

**Social Investor Meeting on
Responsible Inclusive Finance 2017
March 15-16 – Zurich at University of Zurich
Meeting Notes**

**For the prioritized workstreams for the group in 2017 please refer to page 15
For a list of meeting participants please refer to page 16**

Day 1 – March 15

Welcome

Welcome by hosts of the meeting Hans Ramm (SDC) and Annette Krauss (Center for Sustainable Finance and Private Wealth at the University of Zurich)

Updates from SPTF, SIWG, Smart Campaign and MIMOSA

SPTF updates – by Laura Foose

- Completed the revision of the Universal Standards – synchronized with The Smart Campaign and CERISE SPI4, and are now stable for 3 years. SPTF supports implementation of the standards through resources (Implementation Guide, Resource Center), webinars, TA database.
- Continue to manage the Responsible Inclusive Finance (RIF) working group to ensure coordination.
- Continue to manage the Responsible Microfinance Facility (RMF): 163 applications received, 25 trainings funded, 33 projects co-financed – all in 23 countries (MENA, SSA).
- Continue working to advance outcomes management practices- guidelines for investors and FSPs published, we are running pilot(s) to test indicators.
- Undergoing strategic planning process – SPTF board meeting in Bern in the coming days. Thank you to all investors who shared feedback via a recent survey.

SPTF Social Investor Working Group updates – By Leticia Emme

- The group continues to be one of our most active and engaged groups
- Group members continue to grow – we now have almost 400 members from 133 organizations.
- We are increasing outreach and coordination with broader impact investment initiatives, groups, and tools (UNPRI, GIIN/IRIS, GIIRS, EVPA, GABV, SVI/SV UK, Toniic, Impact Management Project).
- The next in-person meeting will be on June 6 in Mexico City, in conjunction with the SPTF Annual Meeting
- At the end of this meeting, we will be discussing the key themes that emerge as most crucial for investor members to identify the priorities of the group going forward. This is a member-driven group and we need investors input and active involvement to continue to advance practice in the sector.

Brief update of The Smart Campaign– By Isabelle Barres

Deepening work on consumer lending, online credit and agent models. Also doing a topical deep dive – client protection for refugees, energy financing models, and consumer lending.

MIMOSA Updates – By Daniel Rozas (also joined in the room by Emmanuelle Javoy)

Now operating in strategic partnership with eMFP (administrative home)

So far have published reports on 7 countries (Cambodia, Kyrgyzstan, Bolivia, Morocco, Peru, Azerbaijan, Senegal). New countries: India (report coming this spring), Nicaragua (coming second part of 2017), and a third country TBD.

MIMOSA and Microfinanza Platform have agreed to host MIMOSA reports on the data platform being developed by Microfinanza.

Roundtable discussion on open issues on SPM

Question to participants – what are the main issues that you are challenged with that you would like to discuss more in the working group? Are there any positive developments in your work on SPM or in the sector that you'd like to make sure we discuss? What is the main SPM risk that you've seen over the last year?

1. Opportunity – link to **SDGs**. Investors are trying to understand how to cooperate and how link to the SDGs based on what we are already doing. How can we incorporate and embed these goals on to what we are already doing? Not just in marketing tools but in a way that we use it to improve SPM.
2. How to improve link of social and financial performance
3. Need to **increase alignment with asset owners** – investors see SPTF as key platform to help educate and raise awareness on responsible inclusive finance. A lot of “competitors” talk about “impact” and claim “impact measurement” without explaining methodology of measurement, even when they are not measuring outcomes at the client-level. It is hard for fund managers to continue to be rigorous in explaining methodology of measuring social performance while competing. Leticia Emme (SPTF) noted that we are working on increasing awareness and education. For example, we are working on developing a framework to help understand and measure investment opportunities within inclusive finance for asset owners. The Secretariat will be sharing this tool with investor members to gather their feedback.
4. Issue of **taxonomy** and rigor of data management – is there value on being **precise on content?** (when competitors are over-claiming). **Do we need to be simpler on what we do**, even when we fear losing the quality of our work?

