
Incofin

ASSESSING SOCIAL PERFORMANCE

The role of SRI

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incofin



Why do we assess social performance?

To be aligned and consistent with our mission

- Respond to our Investors expectations
- Investing in Microfinance is not sufficient proof of social motivation
- As part of our CSR, Incofin wants to play a role in avoiding potential risk of mission drift

When do we consider social performance?

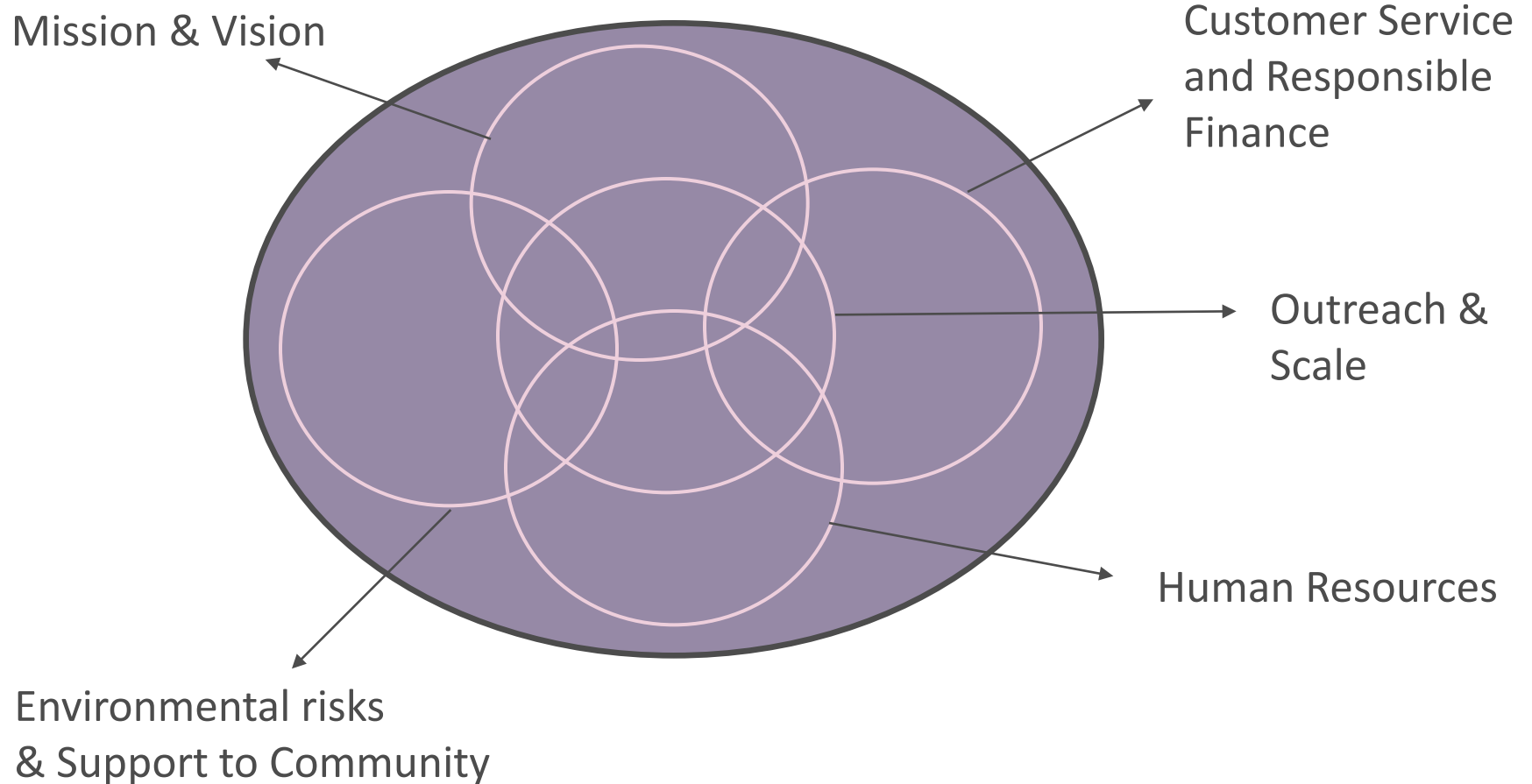
At three stages:

1. As part of our investment decision process
2. When Monitoring our investments
3. When reporting to our investors and to the community

How does Incofin assess SP?

