PRI Principles for Responsible Investment

RI TRANSPARENCY REPORT

2013/14

responsAbility Investments AG

UNEP Finance Initiative Changing finance, financing change | United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

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 2013-14 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. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly 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.

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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	✓	n/a							✓
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	✓	Private							✓
OO 09	Additional information about organisation	-	n/a							✓
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	-	n/a							✓
OA 07	Governance, management structures and RI processes	-	n/a							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	-	n/a							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	-	n/a				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	-	n/a	✓						
OA 14	Allocation of assets to environmental and social themed areas	-	n/a	✓						
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	-	n/a							✓
OA 19	Internal and external review and assurance of responses	-	n/a							✓

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Direct - Inclusive Finance				Principle							General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	7	
IFD 01	Mission and investment objective	-	n/a								✓
IFD 02	Governance, management structures and processes	-	n/a								✓
IFD 03	Social targets	-	n/a								✓
IFD 04	Percentage in equity, debt and guarantees	✓	Private								✓
IFD 05	Percentage in microfinance and/or SME finance	✓	Private								✓
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'	-	n/a	✓							
IFD 10	Technical assistance to investees	-	n/a	✓							
IFD 11	Public endorsement of the Client Protection Principles	✓	Public		✓						
IFD 12	Provide training and assistance for investees implementing the Client Protection Principles	-	n/a		✓						
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	🔒	n/a			✓					
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	-	n/a				✓				
IFD 22	Percentage of investees where board seats are held	🔒	n/a				✓				
IFD 23	Procedure to integrate environmental issues in investment decision processes	✓	Public				✓				
IFD 24	Anti-corruption and whistle-blowing policies	-	n/a				✓				
IFD 25	How mission and investment objectives are communicated to stakeholders	-	n/a					✓			
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 management	✓	Public						✓		
IFD 29	Staff incentives linked to social performance measures	-	n/a						✓		
IFD 30	Collecting data regarding social outcomes of investees work	-	n/a						✓		

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IFD 31	Incentivise investees to track social performance	-	n/a						✓		
IFD 32	Collaborative initiatives your organisation has supported or participated in	✓	Public							✓	
IFD 33	Encouraging investees to participate in collaborative initiatives	-	n/a							✓	
IFD 34	Encouraging your investees to participate in initiatives which contribute to the development of industry benchmarks	-	n/a							✓	

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Reported Information

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Organisational Overview

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PRI Principles for Responsible Investment

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 only services

OO 02 | Mandatory | Peering | General

OO 02.1 Select the location of your organisation's headquarters.

Switzerland

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

100

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

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PRI Principles for Responsible Investment

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

31/12/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		1	890	426	121
Currency	USD				
Assets in USD		1	890	426	121

OO 04.3 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 06 | **Mandatory** | **Descriptive** | **General**

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 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

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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)

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 12 | **Mandatory** | **Gateway** | **General**

OO 12.1

The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, 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. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

☑ Organisational Overview

☑ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Other asset classes with dedicated modules

☑ Inclusive Finance

Closing module

☑ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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Overarching Approach

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PRI Principles for Responsible Investment

Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General

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

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PRI Principles for Responsible Investment

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]

Our investment philosophy is based on a simple observation: in developing countries and emerging markets, low-income households and micro, small and medium-sized enterprises whose basic needs were not previously met are now increasingly being served by companies with innovative business models. Targeted investments help these companies to exploit this enormous market potential more swiftly and effectively. Their products and services have a positive impact on development - not only driving their own growth but also laying the foundations for sustained investment success.

Investing in economic growth and social progress

We put this philosophy into practice using a sound investment concept. As part of this concept, responsAbility has defined development-related sectors and business models that are especially effective in creating benefits for low-income sections of the population and small and medium-sized enterprises.

responsAbility makes investments - in the form of debt or equity - in companies with significant growth potential whose business models can overcome one or more of the following obstacles in an innovative manner: a lack of availability, a lack of affordability and/or a lack of suitability of core products and services. The companies must also be capable of efficiently expanding their activities in order to reach an increasing number of people (ability to scale). We consider responsible conduct towards clients as well as the environment, employees and other stakeholders to be an inherent part of a sustainable business approach that focuses on the achievement of long-term success.

