REPORT ON PROGRESS IN INCLUSIVE FINANCE
2014
THE PRI’S SIX PRINCIPLES

1. We will incorporate ESG issues into investment analysis and decision-making processes.

2. We will be active owners and incorporate ESG issues into our ownership policies and practices.

3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.

4. We will promote acceptance and implementation of the Principles within the investment industry.

5. We will work together to enhance our effectiveness in implementing the Principles.

6. We will each report on our activities and progress towards implementing the Principles.

This publication is intended to promote the application of the Principles for Responsible Investment (PRI) and the Principles for Investors in Inclusive Finance (PIIF) which are housed by the PRI Initiative.

CREDITS

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FOREWORD

Investors are looking at ways to contribute to economic development and entrepreneurial activity by investing in inclusive finance. As with all investments, these can also carry potential financial and reputational risks. To mitigate such risks, a group of institutional investors launched the Principles for Investors in Inclusive Finance (PIIF) in 2011. The PIIF are housed within the PRI Initiative and provide investors with specific guidance on responsible investment in inclusive finance.

The inclusive finance modules in the PRI Reporting Framework are based on the PIIF. 52 PRI signatories reported to these modules in 2013-2014, making this the largest data gathering exercise on responsible investment in inclusive finance. It is a significant step for the industry, providing a unique body of data and insight into some of the most important inclusive finance investors' responsible investment beliefs and practices.

Their responses show that investors are actively addressing the issues covered in the PIIF. There is strong consensus on how to address client protection, how to measure and integrate social performance factors and on the importance of expanding the range of financial services. There is a high level of transparency, both at the level of the investor and the retail institution. There is less consensus, however, on how to address governance issues at the retail institution level and how to ensure that retail institutions are being fairly treated by their investors.

Overall, the responses are encouraging and show that investors in inclusive finance are interested in the impact they have on the ultimate clients of inclusive finance. Yet work needs be done to maximise this impact. More indirect investors (pension funds and other investors who use external managers to invest on their behalf) should include consideration of PIIF in their selection, appointment and monitoring of fund managers and other intermediaries. Direct investors could do more to engage and support the retail institutions in which they invest. While many say they are doing something, few report they have formalised policies and processes or have training or incentive schemes in place. The full impact of their intentions may therefore remain unrealised.

Investors in inclusive finance will find this report useful in understanding what their clients and peers are doing and how they can improve their own practices. Many of the issues covered in PIIF are likely to be relevant for other types of investments that target financially excluded groups. I hope that the results will be used by the broader impact investment industry and we can say the industry follows good investment practice and assume that includes the implementation of the PIIF as a given.

Fiona Reynolds, Managing Director, PRI
THE PRINCIPLES FOR INVESTORS IN INCLUSIVE FINANCE

Inclusive finance focuses on expanding access to affordable and responsible financial products and services by poor and vulnerable populations. Clients include individuals and organisations that are often unable to gain access to financial products and services such as micro and small enterprises. A wide range of financial products and services are incorporated within the remit of inclusive finance including savings, credit, insurance, remittances, and payments.

The PIIF provide a framework for responsible investment in inclusive finance. Since its launch in 2011, 50 investors worldwide have signed the PIIF, with a combined AUM of approximately US$ 9bn invested in inclusive finance. The signatories include large institutional investors such as APG, TIAA CREF and PGGM and some of the largest inclusive finance fund managers including Finance in Motion, responsAbility, Symbiotics, Oikocredit and Developing World Markets.

For PIIF signatories, the reporting framework provides a transparency and accountability tool. The reporting process and its associated outputs – the Transparency Reports, the Assessment Reports and this Report on Progress – will also help foster dialogue and learning both within organisations and between direct and indirect investors.

We were encouraged this year to see a number of PRI signatories with inclusive finance investments who have not yet signed the PIIF completing the modules. We invite all investors interested in how they can ensure that they are investing responsibly in inclusive finance to use this framework to drive responsible investment practices in this industry.

