
Incofin

The role of Private investors on Social Responsibility and Social Performance: The case of Incofin

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November 13th 2008, European Microfinance Week

incofin



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 approach

- Incofin incorporates social responsibility using the following:
 1. Incofin measures the Social performance of MFIs as part of its due diligence process
 2. Incofin includes principles of responsible finance in its investment agreements
 3. Incofin reports social return to its shareholders

INCOFIN approach

Incofin's Social Performance tool, includes aspects of:

- ✓ Corporate Social Responsibility
- ✓ Responsible Finance and client protection
- ✓ Environmental and social risk management

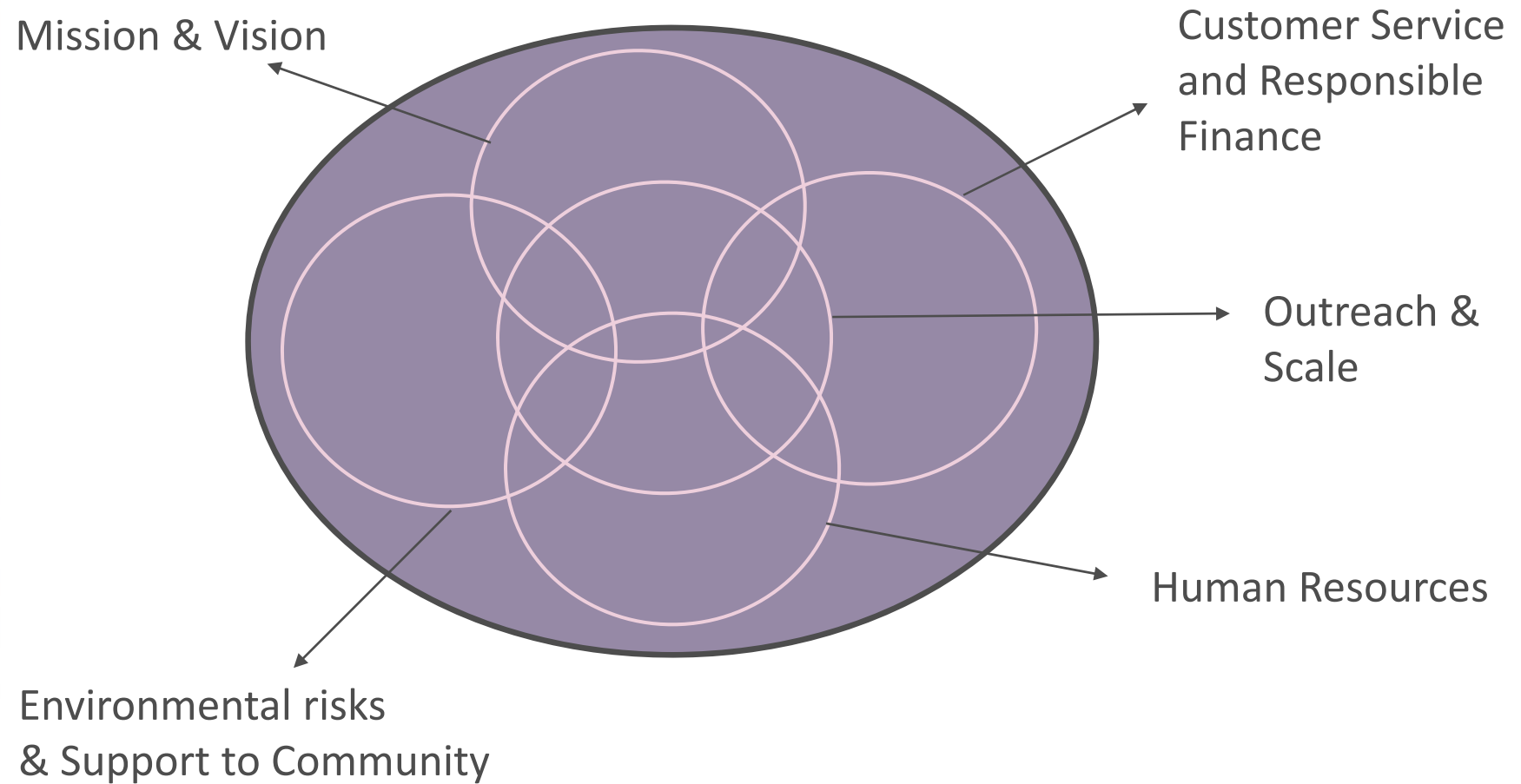


Incofin has a holistic approach and does not distinguish the three concepts but rather merge them in one single approach

