

# PRI REPORTING FRAMEWORK 2013/14

## Indirect – Inclusive Finance

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**UNEP Finance Initiative**  
Changing finance, financing change



**United Nations** Global Compact

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

# Understanding this document

In addition to the detailed indicator text and selection options, in each module of the PRI Reporting Framework you can find information that will help you to identify which indicators are relevant for your organisation.

## Top bar

Key information about each indicator is highlighted in the top bar, including the indicator status (mandatory or voluntary), the purpose of the indicator, and which PRI Principle it relates to.

xxx 01	Indicator status <b>MANDATORY</b>	Purpose <b>CORE ASSESSED</b>	Principle <b>PRI 2</b>
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## Indicator status

<b>MANDATORY</b>	Mandatory indicators reflect core practices. These responses will be made public and must be completed to submit the framework.
<b>MANDATORY TO REPORT VOLUNTARY TO DISCLOSE</b>	Some indicators are mandatory to complete, but voluntary to disclose. These indicators may determine which subsequent indicators are applicable or are used for peering, but may also contain commercially sensitive information.
<b>VOLUNTARY</b>	Voluntary indicators reflect alternative or advanced practices. These indicators are voluntary to report and disclose.

## Purpose

Gateway		The responses to this indicator 'unlock' other indicators within a module if they are relevant for your organisation. Please refer to the logic box for more information.
Peering		These indicators are used to determine your peer groups for assessment purposes.
Core assessed		These indicators form the core of the assessment, and represent the majority of your final assessment score.
Additional assessed		These indicators represent more advanced or alternative practices and contribute to a smaller part of your score.
Descriptive		These are open-ended narrative indicators, allowing you to describe your activities.

## Underneath the indicator

Underneath the indicator, you can find the explanatory notes and definitions that contain important information on interpreting and completing the indicators. Read the logic box to make sure an indicator is applicable to you.

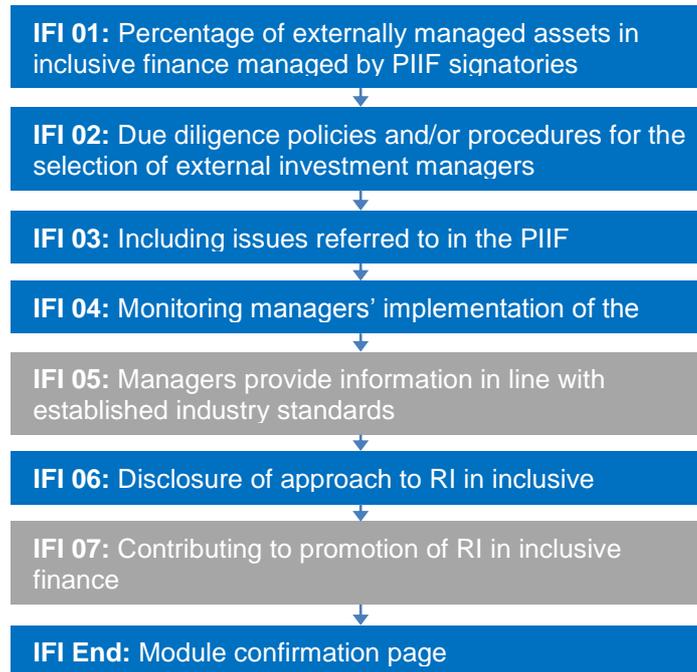
xxx 01	<b>EXPLANATORY NOTES</b>
xxx 01.1	This provides guidance on how to interpret the sub-indicators, including examples of what could be reported.
xxx 01.2	
<b>LOGIC</b>	
xxx 01	This explains when this indicator is applicable and/or if it has an impact on subsequent indicators. If there is no logic box, the indicator is always applicable, and does not affect other indicators.
<b>ASSESSMENT</b>	
xxx 01	This provides a brief overview of the pilot assessment approach for this indicator.

xxx 01	<b>DEFINITIONS</b>
xxx 01	Definitions of specific terms that are used in the indicator are defined here.

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## Pathways through the module



## Preface

This module relates to indirect investments in inclusive finance (i.e. where the investments are managed on your behalf by a third party).

Unless otherwise stated, assets refer exclusively to the percentage of your assets directly invested in inclusive finance. If you invest both directly and indirectly in inclusive finance, please report against the following indicators on the basis of your indirect investments only.

The indicators in this module follow from indicators in the *Indirect – Selection, Appointment and Monitoring of external managers (SAM)* module for indirect investors. Therefore if you have no specific or distinct policy with regards to your investments in inclusive finance, please indicate this in response to the following indicators wherever applicable to avoid having to repeat your responses.