THE SEVEN PRINCIPLES FOR INVESTORS IN INCLUSIVE FINANCE (PIIF)

Investors or fund managers that sign the PIIF, while upholding their fiduciary duty, commit to adhering to and promoting the following:

1. Expanding the range of financial services available to low-income people;
2. Integrating client protection into all policies and practices;
3. Treating investees fairly, with clear and balanced contracts, and dispute resolution procedures;
4. Integrating ESG factors into policies and reporting;
5. Promoting transparency in all operations;
6. Pursuing balanced long-term returns that reflect the interests of clients, retail providers and end investors; and
7. Working together to develop common investor standards on inclusive finance.

Each Principle is accompanied by a set of possible actions, from which the indicators in the inclusive finance modules in the PRI Reporting Framework are derived.
In this report we analyse data from both indirect investors, who invest through fund managers and other intermediaries, and direct investors, who invest directly into retail institutions which provide financial products and services to the end client.

**INDIRECT INVESTORS**

- **Implementation of the PIIF among indirect investors is low.** Around 60% of indirect investors in inclusive finance take the PIIF into account in due diligence and monitoring, this number drops to around 40% who do so in contracts and mandates.

**DIRECT INVESTORS**

- **Investors support broadening the range of services offered, and client groups covered, by investee retail institutions but few collect data on this.** 73% of respondents support the provision of voluntary savings and 63% voluntary insurance products but only 50% and 33% respectively measured how many of their investee retail institutions offered such services.

- **The Client Protection Principles are universally accepted among investors but few encourage implementation by retail institutions.** 90% include client protection in investment policies. This number drops to 63% who include this in covenants in loan agreements and in financing or shareholder agreements, and to 53% who encourage investees to apply for certification.

- **Investors are taking action to ensure fair treatment of the retail institutions they’ve invested in, but formalisation and consensus around best practice is lacking.** While investors reported that they maintain ongoing dialogue and support for investees to ensure their fair treatment, typically less than half have formalised such practices in written policies and procedures.

- **Social performance is key to investment decision making but more can be done to incentivise improvement.** 94% of direct investors include such criteria when assessing retail institutions and 82% in portfolio management. Less than half of investors incentivise investees on social performance, however.

- **Investors recognise the importance of governance and environmental issues.** 85% assess the board composition of retail institutions pre investment; and 73% board compensation. However, these figures on governance are lower post-investment. On the environmental side, 91% of investors integrate environmental considerations or use environmental exclusion lists in their investment decision process.

- **Investors disclose information aligned with industry standards and encourage investee retail institutions to be transparent to clients.** Three quarters of the respondents provide clients and/or the public with information aligned with industry standards such as the MIV Disclosure Guidelines and the Impact Reporting and Investment Standards (IRIS). 85% of investors encourage investee retail institutions to be transparent about pricing and 76% about other terms and conditions.

- **There is collaboration between investors but less so between investors and investee retail institutions.** 88% of investors support PIIF, with many also supporting other collaborative initiatives. Few, however, encourage their investees to take part in these initiatives, with the exception of the Smart Campaign on client protection.

**CONCLUSION**

While the results of this snapshot on industry practices are encouraging, the missing element is the depth of implementation of these practices.

Top level support is important but indirect investors, such as pension funds, need to oversee these investments more robustly by formalising expectations into contracts with their fund managers and then monitoring against these over the lifecycle of the investment.

The focus for further implementation should be around improving the range of services, upgrading governance practices of investee retail institutions, broadening and deepening the integration of environmental issues and the formalisation of fair treatment practices. Overall, investors can support their investee retail institutions and encourage them to join in collaborative industry initiatives.