5. **Environment** – can we include environment in SP? Can we raise the importance of this subject so that we talk about SPM people not just think about social but also green.
6. Education to **asset owners** on range on “impact” investment and rigor of data being measured is critical.
7. **Adaptability of tools** and standards to other areas of impact investment
8. Pricing transparency issues
9. **Responsible exits** -- NpM-Platform for inclusive finance working with eMFP and would like to share with the SIWG
10. **Managing social data from SPI4 in a common platform**– there are efficiencies to gain in managing social data if we have a common database – e.g., CERISE (vs. each investor organization running its own process).
11. Need to define process for identifying priorities and working on them – for example for work with asset owners, this needs to be done from many angles (e.g., importance with tracking outcomes while at the same time making sure there are no contradictions in doing harm – think of scare tactics).
12. **Digital finance** – need good/best practices to measure SPM. Laura Foose (SPTF) noted that SPTF will be doing research on how standards can be relevant to digital finance, SME. We will be working with eMFP and would like to work with investor members to see if they are interested in sharing their investees so that we can go to them and do case studies on the applicability of the standards to their business models. CGAP also working on topic of improving client value in digital finance.

Overview of social performance indicators in MIV survey – by Marina Parashkevova and Ramkumar Narayanann (Symbiotics)

Overview on the 10-year key MIV trends that emerged based on data collected by Symbiotics with CGAP since 2006 as well as the social outreach indicators introduced in the 2016 survey as part of a collaboration with the SPTF. Participants shared suggestions to improve methodology:

- Question on number of MIVs gathering outcome data seems high vs. what was expected. It would be helpful to add definition on what outcome vs. output data is so that responses are consistent and accurate.
- Question on responsible governance – could potentially be interesting to also add lenders to the question (not just equity funds).
- After 10 years, time seems right to review the methodology, even if it means data not always being completely comparable. Symbiotics is open to small revisions. Can definitely try to dig more on current indicators but would prefer to not drastically change the format.
- Potentially add a question on what does it mean to MIVs to endorse the Client Protection Principles.
- Symbiotics survey has a very high response rate, which is an asset. There is a balance in how many questions can you add while at the same time keeping

completion rate high. Could MIVs open their portfolio data with Symbiotics? Vs. just reporting on data/questions.

PRI Report on Progress Discussion - by Kurt Morrisen (UNPRI) and Jurgen Hammer (Grameen Credit Agricole Foundation)

Jurgen Hammer noted that there is a bit of frustration among PRI reporters in terms of their use of the information that comes from the reports to improve their work. Last February, SPTF met with the CEO of PRI (Fiona Reynolds) to better understand the importance that PRI sees on the report on progress. Their objective is to get ESG into mainstream financial markets. In the past ESG was a question of risk. For financial markets to be viable in the long term there is a third dimension needed – focus on outcomes (please note that they mean ESG with this term). PRI believes there is a positive correlation between outcomes focus and financial performance. PIIF reporters could be used as laboratory within PRI to better assess outcome reporting and use of data that comes from the report. Mrs. Reynolds agreed on commitment to increase visibility of PIIF in website and also improve timing on report (2015 report has not been released to-date)

Kurt Morrisen noted a few issues with PRI –

- Timing to collect the data - it takes 6 months to collect data. This is raw data, which means an additional 3 months for PRI to analyze the data. There is only one person in staff in charge of analyzing the data, and that person is not only dedicated to this work but also has other priorities.
- Release of report – 2015 report was sent to communications in December 2016 but has since then been stuck in communications. A suggestion to improve timing of release is to share data results (just results, not insights) online right away and take longer to report on insights.
- Improvements in terms of data being reported – In the last few years, reporters are not showing improvement. E.g., while reporters self-report to endorse client protection principles, when asked if they have a formalized process on it, the numbers are still largely negative. There is also a lack of standardization on management processes and standards being used by PRI reporters.

A key question to the PRI reporters is not just what the data shows but what do we want to do with that data. How can we integrate the question from one organization within the ecosystems? PIIF report has plateau. PIIF advisory board is now integrated with PRI.

What can we do to improve?

Questions – what does outcomes mean in the PIIF framework? It means ESG, even though people in the industry use different terminologies.

UNPRI acknowledges that their focus is ESG and not impact. However, there is now more interest in the SDGs. The way they define impact is “investments that have a market return at least while having a social or environmental performance”.

Measurement is needed. Purpose is excluded. PRI is working on a document on positioning PRI within the SDF framework. The target would be to use the SDGs outcomes going forward for impact investments in the PRI methodology.

Social and environmental performance management traditional beyond microfinance – by Pedro Fernandez (responsAbility)

Why is key to expand our conversation to SMEs financial institutions?

