



DEVELOPING  
WORLD  
MARKETS

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# RESPONSIBILITY AND IMPACT REPORT 2018

ACTIAM Institutional Microfinance Fund III

## Content

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<b>1. ABOUT</b> .....	<b>3</b>
ACTIAM N.V.....	3
Developing World Markets (DWM).....	3
<b>2. MANAGEMENT NOTE</b> .....	<b>4</b>
<b>3. PORTFOLIO HIGHLIGHTS</b> .....	<b>5</b>
<b>4. FINANCIAL INCLUSION OF MICRO ENTREPRENEURS</b> .....	<b>7</b>
<b>5. SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE INVESTMENTS</b> .....	<b>9</b>
5.1 IMPACT MEASUREMENT METHODOLOGY & TOOL .....	9
5.2 PROFESSIONALISING THE INDUSTRY.....	10
<b>6. IMPACT CASE STUDY   ASA PAKISTAN</b> .....	<b>14</b>
<b>7. APPENDIX I: FUND RESPONSIBILITY AND IMPACT FRAMEWORK</b> .....	<b>16</b>
7.1 ENSURING RESPONSIBILITY .....	16
7.2 GENERATING IMPACT .....	16
7.3 IMPLEMENTATION OF THE FUND RESPONSIBILITY AND IMPACT FRAMEWORK.....	17
<b>8. APPENDIX II: OUTREACH CALCULATION</b> .....	<b>18</b>
<b>9. DISCLAIMER</b> .....	<b>19</b>

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ACTIAM Institutional Microfinance Fund III

Closed-end fund for joint account

## 1. ABOUT

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Fund Manager	Investment manager
<b>ACTIAM N.V.</b>	<b>Developing World Markets</b>
Graadt van Roggenweg 250 3531 AH Utrecht P.O. Box 679 3500 AR Utrecht The Netherlands	750 Washington Blvd., Suite 500 Stamford, Connecticut 06901 USA

### ACTIAM N.V.

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ACTIAM is the responsible asset manager for over one million Dutch people. We first introduced our responsible investment policy in 1990 and have been running our engagement program since 1995. With over 100 staff we manage €56.1 billion (ultimo December 2018) for insurance companies, pension funds, banks and intermediaries. We offer a comprehensive range of investment solutions: from index strategies to impact investing and from mandates to tailored ESG advice. ACTIAM imposes strict criteria on its investments and follows a robust selection process without making concessions to financial returns. ACTIAM uses its responsible investment policy to contribute to a liveable world, now and in the future. In addition to our basic investment policy we focus on three themes: climate, water and land. We make our investments measurable and work towards concrete goals. Moreover, ACTIAM has developed a unique approach to impact investing. A specialised team of 8 professionals with an average of 16 years' experience in the industry manages approximately € 300 million for institutional clients.

### DEVELOPING WORLD MARKETS (DWM)

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As a pioneer in the field of impact investing, DWM has invested or arranged \$ 1.5 billion in financing for more than 200 socially positive companies in 60 emerging and frontier markets. Through our approach of seeking risk-adjusted returns and measurable social and environmental outcomes, we partner with some of world's largest institutional investors and wealth managers to help address some of the most pressing challenges facing the developing world. DWM was founded in 1994 and is headquartered in Stamford, CT, USA, with staff across 11 global locations.

## 2. MANAGEMENT NOTE

Globally, about 1.7 billion adults have no access to an account at a financial institution or through a mobile money provider (World Bank Group, 2018). Most of these people live in developing and emerging economies. By gaining improved access to finance, entrepreneurs can grow their business, families can smooth their income, build a buffer for investments in health & education and have a form of risk insurance. By investing in local financial institutions with the right mix of impact potential, risk management and return on investment, the ACTIAM Institutional Microfinance Fund III (Fund/AIMF III) aims to promote the benefits of responsible financial inclusion worldwide.

With the support of its investors, AIMF III reached over 100,000 microfinance clients in 2018 and over 230,000 clients since inception in 2014 (Appendix II contains example calculations). Of these clients, 77% are female and 52% live in rural areas, two demographic groups which are typically underserved by traditional banks. During the lifetime of the Fund, the total committed capital will be invested more than twice in microfinance institutions (MFIs). So far, this included 54 MFIs in 28 countries. Moreover, our portfolio MFIs provide loans to microfinance clients with a typical tenor of 6 to 12 months, which enables portfolio MFIs to on-lend every euro invested several times during the life of the Fund. AIMF III builds on the lessons learned and performance of ACTIAM's and DWM's longstanding partnership in managing its predecessors, AIMF I and AIMF II, in reaching out to over 2.5 million entrepreneurs.

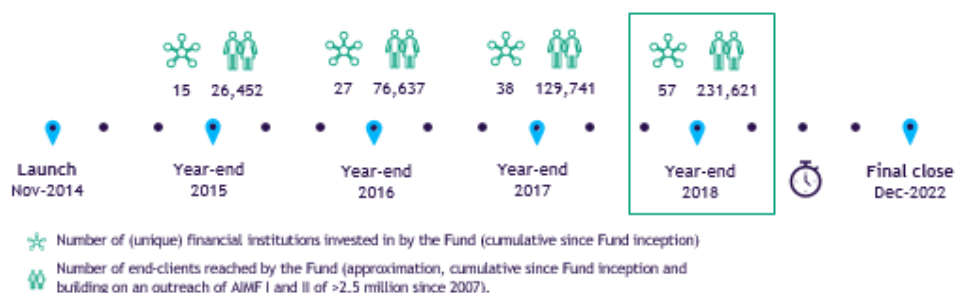
Realising worldwide financial inclusion cannot be accomplished through microfinance alone. It requires a broad array of investments in other economically and socially beneficial areas and attention to ancillary products and services. The Fund therefore tracks a) involvement of portfolio companies in products other than credit (such as voluntary savings and different forms of insurance) and financial and non-financial services (such financial literacy training) and b) allows investments in adjacent spaces up to 20% of the value of the Fund. The adjacent spaces include affordable housing, health, education, insurance or other sectors providing additional social value. In 2018, the Fund's adjacent space investment exposure increased to 20% of the value of the Fund. The investments included three SME finance investments, one low-income housing finance investment, one investee covering both themes and one investee covering SME and fintech.

