



LEA 02	Disclosures Monetary	Reason Gateway	Principle PRI 1,2,3
<p><b>Type of engagement</b> Individual/ internal staff engagements</p>	<p><b>Reason for interaction</b></p> <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in a company relevant ESG areas</li> <li><input checked="" type="checkbox"/> To influence corporate practice or identify the need for additional or enhanced information</li> <li><input checked="" type="checkbox"/> To engage investor ESG advisors</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage via internal staff</li> </ul>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in a company relevant ESG areas</li> <li><input checked="" type="checkbox"/> To influence corporate practice or identify the need for additional or enhanced information</li> <li><input checked="" type="checkbox"/> To engage investor ESG advisors</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage via internal staff</li> </ul>	
<p><b>Type of engagement</b> Collaborative engagements</p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in a company relevant ESG areas</li> <li><input checked="" type="checkbox"/> To influence corporate practice or identify the need for additional or enhanced information</li> <li><input checked="" type="checkbox"/> To engage investor ESG advisors</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage via internal staff</li> </ul>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in a company relevant ESG areas</li> <li><input checked="" type="checkbox"/> To influence corporate practice or identify the need for additional or enhanced information</li> <li><input checked="" type="checkbox"/> To engage investor ESG advisors</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage via internal staff</li> </ul>	
<p><b>Type of engagement</b> Service provider engagements</p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in a company relevant ESG areas</li> <li><input checked="" type="checkbox"/> To influence corporate practice or identify the need for additional or enhanced information</li> <li><input checked="" type="checkbox"/> To engage investor ESG advisors</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage via internal staff</li> </ul>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> To support investment decisionmaking in a company relevant ESG areas</li> <li><input checked="" type="checkbox"/> To influence corporate practice or identify the need for additional or enhanced information</li> <li><input checked="" type="checkbox"/> To engage investor ESG advisors</li> <li><input type="checkbox"/> Other: specify</li> <li><input type="checkbox"/> We do not engage via internal staff</li> </ul>	

# RI TRANSPARENCY REPORT

## 2014/15

Incofin

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2014-15 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Public							✓
OO 09	Additional information about organisation	✓	Public							✓
OO 10	RI activities for listed equities	🔒	n/a							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public							✓
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Public							✓
OA 07	Governance, management structures and RI processes	✓	Public							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Public							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Public	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
OA 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Public							✓
OA 19	Internal and external review and assurance of responses	✓	Public							✓

Direct - Inclusive Finance				Principle							General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	7	
IFD 01	Mission and investment objective	✓	Private								✓
IFD 02	Governance, management structures and processes	✓	Public								✓
IFD 03	Social targets	✓	Public								✓
IFD 04	Percentage in equity, debt and guarantees	✓	Public								✓
IFD 05	Percentage in microfinance and/or SME finance	✓	Public								✓
IFD 06	Geographical spread of microfinance investments	✓	Private								✓
IFD 07	Tracking microfinance investees portfolio	✓	Public	✓							
IFD 08	Support financial services beyond credit, compulsory savings and/or compulsory insurance	✓	Public	✓							
IFD 09	Support the introduction of services tailored to the 'poor', 'very poor' and 'low income'	✓	Public	✓							
IFD 10	Technical assistance to investees	✓	Public	✓							
IFD 11	Public endorsement of the Client Protection Principles	✓	Public		✓						
IFD 12	Provide training and assistance for investees implementing the Client Protection Principles	✓	Private		✓						
IFD 13	Include the Client Protection Principles in investment policies	✓	Public		✓						
IFD 14	Investment in local currency	✓	Public			✓					
IFD 15	Average maturity of debt investments	✓	Public			✓					
IFD 16	Average holding period of equity investments	✓	Public			✓					
IFD 17	Terms and conditions	✓	Public			✓					
IFD 18	Tools for social performance reporting	✓	Public				✓				
IFD 19	Retail institutions have independent financial/social rating and/or social audit	✓	Public				✓				
IFD 20	Due diligence on and monitoring and reporting of corporate governance among investees	✓	Public				✓				
IFD 21	Training or assistance for investees on corporate governance	✓	Public				✓				
IFD 22	Percentage of investees where board seats are held	✓	Public				✓				
IFD 23	Procedure to integrate environmental issues in investment decision processes	✓	Public				✓				
IFD 24	Anti-corruption and whistle-blowing policies	✓	Public				✓				
IFD 25	How mission and investment objectives are communicated to stakeholders	✓	Public					✓			
IFD 26	Investors and/or the public provided with information aligned with industry standards	✓	Public					✓			
IFD 27	Transparency of pricing, terms and conditions among investees	✓	Public					✓			
IFD 28	How social performance of investees affects decision making and portfolio	✓	Public						✓		



# Incofin

## Reported Information

## Public version

## Organisational Overview

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Basic Information

OO 01

Mandatory

Gateway/Peering

General

OO 01.1

Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

- Fund of funds, manager of managers, sub-advised products
- Other, specify
- Execution and advisory services

OO 01.2

Additional information. [Optional]

OO 02

Mandatory

Peering

General

OO 02.1

Select the location of your organisation's headquarters.

Belgium

OO 02.2

Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3

Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

37



**OO 02.4** Additional information. [Optional]

Incofin IM's biggest asset is its international team. Its experts have a great deal of experience in the area of microfinance and maintain relations with investors worldwide. Thanks to their enthusiastic approach, involvement and personal contact with the organizations in which Incofin invests, Incofin IM succeeds in making a difference.

**OO 03** **Mandatory** **Descriptive** **General**

**OO 03.1** Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

Yes

No

**OO 04** **Mandatory** **Gateway/Peering** **General**

**OO 04.1** Indicate the year end date for your reporting year.

31/12/2014

**OO 04.2** Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on, and advisory/execution only assets.

	trillions	billions	millions	thousands	hundreds
Total AUM			600	000	000
Currency	USD				
Assets in USD			600	000	000

**OO 04.5** Indicate the level of detail you would like to provide about your asset class mix.

Approximate percentage breakdown to the nearest 5% (e.g. 45%)

Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

**OO 04.6** Additional information. [Optional]

Incofin Investment Management manages a total of 600M USD of assets split in eight funds which include:

- One retail fund called Incofin cvso. it is a Belgian cooperative which invests in sustainable microfinance institutions in developing countries that offer financial services adapted to small local enterprises and want to add value on a social level. Incofin cvso supports MFIs that offer financial services to small entrepreneurs to develop their own business and to improve their living circumstances.

- Three managed accounts: i) VDK MFI Loan Portfolio was founded as an investment portfolio belonging to the Belgian VDK Spaarbank. With Incofin IM as fund manager, it grants loans to large and well-developed MFIs; ii) Volksvermogen is a fund belonging to a Belgian investment company of the same name. It uses its own investment portfolio to support microfinance institutions and SMEs in developing countries. The fund offers loans as well as equity investments; iii) Incofin IM manages an account on the balance of BIO, the Belgian Investment Company for Developing Countries. Through the BIO account, Incofin invests in smaller, early-stage and difficult to access Tier 2 and Tier 3 microfinance institutions.

- Four institutional funds; i) The Impulse Microfinance Investment Fund supports microfinance institutions at a later stage. It uses investments of the European financial sector, private companies and individuals to provide loans and equity investments to these MFIs. Some investors of this fund are KBC Private Equity, VDK Spaarbank, Ethias, BIO, Volksvermogen, ACV Voeding en Diensten, Pax-Bank, ACV-CSC Metea, Bank im Bistum Essen and Bank für Kirche und Caritas; ii) Rural Impulse Fund (RIF I) is a Luxembourg-based investment fund for rural microfinancing. The means it employs for investing in microfinance institutions are provided by development banks and the European financial sector. Through loans and equity investments, it invests in commercial MFIs that offer financial services in disadvantaged rural areas. Some of the main investors are BIO, EIB, FMO, IFC and KBC Private Equity; iii) Rural Impulse Fund II (RIF II) is the successor of RIF I and also invests in microfinance institutions through debt and equity investments. These commercial MFIs offer financial services in disadvantaged rural areas. The investors of this fund are development banks (IFC, EIB, KfW, BIO, FMO, PROPARCO and NMI), financial institutions (Storebrand, BNP Paribas Fortis, Bank für Kirche und Caritas, VDK Spaarbank, Vinis-Die Erste Sparinvest, Microfinanza and Volksvermogen) and Belgian trade union ACV-CSC Metea; iv) The Fairtrade Access Fund provides farmers' cooperatives and associations the long-term loans they need to renew their farms or adopt new technologies and equipment. The Fund was launched in 2012 under the management of Incofin Investment Management by the fund sponsors Incofin cvso, Fairtrade International and Grameen Foundation. The fund began operations in Latin America and will expand into Africa and Asia in a second phase.

OO 06	Mandatory	Descriptive	General
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**OO 06.1** To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

- Publish our asset class mix as percentage breakdown
- Publish our asset class mix as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	0	0
Fixed income – corporate	0	0
Fixed income – government	0	0
Fixed income – other	0	0
Private debt	0	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0

Farmland	0	0
Inclusive finance	>50%	0
Cash	0	0
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OO 08	Mandatory to Report Voluntary to Disclose	Peering	General
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OO 08.1	Indicate the breakdown of your organisation's AUM by market.
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Market breakdown	% of AUM
Developed Markets	<input checked="" type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %

OO 08.2	Additional information. [Optional]
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Incofin IM invests in emerging markets only. It currently is invested in 43 countries around the world including frontier markets such as Congo, Timor Leste, Haiti.