- Increasing ratio of SME FI in MIV's portfolio
- SMEs for the backbone of economies
- SMEs (similar to microfinance) have limited access to financial services -- ~200M SMEs undeserved and/or underserved

Key discussion point – end customers of SMEs companies face health, environmental, and safety risks. These also represent business risks for the SME FIs, which in turn are a liability to the investor.

How does rA address these risks? – Direct involvement with SME FI to help strengthen their investments strategies and E&S management practices. rA is also starting to provide TA to SME financial institutions, e.g. to set up a management system to evaluate and address the E&S risks.

SMEs are banks and non-banks. Issues are getting more complex and as a result rA is considering more complex investment models (e.g., project finance and asset-backed finance)

A big challenge is the lack of awareness and understanding of this issue. DFIs have worked in this space for many years, they have created standards. The challenge for MIVs is that they are at a different “segment” and see different challenges. The task is to see what DFIs have already developed and what is applicable to MIVs (with fewer resources than DFIs) and how to do it in a simple way. Should we share among participants in the group our approaches to these issues, rather than reinventing the wheel?

Cordaid and Oikocredit investing together in an SME in Latin America. There is a tool mapped to standards but seems time consuming – could be shared with others.

ILO has been working on S&E issues for SMEs mostly in Africa for 6-7 years. Trying to integrate into their processes, checklists so that it takes less time for investee. Need to work together in the relationship with the SME in identifying the risks and help them improve. Improvement plans can be part of the agreement or loan documentation. Very happen to continue this discussion.

eMFP has been in conversations with SPTF to develop guidelines for measuring SP for SME investments. This year we will be launching a joint action group between eMFP and SPTF (led by a consultant from Microfinanza) to aggregate lessons from the field and develop guidelines. eMFP and SPTF will reach out to investors to gather their interest in being part of this working group. Investors should feel free to reach out to SPTF and eMFP as well.

Research from the University of Zurich suggests that strengthening processes at the SME level is very important.

EIB is launching later this year a tool for SMEs.

SPI4.2 and ALINUS 2.0: Uptake of the evaluation and social audit tool for and monitoring tool for investors financial service providers (FSPs) and the common social due diligence and monitoring tool for investors – by Cecile Lapenu (CERISE), Jurgen Hammer (Grameen Credit Agricole)

Overview of the SPI4 and ALINUS 2.0.

- Concentrate on what counts (analyze results through social dashboard and make informed investment decisions)
- Convince and guide partners to improve
- Compile results at the portfolio level
- Compare to benchmarks
- Communicate using a common language

Who is using ALINUS?

- 8 MIVs/DFIs using SPI4 ALINUS: ADA/LMDF, AFD/Proparco, Alterfin, BNP Paribas, Cordaid, GCAMF, Incofin, Pamiga finance
- 6 MIVs in testing/strategic planning: Deutsche Bank, European Investment Bank, GrassRoot, Oikocredit, Symbiotics, Triple Jump.
- About 15 MIV/DFIs in contact with CERISE/SPTF, for awareness raising, strategic discussions (including EVPA)

Who is using SPI4?

- 313 SPI4 audits completed (target set last year at investor meeting was to get to 300 in a year – and it has been achieved)
- From 88 countries
- 14 underway and 70 in the pipeline
- 71% are accompanied self-assessments
- +600 people trained in SPI4 (CERISE & SPTF)
- 83 qualified auditors worldwide

Experience of Grameen Credit Agricole in assessing entire MIV portfolio with ALINUS
61 partners in SSA, MENA, ASIA and ECA.

Only high quality audits taken into account (done by experienced auditors + 100% complete + include comments to justify scoring. LAC and Europe audits not included).

Benchmarks by dimension – overall CGAMF had a total score of 63% vs. CERISE database benchmark of 57%. They also looked at benchmarks by geographical region and tier. This report was presented to the board of directors of Grameen Credit Agricole and it was a great exercise to help them understand what it means to measure SPM. It was also very helpful for management to identify where to focus efforts going forward, for example performance of African partners are below average, this can help identify where to focus TA.

Comments from the audience – we need to start spreading this message to non-peers and not like-minded people about the importance of doing this work and using this tool. We need to make the conversation on social performance more central to discussions in corporations everywhere – give it the importance in the agenda that the topic has. We need to integrate social performance reporting to financial reporting to the point where we don't need to have an SPM champion, because social and financial performance are equally integrated into the business.