Financial inclusion is a cross-cutting theme and connected to no less than 7 of the 17 United Nations Sustainable Development Goals (SDGs)<sup>1</sup>. This interconnectedness demonstrates that obtaining access to finance is a means to an end. A means which can help drive development if done in a responsible manner. A means that can help people facilitate investments in their health, education, and businesses and to manage financial emergencies more easily. The Fund reports on the interconnectedness between its investments in the financial inclusion of families, entrepreneurs and small and medium businesses and the SDGs. In addition, we strive to pro-actively enhance the social, economic and environmental value year on year by upgrading the impact measurement system, targeting specific investment and collaborating in relevant industry initiatives. During 2018, the social questionnaire and scorecard has been further developed (Chapter 5). In addition, we increasingly aim to leverage upon utilisation clauses that aim to enhance the impact reached of our financial inclusion investments related to the SDGs. Prepared during 2018, in the first quarter of 2019, the first transaction has been executed with such an elevated impact angle (related to safe sanitation) without compromising on the risk and return requirements of the fund (Chapter 5).

Finally, DWM and ACTIAM remain involved in sector initiatives to educate and further professionalize the industry. In 2018, ACTIAM co-authored the PRI Market Map. Furthermore, a study trip was facilitated for investors and other stakeholders. In the following year we expect upgrades of a number of responsible industry initiatives - Principles for Investors in Inclusive Finance, SMART Campaign and GIIN IRIS impact metrics (Chapter 5).