OO 09	Voluntary	Descriptive	General
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OO 09.1

Provide any additional information about your organisation, its mission, strategies, activities or investments which are important to contextualise your responsible investment activities.

The mission of Incofin IM is to invest in companies that increase financial inclusion, in order to generate developmental impact, while generating an attractive return to its investors. As a specialist in rural microfinance, Incofin IM's main goal is to reach out to people living in more secluded rural areas and/or who are active in the agricultural sector. The motto of Incofin IM, "Committed Beyond Investment", reflect the values of the company, which embraces a double bottom line approach combining social and commercial objectives. The values are elaborated as follows: "We are committed to show excellent standards regarding ethics and business conduct. We are a double bottom line investor, striving for social and monetary returns in all our investments. Our core corporate values are professionalism, responsibility, integrity and compliance. We also value positive actions for the care of the environment."

## Gateway asset class implementation indicators

OO 11

Mandatory

Gateway

General

OO 11.1

Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

- Inclusive finance
- None of the above

OO 11.3

Additional information. [Optional]

Incofin IM aims at a balanced combination of financial and social results. Environmental, social and governance considerations are integrated into its entire double bottom line investment process and which includes: i) screening the institution through the use of an in-house social performance evaluation tool (ECHOS), presenting an investment decision based on both financial and social elements, drafting transaction documents (loan or shareholder agreements) including social covenants/clauses, monitoring compliance on these social covenants, and in the case of equity investments, contributing to the enhancement of the social performance systems of the investee.

OO 12

Mandatory

Gateway

General

OO 12.1

The modules and sections that you will be required to complete are listed below.

*This list is based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. You are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Fixed Income and Infrastructure are voluntary.*

### **Core modules**

- Organisational Overview
- Overarching Approach (including assets which do not have a separate module)

### **RI implementation directly or via service providers**

Inclusive Finance

**Closing module**

Closing module

# Incofin

## Reported Information

### Public version

### Overarching Approach

## PRI disclaimer

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## Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General
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**OA 01.1** Indicate if you have a responsible investment policy.

- Yes  
 No

**OA 01.2** Indicate if you have other guidance documents or more specific policies related to responsible investment.

- Yes  
 No

**OA 01.3** Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

Within Incofin IM SPM and ESG are integrated into the investment process from the start. The Investment Procedures and Due Diligence Guidelines used by Incofin IM detail how SPM and ESG are integrated at each step of the process. Furthermore, Incofin has put in place a Code of Conduct and an AML/KYC policy. Training in the use of these procedures and tools is provided to all Incofin IM Investment Managers.

OA 02	Mandatory	Core Assessed	PRI 6
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**OA 02.1** Indicate if your responsible investment policy is publicly available.

- Yes  
 No

**OA 02.5** Additional information. [Optional]

Incofin IM's responsible investment policy is Incofin IM investment policy, meaning that the investment manual provided to each investment manager will include guidelines on financial and social aspects to be followed throughout the entire investment process. It is understood by all Incofin staff that 100% of Incofin IM's investments shall be made taking into account both financial and social aspects.

OA 03	Mandatory	Core Assessed	PRI 1,2
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**OA 03.1** Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Engagement/active ownership policy <input checked="" type="checkbox"/> Specific guidelines on corporate governance <input checked="" type="checkbox"/> Specific guidelines on environmental issues <input checked="" type="checkbox"/> Specific guidelines on social issues <input checked="" type="checkbox"/> Asset class-specific guidelines <input checked="" type="checkbox"/> Screening/exclusion policy <input type="checkbox"/> Other, specify <input type="checkbox"/> Other, specify	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

<b>OA 03.2</b>	Comment on any variations or exceptions in the coverage of your responsible investment policy. [Optional]
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All Incofin IM investments are made according to a double bottom line assessment including an assessment of financial and social performance. Furthermore, all Incofin IM investees are expected to comply with the IFC Exclusion List and to pass a thorough AML/KYC check.

For debt investees, Incofin IM systematically includes several social undertakings/covenants: i) reporting of relevant social performance indicators to the Mix Market on an annual basis; ii) Endorsement of the SMART Campaign on Client Protection Principles and progressive implementation of those principles within a reasonable timeframe.

For equity investees: Incofin IM strives to systematically includes a number of E&S clauses in the shareholder agreement and which include: i) Commitment by the company to practice responsible finance by fully complying with all existing and future national laws and regulations on consumer protection especially in the area of financial services. In particular, the company shall endorse the Smart Campaign and shall define and put into practice the necessary tools to respect the Client Protection Principles; ii) Commitment by the company to report on an annual basis to the MIX Market on social performance; iii) Commitment by the company to cooperate with the activities of Microfinance Transparency; iv) Commitment by the company to establish a Social and Environmental Management System and to designate a senior officer of the Company responsible for the administration and oversight of such System; v) Commitment by the company to comply with the IFC Exclusion List (added as an annex to the investment documentation), vi) and with any other requirements deemed relevant in order to further enhance the company's current state of practices in terms of Social and Environmental Management System.

<b>OA 04</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>General</b>
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<b>OA 04.1</b>	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.
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Yes

<b>OA 04.2</b>	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]
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Incofin IM has a conflict of interest policies (taking also in account those related to the investment process). We have one at the level of Incofin IM and specific policies exist at the level of the funds like RIF, RIFII, FAF. In annex to the conflict of interest policy of Incofin IM the new code of conduct of IM is attached (including others conflicts of a more personal nature). This code of conduct is signed by all IM related staff.

No



## Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General
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**OA 05.1** Indicate if your organisation sets objectives for its responsible investment activities.

Yes

**OA 05.2** Indicate how frequently your organisation sets or revises objectives for responsible investment.

- At least once per year  
 Less than once per year

**OA 05.3** Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

- Quarterly  
 Biannually  
 Annually  
 Every two years or less  
 It is not reviewed
- No

**OA 05.4** Additional information. [Optional]

On an annual basis, Incofin IM holds a meeting with the supervisory board and the investment committee members of each of the funds that it manages. During this one day meeting, the performance of the fund is reviewed including financial performance, but also social performance.

In the social performance reporting, for each investee Incofin IM reports on:

- the social performance score (using its in-house ECHOS score)
- the client protection principles score
- the rural outreach
- the compliance with the IFC exclusion list,
- the compliance with the social covenants included in loan agreements, (for debt investees)
- the progress made on E&S systems implementation if any through a short narrative collected by investment managers during monitoring visits.
- the role of Incofin IM representative as board member in pushing E&S topics in the board meeting agenda (for equity investee)
- the role of Incofin IM as technical assistance provider

OA 06	Voluntary	Descriptive	General
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**OA 06.1** List your three main responsible investment objectives you had set for the reporting year. For each, indicate any key performance indicators you set to measure your progress and also indicate your progress towards achieving your objectives.

Add responsible investment objective 1

Objective 1	Rural outreach Agricultural activities financing
Key performance indicators	Rural Score (in-house indicator) % of portfolio invested in agricultural activities % of portfolio invested in institutions which started lending to agricultural after Incofin investment
Describe the progress achieved	

Add responsible investment objective 2

Objective 2	To contribute to the enhancement of investees governance and E&S practices
Key performance indicators	Number of : - investees which underwent a social due diligence and a social monitoring - investees in compliance with social covenants - investees which benefited from technical assistance
Describe the progress achieved	

Add responsible investment objective 3

Objective 3	To ensure that our AUM are used for the intended purposes and are free from money laundering- and terrorist financing activities
Key performance indicators	All investees' management team, directors, shareholders, beneficial owners must undergo an AML/KYC check.
Describe the progress achieved	

**OA 06.2** List your three main objectives for responsible investment implementation for the next reporting year and indicate any key performance indicators you intend to use to measure your progress.

Add responsible investment objective 1 for the next reporting year

Objective 1 for the next reporting year	Rural outreach Agricultural activities financing
Key performance indicators	Rural Score (in-house indicator) % of portfolio invested in agricultural activities % of portfolio invested in institutions which started lending to agricultural after Incofin investment

Add responsible investment objective 2 for the next reporting year

Objective 2 for the next reporting year	To contribute to the enhancement of investees governance and E& S practices
Key performance indicators	Number of : - investees which underwent a social due diligence and a social monitoring - investees in compliance with social covenants - investees which benefited from technical assistance

Add responsible investment objective 3 for the next reporting year

Objective 3 for the next reporting year	To ensure that our AUM are used for the intended purposes and are free from money laundering- and terrorist financing activities
Key performance indicators	All investees' management team, directors, shareholders, beneficial owners must undergo an AML/KYC check.

## Governance and human resources

OA 07	Voluntary	Descriptive	General
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OA 07.1	Provide a brief description of your organisation's governance, management structures and processes related to responsible investment.
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Across functions within Incofin IM, all stakeholders are involved in supporting the companies ESG/SPM objectives through their work.

Boards of Directors of Incofin IM funds are involved in discussions and trainings on SPM and ESG so that they have a complete understanding of Incofin's approach to SPM/ESG and the tools that Incofin IM uses in order to assess investees performance with respect to SPM/ESG.