1. Incofin has developed its own SP assessment tool
2. Incofin SP tool has been inspired by:
 - CERISE Social Performance
 - ACCION SOCIAL
3. BUT, Incofin's tool has a different approach than social ratings:
 - Tailored to an investment company
 - Integrated into the due diligence procedures
 - Pragmatic as it is easy and fast to use
 - but comprehensive: includes all recognized SP dimensions

Social Performance includes 5 dimensions

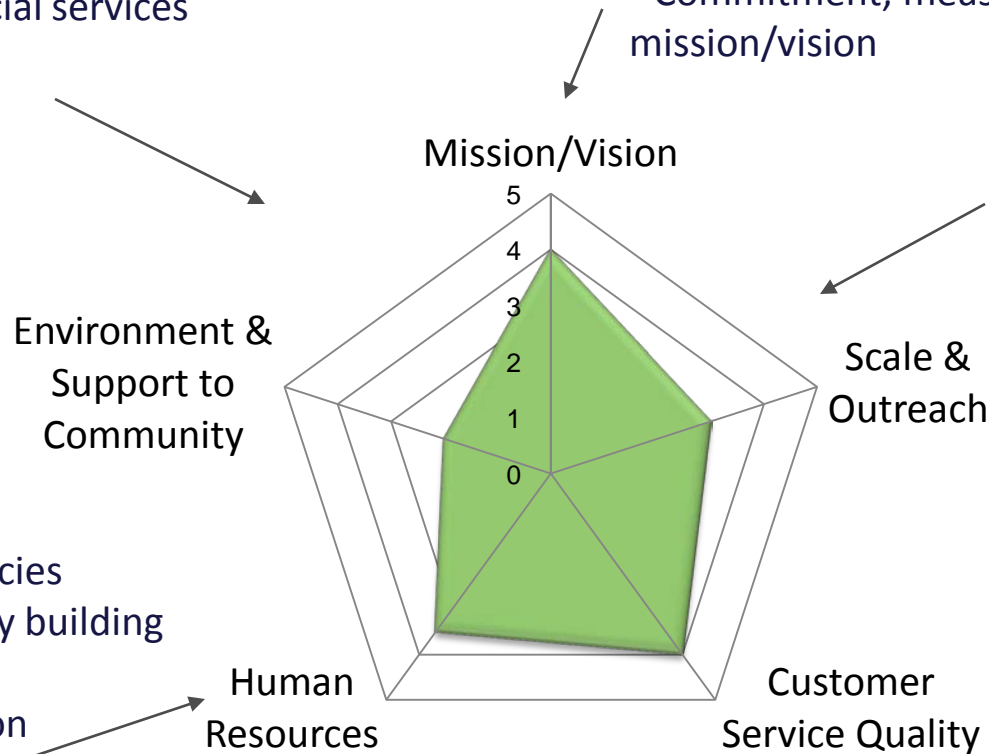


Social Performance includes various dimensions

52 SP indicators thoroughly collected and analyzed by Investment Managers

- Use & scope of exclusion lists
- Other non financial services

- Use & scope of MFI's mission/vision
- Commitment, measurement of MFI's mission/vision



- Scale
- Depth of Outreach
- Accessibility of services
- Flexibility of products

- Quality of HR policies
- Quality of capacity building (new/existing staff)
- Staff compensation
- Staff retention

- Client desertion measurement
- Products & Service offer and adequacy
- Speed of transaction
- Transparency & Customer protection