Technology and stability as a catalyst

The sustainable impacts of our investment concept are underpinned by various developments, of which the following are especially important:

- Technological advances (e.g. mobile networks) make it possible to include a significantly larger number of people in the economic system and to do so efficiently - especially in rural areas that are otherwise relatively inaccessible.
- The stability of the political and legal frameworks of most developing economies and emerging markets is constantly increasing. This provides greater security for companies and investors, promotes investment activity and thus helps to drive economic growth.

OA 02	Mandatory	Core Assessed	PRI 6

OA 02.1	Indicate if your responsible investment policy is publicly available.

○ Yes

◉ No

OA 02.3	Indicate if your other policies or guidance documents related to responsible investment are publicly available.

○ Yes

◉ No

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OA 02.5	Additional information. [Optional]

The policy as well as other related policies and guidelines are available on request

OA 03	Mandatory	Core Assessed	PRI 1,2

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
☑ Policy setting out your overall approach	◉ Applicable policies cover all AUM
☑ Engagement/active ownership policy	○ Applicable policies cover a majority of AUM
☑ Specific guidelines on corporate governance	○ Applicable policies cover a minority of AUM
☑ Specific guidelines on environmental issues	
☑ Specific guidelines on social issues	
☑ Asset class-specific guidelines	
☑ Screening/exclusion policy	
☐ Other, specify	
☐ Other, specify	

OA 04	Mandatory	Core Assessed	General

OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

◉ Yes

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OA 04.2	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

The responsAbility Fund Management team manages or advises various collective investment schemes (products) located in Luxembourg or Switzerland and one holding company located in Switzerland. Certain investments are conducted by various products. Some products invest in the same investee by debt and/or equity instruments. It is also possible that one product invests in one investee by a debt instrument and another product in the same investee by an equity instrument. Furthermore, it is also possible that the Fund Manager provides staff members as board member or observer in an investee. Thus, there are various potential conflicts of interest.

The Fund Manager has different procedures dealing with such conflicts of interests. The principle of equal treatment is applied. responsAbility does not give preferential treatment to any particular collective investment schemes which it manages or advises at the expense of any others (e.g. in allocating investments in microfinance institutions). In addition, there is a strict separation of debt and equity investments in terms of the involved employees, as well as when it comes to data storage, etc

○ No

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General

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

Governance and human resources

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.

	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

Global Topic Heads; Regional Managers

- ☑ 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

☐ Other role, specify

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5

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OA 10.1 Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

◉ Yes

OA 10.2 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

☐ 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
☑ Principles for Responsible Investment

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

☑ Basic
☐ Moderate
☐ Advanced

☑ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

Eurosif

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	Your organisation's role in the initiative during the reporting period (see definitions)
	☑ Basic
	☐ Moderate
	☐ Advanced

☐ Shareholder Association for Research and Education (Share)

☐ United Nations Environmental Program Finance Initiative (UNEP FI)

☐ United Nations Global Compact

☑ Other collaborative organisation/initiative, specify

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

☐ Other collaborative organisation/initiative, specify

○ No

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

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OA 11.3	Additional information. [Optional]

responsAbility is participating at information and awareness raising events and contribute to the discourse in the investment industry as well as on a public policy level. Furthermore, we invest a lot of resources (i.e. by conducting trainings and providing information material) in educating our investors about social and responsible investments.

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PRI Principles for Responsible Investment

PIIF Principle 1: Range of services

IFD 07	Mandatory	Core Assessed	PIIF 1

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.

IFD 07.1 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

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

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

○ 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.