Investment Committee members are provided investment proposals which clearly details both the financial and social performance of the investee, in order for them to be able to make an informed decision.

For equity, Incofin IM Investment Managers that sit on the boards of investees are involved in promoting SPM/ESG objectives within the investee. The manner in which Incofin IM Investment Managers promote these topics varies depending on the level of SPM/ESG practices within an investee.

For debt and equity, Investment Managers support the implementation of Incofin IM E&S policy by conducting the social performance assessment of all investees (using the in-house developed ECHOS© tool ) carried out on an annual basis;

The Finance department is responsible for gathering outcome indicators on social performance and reporting on them;

The legal department includes social covenants in loan contracts and the risk department and social performance manager monitor compliance with such covenants along with AML/KYC implementation.

The legal department and private equity team promote good governance practices in shareholders agreements, and communications and administration departments develop reports in which social performance measures are shared and discussed externally and internally during supervisory board meetings of each fund. In this way the entire Incofin team is not just aware of but also contribute to the achievements of ESG/SPM objectives.

Incofin IM employees are trained in Incofin IM's ESG/SPM approach, policies, procedures, and objectives during their initial induction into the company as well as on at least an annual basis thereafter resulting in a high level of awareness to ESG/SPM.

I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

OA 08	Mandatory	Gateway/Core Assessed	General
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OA 08.1	Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.
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Roles present in your organisation
------------------------------------

- Board members or trustees
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
  - Chief Legal Officer**
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- External managers or service providers
- Other role, specify
  - Risk Manager**
    - Oversight/accountability for responsible investment
    - Implementation of responsible investment
    - No oversight/accountability or implementation responsibility for responsible investment
  - Other role, specify
    - Compliance Manager**

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment

<b>OA 08.2</b>	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]
----------------	---

Number
--------

1

<b>OA 09</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>General</b>
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<b>OA 09.1</b>	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
----------------	---

#### Board members/Board of trustees

- Responsible investment included in personal development and/or training plan

<b>OA 09.2</b>	Describe any activities undertaken during the reporting year to develop and maintain Board members' skills and knowledge in relation to responsible investment.
----------------	---

Supervisory Board members receive an E&S report on an annual basis, highlighting the social performance management score of all investees as well the E&S related activities carried out by Incofin IM during the year.

- None of the above

#### Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

#### Other C-level staff or head of department

##### Chief Legal Officer

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

#### Portfolio managers

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Investment analysts**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Dedicated responsible investment staff**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Other role**

**Risk Manager**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**Other role**

**Compliance Manager**

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

**OA 09.3**

Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.

Incofin is developing an E&S action plan for both its debt and equity investment staff.

- Debt investment managers are expected to abide and promote the Lenders' Guidelines for Setting Covenants in Support of Responsible Microfinance to their debt investees. Overall debt investment managers cannot submit any investment proposals which does not meet a minimum E&S score of 55% (as per Incofin in house social performance evaluation tool ECHOS)

- Equity investment managers, who sit at the BOD of equity investees are expected to identify one E&S item, relevant to the investee's state of SPM practice and promote its implementation at the BOD level. Such can include (setting of a social dashboard, implementation of one dimension of the USSPM, push for implementation of CPP, etc).

## Promoting responsible investment

OA 10

Mandatory

Core Assessed

PRI 4,5

OA 10.1

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

### Select all that apply

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

As microfinance specialized asset manager, we are PRI signatory because we are PIIF signatory: we have provided significant feedback to PIIF on the relevance of the first reporting framework. We have also helped PIIF get more recognition in the microfinance space, including involving the initiative in all discussions of the SPTF social investors working group which we chair.

- Asian Corporate Governance Association
- Association for Sustainable & Responsible Investment in Asia
- Australian Council of Superannuation Investors
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify

**Social Performance Task Force**

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative.  
[Optional]

**We co-chair the SPTF Social Investors Working Group**

- Other collaborative organisation/initiative, specify

**Global Impact Investing Network (GIIN)**



Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

OA 11

Mandatory

Core Assessed

PRI 4

OA 11.1

Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

- Yes

OA 11.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
  - Provided financial support for academic or industry research on responsible investment
  - Encouraged better transparency and disclosure of responsible investment practices across the investment industry
  - Spoke publicly at events and conferences to promote responsible investment
  - Wrote and published in-house research papers on responsible investment
  - Encouraged the adoption of the PRI
  - Other, specify
- No

OA 11.3

Additional information. [Optional]

Incofin IM is an active member of the Social Performance Task Force (SPTF), and since 2012, has been selected by the investor community to be part of the highest body, the board, whose mandate is the dissemination of E&S best practices within the industry through the launching of the Universal standards for Social Performance Management (USSPM).

Incofin IM also coordinates the Social Investors working group and is in charge of the organisation of two meetings a year. In March 2014, Incofin co-chaired the social investor annual meeting, held in Luxembourg at the EIB.

It also leads the sub-group on Reasonable Covenants which led to the creation of the Lenders' Guidelines for Setting Covenants in Support of Responsible Microfinance which was recognized as a recommended action within the PIIF.

Incofin IM is a founding signatory of the PIIF, part of the UNPRI, and Loic De Cannière, CEO, is a member of the PIIF Steering Committee and has been promoting PIIF endorsement to a number of investors.

Incofin IM Social Performance Manager has conducted an SPM and CPP training to investment officers of a European development financial institution and an USSPM/SPI4 introduction training to the Cambodian Microfinance Association SPM Club. Incofin also spoke about the SPTF and the standards at the Banking with the Poor Network annual conference in Shanghai in 2014.

Incofin IM is a member of the GIIN, where it actively participates in industry discussions. It uses the IRIS catalogue as a reference guide when updating the ECHOS© tool, which it developed in house to focus on social performance within the microfinance industry. Incofin IM reports to IRIS on the IRIS metrics that it uses.

Incofin IM has supported several industry initiatives focussed on identifying and combatting problems of over-indebtedness. To this end, Incofin IM partnered with BlueOrchard Finance SA and Oikocredit to publish a study on over-indebtedness in Cambodia. It has also actively participated in a working group to draw up new measures to help MFIs prevent over-indebtedness in Kyrgyzstan.

in 2013 Incofin organized the first EIB RIF II Symposium which has taken place as a learning platform for microfinance institution to share best practices and lessons learnt: 20 MFIs and 40 representatives benefited of the training sessions. During the symposium half a day was dedicated to social performance management.

<b>OA 12</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>PRI 4,5,6</b>
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<b>OA 12.1</b>	Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or standard-setters in support of responsible investment in the reporting year.
----------------	---

- Yes
  - Yes, individually
  - Yes, in collaboration with others

<b>OA 12.2</b>	Select the methods you have used.
----------------	-----------------------------------

- Endorsed written submissions to governments, regulators or standard-setters developed by others
- Drafted your own written submissions to governments, regulators or standard-setters
- Participated in face-to-face meetings with government members or officials to discuss policy
- Other, specify

<b>OA 12.3</b>	Where you have made written submissions (individually or collaboratively) to governments and regulatory authorities, indicate if these are publicly available.
----------------	--

- Yes, publicly available
- No
- No

<b>OA 12.4</b>	Additional information.
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Incofin IM participated in a working group of Lenders in Kyrgyzstan. The group came up with a letter of addressed to the government to share their thoughts on a number of regulations which could be harmful to the microfinance industry.

## ESG issues in asset allocation

<b>OA 13</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>OA 13.1</b>	Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
----------------	--

- Yes
  - Allocation between asset classes
  - Determining fixed income duration
  - Allocation of assets between geographic markets
  - Other, specify

<b>OA 13.2</b>	Describe how you apply ESG issues in strategic asset allocation and/or allocation of assets between geographic markets.
----------------	---

We consider AML issues related to countries by checking

- 1.High risk and non-cooperative jurisdictions via: [http://www.fatf-gafi.org/pages/0,3417,en\\_32250379\\_32236992\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236992_1_1_1_1_1,00.html)& <http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/>
- 2.Countries under FATF monitoring, having strategic AML/CFT deficiencies via: <http://www.fatf-gafi.org/dataoecd/3/24/44788118.pdf>& <http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/documents/public-statement-june-2013.html>
- 3.Prohibited Blacklisted Countries: [http://www.fatf-gafi.org/pages/0,3417,en\\_32250379\\_32236992\\_1\\_1\\_1\\_1\\_1,00.html](http://www.fatf-gafi.org/pages/0,3417,en_32250379_32236992_1_1_1_1_1,00.html)

No

<b>OA 14</b>	<b>Voluntary</b>	<b>Descriptive</b>	<b>PRI 1</b>
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<b>OA 14.1</b>	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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Yes

<b>OA 14.2</b>	Indicate the percentage of your total AUM invested in environmental and social themed areas.
----------------	--

	% of total AUM
--	----------------

100

<b>OA 14.3</b>	Please specify which thematic area(s) you invest in and provide a brief description.
----------------	--

	Area
--	------

- Clean technology (including renewable energy)
- Green buildings
- Sustainable forestry
- Sustainable agriculture

	Asset class invested
--	----------------------

Inclusive finance

Brief description of investment

Incofin IM managed a fund specifically dedicated to Fair Trade. The Fairtrade Access Fund provides fair trade certified (or in the process of being certified) farmers' cooperatives and associations long-term loans facilities.

