

leading social investments

responsAbility

## Working with the UN Principles for Responsible Investing



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# responsAbility Social Investments AG

## Who we are

- responsAbility is one of the leading social investments companies
- USD 650m under management of today

## Our objectives

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

## What we do

- Create innovative investment products to bridge the gap between the financial markets and development

# responsAbility Investment Products and Services

## Microfinance

Fund volume as of End of October 2008 (year of product launch)

- responsAbility Global Microfinance Fund USD 341m (2003)
- responsAbility Microfinance Leaders Fund\* USD 197m (2006)
- responsAbility Mikrofinanz-Fonds EUR 51m (2007)

## SME financing (Private Equity)

- responsAbility BOP Investments USD 31m (2007)

## Independent Media

- Vconcert responsAbility Media Development USD 18m (2005)

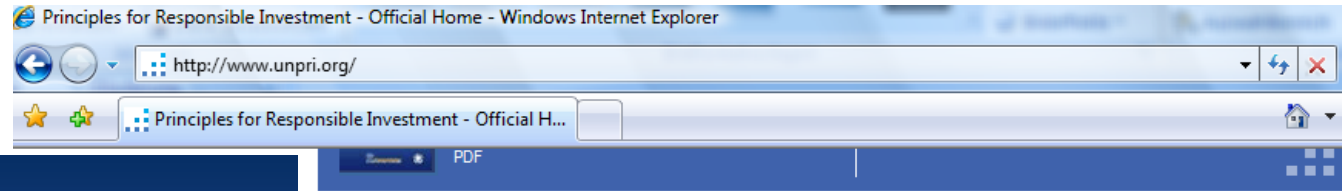
→ Creating social returns and transparent reporting on it is an integral part of our business model

\* Mandate by one institutional investor (closed fund)


# Integrating the social dimension into investment process & reporting

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

# Signing the UN Principles for Responsible Investment



- What's New**
- 06-11-08: Media release Investors and policy-makers discuss financial crisis and responsible investment
  - 27-10-08: Media release Global Investors issue US\$4



*"I applaud the leadership of the institutions that have committed themselves to this undertaking, and urge other investors around the world to join this historic effort."*  
**Ban Ki-moon,**  
UN Secretary-General  
[» Read full statement](#)

- New signatories**
- Momentum Partners, USA
  - LGT Capital Partners, Switzerland
  - Anacacia Capital, Australia
  - 3P FINANCE AG, Germany
  - HYY Group, Finland
  - Stichting Shell Pensioenfond, Netherlands
  - responsAbility Social Investments AG, Switzerland**
  - Weedflower, Inc., USA

**The Business Case**



Institutional investors talk about the financial value of incorporating environmental, social and corporate governance factors into their investment decisions  
[» View more films from the PRI](#)

# The UN Principles for Responsible Investment – What it is

## What it is

- Framework to integrate environmental, social and governance issues **(ESG issues)** into investment decision

## Objectives

- Provide a common framework on how to incorporate ESG issues into investment decision-making and ownership practices.
- Provide access to examples of good practice and opportunities to collaborate and network amongst signatories

## Background

- Launched in April 2006 by UN Secretary-General Kofi Annan
- Signed by over 400 institutions, asset owners, investment managers and investment services providers.

➔ Tool for mainstream investors to implement responsible investment principles

## The UN PRI – How it works

- Six principles including suggestions for possible ways of implementation
  - Secretariat to assist signatories implement the Principles:
    - Online knowledge base
    - annual event
    - web-based intranet to plan joint actions
    - annual survey to identify best practices (Mercer)
  - Accountability mechanisms:  
Focus on highlighting best practices and exchange amongst signatories
  - Commitment to define and implement the ESG issues
- 
- ➔ The UN Principles for Responsible Investing are a process tool
  - ➔ They do NOT define what ESG issues are

# The UN Principles for Responsible Investment

1. We will incorporate ESG issues into investment analysis and decision-making processes.
  2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
  3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
  4. We will promote acceptance and implementation of the Principles within the investment industry.
  5. We will work together to enhance our effectiveness in implementing the Principles.
  6. We will each report on our activities and progress towards implementing the Principles.
- Each principles complemented with possible actions, offering guidance of implementation to investors



## Why responsAbility subscribed to the UN PRIs

- **ESG issues are central to Microfinance** investments:
    - Fit various initiatives into a broader frame, ex. CGAP Client protection principles
  - **Credibility and recognition:** align MF investments and linking up with SRI universe
  - **Systematic approach:** Taking a next step to strengthen already existing investment analysis processes.
  - PRI as process tool allowing for **structured, gradual adaptation**  
→ key for the evolving environment of a young industry
  - **Increasing Acceptance:** MFIs are increasingly willing and able to handle sophisticated reporting requirements of SRI investor
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- ➔ Defining ESG for Microfinance
  - ➔ CGAP Client protection principles as subset of ESG

# The Challenges of Implementation

## responsAbility next steps

- Defining ESG for Microfinance investments based on PRI suggested actions
- Definition of indicators in line with CGAP social performance task force
- Systematic integration of ESG issues into our credit analysis
- Integration into due diligence: Communication of new requirements to investment partners

➔ Communicating the UN PRIs to other actors of the microfinance sector

# Thank you!

## Contact

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