Incofin SP score system

Dimensions	Weight	# indicators per examined dimension
Mission and Vision	10%	5
Scale and outreach	30%	11
Quality of service and Responsible Finance	25%	8
Human resources	25%	7
Environment and non financial services to the community	10%	5
Total	100%	36

Score system and decision process

The results obtained are classified into the following categories:

- **Score < 50%**, IMF with inadequate social performance: file is refused
- Score between 51% and 65%, IMF with Low social performance
- Score between 66% and 80%, IMF with good social performance
- Score between 81% and 90%, IMF with very good social performance
- > 90%, IMF with excellent social performance

Some lessons from our experience

(Based on 50 Social Performance assessments conducted by INCOFIN)

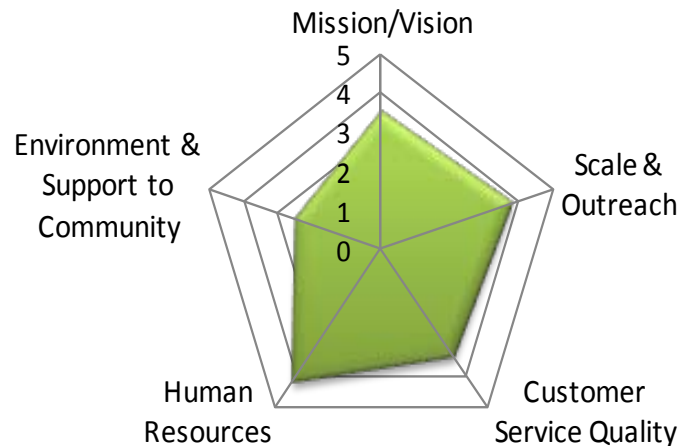
- ✓ Investors can and should include SP as part of their investment assessments (no additional burden)
- ✓ Socially responsible investors should report on the Social Performance of their portfolio
- ✓ We cannot conclude that certain types of MFIs perform better than others from a SP point of view
- ✓ We observe a positive and significant correlation between SP and our Financial and Managerial Score

Some results from Incofin experience with SP evaluations

Based on 50 evaluations conducted by Incofin in period 2007-2008

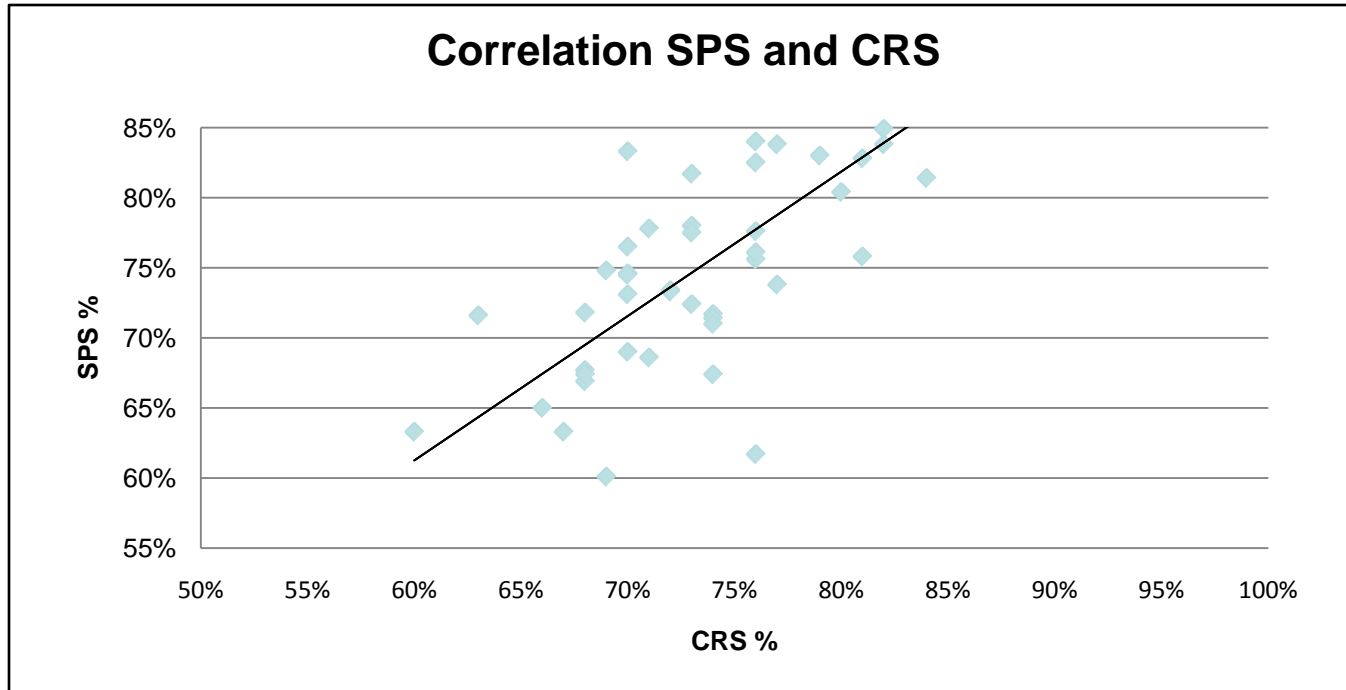
Annex 1: Incofin's Portfolio Social Performance