Microfinance

Asset class invested

Inclusive finance

Brief description of investment

Incofin Investment Management (Incofin IM) manages funds that invest (debt and equity) in microfinance institutions (MFIs) in developing countries.

SME financing

Asset class invested

Inclusive finance

Brief description of investment

Incofin finances a number of commercial banks providing financing to small and medium entrepreneurs

Social enterprise / community investing

Affordable housing

Asset class invested

Inclusive finance

Brief description of investment

Incofin lends to a microfinance institution specialized in housing loan to vulnerable population in Cambodia.

Education

Global health

Water

Other area, specify

No

Innovation

OA 18	Voluntary	Descriptive	General
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<b>OA 18.1</b>	Indicate whether any specific features of your approach to responsible investment are particularly innovative.
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Yes

<b>OA 18.2</b>	Describe any specific features of your approach to responsible investment that you believe are particularly innovative.
----------------	---

We only make investment if the considered investee's performance meets a minimum financial AND social score. No investment proposal with a lower than 55% on our social due diligence tool can be approved by an investment committee without special approval and clear rational justifying the exception.

No

### Assurance of responses

<b>OA 19</b>	<b>Voluntary</b>	<b>Additional Assessed</b>	<b>General</b>
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<b>OA 19.1</b>	Indicate whether your reported information has been reviewed, validated and/or assured by internal and/or external parties.
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Yes

<b>OA 19.2</b>	Indicate who has reviewed, validated and/or assured your reported information.
----------------	--

- Reviewed by Board, CEO, CIO or Investment Committee
- Validated by internal audit or compliance function
- Assured by an external independent provider, specify name

<b>OA 19.3</b>	Describe the steps you have taken to review, validate and/or assure the content of your reported information.
----------------	---

The reported information was reviewed by Incofin IM CEO

No

# Incofin

## Reported Information

### Public version

#### Direct - Inclusive Finance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Context

IFD 02	Voluntary	Descriptive	PIIF General
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**IFD 02.1** Provide a brief description of the governance and management structures and processes you have in place for your responsible investment activities and implementation of the PIIF.

Incofin IM's entire governance is built towards the achievement of double bottom line investments.

Within Incofin IM (IIM) as asset manager, SPM and ESG are integrated into the investment process from the start. The Investment Procedures and Due Diligence Guidelines used by Incofin IM detail how SPM and ESG are integrated at each step of the process. Furthermore, Incofin has put in place a Code of Conduct and an AML/KYC policy. Training in the use of these procedures and tools is provided to all Incofin IM Investment Managers. Eventually an SPM manager is in charge of implementing, and overseeing IIM's social performance strategy.

Furthermore, for each Fund under IIM's management: i) A supervisory board exists and meets annually, meeting during which annual presentation on the fund's financial and social performance is made; ii) An investment committee meets on a monthly basis and follows the fund's double bottom line guidelines to make investment decision.

Eventually, the SPM Manager is more specifically in charge of the design of a PIIF implementation action plan and of its monitoring on an annual basis.

I would like to attach an organisation chart (the following image formats can be uploaded: .jpg, .jpeg, .png, .bmp and .gif)

IFD 03	Voluntary	Descriptive	PIIF General
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**IFD 03.1** Indicate if you set social targets for your organisation, specific to inclusive finance.

- Yes  
 No

**IFD 03.2** Additional information.

As a specialist in rural microfinance, Incofin IM's main goal is to reach out to people living in more secluded rural areas and/or who are active in the agricultural sector. Therefore, Incofin tracks its funds' rural outreach,

As a strong social performer, Incofin IM tracks its investees': i) level of implementation of client protection principles, ii) compliance with Environmental and Social Exclusion List and; iii) overall social performance score which cannot be below 55% according to Incofin IM in-house developed tool (ECHOS)

IFD 04	Mandatory to Report Voluntary to Disclose	Gateway	PIIF General
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**IFD 04.1** Of your total assets invested directly in inclusive finance, indicate what percentage is invested in the following:

Equity	<input type="radio"/> 0% <input type="radio"/> <20% <input checked="" type="radio"/> 20-40% <input type="radio"/> 41-60% <input type="radio"/> 61-80% <input type="radio"/> >80%		
Debt	<input type="radio"/> 0% <input type="radio"/> <20% <input type="radio"/> 20-40% <input type="radio"/> 41-60% <input checked="" type="radio"/> 61-80% <table border="1" style="width: 100%; background-color: #0070C0; color: white;"> <tr> <td style="width: 20%;"></td> <td>Of which, subordinated debt</td> </tr> </table> <input type="checkbox"/> 0% <input checked="" type="checkbox"/> <20% <input type="checkbox"/> 20-40% <input type="checkbox"/> 41-60% <input type="checkbox"/> 61-80% <input type="checkbox"/> >80% <input type="radio"/> >80%		Of which, subordinated debt
	Of which, subordinated debt		
Guarantees	<input checked="" type="radio"/> 0% <input type="radio"/> <20% <input type="radio"/> 20-40% <input type="radio"/> 41-60% <input type="radio"/> 61-80% <input type="radio"/> >80%		
	<input checked="" type="radio"/> 0% <input type="radio"/> <20% <input type="radio"/> 20-40% <input type="radio"/> 41-60% <input type="radio"/> 61-80% <input type="radio"/> >80%		
<b>Total</b>	<b>100%</b>		

<b>IFD 05</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Gateway</b>	<b>PIIF General</b>
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<b>IFD 05.1</b>	Of your total assets invested directly in inclusive finance, indicate what percentage is invested in the following:
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<b>Microfinance</b>	<input type="checkbox"/> 0% <input type="checkbox"/> <20% <input type="checkbox"/> 20-40% <input type="checkbox"/> 41-60% <input type="checkbox"/> 61-80% <input checked="" type="checkbox"/> >80%
	<input checked="" type="checkbox"/> 0% <input type="checkbox"/> <20% <input type="checkbox"/> 20-40% <input type="checkbox"/> 41-60% <input type="checkbox"/> 61-80% <input type="checkbox"/> >80%
<div style="background-color: #0070C0; color: white; padding: 2px;">Other, specify</div> Fair Trade	<input type="checkbox"/> 0% <input checked="" type="checkbox"/> <20% <input type="checkbox"/> 20-40% <input type="checkbox"/> 41-60% <input type="checkbox"/> 61-80% <input type="checkbox"/> >80%
<b>Total</b>	<b>100%</b>

### PIIF Principle 1: Range of services

IFD 07	Mandatory	Core Assessed	PIIF 1
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**Possible action:**

*Develop and extend the range of financial services available to low-income populations. Extensions could include savings, loans, insurance, payment services, remittance facilities and pension plans.*

<b>IFD 07.1</b>	Indicate if you track the percentage of your microfinance investees' portfolio that is in microenterprise loans.
-----------------	--

Yes, we track

If you aggregate this information at an organisational level, indicate the percentage of your portfolio in microenterprise loans. [Optional]

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

- No, we do not track
- Not applicable (there are no microenterprise loans in the portfolio)

**IFD 07.2**

Indicate if you track the percentage of your microfinance investees' portfolio that is in loans for immediate household needs (i.e. consumer loans).

- Yes, we track

If you aggregate this information at an organisational level, indicate the percentage of your portfolio in loans for immediate household needs. [Optional]:

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

- No, we do not track
- Not applicable (there are no loans for immediate household needs in the portfolio)

**IFD 07.3**

Indicate if you track the percentage of your investees' portfolio in housing loans.

- Yes, we track
- No, we do not track
- Not applicable (there are no loans for housing in the portfolio)

**IFD 08**

**Mandatory**

**Core Assessed**

**PIIF 1**

**IFD 08.1**

In your microfinance portfolio, indicate if you support the provision of financial services beyond credit, compulsory savings and/or compulsory insurance.

- Yes

**IFD 08.2**

Indicate which of the following services you support:

- Voluntary savings products

Provide examples of how and what you support.

Incofin IM has provided technical assistance (TA) support to a number of equity investees to help them develop saving products. Indeed, in terms of TA budget the most important areas of intervention has been allocated to "Product Development" representing the most important areas of intervention. It includes among other activities the pilot-testing of saving products. For instance, for one equity investee, we financed a legal study whose aim was to ensure the legal compliance with regulatory framework, mainly assessing different legal options for strengthening the MFI (potential transformation) and allow the institution to mobilize savings.

Indicate if you gather data regarding the percentage of financial service providers in your portfolio that are offering such a service.

- Yes
- No
- Voluntary insurance products
- Other financial services, specify
- Non-financial services, specify
- No

IFD 09	Voluntary	Additional Assessed	PIIF 1
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**Possible action:**

*Encourage providers to introduce innovative products tailored to needs of low-income clients.*

*Encourage providers to expand their service offering to more remote areas and more vulnerable populations.*

IFD 09.1	Indicate if you support the introduction of services tailored to the following client groups.
----------	---

Client groups	Yes/No
The very poor	<input type="radio"/> Yes <input checked="" type="radio"/> No
The poor	<input type="radio"/> Yes <input checked="" type="radio"/> No
Low income clients	<input type="radio"/> Yes <input checked="" type="radio"/> No
	<input type="radio"/> Yes <input type="radio"/> No

IFD 09.2	Indicate if you collect data regarding the percentage or number of total active clients that are:
----------	---

	Rural
--	-------

- Yes

Indicate what percentage of your direct portfolio this represents

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

No

Urban

Yes

Indicate what percentage of your direct portfolio this represents

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

No

Female

Yes

Indicate what percentage of your direct portfolio this represents

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

No

IFD 10	Voluntary	Descriptive	PIIF 1
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**Possible action:**

*Supporting retail providers.*

IFD 10.1 Indicate if you provide technical assistance to your investees.