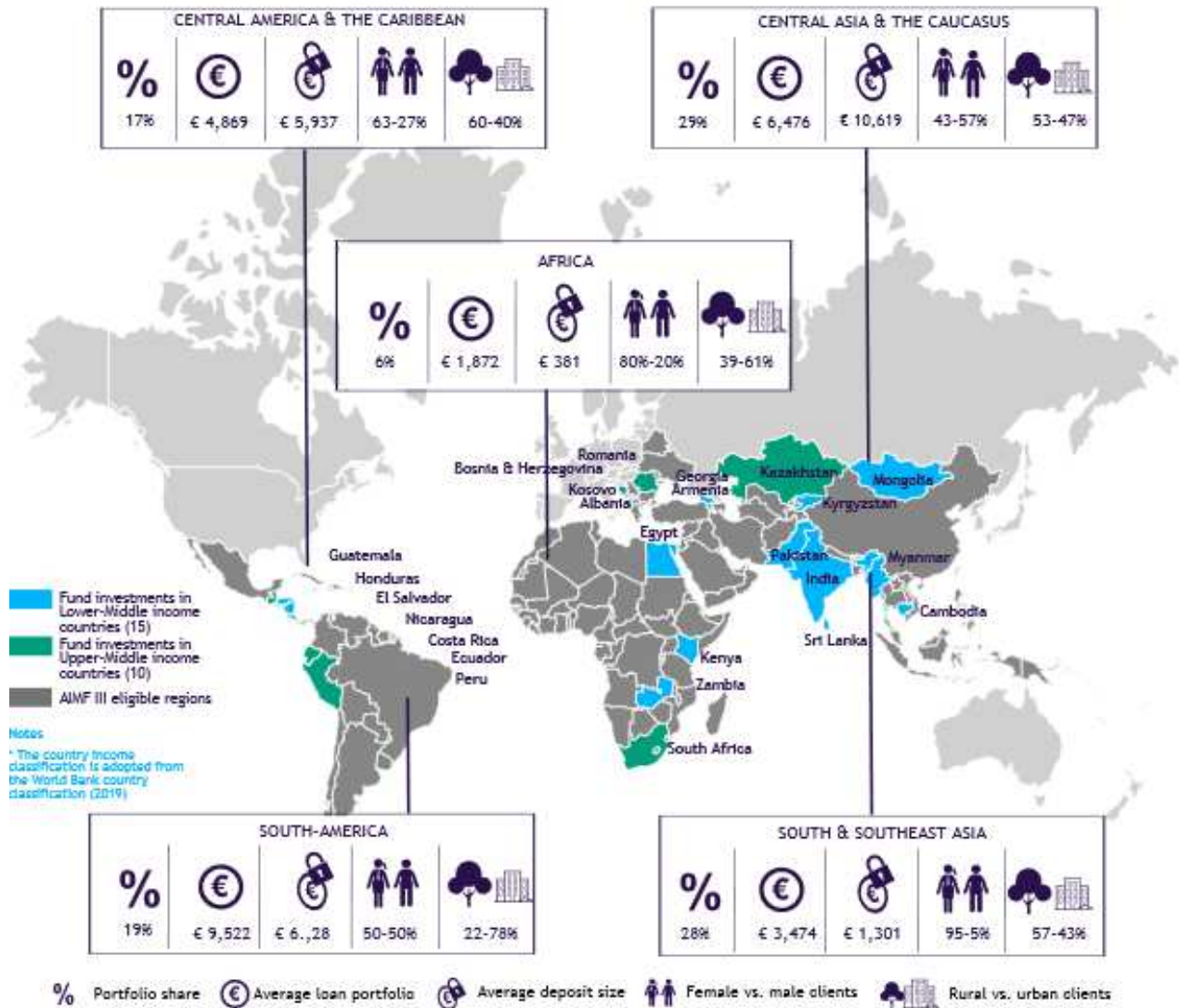
Happy reading,

### ACTIAM & DWM



<sup>1</sup> <https://sustainabledevelopment.un.org/?menu=1300>

### 3. PORTFOLIO HIGHLIGHTS<sup>2</sup>



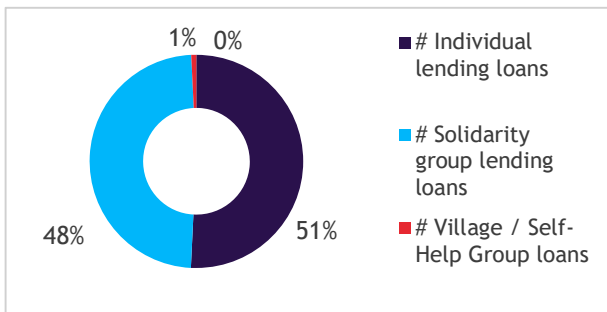
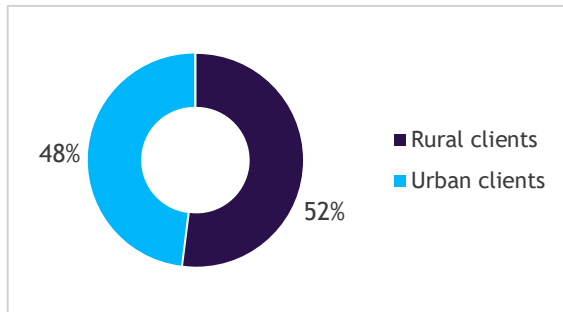
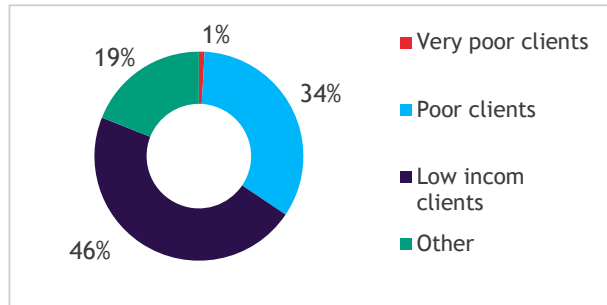
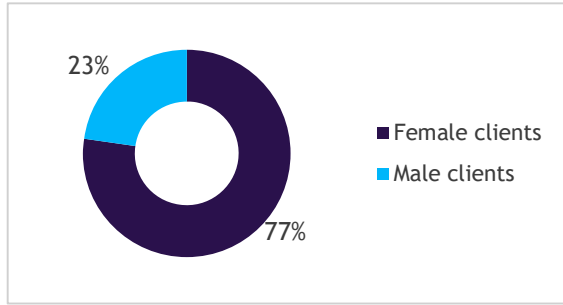
#### KEY FACTS



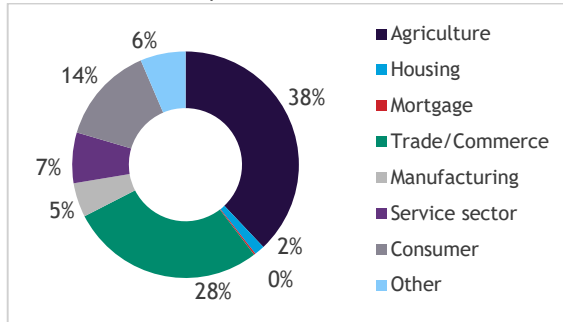
<sup>2</sup> Please not that some of the MFIs did not report the numbers required to calculate some of the (weighted) averages and as such were not included in the calculation. The data is however still a very good representation of the portfolio

2. The data presented in the above map, are a reflection of all the entities in the portfolio in 2018. The Fund's exposure to adjacent space investments in SME Finance, social housing and fintech influences the character of the portfolio as portrayed in the portfolio highlights above. Considering microfinance investments separately, we see a major decrease in average loan size for three regions Central Asia and Caucasus (from € 6,476 to € 2,612), South America (from € 9,522 to € 2,930) and South & Southeast Asia (from € 3,474 to € 768). The average deposit also changes significantly and without SMEs is € 381 for Africa, € 723 for Central Asia and the Caucasus, € 859 for South & Southeast Asia and € 1030 for South America. Female and rural outreach do not change significantly when considering microfinance investments only.