In line with responsAbility's vision and investment philosophy, we believe only industry building (of the microfinance industry) achieves a lasting economic and social impact on a meaningful scale. This means that MFIs need to professionalize, formalize and evolve. We have identified more than 100 transformative steps by investees in our portfolio. Increasing their product portfolio is part of this development. In order to receive a deposit taking license, MFIs must become regulated and in order to become regulated, they must cover their costs, i.e. they must be commercially viable. Offering saving products is not only beneficial to the client of MFIs but also an important refinancing source for MFIs allowing them to grow and develop in a sustainable way. These aspects (i.e. formalization, product range, etc) are considered in our investment process and later continuously tracked.

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

◉ Yes

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If you aggregate this information at an organisational level, indicate the percentage of microfinance providers in the MIV or organisational direct portfolio offering such products.

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

○ No

☑ Voluntary insurance products

Provide examples of how and what you support.

See detailed answer above about importance of product range to become commercially viable MFIs.

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

○ Yes

◉ No

☑ Other financial services, specify

Leasing

Provide examples of how and what you support.

See detailed answer above about importance of product range to become commercially viable MFIs.

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

◉ Yes

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If you aggregate this information at an organisational level, indicate the percentage of microfinance providers in the MIV or organisational direct portfolio offering such products.

☑ <20%

☐ 20-40%

☐ 41-60%

☐ 61-80%

☐ >80%

○ No

☐ Non-financial services, specify

○ No

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

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IFD 13.3	Indicate if you encourage investees to apply for Client Protection Certification. [Optional]

○ Yes

○ No

○ No

IFD 13.4	Additional information. [Optional]

We include the CPP/other client protection measures in investment policies, due diligence processes and financing or shareholder agreements.

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 15	Mandatory	Descriptive	PIIF 3

Possible action:

Provide financing in an appropriate currency and tenor.

Actively support the building of a diversified funding base.

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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 15.3	Additional information. [Optional]

responsAbility places investments with maturities ranging from 12 months or fewer to over 60 months:

- < 12 months: 36%
- 13-24 months: 30%
- 25-60 months: 32%
- > 60 months: 3%

IFD 17	Mandatory	Core Assessed	PIIF 3

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.

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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.

Fair client treatment procedure implemented at company level; covered by structured due diligence process, conducted by experienced and regularly trained investment officers

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.

Proactive dialogue and a relationship of trust is the basis of responsAbility's approach throughout the entire investment cycle, from due diligence to renewal of investments.

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.

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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

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For monitoring and reporting purposes.

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

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

Describe the approaches used and frequency of use.

responsAbility has internally developed the rADER (responsibility Development Effectiveness Rating) tool. rADER serves primarily as an evaluation and control tool at the portfolio level. A rADER score is calculated for each investment at the time of decision making. This score has an importance with regards to fund allocation in case commercial dimensions of investments are equal between alternative investment opportunities (risk / return, liquidity, diversification). Please note: ALL investments have already passed the initial eligibility check which contains "social" criteria - the rADER only expresses which investments is scoring higher according to fields of impact that we defined internally as desirable for each sector.

In the area of financial sector investments, the rADER comprises the following five dimensions and their indicators:

- Outreach (number of loans and average loan size)
- Empowerment (share of female clients, share of rural clients and share of financing to productive sectors)
- Financial inclusion (number of savers and % of portfolio financed through savings)
- Efficiency (operational efficiency and portfolio yield; both adjusted for loan size and share of rural clients)
- Poverty level (what share of country is described as BoP)

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 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

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

Reasonable compensation of the board is one of our eligibility criteria, which means that if we find a Board or management compensation package not to be reasonable, we will not invest in this particular MFI. Reasonable means for us that the management compensation (salaries, bonuses, share options) must not exceed those of comparable local financial sector companies. Ownership of management during transformation must have been obtained within ethical limits, i.e. shares were obtained in a manner transparent to all stakeholders and management has obtained shares for free as a past payment of below 10% while further free shares are only released over time when meeting milestones (and if such stock option plans include more than 20% of shareholding, eligibility has to be analysed further).