Yes

No

### Technical Assistance Overview

Incofin IM considers Technical Assistance (TA) to be paramount in improving the quality of services provided by MFIs to their clients. For this reason as of 2008, Incofin IM has created a TA coordination department in charge of:

- Project Sourcing and project design
- Consultants' selection
- Preparation of legal documents
- Follow-up the administrative and financial management and disbursements
- Monitoring and Evaluation
- Constant liaising with donors and partners

For the 2010-2016 period, Incofin IM has succeeded in fundraising more than € 5.5 M from different donors and 4 million have been allocated, while € 2.6 million were disbursed. Most of the donors are DFIs or development agencies; nonetheless the funds itself mainly RIF II and cvso allocate a percentage of their total assets to provide TA grants to MFIs.

To December 2014, a total amount of € 4 million has been allocated to microfinance institutions; which is equal to the 80% of the total funds secured.

Since 2008, Incofin has been managing more than 40 TA Projects. 15 technical assignments will be continuing in 2015. Overall, 30 different MFIs have been benefitting of TA services funded by Incofin IM-managed facilities. It is important to mention that in 2014, Incofin IM has signed a new TA programme with the Multilateral Investment Fund (MIF), which is member of the IADB, a one-million-dollar TA project to foster financial inclusion in Latin America. The average size of a TA assignment amounts to around € 114,000 including the donor/ funder contribution. Nonetheless, there are differences across projects and institution, considering that there are projects amounting to more than €300,000 and projects which are smaller than € 25,000. On average, the MFIs co-finance the intervention. The average co-financing to around 25% of the total budget.

In terms of geographical distribution, most of the allocated funds (60%) amounting to more than €€ 2.5 million have been allocated in institutions located in Sub-Saharan Africa (SSA); while due to the approval of the Rural Finance Partnership programme with the IADB amounting to 20% of the total budget. Relating to the areas of intervention, the most important areas of is product development representing the most 30% of the total assigned budget. Pilot-testing of saving products, individual lending (MSME and SME lending), housing microfinance and value chain financing constitute some of the most important assignments. Operational Strengthening which includes revision of credit procedures, review of HR Structure and training for staff was the second most important area accounting for almost 28% of the total allocated budget, while MIS and alternative distribution channels is getting more and more important, being the third most important areas of intervention. Referring to product development, some of the most important achievements were 8 MFIs have been piloting and or launching 7 new credit products, reasing out more than 2,000 new borrowers

## PIIF Principle 2: Client protection

IFD 11

Mandatory

Core Assessed

PIIF 2

### **Possible action:**

*Publicly endorse the Client Protection Principles (CPP).*

IFD 11.1

Indicate if you have publicly endorsed the Client Protection Principles.

 Yes

 No

IFD 13

Mandatory

Core Assessed

PIIF 2

**IFD 13.1**

Indicate if you include the Client Protection Principles and/or other client protection measures in your investment policies.

Yes

**IFD 13.2**

Indicate if this is systematically applied.

During due diligence

Yes

No

In covenants in loan agreements and/or in financing or shareholder agreements

Yes

No

**IFD 13.3**

Indicate if you encourage investees to apply for Client Protection Certification. [Optional]

Yes

No

No

**IFD 13.4**

Additional information. [Optional]

All Incofin IM investments are decided according to a double bottom line assessment including an assessment of financial and social performance which includes a thorough analysis of client protection principles through the use of an in-house tool developed following the same format as the SMART self assessment questionnaire.

For debt investees, Incofin IM systematically includes several social undertakings/covenants among which Endorsement of the SMART Campaign on Client Protection Principles and progressive implementation of those principles within a reasonable timeframe.

For equity investees: Incofin IM strives to systematically includes a number of E&S clauses in the shareholder agreement and which include: i) commitment by the company to practice responsible finance by fully complying with all existing and future national laws and regulations on consumer protection especially in the area of financial services. In particular, the company shall endorse the Smart Campaign and shall define and put into practice the necessary tools to respect the Client Protection Principles;

### PIIF Principle 3: Fair treatment

**IFD 14**

**Mandatory**

**Core Assessed**

**PIIF 3**

**Possible action:**

*Provide financing in an appropriate currency and tenor.*

**IFD 14.1**

In relation to your direct portfolio in debt, indicate if you provide investment in local currency.

Yes

IFD 14.2

Indicate what percentage of your direct portfolio in debt is invested in the investee's local currency.

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

No

IFD 14.3

Additional information. [Optional]

Equally split among our four regions of operation: Latin America, CEE& NIS, Asia and Africa.

IFD 15

Mandatory

Descriptive

PIIF 3

**Possible action:**

*Provide financing in an appropriate currency and tenor.*

*Actively support the building of a diversified funding base.*

IFD 15.1

In relation to your direct portfolio in debt, indicate what percentage have a maturity (from the point of investment) of the specified duration:

- 12 months or fewer
- 13 to 24 months

Indicate percentage

- <20
- 20-40%
- 41-60%
- 61-80%
- >80%

25 to 60 months

Over 60 months

IFD 15.2

Indicate if you have a set limit regarding the maximum fixed income investment exposure of the investees in which you invest. [Optional]

- Yes
- No

IFD 16

Mandatory

Core Assessed

PIIF 3

**Possible action:**

*Provide financing in an appropriate currency and tenor.*

*Actively support the building of a diversified funding base.*

**IFD 16.1** In relation to your direct portfolio in equity (as reported in IFD 04), indicate the average holding period of an equity investment.

- 12 months or fewer
- 13 to 24 months
- 25 to 60 months
- Over 60 months

**IFD 16.2** Indicate if you have specific policies or procedures in relation to responsible approaches to exit.

- Yes
- No

**IFD 16.4** Indicate if you have specific policies or procedures on Return on Equity (ROE) targets or caps in relation to your equity investments.

- Yes
- No

**IFD 16.6** Indicate your Return on Equity (ROE) targets, specifying different targets for different funds if applicable. [Optional]

Incofin IM does not apply caps on ROE. Typically the ROE targets of an investee will depend on its growth stage, capacity, market potential within which it operates, etc. ROE expectations, along with the overall financial projections and business plan of the investee will be agreed upon with the existing shareholders and management team of the investee during the equity transaction negotiation. This way we ensure that all investee's stakeholders are in agreement with the investee's financial performance expectations.

**IFD 16.7** Indicate if you have a set limit regarding the maximum equity investment exposure of the investees in which you invest.

- Yes
- No

**IFD 16.8** Additional information. [Optional]

<b>IFD 17</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PIIF 3</b>
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**Possible action:**

*Negotiate terms and conditions that are transparent, fair and reasonable, including fair break-up clauses.*

**IFD 17.1** Indicate if you adopt the following practices:

- For fixed income investments: Use the Lenders' Guidelines for Setting Covenants in Support of Responsible Microfinance as an example or reference document.



Indicate if these practices are formalised in written policies and procedures.

- Yes
- No

Ensure that the investee understands the terms, covenants and their implications prior to signing loan / shareholder documentation.

Describe your process.

Once the investment committee decision is made drafts of loan/shareholder agreements are provided by the legal team to the investee for comments and questions.

Indicate if these practices are formalised in written policies and procedures.

- Yes
- No

Foster trust and proactive dialogue with investees through straightforward discussions on issues such as a covenant breach.

Describe your process.

Incofin follows the PIIF Lenders' Guidelines for Setting Covenants in Support of Responsible Microfinance which include a section on behaviour in case of breach

Indicate if these practices are formalised in written policies and procedures.

- Yes
- No

In the case of material covenant breach, create/participate in a voluntary workout group where applicable, with the goal to help the investee remain a going concern whenever possible.

Indicate if these practices are formalised in written policies and procedures.

- Yes
- No

For fixed income investments: Train your staff on effective monitoring and covenant waiver negotiations to manage deteriorating conditions, and transition a non-performing loan from loan origination staff to specialised workout staff.

Indicate if these practices are formalised in written policies and procedures.

- Yes
- No

Encourage investee skills-building on financial projections, scenario planning and stress-testing for management, and on financial expertise and governance for Directors.

Indicate if these practices are formalised in written policies and procedures.

- Yes
- No
- Other (explain)
- None of the above

## PIIF Principle 4: Responsible investment

IFD 18

Mandatory

Gateway

PIIF 4

### **Possible action:**

*Negotiate terms and conditions that are transparent, fair and reasonable, including fair break-up clauses.*

IFD 18.1

Indicate if you use the following tools for social performance reporting:

### **Externally developed tools**

During due diligence.

- Yes
- No
- We don't track social performance

For monitoring and reporting purposes.

- Yes
- No
- We don't track social performance

### **In-house tools based on externally developed tools**

During due diligence.

- Yes
- No
- We don't track social performance

For monitoring and reporting purposes.

- Yes
- No
- We don't track social performance

Describe the approaches used and frequency of use.