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



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
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)

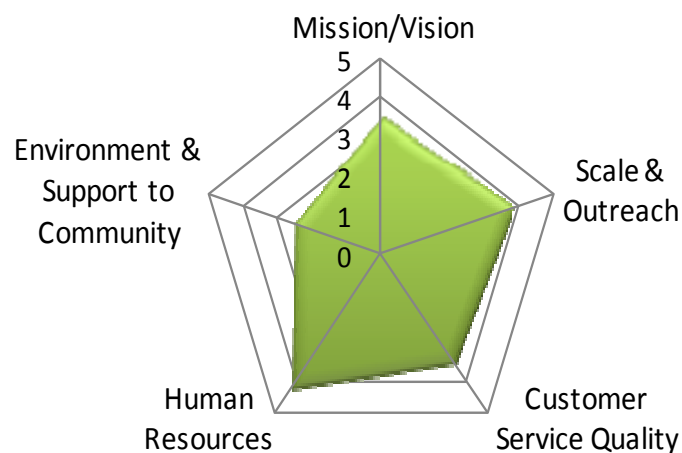
- ✓ Investors can and should include SP as part of their investment assessments (no additional burden)
- ✓ Socially responsible investors should report on the Social Performance of their portfolio
- ✓ We cannot conclude that certain types of MFIs perform better than others from a SP point of view
- ✓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

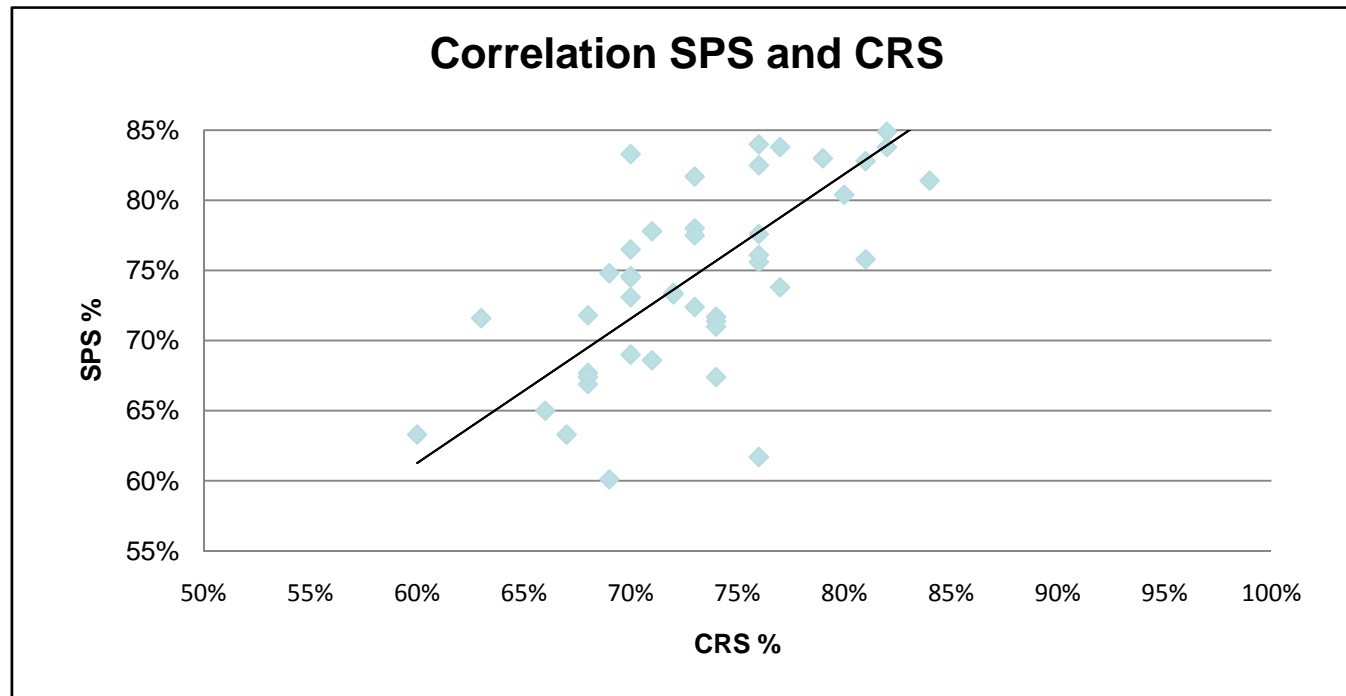
Annex 1: Incofin's Portfolio Social Performance