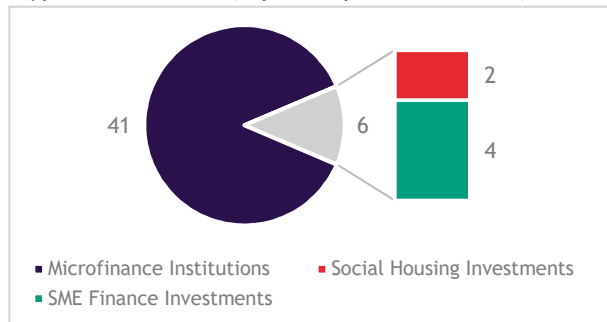
**End client exposure 2018**



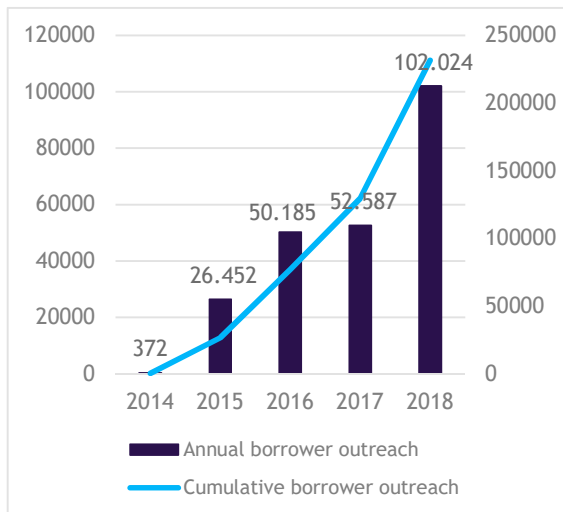
**End client sector exposures 2018**



**Type of investments (adjacent space investments)**



**Borrower outreach**



**Responsible lending practices<sup>3</sup>**






<sup>3</sup> CPP: SMART Campaign's Client Protection Principles



## 4. FINANCIAL INCLUSION OF MICRO ENTREPRENEURS

Assessing microfinance’s impact on poverty alleviation & well-being remains challenging. Reported impact varies greatly across countries and by research design, with findings even conflicting in some cases. It is clear, however, that in emerging and frontier markets, financial inclusion is crucial for strengthening the financial sector and mobilising domestic resources. As such, it can contribute to social and economic development. Microfinance, as an element of financial inclusion supports micro entrepreneurs and helps them grow their businesses, smooths the income for low-income households and provides a buffer for investments in health, education and risk insurance. The Fund aims to increase the accessibility of such financial services as to catalyse equitable sustainable development by investing in local microfinance institutions. In doing so, the Fund caters to three key impact themes that are considered to be essential for further development of the industry. In addition, financial inclusion can help (directly and indirectly) in the realisation of 7 of the 17 SDGs<sup>4</sup>.






















Impact themes		
		
<b>ACCESS TO FINANCE</b>	<b>CLIENT-CENTRIC APPROACH</b>	<b>ORGANISATIONAL DEVELOPMENT</b>
<p><b>Improving access to finance for low income people in emerging and frontier markets.</b></p> <p>Improving access to finance translates into MFIs seeking to diversify products and to increase their geographic and demographic outreach to address the needs of financially excluded population.</p>	<p><b>Enhancing MFI clients’ capacity to manage their financial affairs in a responsible way and prompting MFIs to increase their transparency and optimally protect the interests of their clients.</b></p> <p>A client-centric approach ensures that MFIs thrive to protect their clients’ interest, by providing financial literacy and additional education materials and by increasing transparency.</p>	<p><b>Prompting MFIs to improve the quality of their reporting on financial and nonfinancial performance according to generally agreed upon standards.</b></p> <p>On the organisational level, we see compliance with local regulation and the application of industry best practices as necessary to increase transparency, benchmarking and standardisation that will help improve the industry as whole.</p>




The Fund invests in MFIs whose philosophy and activities encompass these three objectives. By focusing on these objectives, we seek to encourage the microfinance industry to maintain its social mission and responsibilities alongside financial health and help prevent over-indebtedness while focusing on providing access to finance in areas that remain underserved. The social profile below provides an overview of the social value of the Fund and its relationship with the SDGs.



<sup>4</sup> <https://sustainabledevelopment.un.org/?menu=1300>



Social profile of the Fund FYE 2018	Sustainable Development Goals					Fund impact themes		
Fund results contribution	Financial inclusion related SDGs							
<b>(equal) access to finance   expand access to finance   MSME growth</b> 231,621 micro entrepreneurs reached since Fund inception of which 98,347 during 2018 with an average exposure per borrower of € 5,650 and an average deposit size of € 3,342 → Reached 47 MFIs in 25 countries in 2018 and 57 MFIs in 27 countries since Fund inception → Exposures in 7 local currencies and 2 hard currencies						●	●	●
<b>supporting men and women   equal access to finance   women empowerment</b> → 77% women, 23% men						●		
<b>servicing the poor   servicing the vulnerable   equal access to finance   developing countries</b> → Socioeconomic category* 1. Very poor: 1% clients, 0,3% GLP 2. Poor: 34% clients, 13% GLP 3. Low income: 47% clients, 29% GLP 4. Other: 19% clients, 22% GLP → 52% rural clients						●		
<b>supporting agriculture</b> → 52% rural, 48% urban clients						●		
<b>financial risk protection</b> → 100% of MFIs offer savings products where regulations allow (40% of portfolio) → 62% offers insurance → 30% offers access to financial and non-financial services (e.g. business development training)						●		
<b>enabling technology</b> → A growing number of MFIs are providing mobile banking						●	●	
<b>formalisation of MFIs   capacity strengthening   regulation of FIs   monitoring of FIs</b> → 91% endorsed Client Protection Principles (CPP), 87% implemented CPPs, 38% is CPP certified → 96% cooperates with other MFIs and/or credit bureaus to verify clients' debt level							●	●
<b>small-scale enterprise</b> → Adjacent space bucket allows for SME lenders, 5 in portfolio at year-end 2018						●		

 = Access to Finance     = Client-centric approach     = Organisational development



## 5. SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE INVESTMENTS

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The Fund does not only seek to realize an attractive financial return. It also aims to make socially responsible investments and contribute to fostering a dynamic microfinance sector in developing and emerging economies.

### 5.1 IMPACT MEASUREMENT METHODOLOGY & TOOL

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Ensuring responsibility and generating impact are key drivers for the Fund. The Fund operates a separate Responsibility & Impact Framework (Chapter 7 - Appendix) and both DWM and ACTIAM have been and remain involved in leading industry initiatives (Chapter 5.2).

#### FUND REQUIREMENTS

The sustainable offering of financial products and services to microfinance borrowers indispensably requires a framework that combines financial and non-financial considerations and conditions. For that matter, the Fund does not invest in a MFI institution that does not meet its minimum social, environmental and governance standards. All portfolio MFIs of the Fund should, at a minimum, comply with the ACTIAM Fundamental Investment Principles<sup>5</sup> and operate in line with applicable international standards. Social standards of the Fund include conformity with the Principles for Investors in Inclusive Finance by the PRI, adherence to the Client Protection Principles by the SMART Campaign and reporting on financial and non-financial performance in line with the Responsibility and Impact Framework. This includes an assessment of an MFI focusing on the social policies, practices and performance, as well as the social characteristics of the products and services offered by the MFI to its clients.