Incofin developed its own social performance assessment tool (the ECHOS © tool), which Investment Managers use to evaluate the Social Performance Management of Investees during their on-site due diligence. Investment Managers review and discuss the results of an investee's ECHOS© score with the investee and provide feedback with perceived strengths and weaknesses in this area.

The description below provides an overview of the five dimensions of social performance analysed during this due diligence and the key questions on these topics in the ECHOS© tool. This table and the dimensions and questions included therein are subject to periodic review and amendment in order to remain in line with the latest development in the social performance sphere including the latest Universal Standards for Social Performance Management (USSPM). Incofin is currently mapping out the ECHOS tool to the USSPM.

#### ECHOS© Indicators

##### Key questions

##### Mission and Vision

###### 1.1. Scope of social Mission

Do the Mission and Vision have clear social objectives?

What is the official Mission statement of the MFI?

How has the social mission evolved since its inception? Has it changed as a result of growth or transformation of the MFI?

Do the Mission and Vision include different stakeholders?

Does it cover the shareholders, customers, staff, community, etc.?

###### 1.2. Commitment

Does the MFI have measurement tool towards the fulfilment of Social Mission?

Does the Management/Board measure the fulfilment of the mission? E.g. via balanced score card, poverty score card, etc

How does the MFI ensure that the social Mission is achieved?

Evidence of promotion of Mission: Are they clearly stated in walls, training materials, brochures etc?

Evidence of staff understanding and commitment to Mission: Does the interviewed staff know the mission and refer to it as part of the main motivation to work within the institution?

Does the interviewed staff have incentives that specifically address social or environmental performance goals?

Has the MFI conducted a social rating or social audit?

If "yes", does the MFI have a report less than two years old?

Did the MFI take any corrective measure as a result of the social rating or audit report?

##### Outreach and access

###### 2.1. Breadth of outreach

What has been the MFI's annual average growth rate in terms number of clients over the last 3 years?

Does the MFI project continued growth in number of clients in the coming 3 years?

###### 2.2. Depth of outreach

Does the MFI has policies and procedures in place to specifically target the poor people? (e.g. Poverty score card, PPP evaluation, etc.)

What is the current state of outreach, in terms of location and type of customers served?

What are the strategies for prospective areas? Does the MFI select operating areas based on criteria of poverty or exclusion factors?

What is the risk appetite for working in difficult environments or remote areas? How does this appetite impact the

performance?

Does the MFI have specific market orientation and penetration strategies to target the poor?

Is the minimum loan size < 20% of GNI per capita ?

What is the average loan size < 20% of GNI per capita ?

### 2.3. Accessibility of services

Does the MFI apply flexible/ alternative collateral requirements?

Does the MFI provide unsecured loans or loans with alternative forms of collateral?

What alternative collateral does the MFI apply?

Does the MFI request clients to deposit compulsory savings in order to obtain a credit? What is the percentage of compulsory saving required?

Does the MFI require its clients to follow a training to become eligible?

Does the MFI follow non discrimination policies and provide access to credit to all? (no gender, religious, race preference)?

### Quality of customer services

#### 3.1. Client satisfaction

Does the MFI assess its clients satisfaction? (e.g. via clients satisfaction survey, focus groups, exit survey, etc.)

When was the last survey conducted?

How regularly does the MFI conduct client satisfaction survey?

Did the MFI take any corrective measures based on the survey?

Does the MFI effectively measure its client desertion?

Was the client desertion rate < 20% for last period? (based on the Investment Manager's own calculation)

What is the main reason for client drop-outs?

#### 3.2. Range of products & services

Does the MFI offer different credit products? (e.g. fixed assets, housing, education loans, etc.)

Does the MFI provide flexible loans, specifically tailored to clients' productive needs? E.g. credit with grace period, flexible reimbursement, long term loans, etc.

Does the MFI offer other financial products and services? (e.g. saving products, micro insurance, etc)

#### 3.3. Speed of Transactions

How long does a new client have to wait on average from a loan application to a disbursement?

#### 3.4. Client Protection

Is the information provided to clients - regarding pricing - transparent? (e.g. In brochures, in the contract, etc.)

Does the MFI disclose the effective interest rate for each product?

How is the MFI applying a responsible pricing strategy?

How does the MFI compare to competition in term of pricing?

Does the institution sets prices, terms and conditions that are affordable to clients while allowing financial sustainability?

Are prices market-oriented and competitive within the country context, and are not subsidized?

Does the financial institution charge clients its own inefficiency as demonstrated by a comparison of efficiency and profitability ratios of similar competitors in the country and in the region?

Does the MFI systematically invest a portion of its profits to increase value to customers, such as lowering interest rates or adding and/or improving products and services?

Are the MFI's interest rates appropriate and responsive both to its financial requirements and to external factors, such as inflation?

Do external factors, such as price competition and legal constraints, limit the interest rates the MFI can charge on loans?

Does the MFI have clear consumer protection policies against over-indebtedness? (e.g. in credit manual, using specific ratios, etc.)

Do the loan officers systematically check the client capacity to repay? (e.g. Debt Service Coverage Ratio ("DSCR")) Do they take into account the impact of the loan on the client's revenues? Do they consider the seasonality of cash flows?

Do loan officers systematically check clients' indebtedness level or credit history? Do they verify also the household and guarantors?

Does the MFI have specific incentives for loan officers and management to avoid irresponsible lending?

Does the MFI exchange information or participate to the organization of credit bureaus?

Does the MFI have guidelines that prevent abusive debt collection practices?

Are these policies and procedures documented in manuals and promoted on the field?  
Do the interviewed staff understand and refer to these practices?  
Does the MFI provide training to loan officers on best practice in terms of debt collection?

Does the MFI have responsive mechanisms for complaints?

What are the grievance procedures available to the clients ? (e.g. via call centres, complaints boxes, special advisor, etc.)

Are the grievance procedures explained to clients?  
How many complaints does the MFI handle per year?

Is the proportion of business loans in the portfolio > 80%? (ensuring that loans are mainly going to productive activities)

Human resources

#### 4.1. Organization et structure

Does the MFI have well documented HR Policies? (e.g.. HR Manual, Performance monitoring system, etc)

What percentage of staff is employed with a long-term contract?

Does the MFI have a dedicated HR Manager?  
Does the MFI have a code of ethics?  
Does the MFI have a visible/efficient culture of delegation?

Are certain decisions decentralized?

Does the MFI allow employee involvement in decision making via elected consultative committee or governance body formally?

Does the MFI have clear non discriminatory policies? (e.g. Policies against gender / Religious discriminations, etc)

#### 4.2. Fair compensation system

Does the MFI have a compensation scheme for staff?

Does the MFI have a salary scale?  
Is the compensation offered in conformity with market conditions?

Does the MFI offer a minimal social package? E.g. health coverage, etc.  
Does the MFI have incentives for loan officers, incentives for back officers, etc?

#### 4.3. Training& development

Does the MFI conduct good training efforts to its new staff?  
Does the MFI conduct ongoing training efforts for existing staff?

Are training programs accessible to all employees? E.g. front office, back offices...  
Does the MFI offer refresh courses?

Does the MFI encourage internal promotions?

Does the MFI have documented policies for promotion and career planning?

#### 4.4. Staff retention

Does the MFI measure its staff rotation& labour climate?

if "yes", are staff turnover less than one year old?  
Does the MFI conduct staff satisfaction survey? How often?  
What are the main reason for staff departure?

Is the staff rotation lower than 10%? (based on our own calculation)

Environment and corporate social responsibility

#### 5.1. Environmental Responsibility

Does the MFI apply an exclusion list for activities it cannot finance for Environmental and Social reasons?  
Are E&S issues included in the credit evaluation? (e.g. Environmental risk appraisal, scorecard etc)  
Does the MFI have internal environmental policies? (e.g. Recycling, water use, paper use, etc.)  
Does the MFI have specific financial products to support the environment? (e.g. Loans to renewable energy, use of different terms and conditions for green activities, etc. )

#### 5.2. Community Involvement

Does the MFI support or ensure linkages to non financial services for clients and/or community? (e.g. Bus. Depth Service, Trainings, Health programs, etc)

Does the MFI provide other support to the community? (e.g. Investments& sponsoring, development advocacy, promotion of values, awareness for environmental issues, etc.)

Does the MFI have strategic alliances? (e.g. membership of national and international networks, sources of technical assistance, and local political or commercial influence)

### Tools developed solely in-house

During due diligence.

- Yes
- No
- We don't track social performance

For monitoring and reporting purposes.

- Yes
- No
- We don't track social performance

IFD 19	Mandatory	Descriptive	PIIF 4
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**IFD 19.1** Indicate if you require the retail institutions in which you invest to have an independent financial rating.

- Always
- In a majority of cases
- In a minority of cases
- No

**IFD 19.2** Indicate if you require the retail institutions in which you invest to have an independent social rating.

- Always
- In a majority of cases
- In a minority of cases
- No

**IFD 19.3** Indicate if you require the retail institutions in which you invest to have an independent social audit.

- Yes
- No

IFD 19.4

Additional information. [Optional]

While Incofin does not make a rating a compulsory exercise, it has financed or co-financed a number of ratings for some of its investees as part of technical assistance projects.