Update from Incofin (who was adopted ALINUS as their social due diligence and monitoring tool). Have been working with MIS team to make sure system matches and is compatible with SPI4. This process takes a while, so until system is ready, Incofin will start doing their reporting on the SPI4 framework based on the Excel sheet (until MIS is ready to act as the online tool).

Update from Cordaid. Investment managers are most enthusiastic than originally thought. They are finding the tool to be very helpful for due diligence and very practical to get reports. Their next step is to align the MIS tool.

Update from PAMIGA Finance. Pamiga NGO uses SPI4 for all the FSPs they work with. They develop action plans for the organizations with the results of the SPI4 assessments. Once assessments are done, Pamiga Finance uses this information/ALINUS side to make their investment decisions. The objective of Pamiga is to be able to evaluate their entire portfolio with the SPI4 and assess the evolution in performance of investments.

CERISE mentioned that on top of working with investors, they are working with networks (such as Opportunity International – webinar presentation available [here](#))

Participants broke into groups to discuss: 1) Pros and cons on adopting ALINUS and 2) Feedback on ALINUS toolkit for investors

1) Pros and cons on adopting ALINUS

Pros

- Benchmarking
- Helps identify areas for improvement based on international best practices
- Helps improve decision-making

Challenges

- Ease of access to a common database
- Data reliability (right now most data is self-reported)
- Need guidelines for due diligence and what type of documents and trainings can be developed to help investment officers
- Fixed standardized tool can't be updated quickly (e.g., won't be updated for another 3 years so recent discussions/identified priorities will not be incorporated for a while)

2) Feedback on ALINUS toolkit for investors – this is a living document and will continue to be updated with feedback and experiences from investors.

- Make sure we sell it not as being additional work for investment officer.
- While toolkit is very good, people need to be taken by the hand to look at it and it would be helpful to have a training (maybe half day) with further details, step-by-step.
- Very useful, well illustrated, easy to follow.

Managing social impact – by Lucia Spaggiari (Microfinanza rating/eMFP Action group) and Amelia Greenberg (SPTF)

Overview of the work of the SPTF outcomes working group in developing guidelines for outcomes management for FSPs and common outcome indicators in the areas of business/entrepreneurship, economic poverty/housing/assets, and resilience and vulnerability. The SPTF is conducting a pilot in Peru to test these indicators. Grameen Foundation is also running a pilot in India integrating the outcome indicators from the SPTF working Group.

Quick overview of outcome management guidelines for investors and role/play game for participants.

Lenders guidelines for setting covenants in support of responsible finance – by Dina Pons (incofin) and Jonas Luici (TCX)

The session discussed the use in reality of 2 specific covenants and illustrated the example of an un-hedged investment in a FSP in Azerbaijan.

- Net un-hedged foreign currency open position to equity < 25%
- In complying with this covenant, the Borrower shall commit not to pass FX risk on to its clients by agreeing on a ceiling of the level of hard currency loans extended to its clients as a % of its GLP.

Credit and FX—wrong way risk

- Credit risk increases with FX depreciation

- Transferring currency risk to borrowers increases probability of default
- Increase of uncertainty on the recovery date

In the period 2012-2014, FSPs in Azerbaijan were doing well – normal PAR 30, good ROE and ROA levels

Illustrative FSP with 50% of loan book in USD (500k)

For three years, 2012-2014, cost of hedging was 6%

2015 crisis – oil prices decrease significantly, Azerbaijan goes through a double devaluation

The FSP that had 50% of loan book in USD loses 35%. Par 30 goes from 1% to 86%, loses 45% of clients and 50% of staff. Profitability is highly negative. Investor loses 87% of equity in 20 months.

What happened? Borrowers were believed to have revenue on USD. The moment the devaluation happened, the borrowers could not only with their payments anymore (cost was now 96% higher) and in turn MFI can't pay investor back. For the MFI the amount to repay double in terms of local currency (because of devaluation).

If investor invested in USD, 100% of investment is at risk.

If investor was hedged- swap with TCX to protect MFI and investor risk from FX risk. For the MFI the loan to repay is exactly the same in terms of local currency. This means that the investor receives his/her investment back. Who covers the difference? TCX.

The swap that the investor has with TCX has a value that changes over time and it is represented by the mark-to-market.

Why is it better to hedge FX at all times?