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1. The Client Protection Principles set the standard for the fair treatment of end clients doing business with retail institutions. [http://www.smartcampaign.org/about](http://www.smartcampaign.org/about)
2. Developed by the World Bank’s Consultative Group to Assist the Poor (CGAP) in consultation with investors and industry experts, the MIV Disclosure Guidelines are a set of standard guidelines for reporting by MIVs to investors. [http://www.cgap.org/publications/microfinance-investment-vehicles-disclosure-guidelines](http://www.cgap.org/publications/microfinance-investment-vehicles-disclosure-guidelines)
4. The Smart Campaign promotes the protection of microfinance clients through the implementation of the Client Protection Principles by retail institutions. [http://www.smartcampaign.org/about](http://www.smartcampaign.org/about)
REPORTING IN NUMBERS

Total number of respondents: 52

- Inclusive finance represents less than 50% of AUM: 18
- Inclusive finance represents more than 50% of AUM: 17

Investment managers: 35
- Asset owners: 17

Inclusive finance direct: 29
Inclusive finance indirect: 19
Both inclusive finance direct and indirect: 4

Signatories of PIIF: 42
Non signatories: 10

Geographical distribution:
- Netherlands: 23
- Germany: 4
- Switzerland: 4
- Rest of Europe: 10
- Africa: 3
- North America: 7
- Oceania: 1
ABOUT THE DATA

This report is a summary of the data reported by investors on a set of indicators that are based on the Principles for Investors in Inclusive Finance (PIIF). These indicators form the Inclusive Finance – Indirect and Inclusive Finance – Direct modules of the PRI Reporting Framework.

The indirect module contains seven indicators, two of which are voluntary to report on. The direct module contains 34 indicators in total, 15 of which are voluntary to report on. Additionally, some indicators appear only if a certain response is given to a previous indicator. Therefore, not all respondents were required to report on all indicators. We indicate when this is the case.

Care should be given around drawing conclusions and extrapolating from this data as the sample, while representing a large share of the inclusive finance market, is statistically low. As the majority of respondents were signatories to PIIF, the implementation of the principles is likely to be higher among this sample than across the industry as a whole.

You can view the Transparency Report of each respondent on our website. These reports contain the responses to the mandatory indicators, and to voluntary indicators where respondents have chosen to make these public. There are quotes from these Transparency Reports throughout the report. Some of these have been edited.

A data supplement with the detailed data on each indicator can be obtained by contacting the PRI Secretariat on info@unpri.org.

The PIIF provides a valuable framework to include in the due diligence process for investors in Inclusive Finance, and one that is responsive to the challenges and opportunities of this global impact investing sector.

Rekha Unnithan, DIRECTOR, TIAA-CREF
REPORT FINDINGS
INDIRECT INVESTORS

Just over half (52%) of the indirect investors reported that all their assets in inclusive finance were managed by PIIF signatories. For 39% this was the case for some of their portfolio, ranging from 1% to 86%, with an average of 53% of inclusive finance assets.

Around 60% of investors take the PIIF into account in due diligence and less than 40% do so in contracts and mandates, except for Principle 4 on integrating ESG. See Figure 1. 61% monitor their investment managers’ implementation of the PIIF.

The higher results for Principle 4 may be partly explained by the fact that all respondents are PRI signatories. They are therefore likely to have policies and procedures in place that relate to the inclusion of ESG, applicable across all their investments, not just inclusive finance.

The other principles are more specific to inclusive finance. The respondents who did not take PIIF into account are typically pension funds who may only have small investments in inclusive finance. Moreover, some reported that they had not made new investments in inclusive finance since the establishment of PIIF in 2011, or were not planning to make new investments in the near future, and therefore had not included such considerations in policies or procedures for future due diligence or contract and mandate design.

All of the funds we invest in, directly or indirectly, impact investing or not, are subject to our policy on ESG and our exclusion list. These are minimum requirements. Often impact investments and the lists that external impact investing managers use in this respect go much further. An external manager that does not consider the inclusion of any ESG issues will not be selected by us.

SPF Beheer
REPORT FINDINGS
DIRECT INVESTORS

RANGE OF SERVICES AND CLIENT GROUPS

Microenterprise loans typically make up around 80% of direct investors’ inclusive finance portfolios, with loans for immediate household needs and housing making up less than 20%.

80% of respondents support the provision of financial services beyond credit, and compulsory savings and insurance, see Figure 2 for a breakdown of the services they support.

