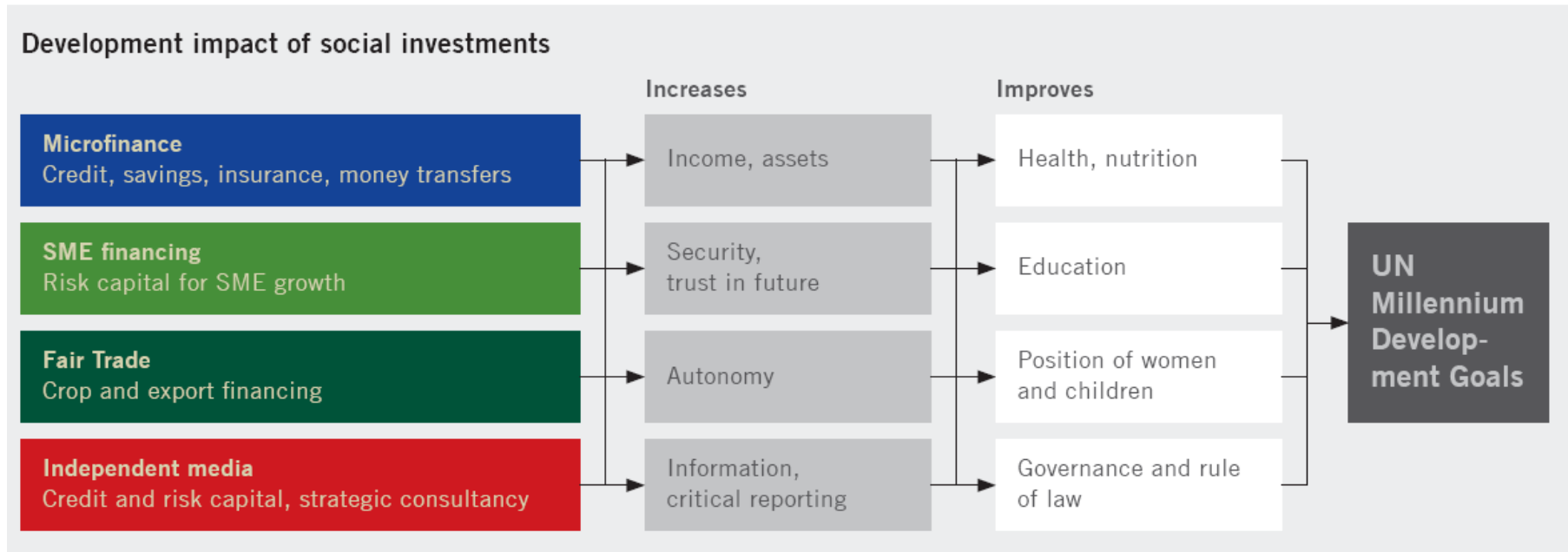
- From specific product reporting to integrated company reporting

Reporting Approach

- Small set of simple, meaningful indicators
- Defined annual objectives to measure against

➔ Social Performance Report as accountability tool for investors

Understanding the social value chain



➔ UN Millennium Development Goals as framework for assessing impact in terms of development

Defining Objectives – measuring performance

Objectives for 2007

Status

Increase rAGMF assets to USD 140 million and number of clients reached to 170,000	✓
At least two further investments in very small microfinance institutions	✓
Enable further local currencies	✓
Increase investments in Africa	✗

Objectives for 2008

Increase rAGMF assets to USD 350 million and number of clients to 260,000

Objectives for 2009

Enable further local currencies

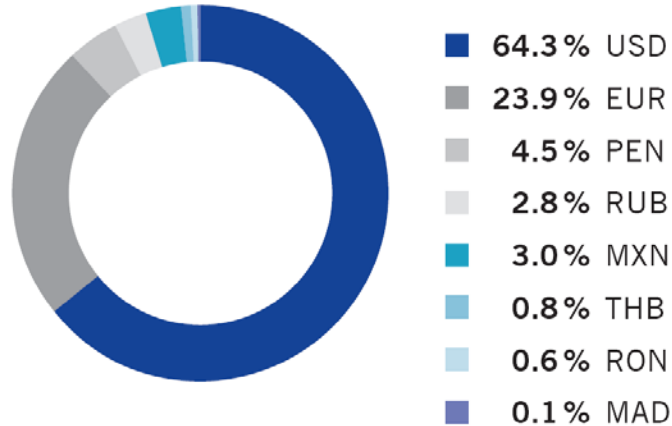
Increase investments in Africa and Southeast Asia

Formation of a small portfolio of start-up microfinance institutions

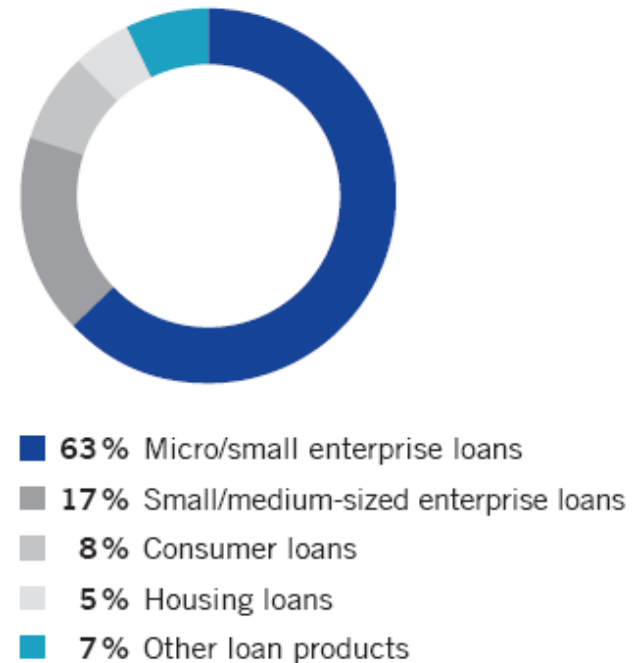
Looking at the 2008 Results – some examples