IFD 20

Mandatory

Core Assessed

PIIF 4

**Possible action:**

*Assist in developing appropriate references for corporate governance issues.*

IFD 20.1

In relation to your due diligence on and monitoring and reporting of corporate governance among investees, indicate if you assess:

**Compensation of the Board of Directors and Executive Directors (i.e. its transparency, the use of benchmarking)**

Pre-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Post-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Describe what you look at and, if post-investment, the frequency of assessment. [Optional]

During its due diligence Incofin will assess the level of compensation of key management and BOD. After the investment is realized, since Incofin will have request a BOD sit, the BOD member in charge will be responsible for participating in the approval of management compensation on an annual basis.

**Composition of the Board (i.e. breadth and depth of experience, effective client representation, diversity)**

Pre-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Post-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Describe what you look at and, if post-investment, the frequency of assessment. [Optional]

As part of its due diligence Incofin assesses whether the investee's board is composed of members with diversified skills and strong understanding of social performance. In many cases, after investment, Incofin has helped the investee search for BOD members profiles who could bring skills which were assessed as lacking during the due diligence.

**Whether the Board receives social performance management-related information from the management team that is analysed and contributes to Board decision making.**

Pre-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Post-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Describe what you look at and, if post-investment, the frequency of assessment. [Optional]

As part of its due diligence, Incofin IM assesses the level of institutionalization of an investee's social mission into its daily business decisions and overall strategic planning. In many cases, not only has Incofin checked whether BOD members received SPM related information but Incofin also nominated BOD members who helped the investee set up or enhance its current social monitoring systems (definition of a social dashboard of indicators in line with the investee's social mission). In the case of one investee, Incofin helped create an SPM committee at the BOD level. In another equity case, Incofin's BOD member is also member of the SPM committee.

IFD 21	Voluntary	Descriptive	PIIF 4
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**Possible action:**  
*Assist in developing appropriate references for corporate governance issues.*



IFD 21.1	Indicate if you provide training or assistance for your investees on corporate governance.
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- Yes
- No

IFD 21.2	Additional information.
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As part of some of its TA interventions, Incofin has helped a number of its investees enhance their current governance practices. Exemples include: i) help one institution review its organisational chart to enhance its risk approach; ii) help an institution build up its managers' communication and collective work skills as the institution's operations and systems complexifies; iii) conduct capacity building training to an institution's staff to help them transition to a regulated deposit taking institution status.

IFD 22	Voluntary	Descriptive	PIIF 4
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**Possible action:**

*Assist in developing appropriate references for corporate governance issues.*

IFD 22.1	In relation to your direct portfolio in equity (as reported in IFD 04), indicate what percentage of investees you have board seats with:
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- 0%
- <=20%
- 21-40%
- 41-60%
- 61-80%
- >80%

IFD 22.2	Indicate how frequently you participate in meetings.
----------	--

- Monthly or more
- Quarterly
- Semi-annually
- Annually
- Every two years or less
- Ad-hoc
- We do not track this information
- We do not track this information

IFD 22.3	For those equity investments where you do not hold board seats, indicate how you attain or maintain influence.
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not applicable

IFD 23	Mandatory	Descriptive	PIIF 4
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**Possible action:**

Assist in developing appropriate references for environmental issues.

**IFD 23.1**

Indicate if you have a procedure to integrate the consideration of environmental issues in your investment decision processes.

- Yes
  - For all inclusive finance investments
  - For a majority of inclusive finance investments
  - For a minority of inclusive finance investments

**IFD 23.2**

Describe how your procedure to integrate the consideration of environmental issues in your investment decisions processes affect decisions pre-investment. [Optional]

Incofin IM's social performance due diligence tool includes a list of questions related to environmental aspects:

Does the MFI apply an exclusion list for activities it cannot finance for Environmental and Social reasons?  
Are E&S issues included in the credit evaluation? (e.g. Environmental risk appraisal, scorecard etc)  
Does the MFI have internal environmental policies? (e.g. Recycling, water use, paper use, etc.)

Does the MFI have specific financial products to support the environment? (e.g. Loans to renewable energy, use of different terms and conditions for green activities, etc. )

**IFD 23.3**

Describe how your procedure to integrate the consideration of environmental issues in your investment decisions processes affect decisions post- investment. [Optional]

All Incofin IM investees are expected to comply with the IFC Exclusion List which include a list of environmental and social activities deemed harmful and therefore prohibited.

- No

**IFD 23.4**

Indicate if you request your investees to comply with an environmental exclusion list.

- Yes, for all investees
- Yes, for a majority of investees
- Yes, for a minority of investees
- No

**IFD 24**

**Voluntary**

**Additional Assessed**

**PIIF 4**

**Possible action:**

*Promote implementation of anti-corruption practices.*

**IFD 24.1**

Indicate if you have anti-corruption policies.

- Yes, published
- Yes, but not published
- No

IFD 24.2	Indicate if you have internal whistle-blowing policies.
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- Yes, published
- Yes, but not published
- No

IFD 24.3	Indicate if you review whether your investees have anti-corruption policies as part of your due diligence process.
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- Yes
- No

IFD 24.4	Indicate if you review whether your investees have internal whistle-blowing policies as part of your due diligence process.
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- Yes
- No

IFD 24.5	Additional information.
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Incofin IM's internal code of ethics and business conduct is the internal document that crystallizes our anti-corruption attitude. We do not have separate anti-corruption policies. For all investment, Incofin IM checks if the investee has AML/KYC policies which include elements related to anti-corruption.

Incofin does not have a specific whistle blowing policy but has a Grievance policy that also captures this in a more broad sense.

## PIIF Principle 5: Transparency

IFD 25	Voluntary	Additional Assessed	PIIF 5
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**Possible action:**

*Fully disclose policies, criteria and related conditions of products and services to investees and other relevant stakeholders.*

IFD 25.1	Indicate how your mission and investment objectives communicated to stakeholders (e.g. investees, investors).
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- Publicly

Provide a URL
---------------

<https://www.incofin.com/>

- Selected stakeholders only
- On request only

IFD 26	Mandatory	Core Assessed	PIIF 5
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**Possible action:**

Fully disclose policies, criteria and related conditions of products and services to investees and other relevant stakeholders.

**IFD 26.1** Other than the PRI/PIIF, indicate if you provide your investors and/or the public with information aligned with industry standards.

Yes

**IFD 26.2** Do you provide information aligned with:

- The MIV Disclosure Guidelines
  - Yes, to our investors only
  - Yes, to the public
- The Impact Reporting & Investment Standards (IRIS)
  - Yes, to our investors only
  - Yes, to the public
- Other, specify

No

**IFD 26.3** Additional information. [Optional]

On an annual basis Incofin reports on its funds' social performance achievements including: i) rural outreach; ii) IFC Exclusion List compliance; iii) Client Protection Principles implementation; iv) Mix Market social reporting compliance; iii) SPM overall scoring (by using our in house tool ECHOS).

<b>IFD 27</b>	<b>Mandatory</b>	<b>Core Assessed</b>	<b>PIIF 5</b>
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**Possible action:**

Ensure that investees adequately disclose the pricing, terms and conditions of financial products and services offered, and that the pricing, terms and conditions are understood by clients.

**IFD 27.1** Indicate if you encourage the retail institutions in which you invest to ensure that the following are transparent and fully explained to their clients (i.e. those seeking financial services from them) in a form they can understand.

**Pricing**

Yes

**IFD 27.2** Indicate how you ensure this for pricing and provide examples.

Using the Client Protection Principles self assessment tool, during all on-site due diligences, Incofin IM investment managers are requested to collect information and score the following practices:

**CLIENT PROTECTION PRINCIPLE # 3: Transparency**

The financial institution communicates clear, sufficient and timely information (especially on pricing, terms and conditions of products) in a manner that clients can understand so that they can make informed decisions.

3.1 Disclosure of prices, terms & conditions Prices, terms and conditions of all financial products are fully disclosed to the customer prior to transaction including interest charges, insurance premiums, minimum balances, all fees, penalties, linked products, 3rd party fees, and whether those can change over time.

Information is provided that shows the total amount that the customer pays for the product.

3.2 Quality of disclosure mechanisms Staff is trained to communicate effectively with all customers in such a manner that clients can understand the terms of the contract, their rights and obligations. Communication techniques address literacy limitations (e.g., reading contracts out loud, materials available in local languages). For group loans, clients receive awareness-raising sessions about the concept of solidarity loans, the need to cover for co-borrowers in case of late payment.

3.3 Total cost disclosure The financial institution follows truth-in-lending laws and required APR or effective interest rate (EIR) calculation formulae. In the absence of industry-wide requirements, information is provided that shows the total amount that the customer pays for the product.

3.4 Adequate time for client review Customers are given adequate time to review the terms and conditions of the product and have an opportunity to ask questions and receive information prior to signing contracts. 3.5 Accurate and timely account information Customers regularly receive clear and accurate information regarding their accounts (e.g., account statements, receipts, and balance inquiries).

Furthermore, in all Incofin IM's loan and shareholders agreements, we include a covenant/clause requesting that the investee proactively implement the Client Protection Principles, including #3 on Transparency.