Investors reported different ways that they supported the provision of voluntary savings and insurance products. Examples included using scores on investee retail institutions’ range of services and products in the investment selection process or providing funding (grants, debt or equity) for technical assistance and research or to pay for licenses required.

Examples of other financial products included remittances, money transfer, mobile banking and other agricultural financial products, and examples of non-financial services included training and capacity building.

Of the 20 investors that reported voluntarily about supporting services tailored to specific client groups, the majority focus on low income clients (16) and the poor (18); and a smaller group on the very poor (8). Some recognised that very poor clients may be better served by non-commercial assistance.

While investors say that they support broadening the range of financial services and serving different client groups based on income levels, few gather data on this. In contrast, more investors gather data on the location and gender of client groups served by their investee retail institutions. Table 1 below summarises these results.

Table 1: Data collected on services offered and clients served.

<table>
<thead>
<tr>
<th>Services offered (n=30, mandatory for respondents with more than 20% in microfinance)</th>
<th>Number that collect data on:</th>
<th>Percentage of total that collect data on:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>15</td>
<td>50%</td>
</tr>
<tr>
<td>Insurance</td>
<td>10</td>
<td>33%</td>
</tr>
<tr>
<td>Client groups served (n=33, voluntary indicators)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very poor</td>
<td>4</td>
<td>12%</td>
</tr>
<tr>
<td>Poor</td>
<td>14</td>
<td>42%</td>
</tr>
<tr>
<td>Low income</td>
<td>12</td>
<td>36%</td>
</tr>
<tr>
<td>Rural</td>
<td>20</td>
<td>61%</td>
</tr>
<tr>
<td>Urban</td>
<td>19</td>
<td>58%</td>
</tr>
<tr>
<td>Female</td>
<td>21</td>
<td>64%</td>
</tr>
</tbody>
</table>

Savings are crucially important for low income populations as they contribute to ease cash flow changes and increase security for clients. Additionally, savings offer MFIs long term (local) funding stability.

Bamboo Finance
CLIENT PROTECTION

The vast majority, 90%, of direct investors include the Client Protection Principles (CPP) or other client protection measures in their investment policies. This number goes down to 63% who include such measures in contracts. Fewer still, 53%, encourage investees to apply for Client Protection Certification and less than half provide training or technical assistance. See Table 2 below.

Table 2: Client protection measures (n=30).

<table>
<thead>
<tr>
<th>Action</th>
<th>Number of respondents reported yes</th>
<th>Percentage of respondents reported yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicate if you have publicly endorsed the Client Protection Principles (CPP).</td>
<td>24</td>
<td>80%</td>
</tr>
<tr>
<td>Indicate if you include the CPP and/or other client protection measures in your investment policies.</td>
<td>27</td>
<td>90%</td>
</tr>
<tr>
<td>Indicate if this is systematically applied during due diligence.</td>
<td>26</td>
<td>87%</td>
</tr>
<tr>
<td>Indicate if this is systematically applied in covenants in loan agreements and/or in financing or shareholder agreements.</td>
<td>19</td>
<td>63%</td>
</tr>
<tr>
<td>Indicate if you encourage investees to apply for Client Protection Certification. (voluntary indicator)</td>
<td>16</td>
<td>53%</td>
</tr>
<tr>
<td>Indicate if you provide training or assistance for your investees in implementing the CPP and/or other client protection measures. (voluntary indicator)</td>
<td>12</td>
<td>40%</td>
</tr>
</tbody>
</table>

FMO has embedded a CPP assessment in its investment process whereby high risk clients are identified early on. We pay extra attention to those clients during due diligence, consultants are hired to do a CPP assessment, and in some cases a CPP action plan is drafted. The process is systematic and is applied uniformly to all new investments in financial institutions.

Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)
FAIR TREATMENT

We asked investors about different practices to ensure that their investees were treated fairly. Investors focus on ongoing dialogue and support for investees but typically less than half have formalised such practices in written policies and procedures, see Figure 3 below.