#### INTEGRATION OF RESPONSIBILITY & IMPACT REQUIREMENTS IN THE INVESTMENT PROCESS

DWM performs a desk research and an onsite due diligence visit to each MFI prior to each investment. An integral part of the due diligence consists of visits to micro entrepreneur clients. A randomly selected sample of loan files is checked, and client visits are conducted during a branch visit. Although the sample size cannot be statistically representative relative to the total client universe MFIs serve, DWM focuses on the procedural points of the origination, underwriting and monitoring. ACTIAM determines potential responsibility & impact fit to the Fund for each eligible investment based on:

- Investment memo, risk opinion and relevant additional materials (such as country updates)
- Outcomes of the Impact Questionnaire & Scorecard
- Written answer to questions by ACTIAM Investment Committee
- Investment committee discussion (phone conversation between DWM and ACTIAM investment committee members)
- Relevant external sources

Upon approval, each portfolio entity is monitored on a day to day basis. On an annual basis, DWM performs an onsite visit and collects social and environmental data to track trends and identify areas of strength and improvement for each portfolio company. DWM and ACTIAM cooperate in publishing an annual AIMF III Responsibility & Impact report presenting annual outcomes, trends and expectations.

#### IMPACT QUESTIONNAIRE & SCORECARD

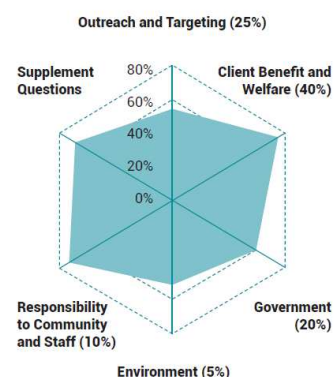
The Impact Questionnaire & Scorecard originally co-developed by DWM, ACTIAM and Oikocredit, is a proprietary, data-driven tool used during the due diligence process and on an annual basis post-investment. The tool contains approximately 60 indicators to evaluate impact across five dimensions and is customized based on the portfolio company types, including microfinance institutions and SME lenders. Data are cross-checked against DWM's financial database and the Smart Campaign website. For this year's data collection process, DWM and ACTIAM further improved the scorecard by adopting a number of changes:

- Request for further details from those institutions indicating to assess clients' poverty level
- Request for impact reports
- Increased attention to fintech solutions offered by portfolio institutions
- Improved insights in portfolio institutions' mission, products and activities in relation to the SDGs

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<sup>5</sup> [https://www.actiam.nl/nl/documenten/verantwoord/Documents/Fundamental\\_Investment\\_Principles\\_Companies.pdf](https://www.actiam.nl/nl/documenten/verantwoord/Documents/Fundamental_Investment_Principles_Companies.pdf)

Evaluation dimension	Indicator examples
Client Benefit & Welfare (40%)	Borrower indebtedness prevention Non-financial products & services
Outreach & Targeting (25%)	Average loan size Client socioeconomic levels Rural vs. urban
Responsibility to Community & Staff (10%)	Staff feedback Grievance mechanisms Contributions to community
Environment (5%)	Internal environmental policies Environmental education & promotion
Governance (20%)	Mission and vision Salaries, remuneration & incentives



As part of our impact monitoring process in 2018, we asked each borrower to indicate whether it commissioned an external party or internal team to evaluate its impact outcomes. 27 out of 47 MFIs in the portfolio attest to conducting an external ESG report, and 13 others periodically provide internal reporting on their environmental and social impact. There were several impact rating agencies and frameworks used across the portfolio, but the two most frequently used in external reports were GIIRS and MicroFinanza Ratings. For internal studies of poverty levels of clients, Poverty Probability Index (PPI) was the most common tool employed. Findings from this exercise include the following:

- One microfinance borrower in Latin America successfully completed a certification program designed to improve governance outcomes through GIF (Governance and Financial Inclusion).
- One adjacent space lender internally conducted a comprehensive impact study to assess the effects of its business operations on women’s empowerment, outreach/inclusion, digital technology, poverty, and other commonly targeted pillars of impact.
- One lender in the EECA region conducted an internal study on environmental factors including soil conservation and waste, water use and protection, air quality, chemical substance usage as well as social factors including employee safety, employee grievance mechanisms, gender equality, child labour, and other issues.
- Another lender also in the EECA region conducted an internal review and mapping of its operations to the SDGs and found contributions to Goal 1 No Poverty, Goal 2 Zero Hunger, Goal 3 Quality Education, Goal 4 Gender Equality, Goal 5 Decent Work and Economic Growth, and Goal 6 Climate Action. This borrower also assessed the economic mobility of its microfinance clients across time regarding income levels.

Overall, these findings are an illustrative sample of the wider report collection efforts and provided a closer look to contribute towards ACTIAM and DWM’s monitoring of the impact activities of its portfolio companies.

## 5.2 PROFESSIONALISING THE INDUSTRY

In order for the financial inclusion industry to be sustainable, MFIs need to become self-sustaining. We witness continued improvements in the institutionalisation and professionalisation of the industry.

