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Incofin

# Involvement of Social Investors in promoting SPM

## The role of Social Investors : The Incofin Experience

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## Some preliminary questions

- Is investing in Microfinance enough to consider ourselves as Socially Responsible Investors?
- Can and should investors play a role in social responsibility?

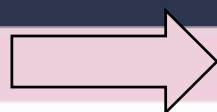
# Why do we include Social responsibility in our core business?



## **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

# Incofin's Approach on Social Performance

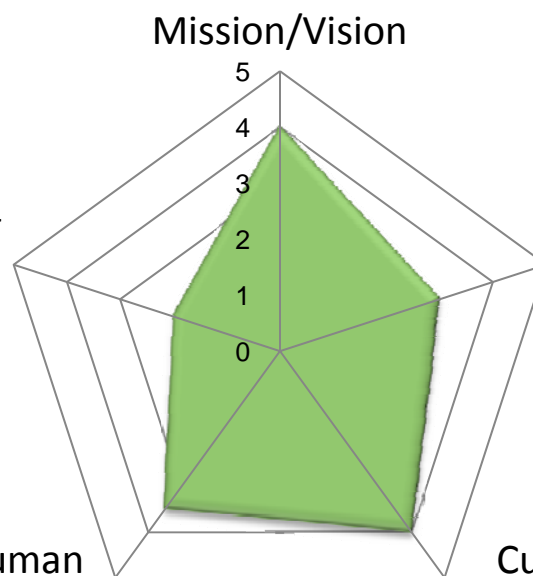


**36 indicators thoroughly analyzed and reported by Investment Managers**

- Use & scope of exclusion lists
- Linkages with other business developments, social or cultural activities

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

Environment & Support to Community



- Portfolio & Clients actual growth + expectations
- Depth of Outreach
- Accessibility of services
- Flexibility of products

- Quality of HR policies
- Quality of capacity building (new/existing staff)
- Staff compensation
- Staff retention measurement, labour climate
- Non discrimination of staff

Human Resources

Customer Service Quality

- 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	25%	8
Human resources	25%	7
Environment and social contribution to the community	10%	5
<b>Total</b>	<b>100%</b>	<b>36</b>

# 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

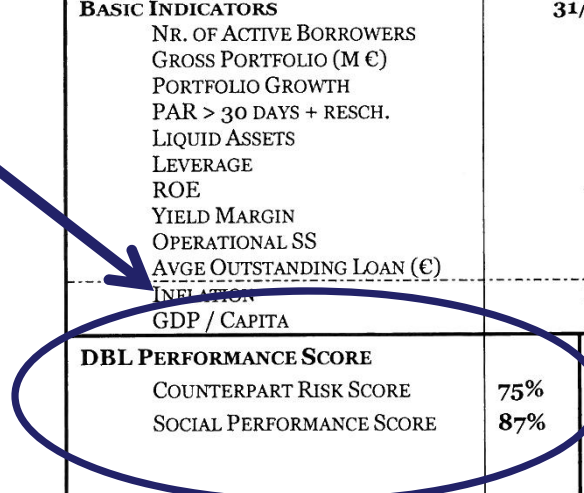
# SP as part of Investment Decision

Incofin's double Bottom line approach in investment decision

INCOFIN		MEMO FOR THE INVESTMENT COMMITTEE	
<b>Fund:</b>	INCOFIN	<b>Investment:</b>	Increase of Equity investment in MFI - Argentina
<b>Date Committee:</b>	6/05/2008	<b>Author:</b>	Incofin Analyst
		<b>Item :</b>	3

## 1 Investment Summary

<b>INVESTEES ORGANISATION</b>			
COUNTRY	Argentina	<u>ESTABLISHED</u>	2001
LEGAL STATUS	Limited Company	<u>CLIENT SINCE</u>	2006
RURAL OUTREACH SCORE	20%	<u>STAGE OF INVESTMENT<sup>1</sup></u>	Expansion
SECTORIAL FOCUS	Urban production activities		
<b>MAIN REFERENCES</b>			
NETWORK	No network, spin-off of FIE Bolivia		
RATERS	Microrate (β)		
EXTERNAL AUDITOR	Finsterbusch Pickenhayn Sibille (KPMG)		
FUNDERS	IADB, Oikocredit, FMO, Blue Orchard		
DONORS	IADB		
<b>BASIC INDICATORS</b>	<b>31/11/2005</b>	<b>31/12/2006</b>	<b>31/12/2007</b>
NR. OF ACTIVE BORROWERS	3.246	5.111	6.473
GROSS PORTFOLIO (M €)	3,4	4,4	6,0
PORTFOLIO GROWTH	126%	51%	56%
PAR > 30 DAYS + RESCH.	2,4%	2,5%	3,8%
LIQUID ASSETS	9,1%	9,3%	11,6%
LEVERAGE	8,4	4,3	4,0
ROE	-21,0%	31%	16%
YIELD MARGIN	-2,5%	3,5%	3,5%
OPERATIONAL SS	104%	120%	118%
AVGE OUTSTANDING LOAN (€)	1.430	1.169	870
INFLATION	11,25%	9,8%	8,9%
GDP / CAPITA	4.500	NA	NA
<b>DBL PERFORMANCE SCORE</b>	<b>KEY STRENGTHS AND WEAKNESSES:</b>		
COUNTERPART RISK SCORE	75%	S Balanced commercial-social approach	
SOCIAL PERFORMANCE SCORE	87%	S Excellent credit operations	
		S Expansive and profitable strategy	
		W Currency exposure (diminishing)	
		W Recruitment difficulties	





## When do we monitor SP of the MFIs?

→ Monitoring adapted for type of investment:

→ For Debt investments:

- During the due diligence
- During the yearly monitoring visits

→ For Equity investments:

- During the due diligence
- At governance level (Board participation, Committee Participation,...)
- During the regular follow-up visits

THANK YOU

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