Figure 3: Investor practices to ensure fair treatment of investee retail institutions (n=33, for fixed income n=24).

- **Ensure that the investee understands the terms, covenants and their implications prior to signing loan / shareholder documentation**
- **Foster trust and proactive dialogue with investees through straightforward discussions on issues such as a covenant breach**
- **Encourage investee skills-building**
- **In the case of material covenant breach, create/participate in a voluntary workout group where applicable**
- **Fixed income: Train your staff on effective monitoring and covenant waiver negotiations**
- **Fixed income: Use the Lenders’ Guidelines for Setting Covenants in Support of Responsible Microfinance**
- **None of the above**

Investors described different ways to ensure that investees understood terms, covenants and their implications such as providing drafts in advance, ample time to review, regular discussions and funding for professional advice.

Investors in fixed income and equity can take different approaches to ensure the fair treatment of their investee retail institutions.

Among the 24 investors in fixed income, there is a lot of variation in debt maturity periods, with many between two to five years. 92% of debt investors offer loans in the local currency but for most these represent less than 40% of their portfolio.

This compares with the Symbiotics survey of 80 Microfinance Investment Vehicles (MIVs)\(^7\). The direct debt investments in local currency represented 31% of the portfolios of MIVs surveyed, which is a 4% decrease since 2012.

Thirteen investors have adopted the Lenders’ Guidelines for Setting Covenants in Support of Responsible Microfinance, see Box 1.

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The ‘Lenders Guidelines for Setting Covenants in Support of Responsible Microfinance’ were developed and endorsed by a number of social investors who constructed the guide with the aim of increasing the transparency of microfinance investors’ positions when defining the nature and level of covenants in loan contracts to avoid irresponsible covenants. The document has been incorporated into the text of the PIIF as guidance.

For the 13 respondents who invest in equity there is some consensus regarding holding periods, with 69% favouring more than five years. Seven have set Return on Equity targets or caps which reflects different approaches that investors take to this issue. Four have introduced policies or procedures in relation to responsible approaches to exit, see Box 2.

The majority (92%) of equity investors have a set limit regarding the maximum equity investment exposure of the investees in which they invest. Of the 18 fixed income investors that responded to a voluntary indicator, 83% have a set limit regarding the maximum investment exposure.

SOCIAL AND FINANCIAL PERFORMANCE

94% of investors measure the social performance of their investees. They do this by looking at the social mission of an investee and how this matches with the types of products and services offered, targeted groups, approach to issues such as client protection and over-indebtedness and processes for measuring social performance.

We include clauses relating to social performance reporting to MIX Market and implementation of the Client Protection Principles in our loan agreements. Our risk department tracks compliance and investment managers are responsible for monitoring their implementation through reporting and site visits. Such clauses are also included in shareholder agreements, where it is the responsibility of the Board of Directors representative nominated by Incofin IM to follow up on their implementation.

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8 The MIX Market is a data hub where microfinance institutions and supporting organizations share institutional data. [www.mixmarket.org](http://www.mixmarket.org)
14 investors reported on a voluntary indicator that they incentivise investees to track social performance, for example by awarding higher scores in due diligence and monitoring for social performance. Those investors who have a culture of incentivisation can link staff incentives to social performance. Seven have voluntarily reported that they do so.

21 investors reported, on a voluntary indicator, that they collect data regarding the social outcomes of their investee’s work, which refers to the intended result of an investee’s activities as distinct from the activities themselves (social performance).

We try to contribute to the development of the impact industry and therefore we contribute to several projects and publications related to the impact of microfinance and SME finance. For example, we cooperated with Maastricht University to get a better understanding of the interest rates charged by our portfolio MFIs.

**ACTIAM (formerly SNS Asset Management)**

**GOVERNANCE AND ENVIRONMENTAL CONSIDERATIONS**

85% assess the board composition of investee retail institutions at the pre investment stage, 73% assess board compensation. These figures are lower post-investment however. Just over half of investors assess whether the board used social performance management-related information in their decision making. See Figure 4 below.