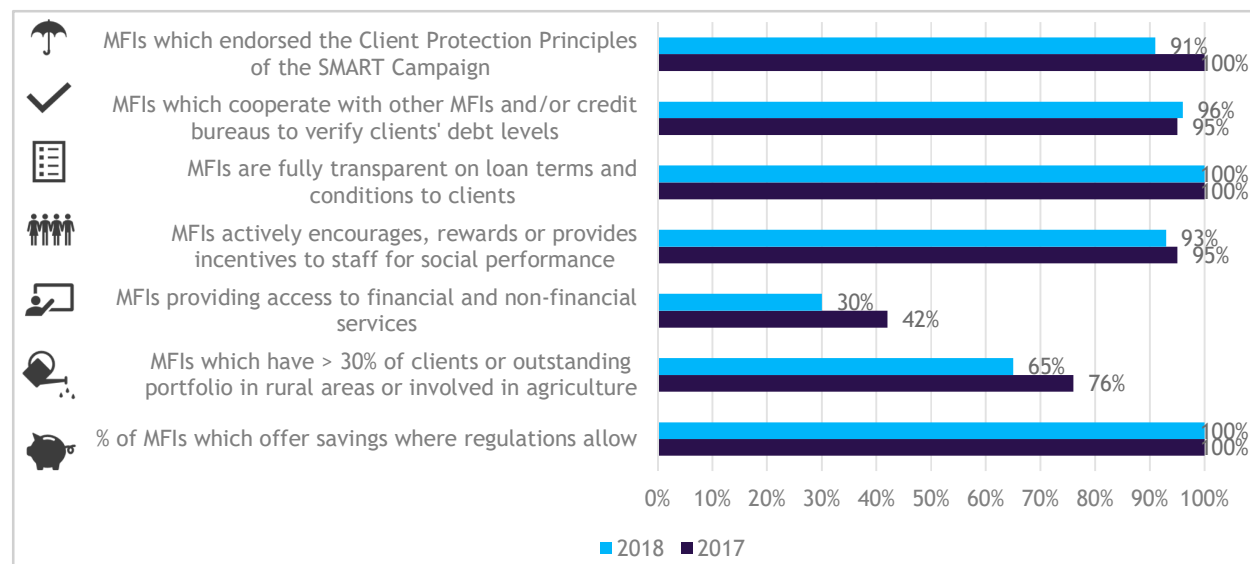
### HIGHEST SCORE IN THE ANNUAL PRI SURVEY & PRI MARKET MAP

The Fund was launched aiming to contribute to increase responsible development of the inclusive financial industry worldwide. The Principles for Investors in Inclusive Finance (PIIF) address seven key risks that investors should tackle in order to make responsible investments in inclusive finance. ACTIAM and DWM were actively involved in the development of these principles, were among the first signatories and work with other microfinance investment vehicles (MIVs) to invest responsibly in microfinance. The principles range from risks associated with client over-indebtedness to the need for increased transparency.

In the 2018 annual survey by the Principles for Responsible Investment (PRI), ACTIAM received the highest possible score (A+) for its responsible investment approach. In addition, an A+ was rewarded to ACTIAM for its Inclusive Finance approach (PIIF section). In comparison to 2017, the score remained unchanged. ACTIAM and DWM continue to be involved in and dedicated to the PRI/PIIF.



## Translation of PIIF to Fund investees - year end 2018 results



Furthermore, ACTIAM is co-author of the financial inclusion theme of the 2018 PRI publication “PRI Market Map”<sup>6</sup>. The PRI Market Map links 10 societal themes with specific SDGs and their respective targets indicators and provides information to improve knowledge and awareness of the impact investing sector. Its goal is to bring more clarity to the process of identifying mainstream impact investing companies and thematic investments so that asset owners and fund managers can better assess opportunities in this market. The PRI Market Map constitutes another milestone in a trajectory to further professionalise and mainstream the impact investing sector.

### STUDY TRIP 2018

During 2018, we hosted an impact investing study trip<sup>7</sup> to Zambia where participants were able to experience impact investing on the ground, both in financial and social terms. The study trip is a tool to educate not the portfolio companies, but institutional investors and other stakeholders in the field of impact investing and investing private debt in emerging markets. But also, to witness how to make a positive contribution to social themes without unacceptable compromises on risk and return. For investors of the Funds, the study trip also serves as an extension of the annual due diligence process on ACTIAM capabilities as a Fund Manager and DWM’s capabilities as an Investment Manager.

### INDUSTRY DEVELOPMENT GOING FORWARD

Both ACTIAM and DWM are continuously open to engage in initiatives and cooperate with peers to evolve sector standards and support further professionalisation and potential to add value. During 2019, we expect to witness several industry updates and will keep fund participants informed about any (proposed) changes potentially affecting the fund in due time.

#### ■ Principles for Responsible Investment (PRI)

The PRI aims to provide a proposal to investors during 2019 to (a) change the PIIF into a PRI Practical Guide on Inclusive Finance, (b) show how elements of the PIIF reporting would be incorporated in the general PRI Reporting Framework and (c) set a process in motion to incorporate ‘outcome based reporting’ in the Reporting Framework, in general and for environmental and social thematic investments in particular.

#### ■ IRIS and the Global Impact Investing Network (GIIN)

The GIIN is evolving IRIS from a catalogue of standardized metrics, to IRIS+, a comprehensive self-guided system that will guide investors to core metrics sets by investment theme and SDGs as well as to how-to implementation guidance, templates, and other relevant resources. Key characteristics of core metrics sets:

- Are built based on the evidence and best practice gathered by the Navigating Impact project and leverage the GIIN’s decade of managing IRIS.
- Are a critical element of establishing a shared language among impact investing actors - Core metrics sets outline the essential key indicators and metrics recommended to measure and describe impact alongside the “five dimensions of impact”.

<sup>6</sup> <https://www.unpri.org/thematic-and-impact-investing/impact-investing-market-map/3537.article>

<sup>7</sup> More information and pictures from on the ground experiences can be found on [www.polarsteps.com/ACTIAM](http://www.polarsteps.com/ACTIAM).

Updating IRIS to IRIS+ Core Metrics Sets is aimed at achieving the objective of providing a common language to measure and describe investments within each of the different investment themes available through the GIIN's Navigating Impact project.

#### ■ Smart Campaign

The Smart Campaign plans to launch Consumer Protection Standards for Digital Credit. The digital credit standards are created in order to operationalize where the financial inclusion industry sets the bar in terms responsible digital lending practices. They build off the Client Protection Principles and extend current Client Protection Standards to encompass emerging risks to low-income customers of digital credit. Based on the latest industry research, field assessments with digital lenders, and discussions with the Fintech Protects Community of Practice, these standards consolidate good practices and serve as a starting point for further industry discussions. Many of the standards for microfinance and non-digital entities remain relevant to the digital world, while others chart into new territory.