- Strong social impact – whole chain from investors to end borrowers is protection from depreciations/external shocks
- Improved credit risk
- Protection from monetary crisis
- Recovery process is faster

What would have happened if investors factored the 6% annual cost of hedging? It would have cost 25% a year of net revenue and would have lost 10% of ROE. Would have still remained significantly profitable. The problem is that people are sometimes too optimistic in their view.

TCX for years has been trying to convince the sector on the importance of the hedging message. The problem is that MIVs do not see an incentive to hedge.

CGA has an internal policy that they have to lend in local currency and have to be 100% hedged. When the crisis hit, their investees were also hit of course but CGA was able to reduce their exposure and almost recuperate the entire investment.

TCX has been created by DFIs and backed by the Dutch and German governments. This means that TCX provides their services to them and then provide funding. Since they have this backing, they are able to offer the hedging they do. The reason why they can do it also is because of diversification (they don't just offer hedging in one currency).

Laura Foose (SPTF) added that the Universal Standards include an indicator on FX. SPTF is interviewing TCX to obtain guidance for FSPs. This guidance will be included in the revision of the Universal Standards implementation guide. There also will be a webinar on this topic in the coming months.

Transparent and responsible pricing - by Lucia Spaggiar and Aldo Moauro from Microfinanza Rating

With Microfinance Transparency (MFT) no longer in operations, Microfinanza Rating has developed a proposal for a Data Platform to ensure that the sector continues to have transparent and responsible pricing.

Data platform is now in pilot phase. Microfinanza Rating would be the house of the platform but it has a global Steering Committee (SPTF, Smart Campaign, CERISE, MFT, ADA, MIMOSA and John Owners –former AFI representative) and an advisory board (AfD, Sida). Under the same roof two models would be offered: rating subscription and data subscription.

What will the data platform offer?

A one-stop shop to find data on APR, SPI4 ALINUS, IRIS, ESG, UN SDG, outcomes on green index, client protection principles, financial indicators

To be used by MIVs for due diligence and monitoring to assess data of investees and compare to benchmarks.

MIX was approached to take part on this project, but decided not to.

Based on feedback from investors in 2016, Microfinanza Platform revised the concept.

Who are the data providers? Rating agencies, CERISE, MIVs and DFIs, FSP networks, FSPs

Who are the data users? DFIs, Foundations, MIVs, regulators, standard-setting bodies, research institutes.

It will have a subscription fee. MFT offered all data to the public for free. Now FSPs will be able to choose if they want to disclose the name of their organization or rather stay anonymous.

Next steps:

- 2017 dedicated to pilot – developing a prototype website with some basic functions. Share this as a simulation with investors to gather their input (e.g., how much they'd be willing to pay, what analysis would they like to see, etc) – simulation to be held at next investor meeting during the SPTF Annual Meeting

in Mexico in June. For those who can't attend, there will be a webinar in the summer.

What will the data platform allow investors to do? Assess a FSP in the three pillars discussed earlier today: financial and social performance and risk.

Think about use by research centers at University that do not have big budgets. Also, an important criteria for buying data is understanding the number of observations per year will be available.

Day 2 – March 16

The way forward for Dutch Green Inclusive Finance – by Sonja Ooms (Oikocredit)

Overview of the NpM Green Inclusive Finance working group - recent joint efforts by Dutch actors to green the inclusive finance sector (e.g., reduction of carbon emissions, climate smart adaptations, and protection of biodiversity while strengthening local entrepreneurship and local communities). This group is working together with the NpM Rural Finance working group.

Objective of working group is to define green inclusive finance, develop case studies, assess role of technology, standards and indicators, and generate awareness.

GIIN report maps all indicators available in green.

The Green Index 2.0 was presented at the European Microfinance Week in November 2016. It was designed by the MF and Environment eMFP action group. It is a tool to assess environmental performance of FSPs. You can access it [here](#).

Participants were broken into 2 groups to discuss ideas in favor or against this initiative (imitating the English House of Commons).

Coordination of Efforts With the Broader Impact Investing Sector – led by Leticia Emme (SPTF), Olivia Prentice (Bridges), and Kurt Morrisen (UNPRI)

Overview of Impact Management Project (facilitated by Bridges) and UNPRI's Market Maps.