Context

**SECTION**  
Context

<b>IFI 01</b>	Indicator status <b>MANDATORY TO REPORT VOLUNTARY TO DISCLOSE</b>	Purpose <b>DESCRIPTIVE</b>	Principle <b>GENERAL</b>
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<b>IFI 01</b>	<b>INDICATOR</b>	
<b>IFI 01.1</b>	Indicate approximately what percentage (+/-10%) of your externally managed assets in inclusive finance are managed by PIIF signatories.	
	<input type="radio"/> All	
	<input type="radio"/> Some	<input type="text"/> % of your total externally managed assets in inclusive finance
<b>IFI 01.2</b>	Additional information. [OPTIONAL]	

<b>IFI 01</b>	<b>EXPLANATORY NOTES</b>
<b>IFI 01.1</b>	These figures are used to reduce the scope for double counting of signatories' AUM for the purposes of PRI public communication. There is no value judgement on this percentage and it will not be used as part of the scoring/assessment methodology.

**SECTION**  
Selection

<b>IFI 02</b>	Indicator status <b>MANDATORY</b>	Purpose <b>CORE ASSESSED</b>	Principle <b>GENERAL</b>
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<b>IFI 02</b>	<b>INDICATOR</b>	
<b>IFI 02.1</b>	Indicate if you have due diligence policies and/or procedures in place for the selection of external investment managers in inclusive finance that take their approach to the following responsible investment issues (PIIF Principles) into account:	
	Actively supporting retail providers to innovate and expand the range of financial services available to low income people (Principle 1)	<input type="radio"/> Yes <input type="radio"/> No
	Integration of client protection in investment policies and practices (Principle 2)	<input type="radio"/> Yes <input type="radio"/> No
	Treating investees fairly with appropriate financing that meets demand, clear and balanced contracts, and fair processes for resolving disputes (Principle 3)	<input type="radio"/> Yes <input type="radio"/> No
	The inclusion of environmental, social and corporate governance (ESG) issues in investment policies and reporting (Principle 4)	<input type="radio"/> Yes <input type="radio"/> No
	Active promotion of transparency in all aspects (Principle 5)	<input type="radio"/> Yes <input type="radio"/> No
	Striving for a balanced long-term social and financial risk-adjusted return that recognises the interests of clients, retail providers and investors (Principle 6)	<input type="radio"/> Yes <input type="radio"/> No
	Collaborating to set harmonised investor standards that support the further development of inclusive finance (Principle 7)	<input type="radio"/> Yes <input type="radio"/> No
<b>IFI 02.2</b>	Additional information. [OPTIONAL]	

<b>IFI 02</b>	<b>EXPLANATORY NOTES</b>
<b>IFI 02</b>	It is recognised that no due diligence may have been undertaken since the PIIF came into existence and/or your organisation’s signature to the PIIF. In this instance, this indicator refers to whether you have processes or procedures in place to incorporate any of the above issues into future due diligence.
<b>IFI 02.1</b>	See <a href="http://www.unpri.org/areas-of-work/piif/">www.unpri.org/areas-of-work/piif/</a> for the text of the original Principles which contains possible actions for investors with regards to the above specific principles. Investment managers do not necessarily need to subscribe to the precise wording or possible actions, but to the spirit of the Principle, which could be evidenced in different ways. The module of the Reporting Framework for direct investors in inclusive finance (IFD) also provides indicators that may be useful when responding to this indicator.

Selection

ASSESSMENT	
<b>IFI 02</b>	Maximum score: Three ★ The assessment of this indicator is based on your responses to [02.1].

**SECTION**

## Contractual agreements and mandate design

<b>IFI 03</b>	Indicator status <b>MANDATORY</b>	Purpose <b>CORE ASSESSED</b>	Principle <b>GENERAL</b>
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<b>IFI 03</b>	<b>INDICATOR</b>		
<b>IFI 03.1</b>	When agreeing contracts and designing mandates with investment managers, in the process, indicate if you consider including the following issues referred to in the PIIF:		
	Actively supporting retail providers to innovate and expand the range of financial services to low-income people (Principle 1)	<input type="radio"/> Yes	<input type="radio"/> No
	<b>Describe and indicate how.</b>		
	Integration of client protection in investment policies and practices (Principle 2)	<input type="radio"/> Yes	<input type="radio"/> No
	<b>Describe and indicate how.</b>		
	Treating investees fairly with appropriate financing needs that meets demand, clear and balanced contracts and fair processes for resolving disputes (Principle 3)	<input type="radio"/> Yes	<input type="radio"/> No
	<b>Describe and indicate how.</b>		
	The inclusion of ESG issues in investment policies and reporting (Principle 4)	<input type="radio"/> Yes	<input type="radio"/> No
<b>Describe and indicate how.</b>			
Active promotion of transparency in all aspects (Principle 5)	<input type="radio"/> Yes	<input type="radio"/> No	
<b>Describe and indicate how.</b>			
Striving for a balanced long-term social and financial risk-adjusted return that recognises the interests of clients, retail providers and investors (Principle 6)	<input type="radio"/> Yes	<input type="radio"/> No	
<b>Describe and indicate how.</b>			
Collaborating to set harmonised investor standards that support the further development of inclusive finance (Principle 7)	<input type="radio"/> Yes	<input type="radio"/> No	
<b>Describe and indicate how.</b>			
<b>IFI 03.2</b>	Additional information. <b>[OPTIONAL]</b>		