Currency allocation

Hedged against fund currency



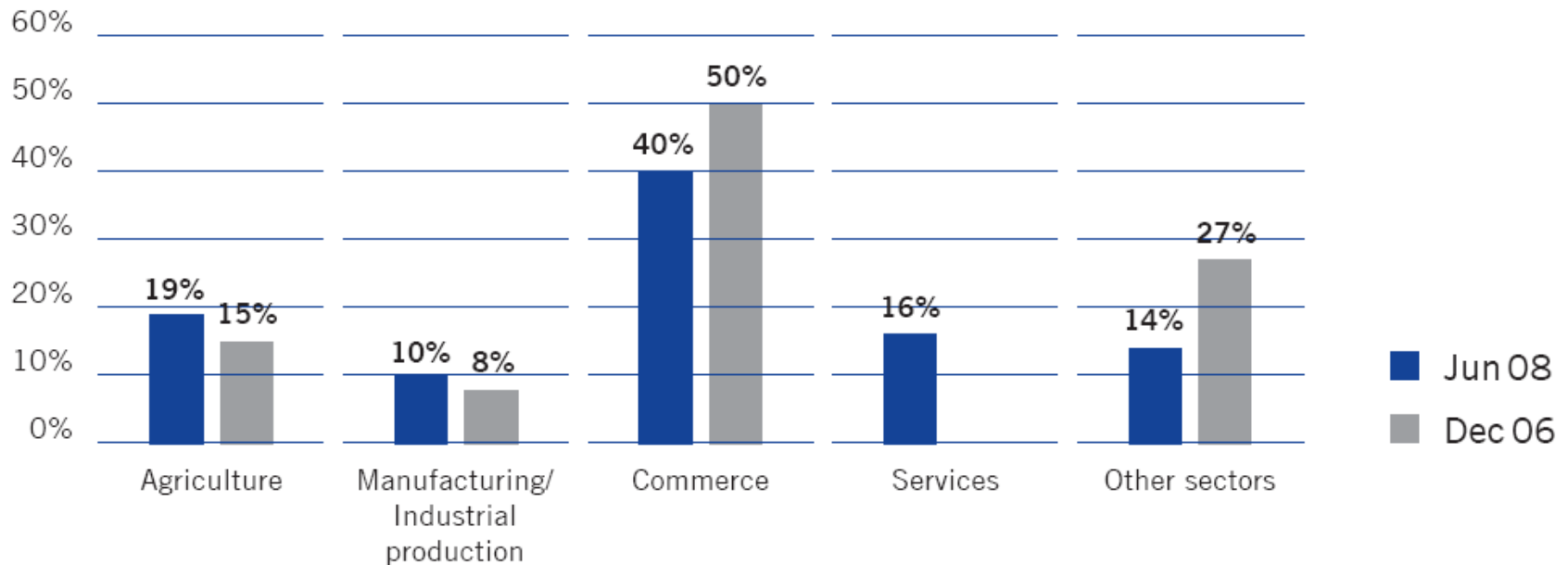
Loan products



➔ Annual reports providing transparency on changes over time

Looking at the 2008 Results – some examples

Economic sectors financed



➔ Continued strong exposure in commerce, increase in Agricultural lending

Accountability over time

Social performance indicators¹⁾	Jun 08	Dec 06	Jun 05
Total number of borrowers, in million	7.4	4.1	0.83
Total number of savers, in million	6.3	n.a.	n.a.
Outstanding MFI credit portfolio, total in USD million	11,422	5,800	n.a.
Total clients' savings managed by MFIs, in USD million	5,925	n.a.	n.a.
Average outstanding credit/borrower, in USD	2,150	825	661
Average savings/saver, in USD	1,700	n.a.	n.a.
Number of employees of MFIs	65,271	n.a.	n.a.
Number of microfinance clients reached by rAGMF	220,000	106,000	28,000
Number of family members reached, in million ²⁾	1.10	0.49	0.20

1) Figures based on MFIs' details as at Dec 31, 2007

2) Projections based on number of microfinance clients reached; details from World Bank, UNDP and own assumptions. Restatement of Dec06 figures.

➔ Annual reporting: Providing transparency on changes over time

Concluding remarks

How to influence social performance as an investment manager?

Investors' influence best on strategic asset allocation

- Outreach: Support growth of MFIs to reach more clients
- Allocation: Selective country focus
- Technology: Local currency facility, maturity of loans
- Process: integration of social aspects into DD

On Methodology

- Performance reporting: Investors want to know where their money is invested
- Few indicators, meaningful to MFI management
- Still challenging: indicator to measure poverty level of clients

➔ Social Performance reporting: Managing expectations

Thank you!

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Appendix

responsAbility Principles for Microfinance Investing

- The investment concept of the rAGMF aims at a **balanced combination of financial returns and so-called social returns**, which include qualified contributions to alleviating poverty, to sustainable development and to a sustainable growth of the Microfinance market.
- This is reflected in the **investment strategy which aims at achieving the highest possible social impact of investments** by strongly focusing on outreach.

Social Performance Indicators

- Number of borrowers
- Number of savers
- Outstanding MFI credit portfolio
- Savings portfolio
- Average outstanding credit/borrower
- Average savings/saver
- Number of employees of MFIs
- Number of MF clients reached by rAGMF
- Number of family members reached
- Country allocation
- Investments in local currency
- Sector allocation
- MFI target groups
- Size of Institutions
- Male/female clients
- Urban/rural
- Credit methodology (individual, group loans)
- Credit product (Micro, SME, Housing, consumer credit)