The impact investing sector continues to grow, with additional funding flowing in and new players entering the sector (pension funds, large commercial banks, HNWI, etc). Leticia Emme (SPTF) mentioned that to help investors navigate and understand the different opportunities in the broad impact investing sector and agree to common definitions and ways for measuring non financial performance, in the last year, several initiatives have been working on developing maps, frameworks, and conventions. These

include the work that UNPRI is doing with Market Maps, the work Bridges is facilitating with the Impact Management Project and the work of the GIIN with Navigating Impact.

SPTF has been coordinating with all of them. In the several months we facilitated webinars with Tideline (last September, whose effort is now being integrated into the IMP) and with the Impact Management Project (IMP) and many of you have connected with Bridges to join the IMP huddles.

Objective of session is provide a space where investor can learn more the work that is ongoing, understand the differences and complementarities between the initiatives, get a sense of the timeline of each project, and most importantly understand the ways in which they can provide input and help shape these efforts.

There is a wide understanding that the experience of SPTF investor members— seasoned social investors in financial inclusion – can provide a key role in building these new frameworks and resources. Financial inclusion has a lot to share in terms of what we have achieved, common standards, common social audit tool, common outcome indicators, etc.

Once available, frameworks and conventions are going to be used by asset owners as they make investment decisions in Financial Inclusion (and other sectors). The frameworks and terminology in conventions can also be used by asset managers as a way to differentiate themselves when talking to asset owners. Given that these will become common tools and conventions in the broader sector and also given the wealth of experience that social investors in FI have, it is critical that SPTF social investor members take part in helping shape these tools and conventions. The FI sector/vertical (once developed) can also be used as example for other sectors/verticals in terms of all that has been achieved in FI (common standards, common social measurement tools, outcomes management, etc).

Olivia Prentice (Bridges) provided an overview of the Impact Management Project. Kurt Morrisen (UNPRI) provided an overview of the Market Map. The UNPRI will release a white paper with the methodology of the market maps in the coming weeks. SPTF will circulate the white paper with investor members. SPTF and UNPRI will hold a webinar in April for investor members to provide feedback to the financial inclusion Market Maps. Investors are also welcome to get involved in providing feedback in other thematic market maps of their interest as well. SPTF will coordinate gathering input for the Financial Inclusion market map.

Further, the GIIN's Navigating Impact Investing project is developing templates for how to measure "impact" in different verticals. Affordable Housing and Clean Energy are now available. SPTF will engage investor members to take these frameworks and help develop the Financial Inclusion vertical.

Open discussion on how to increase alignment across the investment value chain

Panelists:

Beatrice Zwicky - Member of the board and investment committee of NEST Pension Fund, Switzerland

Hans Ramm –Focal point for financial sector development at SDC and member of the board of SPTF

Ivo Knoepfel - Founder and managing director of OnValues investment consulting, Switzerland

Perrine Pouget – Investment officer at European Investment Bank (EIB), Luxembourg

Moderators:

Annette Krauss – Senior researcher and management board, CSP at University of Zurich's DBF

Lisa Sherk – Head of social performance management at Blue Orchard, Switzerland

When you look to make investments in financial inclusion, how do you incorporate the data/information on the social performance side of the investment? Do you have specific benchmarks that you look at? How do you approach SP?

- NEST Pension Fund look at access indicators (how many people are reached) and regional access (how many countries are reached). Given fiduciary duty of pension funds, financial performance is a key consideration. In terms of choosing where to invest, they chose to invest in companies/funds they are familiar with. 2011-2012 crisis of OID (news on suicides due to OID) reduced Pension Fund interest in the sector. In the coming years were convinced to invest in the sector again. Good to see developments like SPI4.
- EIB looks at international standards (human rights, climate change), which tend to be very general and not specific to a sector. Investment agreements include clause on specific principles to be followed. For example in Financial Inclusion, agreements include a specific reporting framework (based on MIX and SPI3 indicators + indicators demanded by EU investors such as job creation.). Financial Inclusion is a small minority of EIB's portfolio, but SME is bigger.
- Blue Orchard aligned reporting between Universal Standards and IFC standards.
- Reporting is related to the impact expectations of the stakeholder. That is why for EIB for example is important to report on indicators set by the EU.
- SDC – in terms of assessment the key is the selection of the right partner for the investment. There are 2 categories they look at: 1) proven social mission (show strong effort to develop client-oriented products and services), 2) responsible delivery (look for Smart certification, social audits or ratings, etc). In terms of reporting, they request an outcomes report of no more than 5 pages that is more than anecdotes of individual clients and includes perceptions of clients in terms of changes – this is the outcome indicator SDC cares to track. Outcomes report is requested at the end of the intervention as well as an update 3 years later.