**BOX 3: TOOLS AND RATINGS**

Of those who measure social performance, 82% use externally developed tools such as the Universal Standards for Social Performance Management (USSPM) and Impact Reporting and Investment Standards (IRIS). Very few, however, use independent social ratings (12%) or independent financial ratings (18%) in all or a majority of cases. None use independent social audits. Social audits assess the degree to which a retail institution adheres to its mission, which differs from social ratings which provide a score, often used to compare retail institutions with each other.

![Figure 4: Inclusion of governance factors at due diligence and in monitoring (n=33).](image-url)
Less than half (16) reported, on a voluntary indicator, that they provide training or assistance for investees on corporate governance.

Most of the 9 equity investors who voluntarily reported have board seats with the majority of the retail institutions they invest in and participate quarterly in meetings.

91% integrate environmental considerations or use environmental exclusion lists for all or a majority of their inclusive finance investments.

Nearly three quarters of investors integrate the consideration of environmental issues in investment decision-making processes for all or the majority of their inclusive finance investments. To do this, they use scorecards to assess environmental risks and opportunities, either in relation to the retail institution and its operations, or in relation to the retail institution’s clients and their operations. For example, a retail institution might get a higher score if they provide financial services for green projects.

**TRANSPARENCY**

76% of the respondents provide clients and/or the public with information aligned with industry standards, such as the IRIS (18 mention this) and the MIV Disclosure Guidelines (15 mention this).

Of the 25 that reported to a voluntary indicator on disclosure of the mission and investment objectives, 20 stated that they communicated these publicly; four to selected stakeholders only and one on request only.

85% of investors encourage investee retail institutions to ensure that pricing is transparent and fully explained to clients; 76% encourage the same for other terms and conditions.

During due diligence we discuss transparency with employees and clients of the counterparty. We check that the counterparty communicates terms and conditions clearly and transparently before the client signs 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 with this level of transparency renders the institution ineligible and is therefore a deal-breaker.
COLLABORATION

Most investors support the PIIF, with many also supporting other collaborative initiatives, see Figure 5 below.

18 reported to a voluntary indicator that they encourage investee retail institutions to endorse the Smart Campaign on client protection, which echoes the findings above. However, few encourage investees to take part in other industry initiatives.

Figure 5: Respondents supporting collaborative initiatives and the role they played.
NEXT STEPS

INDIRECT INVESTORS
- Formalise expectations regarding issues covered in PIIF into contracts with external fund managers.
- Monitor external managers’ implementation of PIIF over the lifecycle of the investment.

DIRECT INVESTORS
- Improve the range of services offered and client groups covered, starting by collecting data on this.
- Assess, monitor and support investee retail institutions to upgrade their governance practices in line with expectations.
- Broaden and deepen the integration of environmental issues.
- Formalise fair treatment practices into policies and processes.
- Support and incentivise investee retail institutions to take the issues covered in PIIF into account.
- Improve understanding of the advantages of taking part in industry initiatives to encourage investee retail institutions to join these.
RESPONDENTS

- Absolute Portfolio Management GmbH
- Achmea
- Alterfin
- APG Asset Management
- ASN Bank
- Bamboo Finance S.A.
- BlueOrchard Finance
- Cadiz Holdings
- Christian Super
- Cordaid
- Creation Investments Capital Management, LLC
- Deutsche Bundesstiftung Umwelt
- Developing World Markets
- Dreilinden gGmbH
- Finance in Motion GmbH
- GLS Gemeinschaftsbank eG
- Goodwell Investments
- Grassroots Capital Partners Ltd
- HIVOS
- Incofin
- ING Groenbank N.V.
- Investisseurs & Partenaires
- Leapfrog Investments
- Lombard Odier Darier Hentsch & Cie
- Luxembourg Microfinance and Development Fund
- MicroVest Capital Management LLC
- MN
- Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO)
- Oikocredit International
- Pax World
- Pensioenfonds Metaal en Techniek
- Pensioenfonds PNO Media
- Pensioenfonds Vervoer
- Pensionfund Metaelektro (PME)
- PGGM Investments
- PRO BTP Finance
- Progression Capital Africa Limited
- responsAbility Investments AG
- Sarona Asset Management
- Skandinaviska Enskilda Banken (SEB) AB
- SNS Asset Management
- SPF Beheer
- SPOV
- Stichting Pensioenfonds ABP
- Stichting Pensioenfonds Zorg en Welzijn
- Stichting Spoorwegpensioenfonds
- Strømme Microfinance AS
- Symbiotics SA
- TIAA – CREF
- Triodos Investment Management B.V.
- Triple Jump
- Wespath Investment Management (General Board of Pension and Health Benefits of the United Methodist Church)
GLOSSARY