IFI 03	EXPLANATORY NOTES
IFI 03	<p>It is recognised that existing contracts and mandates may predate the existence of the PIIF and/or your organisation's signature to the PIIF. In this instance, this indicator refers to whether you have processes or procedures in place to incorporate any of the above issues into future contracts and mandates.</p> <p>One way for indirect investor signatories to take the PIIF principles into account is to ensure that investment managers are signatories to the PIIF. There are many other ways to demonstrate commitment to individual principles when selecting investment managers. Below are further examples of possible actions investment managers can take, aligned with the Principles, which provide further suggestions.</p> <p>See the Inclusive Finance Direct (IFD) module of the Reporting Framework for examples of policies and procedures that direct investors may incorporate in relation to the seven principles. You could also refer to any third party verification of these elements, where appropriate. This could take the form of references, external audits or ratings.</p> <p><b>PIIF Principle 1:</b> Expand range of financial services to low-income people. Possible actions: Encourage retail providers to develop innovative products tailored to the needs of low-income clients, and to expand their service offerings to more remote areas and more vulnerable populations.</p> <p><b>PIIF Principle 2:</b> Client protection in investment policies and practices. Possible actions:</p> <ul style="list-style-type: none"> <li>• Incorporate the Client Protection Principles into investment policies, due diligence processes and financing or shareholder agreements where possible;</li> <li>• Check progress on implementation of the Client Protection Principles through mandatory reporting and regular monitoring and evaluation;</li> </ul> <p>Report on progress made in advancing the Client Protection Principles to investors and other stakeholders.</p> <p><b>PIIF Principle 3:</b> Treating investees fairly. Possible actions:</p> <ul style="list-style-type: none"> <li>• Provide financing in an appropriate currency and with an adequate tenor;</li> </ul> <p>Focus on ultimate clients' interests when dealing with defaults, forced exit or restructuring situations.</p> <p><b>PIIF Principle 4:</b> Inclusion of ESG issues in investment policies and reporting. Possible actions:</p> <ul style="list-style-type: none"> <li>• Use the Social Performance Task Force standards and tools, such as the Universal Standards for Social Performance Management, to measure and report on social performance;</li> <li>• Assist in developing appropriate references for environmental and corporate governance issues;</li> </ul> <p>Promote implementation of anti-corruption practices.</p> <p><b>PIIF Principle 5:</b> Active promotion of transparency. Possible actions:</p> <ul style="list-style-type: none"> <li>• Ensure that investees adequately disclose the pricing, terms and conditions of financial products and services offered, and that the pricing, terms and conditions are understood by clients;</li> <li>• Fully disclose investment objectives, both financial and social, to investors;</li> </ul> <p>Endorse MFTransparency, a global initiative for fair and transparent pricing in the microfinance industry.</p> <p><b>PIIF Principle 6:</b> Balanced long-term social and financial risk-adjusted return. Possible actions:</p> <ul style="list-style-type: none"> <li>• Exercise voting rights when available;</li> </ul>

## Contractual agreements and mandate design

	<p>When investing in equity, engage with investees to achieve a reasonable and fair alignment between the social impact and the financial return requirements of shareholders; i.e. focusing on the long-term.</p> <p><b>PIIF Principle 7:</b> Support the further development of inclusive finance. Possible actions:</p> <ul style="list-style-type: none"><li>• Participate in networks to share tools, information and resources;</li></ul> <p>Develop and support appropriate collaborative initiatives.</p>
<b>ASSESSMENT</b>	
<b>IFI 03</b>	<p>Maximum score: Three ★</p> <p>The assessment of this indicator is based on your responses to [03.1].</p>