DIMENSIONS	AVERAGE SCORES OF THE INCOFIN PORTFOLIO	
Mission and Vision	7/10	70%
Scale and outreach	22,8/30	76%
Customer service	17/25	68%
Human resources	21/25	84%
Environment and Contribution to the community	5/10	50%
AVERAGE TOTAL SCORE	74%	



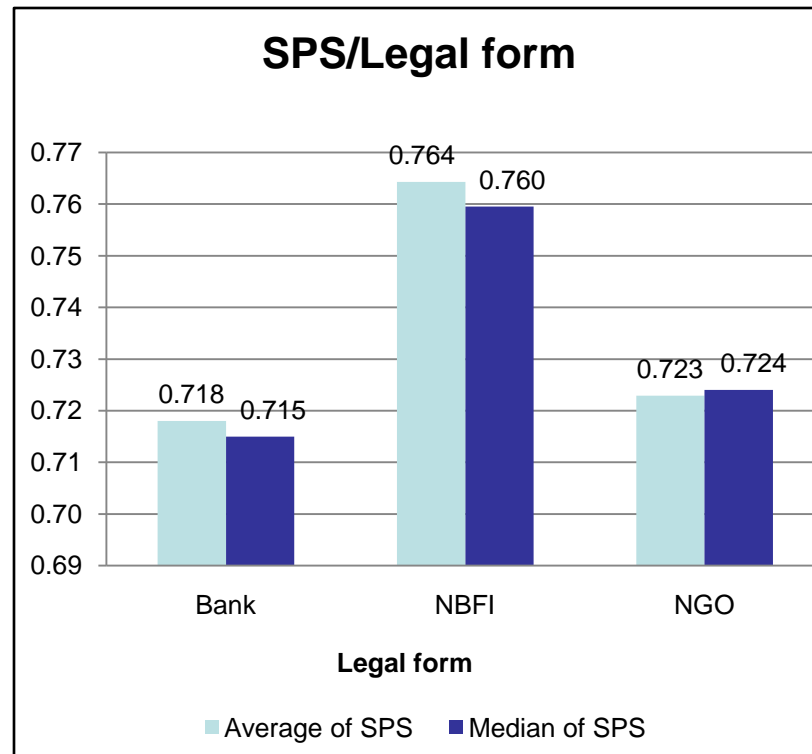
- Overall average SP score of : 74%
 - Lowest: 55%
 - Highest: 91%
- Highest score in Human Resources
- Lowest score in Environment

Annex 2. Positive correlation between SP **inrofin** and financial & managerial Score



Correlation between SPS and CRS is positive and significant on all common significance levels (0,693092112)

Annex 3: SP and Legal Status of MFIs



NBF have highest SP scores

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