No

Other terms and conditions

Yes

**IFD 27.3** Indicate how you ensure this for other terms/conditions and provide examples.

During each due diligence, we also check whether all other terms and conditions of the loan are clear and understandable to the end clients including collateral and compulsory savings conditions, penalty on late and pre payment, font of the contract, clarity and simplicity of the legal document, language used in the loan agreement, timing and modalities to collect signatures, etc

No

## PIIF Principle 6: Balanced returns

IFD 28

Mandatory

Core Assessed

PIIF 6

### **Possible action:**

*Strive for a balanced long-term social and financial risk-adjusted return that recognises the interests of clients, retail providers and investors.*

**IFD 28.1** Indicate if the social performance of investees affects your:

Investment decision making

Yes

**IFD 28.2****Explain how social performance of investees affects investment decision making.**

Incofin IM does not have an ESG policy, though environmental, social and governance considerations are integrated into its entire double bottom line investment process. The Investment Procedures and Due Diligence Guidelines used by Incofin IM detail how SPM and ESG are integrated at each step of the process.

The Investment Process contains the following steps. In the following section the ways in which the double bottom line philosophy is applied in each of these steps is described in more detail.

1. Origination is the process for establishing the initial contact with potential investees. Incofin IM's reputation as a double-bottom line investor helps to broaden its network and attract the attention of potential investees with a clear social mission.
2. Screening is the process of reviewing the application form and verifying compliance with the Fund's eligibility criteria. At this stage, the following quantitative and qualitative criteria relating to the provision of responsible finance are reviewed: i) Average loan size; ii) Staff turn over; iii) Weighted average effective interest rate; iv) Evidence of socially responsible behaviour and impact: knowledge about the client protection principles, availability of impact studies, client's satisfaction surveys or any kind of social analysis will be checked in order to assess the impact of the services of the MFI on the poverty level of the target population; v) compliance with E&S exclusion list.
3. Due Diligence describes the more in-depth analysis of those institutions that pass the screening stage. Information such as product descriptions and portfolio break-downs, credit manuals, human resources policies, social ratings, environmental or community policies, social performance committee meeting minutes, and exclusion lists are requested in order to perform an initial assessment, which is then further developed during the on-site visit. Once on-site, meetings are held with top and middle management as well as with staff in the field. These checks are part of the process of ensuring that the potential investee is taking appropriate measures to avoid over-indebting its clients, a critical component of responsible finance. While at the branches, at least two clients will be visited in order to assess their profile, the match between their needs and the services offered, their relationship with the MFI's staff and their overall satisfaction.

Information gathered prior to and during the on-site visit is then analysed from a social and environmental perspective using the in-house SPM due diligence tool (ECHOS© tool). Meanwhile, another tool evaluates the financial and institutional performance of the potential investee. A potential investee should have minimum score of 55% on the ECHOS© tool and 50% on the CRS tool in order for an investment memo to be presented to the Investment Committee. If a potential investee does not meet the minimum ECHOS score of 55% it will automatically be rejected.

A Risk Review is undertaken by the Risk Department of Incofin IM in which it selectively screens Investment Memos, including reviewing their compliance on social, governance and environmental criteria  
Investment Committee: Investment Memos will be presented to the Investment Committee and decisions on investments and divestments will be made by this body. The investment committee makes their decision based on the double-bottom line performance of each institution as described in the memo.

No

**Portfolio management**

Yes

**IFD 28.3****Explain how social performance of investees affects portfolio management.**

For debt, two social covenants are included in all loan agreements with financial institutions. The first requires these investees to report their social performance indicators to the Mix Market on an annual basis. The second requires that the investee endorse the Smart Campaign and implements the CPPs within a reasonable timeframe. IMs are responsible for monitoring the implementation of these two social covenants. Monitoring of investments will occur through the use of reports and follow-up visits. The ECHOS tool is updated on an annual basis with information supplied through these reports and visits. In addition the Risk Department of Incofin IM tracks compliance of the social and environmental covenants included in the loan contract.

For equity, the same clauses are included in the shareholder agreements and the BOD representative nominated by Incofin IM is expected to follow up on their implementation.

No

IFD 29	Voluntary	Additional Assessed	PIIF 6
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**Possible action:**

*Strive for a balanced long-term social and financial risk-adjusted return that recognises the interests of clients, retail providers and investors.*

IFD 29.1	Indicate if your staff have monetary (or other – specify) incentives linked to social performance measures.
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- Yes  
 No

IFD 29.2	Additional information.
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Staff do not have incentives linked to E&S per se but they are evaluated according to a number of E&S tasks expected to conduct during the year. Furthermore, the investment team can only reach their investment target if the investment proposal they present to an investment committees meets a minimum score on social performance management (> 55% of the ECHOS tool).

IFD 30	Voluntary	Additional Assessed	PIIF 6
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**Possible action:**

*Strive for a balanced long-term social and financial risk-adjusted return that recognises the interests of clients, retail providers and investors.*

IFD 30.1	Indicate if you collect data regarding the social outcomes of your investees' work.
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- Yes  
 No

IFD 30.2	Additional information.
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While we do not track outcome indicators in a systematic manner, we have encouraged a certain number of equity investees to start tracking client level data.

## PIIF Principle 7: Standards

IFD 32	Mandatory	Core Assessed	PIIF 7
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**Possible action:**

*Participate in networks to share tools, information and resources.*

IFD 32.1

Select which of the following collaborative initiatives your organisation has supported or participated in, and the role you played.

The Principles for Investors in Inclusive Finance

- Yes
  - Basic
  - Moderate
  - Advanced
- No

The Smart Campaign

- Yes
  - Basic
  - Moderate
  - Advanced
- No

Social Performance Task Force

- Yes
  - Basic
  - Moderate
  - Advanced
- No

Financial Inclusion Equity Council (formerly CMEF)

- Yes
- No

European Microfinance Platform (eMFP)

- Yes
  - Basic
  - Moderate
  - Advanced
- No



## Global Impact Investors Network (GIIN)

- Yes
- Basic
  - Moderate
  - Advanced
- No

Other network, association memberships and/or specific collaboration related to the promotion of inclusive finance, specify

- Yes
- No

### IFD 32.2

If you have indicated that your organisation was involved in any of the above, please provide a brief commentary. [Optional]

Incofin IM's commitment to SPM and responsible finance has been evaluated by external parties in the following ways.

Incofin IM funds, Incofin CVSO and RIF I, were rated by M-CRIL in 2010 on both Social and Financial performance. Both funds received a "strongly recommended", the highest rating possible. In particular the following aspects of Social Performance were highlighted in the rating:

- Systematic double-bottom line screening and monitoring of investments
- Proactive engagement with investees on aspects of social performance
- Transparent terms
- Pioneering investments in new regions
- Substantial rural outreach

Four Incofin IM funds are on the Luminis list: Incofin CVSO, Impulse, RIF I and RIF II. The Luminis list recognizes those microfinance funds that demonstrate their commitment to setting new standards for transparency in microfinance investment. Funds on the list have undergone the Luminis PRSM analytical process, which reviews performance, risk, social factors and management of the funds. The Luminis list is updated on a regular basis.

In 2010 CGAP chose Incofin IM fund RIF I as one of three winners of the CGAP ESG award, which recognizes "best in class" MIVs committed to improving transparency on environmental, social, and governance practices. Over 30 applicants were considered for the award. RIF I was commended for the high standards set in microfinance investment as well as for its exemplary integration of ESG for the entire asset management industry. In particular it received special mention for outstanding achievement in reporting and transparency.

Commitment to promoting Social Performance Management and responsible finance is demonstrated through Incofin IM's participation in the following industry initiatives, where Incofin often takes a leading role.

Active member of the SPTF, selected by the investor community to be part of the highest body, the board. Incofin IM also participates in the Social Investors working group and leads the sub-group on Reasonable Covenants.

Incofin IM is a founding signatory of the PIIF, part of the UNPRI, and has developed an action plan on how to implement and follow-up on the implementation of PIIF. Loic De Cannière, CEO, is a member of the PIIF Steering Committee.

Incofin is a founding signatory of the Smart Campaign, which focuses on protecting clients and adhering to the 7 "Consumer Protection Principals". Endorsing the CPP is a covenant in fund loan agreements with financial institutions and is a condition in any Shareholder Agreements that it enters into with investees. In addition, a CPP assessment has been included in the ECHOS© tool.

The MFTransparency Campaign, committed to transparency in pricing and education of MF stakeholders has been endorsed by Incofin IM. Data from MFTransparency are used in the ECHOS© social performance tool to assess pricing within an MFI.

Incofin IM is a member of the GIIN, where it actively participates in industry discussions. It uses the IRIS catalogue as a reference guide when updating the ECHOS© tool, which it developed in house to focus on social performance within the microfinance industry. Incofin IM reports to IRIS on the IRIS metrics that it uses.

IFD 34	Voluntary	Additional Assessed	PIIF 7
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**Possible action:**

*Contribute to advancing benchmarking, as an incentive for improvement.*

IFD 34.1	Indicate if you encourage your investees to participate in initiatives which contribute to the development of industry benchmarks.
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	MIX Market
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Yes

	Describe which actions you have taken and confirm if you encourage reporting against the MIX Social Performance Indicators.
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Our loan agreements request that the investee reports its social performance indicators to the MixMarket on an annual basis.

No

	MFTransparency
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Yes

No

	Universal Standards for Social Performance Management
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Yes

	Describe what actions you have taken.
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We encourage our investees to participate in the SPTF meetings and webinars and to use SPI4 for USSPM monitoring

No

	Other, specify
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Yes

No