The compensation package of the Board and Executive Directors is therefore carefully looked at during the on-sight due diligence prior to investments. Counterparties are visited again before the renewal of a loan (at least every 18 months) and a due diligence is performed.

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]

The composition of the board is one of the important risk factors we look at. Its analysis is a relevant input factor for the scoring model in order to determine quality and effective oversight mechanisms of an MFI. It is therefore carefully looked at during the on-sight due diligence how the composition of the Board looks like, how effective the board operate and also whether the board receives enough and relevant information on a regular basis.

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

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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]

When analysing the effectiveness of the board, we also look at what kind of information the board receives. A large part of the information and data the management needs to receive in order to effectively analyse the risk is social in its nature (e.g. portfolio quality, outreach, range of services, etc).

IFD 23	Mandatory	Descriptive	PIIF 4

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
- ◉ 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

PIIF Principle 5: Transparency

IFD 26	Mandatory	Core Assessed	PIIF 5

Possible action:

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

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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 27	Mandatory	Core Assessed	PIIF 5

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.

responsAbility has a set of eligibility criteria in place, with which each financed counterparty has to comply with. Fair client treatment is one of these criteria. This means that each counterparty needs to have implemented fair client treatment and transparency principles. The compliance with the eligibility criteria is checked by a trained investment officer during due diligence visits in discussion with different employees of the counterparty as well as during client visits. We check that the counterparty communicates terms and conditions clearly and transparently in a manner and language that the client can understand and that terms and conditions are spelled out to the client before signing a contract. It is important that clients are made aware of all fees and penalties and that they receive an amortization schedule which separates principal, interest and fee payments and defines due amounts and due dates of instalments. Non-compliance renders the institution ineligible and is therefore a deal-breaker.

○ No

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	Other terms and conditions

◉ Yes

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

"Other terms and conditions" have the same status in terms of transparency as pricing. Consequently it is part of the due diligence guidelines that all of this (i.e. other hidden fees, late payment fees, restructuring possibilities and mechanisms, etc.) are checked in discussion with credit management as well as in branches and to clients during our due diligence visits.

○ 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

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

responsAbility includes ESG parameters already at the eligibility stage, an approach that is rather unique in our industry. This ensures that the investment universe is delimited in a way that leaves only counterparties eligible for investment that follow good industry practice.

Our management of social and environmental issues comprises three steps. First, we apply an ESG compliance filter, ruling out socially or environmentally harmful activities. Second, we apply a strict set of eligibility criteria for the specific targeted sector. Our due diligence of counterparties includes thorough examination of issues related to these eligibility criteria, such as fair and transparent pricing, prevention of over-indebtedness, appropriate collection practices, ethical staff behaviour.

Third, the social performance of a counterparty is tracked by the responsAbility Development Effectiveness Rating (rADER), a scoring tool which covers eight quantitative indicators. The same rADER scoring subsequently tracks social performance over the lifetime of the investment.

○ No

	Portfolio management

◉ Yes

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

The rADER score influences portfolio allocation of deals when there are transactions with similar risk/return profile, however due to limited resources not all deals can be conducted. In this case the deal with the higher rADER score will be prioritized.

The rADER criteria (outreach, empowerment, financial inclusion, efficiency, poverty level) are assessed periodically for each counterparty, and used for ex-post portfolio monitoring.

○ No

PIIF Principle 7: Standards

IFD 32	Mandatory	Core Assessed	PIIF 7

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.

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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

Council for Microfinance Equity Funds (CMEF)

- (●) Yes
  - ( ) Basic
  - ( ) Moderate
  - (●) Advanced
- ( ) No

European Microfinance Platform (eMFP)

- (●) Yes
  - (●) Basic
  - ( ) Moderate
  - ( ) Advanced
- ( ) No

Global Impact Investors Network (GIIN)

- (●) Yes
  - ( ) Basic
  - (●) Moderate
  - ( ) Advanced
- ( ) No

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

Luxflag

- ◉ Yes
  - ◉ Basic
  - ○ Moderate
  - ○ Advanced
- ○ No

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