### FUND SDG CONTRIBUTION & LEVERAGED FUND IMPACT

The primary goal of the Fund is to facilitate and improve access to financial products & services. Financial inclusion can help people facilitate investments in their health, education, and businesses and to manage financial emergencies more easily and as such, contributes to 7 of the 17 SDGs (figure 8). By adopting impact specific dedication clauses in the loan agreement and/or by partnering with organizations that have local networks, expertise and track record, societal and environmental results beyond inclusive finance outcomes can be achieved. As such, AIMF III funding can have an additional positive impact on the SDGs Goals related to for example, gender equality, safe sanitation, green leasing, etc.

#### LEVERAGED IMPACT: CASHPOR

Following initial conversations between ACTIAM, DWM, Cashpor and FINISH, approval of the first leveraged impact transaction took place in Q4 2018 (disbursement followed in 2019 so the MFI is not yet included in this year's impact figures).

CASHPOR Micro Credit is a Tier I MFI operating across five states in India. It is a poverty focused MFI, that provides microfinance exclusively to Below Poverty Line women.

An estimated 16%-24% of the population in rural areas has access to sanitation facilities and 1% to piped water. CASHPOR offers water and sanitation loans to existing creditworthy clients. AIMF III financing is dedicated to support further improve sanitation facilities in CASHPOR's target states. With a 3 year USD 3mln equivalent loan in INR investment and technical assistance by FINISH, Cashpor aims to plan for amongst other 35,000 toilets and to realise 1 open defecation free block.

In addition to this leveraged impact angle, the MFI has a financial incentive to reach the impact (to be verified by FINISH and an external accountant) in the form of a 1% discount on the interest rate of the AIMF III loan, provided by FINISH.



**Figure 8 - Financial inclusion as a cross-cutting theme, contributing to the SDGs**



**No poverty**  
Global access to financial services by 2030, including all men and women and in particular the poor and vulnerable



**Zero hunger**  
Secure and equal access to financial services as a means to double agricultural productivity and incomes of small-scale food producers by 2030



**Good health and well-being**  
Financial risk protection against health related expenditures



**Gender equality**  
Equal access to economic resources and financial services and enhancing the use of enabling technology to promote empowerment of women



**Decent work and economic growth**  
Encourages formalization and growth of micro-, small & medium-sized enterprises and capacity strengthening of domestic financial institutions to expand access to financial services



**Industry, innovation and infrastructure**  
Increasing access to financial services for small-scale industrial and other enterprises, in particular in developing countries



**Reduced inequalities**  
Encourages a reduction in costs of migrant remittances and regulation and monitoring of global financial markets and institutions.



**The global goals**  
Visit [globalgoals.org](http://globalgoals.org) to learn more about the goals and targets





## 6. IMPACT CASE STUDY | ASA Pakistan

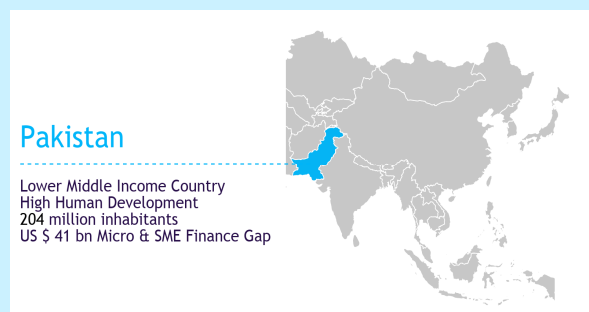
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### GROWING A BUSINESS

A 57 years old lady Mrs. Safia Bibi was engaged in sewing work since she got married with Mr. Imitaz. As the time passes she had got lots of demand for the sewing work because of her expertise but she was not able to keep up with the demand due to lack of a sewing machine, she was approaching relatives and her neighbour desperately to get some money to buy another sewing machine, so she can serve more and earn more money but not able to manage it. While she was in search of capital she came know that ASA Pakistan is providing loan facilities on easy terms and conditions to help poor. She communicated with a loan officer of ASA and eventually applied for a loan and got approved a of Rs.15,000 loan for the first time. With that loan money she bought her second sewing machine. She gave that new machine to her daughter working with her. From that point she has purchased one machine each year and now owns a total of four machines which she gave to her sister in law and son (for gents clothing). Through training from her the whole family became engaged in the sewing activities and able to raise their monthly family income.

Today she is in 8th loan cycle and availed a total Rs: 199,000/- loan from 2011 till date and having very good track record of payments. Besides, she also started a training program at her home and providing trainings to some young ladies to enable them to start their own business. She also earning Rs. 500 per month from each trainee, now also planning to expand this training program more to generate more income.

Mrs. Safia has been able to set-up and run a business successfully with the supports of ASA Pakistan who provided her working capital and encouragement.



## ASA PAKISTAN

ASA Pakistan, is a growing microfinance institution primarily serving women micro-entrepreneurs and is an endorser of the SMART Campaign's Client Protection Principles. ASA Pakistan positively scored a 72% in the DWM/ACTIAM Impact Questionnaire, primarily owing to the company's target client base, tracking of progress out of poverty, its SDG driven portfolio, and its consistent monitoring and assessment of environmental impacts. ASA Pakistan is part of the ASA International group, which has been awarded a platinum rating (highest rating category) for social and environmental impact from the Global Impact Investing Rating System ("GIIRS") in 2014, 2015 and 2016.

ASA Pakistan places a significant emphasis on social and environmental policies. Internally, ASA Pakistan has a regular environmental assessment and includes clauses to mitigate social and environmental risks in its loan agreements.



## SOCIAL AND ENVIRONMENTAL POLICIES

ASA Pakistan places a significant emphasis on social and environmental policies. Internally, ASA Pakistan has a regular environmental assessment and includes clauses to mitigate social and environmental risks in its loan agreements.