- On Values – reporting depends on what investment manager can provide. We are often not a majority shareholder or investor so we can't demand what reports to be produced. What we do demand is that there is social performance management and measurement is reported back to us frequently. There are many investment managers out there who call themselves “sustainable”, “responsible” or “impact” and do not report on social performance. For us it is key to receive SPM reporting from the investment manager. Clients like in depth case studies (e.g. outcomes case studies). Many times asset owners like client stories. Role of advisor is to explain to them that the story is not enough. We would like to see the industry come up with universal standards. Investors love universally accepted standards. They can't digest too many standards. The more universally accepted the practices the better. When investors know there are standards in a sector it gives them trust in the sector. Investors are typically global investors, e.g., invest in 50+ countries across 60+ sectors, each including several sub-sectors and challenges. It is daunting for them to understand granular details of each sector. You have to make it easy for investors to understand your sector. PRI is easy for them to understand. At the family office/foundation side, the reference for them is the GIIN/IRIS framework. Showing how indicators of an MIV map with PRI or IRIS is important. This helps an asset owner compare among investment managers.

Are current tools and indicators sufficiently aligned that you can compare among investment managers?

- There is convergence happening, but still there are big differences in how sectors report. We can't still compare among investment managers across the board. But that's ok. We don't need to do a scientific study. It is more important to us that the investment manager sticks to their reporting system so that we can compare the evolution of the performance.
- NEST Pension Fund was not aware of a lot of the work that has been accomplished in financial inclusion. It is important to engage with asset owners/pension funds to spread out the news of what has been developed. They don't have the time to look at the details of every single tool, but its good to know what tools exist so that they can ask their investment managers if they use these tools or not.
- For EIB while alignment and standardization is useful, they are also open to MIVs being creative in developing indicators that are particularly tailored to the specific investments.
- It would be great to create a simple summary of all the information / tools developed in financial inclusion that can be easily shared with asset owners so that they can ask their asset managers about these.
- Aggregation challenge – in Financial Inclusion, you can use the score of an SPI4 or a social rating.
- Alignment between expectations of asset owners in terms of reporting and what is realistic and doable for investment managers to provide – asset owner wants

to know if their wish is being accomplished, are people better off as a result of access to financial inclusion? Reporting on number of people being reached does not answer this question. Need focus on outcomes. This will also help address skepticism on the value of financial inclusion.

How important is the “trade off” for impact investors?

- For Pension Funds, they can't think of it as trade off. Both aspects have to work. Investments have to be socially and environmentally sound but also have to be strong financially. Pension funds are limited in terms of their exposure to microfinance given regulations.
- Family offices/Foundations have more flexibility and can take more risks. We need to be able to talk about blended value. Where a foundation can maximize social and financial performance as they wish. Family offices are even freer than foundations. They can accept lower returns, but not forever. In mature areas, accepting lower returns might be doing harm to the development of the sector.

Conclusions and Next Steps

SIWG workstreams prioritized by investor participants for the SIWG going forward:

- **Harmonizing SPM due diligence (ALINUS)** – testing ALINUS, contributing to toolkits
- **Harmonizing loan agreement covenants** – preventing client-born FS risk (awareness raising to asset owners, defining limits)
- **Measuring and reporting on social outcomes** – sharing implementation examples
- **Pricing transparency and data platform** – investors to provide feedback to Microfinanza Rating on the data platform pilot/simulation
- **NEW – Social and environmental performance at SME lenders**
- **NEW – Increase alignment between asset owners and asset managers** – Secretariat to develop materials to raise awareness with asset owners. Investors in the group to provide feedback. Also investors to provide input on the conventions and mapping initiatives being developed
 - Participate in Impact Management Project huddles (Bridges)
 - Provide feedback on Financial Inclusion Market Map (UNPRI) – webinar
 - Develop Financial Inclusion vertical (based on GIIN's template for other sectors)
- **Equity and responsible exits** – Secretariat will coordinate with NpM on the work they are doing. SPTF will also likely hold a webinar on responsible IPOs in the coming months. Any investor member with information on upcoming or recent exits please get in touch with Leticia Emme.
- **Preventing over-indebtedness** – AVOID – any updates on the guidelines / feedback from investors are welcome. Participants noted the importance to keep this topic in the agenda.