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%	



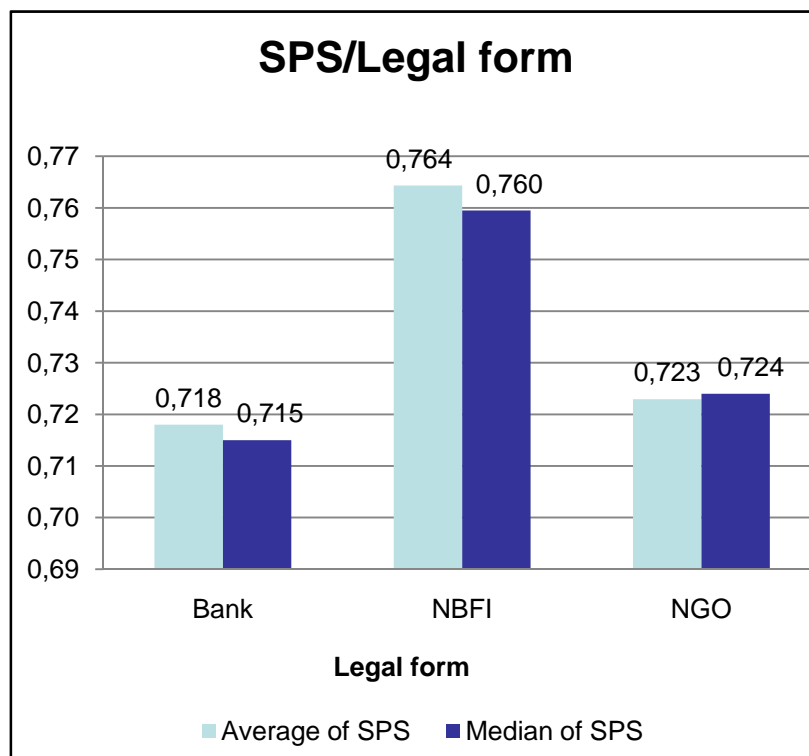
- Overall average SP score of : 74%
- Highest score in Human Resources
- Lowest score in Environment

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



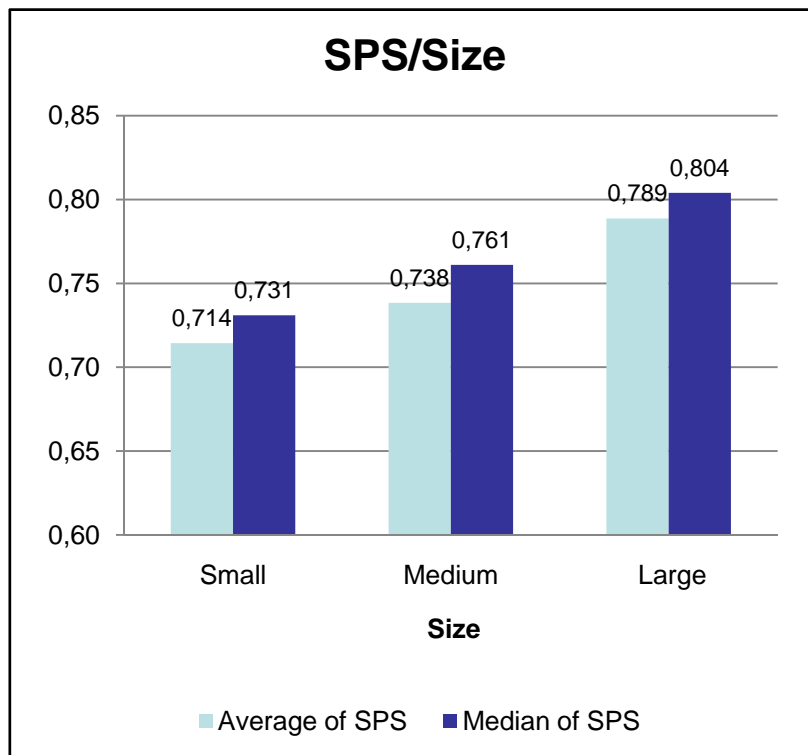
Correlation between SPS and CRS is positive and significant on all common significance levels (0,693092112)

Annex 3: SP and Legal Status of MFIs



There is no correlation between Social performance of MFIs and their legal status

Annex 4: SP and the Size of MFIs



Larger MFIs have a better SP score

THANK YOU

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