The company attests to the following environmental compliance and policy frameworks:

- ASA Pakistan complies with all local environmental regulations
- ASA Pakistan regularly identifies enterprises that have an environmental risk
- ASA Pakistan includes specific clauses in each loan contract to mitigate social and environmental risks
- ASA Pakistan monitors clients to verify compliance with environmental policies
- ASA Pakistan raises client awareness about environmental impact
- ASA Pakistan trains clients regarding environmental improvements products

## FINANCING

ASA Pakistan is included in the Fund partly as a result of DWM and ACTIAM's recent efforts to add to the geographical reach of the fund. The Fund approved and disbursed a US \$3.33 mln senior loan with a tenor of 24 months in late 2017.

ASA   Pakistan	
2018	
1,847	Employees
270	Branches
US \$ 67 mln	Gross loan portfolio
US \$ 9.2 mln	Net income
US \$ 159.9 mln	Average loan size
DWM arranged a total transaction of:	
AIMF III Loan:	US \$ 3.3 mln

## 7. APPENDIX I: FUND RESPONSIBILITY AND IMPACT FRAMEWORK

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Responsibility is a key feature with regard to the business of ACTIAM. All portfolio MFIs should, at a minimum, comply with the ACTIAM Fundamental Investment Principles and should operate in line with applicable international standards.

The Fund does not only seek to realize an attractive financial return. It also aims to make socially responsible investments and contribute to fostering a dynamic microfinance sector in developing and emerging economies. In this respect both the Fund Manager and the Investment Manager have explicitly committed themselves to act in the microfinance industry on a socially responsible basis, which is manifested in their endorsement of the PIIF and the responsibilities that result from this endorsement.

The Fund builds on the experience of the Fund Manager and Investment Manager with the ACTIAM Institutional Microfinance Funds I and II. The responsibility and impact dimensions of microfinance have become increasingly important for investors, investees, governments, NGOs and the general public, represented by the media. This development has consequences for the social and impact standards that the Fund will apply to its Investments.

### 7.1 ENSURING RESPONSIBILITY

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To ensure the Fund makes socially responsible investments, each Fund Investment will be assessed on the basis of the Responsibility and Impact Framework as developed by the Fund Manager. The assessment will focus on the social policies, practices and performance of an MFI, including the social characteristics of the product and services offered by the MFI to its clients. The applicable social criteria contained within the Responsibility and Impact Framework are based on international standards and include but are not limited to issues such as:

- Human rights;
- International labour standards, including prohibitions on child labour and forced labour;
- Good governance and employment practices, including the prevention of corruption;
- Tax payment;
- Client protection;
- Transparency; and
- Accountability

### 7.2 GENERATING IMPACT

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In addition to ensuring the social responsibility of Investments, the Fund will explicitly take into account the economic and social impact a Fund Investment generates. In order to ensure that the Fund creates real and measurable impact, the Fund Manager has identified a number of key themes on which it aims to distinguish itself as a committed and responsible impact investor:

- Improving access to finance for low income people in developing and emerging economies;
- Enhancing MFI clients' capacity to manage their financial affairs in a responsible way;
- Prompting MFIs to improve the quality of their reporting on financial and nonfinancial performance according to generally agreed upon standards; and
- Prompting MFIs to increase their transparency and optimally protect the interests of their clients.

### 7.3 IMPLEMENTATION OF THE FUND RESPONSIBILITY AND IMPACT FRAMEWORK

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To qualify as a Fund Investment, each Investment Proposal must be approved by the Investment Committee. The Investment Committee uses an integrated approach to evaluate the quality of each Investment Proposal, in which it assesses both the financial aspects as well as the potential social impact of the investment. If there are significant discrepancies in the policies, practices or performance of the MFI from the standards of the Fund Manager, the management of the MFI will be required to commit to meeting those standards within a predefined period. These social standards include:

- Conformity with Universal Standards for Social Performance Management as developed by the Social Performance Task Force;
- Adherence to the Client Protection Principles as developed by the SMART Campaign; and
- Monitoring and reporting on financial and non-financial performance in line with the requirements as set by the Fund Manager, in order to test compliance with the Responsibility and Impact Framework.

After investments have been made, the Fund Manager will conduct annual monitoring of impact and responsibility-related issues based on input provided by the MFIs by way of the Investment Manager. This monitoring will include the composition of MFI's loan portfolios, compliance with the Fund's social criteria, measurement of positive and negative social and economic outputs, and whether or not social impact recommendations have been implemented by the MFIs.

The Fund uses the Impact Reporting and Investment Standards (IRIS) for data collection and reporting on the social performance and impact creation of the Fund. The IRIS indicators have been developed by the GIIN and contribute to the standardization of reporting.

## 8. APPENDIX II: OUTREACH CALCULATION

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For disbursements that occurred within the same outreach year the following calculation is applied:  
(Disbursement end of year- disbursement date)/365 days \* (disbursement amount/average exposure per borrower)

For instance: we disbursed a € 369,740 loan on January 31/2017 to MFI X with a final maturity on 3/31/2018 and with an average exposure per borrower of € 588. The calculation will then be as follows:

- $= (12/31/2017 - 1/31/2017) / 365 * (369.740 / 588)$
- $= 334 / 365 * (628)$
- = 575 borrowers reached in 2017

To make it even more specific, the investment manager applies the following 3 scenarios, incorporating repeat borrower rate.

If both the loan disbursement and the year of calculation (extensions/short term refinance) are within the same calendar year the calculation is as follows:

$[(\text{End of year of disbursement year} - \text{Disbursement date}) / 365] * [\text{Disbursed amount} / \text{Average exposure per borrower for the year}]$

If the loan is less than a year (disbursement and maturity year are the same) and also the disbursement year is different from the year of calculation (eliminating the first situation), then we take into account the borrower repeat rate (1- repeat borrower rate)

If the loan is greater than a year and also the disbursement year is different from the year of calculation (eliminating the first situation), then we can take into account the borrower repeat rate (1- repeat borrower rate).



## 9. DISCLAIMER

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