Leticia Emme (SPTF Secretariat) will follow up with investors interested in being involved in the different workstreams.



Participants to the 2017 SIWG meeting

	Organization	Participant's name
1	ACTIAM	Pelzer, Nikkie
2	ADA	Canetti, Sarah
3	ADA	Ramirez, Juana
4	Advans SA	Brown, Katherine
5	AFD	Beck, Charlotte
6	Aga Khan Agency for Microfinance	Destouches, Benoit
7	Aga Khan Agency for Microfinance	Gray, Julia
8	Aga Khan Agency for Microfinance	Merchant, Sitara
9	Aga Khan Agency for Microfinance	Patel, Trushna
10	Alterfin	Giordano, Caterina
11	Bamboo Capital Partners	Chardon, Ariane Cherix
12	Bank im Bistum Essen eG	Lukas, Janne
13	BBVA Microfinance Foundation	Garcia Van Gool, Stephanie
14	BlueOrchard Finance	Sherk, Lisa
15	BlueOrchard Finance	Zappia, Maria Teresa
16	BlueOrchard Finance	Lorenz, Hannah
17	Bridges Fund Management	Prentice, Olivia
18	CDC Group	Forecast, Rebecca
19	Center for Sustainable Finance and Private Wealth - University of Zurich	Krauss, Annette
20	CERISE, SPTF	Lapenu, Cecile
21	Compañía Española de Financiación del Desarrollo, COFIDES, S.A., S.M.E.	Morant, Beatriz
22	Cordaid Investment Management	Noe, Sascha
23	Deutsche Bank AG - DeAM Sustainable Investment Europe	Howe, Sarah
24	Deutsche Bank AG - DeAM Sustainable Investment Europe	Saito, Yoshiko
25	Developing World Markets (DWM)	Glassmeyer, Shedd
26	e-MFP	Rozas, Daniel
27	Elora Finance	Marti, Adrian
28	European Investment Bank	Gloukoviezoff, Georges
29	European Investment Bank	Pouget, Perrine
30	Grameen Credit Agricole Foundation (SIWG co-chair, SPTF board member)	Hammer, Jurgen
31	Incofin Investment Management	PONS, Dina
32	Incofin Investment Management	Roelofs, Dana
33	International Labour Organisation	Richter, Patricia
34	Liechtenstein Development Service (LED)	Duenser, Heinz



35	Luxembourg Microfinance and Development Fund	Wilson, Apricot
36	Microcred Holding	Guyon, Hervé
37	Microfinanza Rating (SPTF board member)	Moauero, Aldo
38	Microfinanza Rating Srl	Spaggiari, Lucia
39	MicroVest Capital Management	Hofer, Thomas
40	MIMOSA	Javoy, Emmanuelle
41	NEST Pension Fund	Zwicky, Beatrice
42	Nordic Microfinance Initiative	Streeval, Cathrine
43	NpM-Platform for inclusive finance	Sluijs, Josien
44	Oikocredit	Ooms, Sonja
45	Oikocredit	Landolt, Simone
46	OnValues	Knoepfel, Ivo
47	PAMIGA Finance	CHAO BEROFF, Renée
48	PAMIGA Finance	JOVIC, Snezana
49	PAMIGA Finance	JAN, Charline
50	PAMIGA Finance	MERCERET, Mathieu
51	PG Impact Investments	Scaramella, Sara
52	Proparco	Angoso, Pauline
53	Proparco	Bottin, Laurence
54	responsAbility Investments AG	Fernandez, Pedro
55	responsAbility Investments AG	Heimes, Martin
56	responsAbility Investments AG	Hug, Carola
57	SDC (SPTF Board member)	Ramm, Hans
58	SIDI - Solidarité Internationale pour le Développement et l'Investissement	GACHES, PIERRE
59	SIMA Funds	Pierluca, Xavier
60	Symbiotics	Narayanan, Ramkumar
61	Symbiotics	Parashkevova Holmegaard, Marina
62	Symbiotics	Zeitoun, Safeya
63	TCX Fund	Luini, Jonas
64	The Smart Campaign	Barres, Isabelle
65	Triodos Investment Management	Fitri, Adysti Raissa
66	Triodos Investment Management	Foppa, Heidi
67	Triple Jump (SIWG co-chair, SPTF board member)	Bochatay, Christophe