DIRECT INVESTORS
Direct investors make investments in inclusive finance by providing debt (directly or indirectly), equity or guarantees to retail institutions which provide financial services and products to end clients including individuals, microenterprises and SMEs.

INCLUSIVE FINANCE
Inclusive finance includes but is not limited to microfinance. It focuses on expanding access to affordable and responsible financial products and services by poor and vulnerable populations. This also includes organisations that are often unable to gain access to financial products and services such as micro- and small-enterprises. A wide range of financial products and services are incorporated within the remit of inclusive finance including savings, credit, insurance, remittances, and payments.

INDIRECT INVESTORS
Indirect investors make investments in inclusive finance through intermediaries such as MIVs (both public and private), holding companies and non-specialised microfinance investment funds.

MFIs
Microfinance Institutions (MFIs) aim to reach low-income households with an increasing variety of financial services including, but not limited to, financing for their microenterprises. MFIs include banks, regulated non-bank financial institutions (NBFI), savings and loan cooperatives and not-for-profit organisations.*

MIVs
Microfinance Investment Vehicles (MIVs) are independent investment entities specialised in microfinance, with more than 50 percent of their non-cash assets invested in microfinance. They are either self-managed or managed by an investment management firm and are open to multiple investors. MIVs may issue shares, notes, or other financial instruments.*

MICROFINANCE
The provision of diverse financial services to poor and low-income clients.*

RETAIL INSTITUTIONS
Throughout this report we refer to retail institutions which can include MFIs, non-specialised microfinance service providers or holding companies.*

SME
Small and medium-sized enterprises are those with more than five but less than 250 employees.*

The Principles for Responsible Investment (PRI) Initiative

The PRI Initiative is a UN-supported international network of investors working together to put the six Principles for Responsible Investment into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. In implementing the Principles, signatories contribute to the development of a more sustainable global financial system.

The Principles are voluntary and aspirational. They offer a menu of possible actions for incorporating ESG issues into investment practices across asset classes. Responsible investment is a process that must be tailored to fit each organisation’s investment strategy, approach and resources. The Principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework.

The PRI Initiative has quickly become the leading global network for investors to publicly demonstrate their commitment to responsible investment, to collaborate and learn with their peers about the financial and investment implications of ESG issues, and to incorporate these factors into their investment decision making and ownership practices.

More information: www.unpri.org

The PRI is an investor initiative in partnership with

**UNEP Finance Initiative** and the **UN Global Compact**.

United Nations Environment Programme Finance Initiative (UNEP FI)

UNEP FI is a unique partnership between the United Nations Environment Programme (UNEP) and the global financial sector. UNEP FI works closely with over 200 financial institutions that are signatories to the UNEP FI Statement on Sustainable Development, and a range of partner organisations, to develop and promote linkages between sustainability and financial performance. Through peer-to-peer networks, research and training, UNEP FI carries out its mission to identify, promote, and realise the adoption of best environmental and sustainability practice at all levels of financial institution operations.

More information: www.unepfi.org

UN Global Compact

Launched in 2000, the United Nations Global Compact is both a policy platform and practical framework for companies that are committed to sustainability and responsible business practices. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to catalyse actions in support of broader UN goals. With 7,000 corporate signatories in 135 countries, it is the world’s largest voluntary corporate sustainability initiative.

More information: www.unglobalcompact.org