SECTION

Investment manager monitoring and reporting

IFI 04	Indicator status <b>MANDATORY</b>	Purpose <b>CORE ASSESSED</b>	Principle <b>GENERAL</b>
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IFI 04	INDICATOR
IFI 04.1	Indicate if you monitor your current investment managers' implementation of the PIIF principles.
	<input type="radio"/> Yes <input type="radio"/> No
IFI 04.2	Indicate the frequency of reporting you typically require.
	<input type="radio"/> Annually or more frequently
	<input type="radio"/> Every two years or less
	<input type="radio"/> Ad-hoc, specify _____
IFI 04.3	Additional information. [OPTIONAL]

IFI 04	EXPLANATORY NOTES
IFI 04.3	If applicable, provide examples of the areas prioritised in monitoring investment managers' implementation.
<b>LOGIC</b>	
IFI 04	[04.2] will be applicable if 'Yes' is reported in [04.1].
<b>ASSESSMENT</b>	
IFI 04	Maximum score: Three ★ The assessment of this indicator is based on your responses to [04.1 & 04.2].

SECTION  
Disclosure

IFI 05	Indicator status VOLUNTARY	Purpose ADDITIONAL ASSESSED	Principle GENERAL
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IFI 05	INDICATOR
IFI 05.1	Indicate if you require your investment managers to provide you with information in line with established industry standards.
	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p style="text-align: center;"><input type="radio"/> Yes</p> <p style="text-align: center;"><input type="radio"/> No</p> </div> <div style="width: 50%;"> <p><input type="checkbox"/> The MIV Disclosure Guidelines</p> <p><input type="checkbox"/> The Impact Reporting &amp; Investment Standards (IRIS)</p> <p><input type="checkbox"/> Principles for Investors in Inclusive Finance (PIIF)</p> <p><input type="checkbox"/> Other, specify _____</p> </div> </div>
IFI 05.2	Describe the indicators prioritised and the percentage of your assets this applies to.
IFI 05.3	Additional information.

IFI 05	EXPLANATORY NOTES
IFI 05.1	<p>The MIV Disclosure Guidelines provide a set of standardised indicators against which microfinance investment institutions / vehicles (see Appendix 2 for definitions and guidance) can disclose. Disclosure includes information on MIVs' profiles, including legal information, investment strategy, selected indicators to assess financial performance and ESG policies. For the full set of MIV Disclosure Guidelines, see <a href="http://www.cgap.org/gm/document-1.9.47636/CG_MIV_Rev.pdf">www.cgap.org/gm/document-1.9.47636/CG_MIV_Rev.pdf</a>.</p> <p>Impact Reporting &amp; Investment Standards (IRIS) is a common language for describing the social and environmental performance of an organisation. IRIS provides an independent and credible set of metrics for organisations to use when reporting their impact. IRIS indicators span an array of performance objectives and include specialised metrics for a range of sectors including financial services: <a href="http://iris.thegiin.org/">http://iris.thegiin.org/</a></p>
<b>LOGIC</b>	
IFI 05	<p>Within indicator:</p> <p>[05.2] will be applicable if 'Yes' is reported in [05.1].</p>
<b>ASSESSMENT</b>	
IFI 05	<p>Maximum score: Three ★</p> <p>The assessment of this indicator is based on your responses to [05.1].</p>

Disclosure

IFI 06	Indicator status <b>MANDATORY</b>	Purpose <b>CORE ASSESSED</b>	Principle <b>GENERAL</b>
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IFI 06	INDICATOR
<b>IFI 06.1</b>	<p>Indicate if your organisation proactively discloses any information about your approach to responsible investment in inclusive finance.</p> <p> <input type="radio"/> Yes, we disclose publicly, provide URL: _____  <input type="radio"/> Yes, we disclose to clients/beneficiaries only  <input type="radio"/> No                 </p>
	<p>Additional information.</p> <p>[OPTIONAL]</p>

IFI 06	EXPLANATORY NOTES
<b>IFI 06</b>	<p>The purpose of this indicator is to allow signatories to demonstrate how widely they make information about their inclusive finance activities available. Information provided to certain groups – such as pension fund beneficiaries – may in practice be in the public domain. However, deliberate reporting to the public at large is treated here as a separate category of communication.</p> <p>Proactively means beyond the publication of your responses to the PRI Reporting Framework on the PRI website. This can be information on your own website, annual report, newsletter, etc. which may include the information from the PRI Reporting Framework, in full, a selection or as a link. It may also be information proactively given to clients using any form judged most appropriate.</p>
<b>ASSESSMENT</b>	
<b>IFI 06</b>	<p>Maximum score: Three ★</p> <p>The assessment of this indicator is based on your responses to [06.1].</p>

Disclosure

<b>IFI 07</b>	Indicator status <b>VOLUNTARY</b>	Purpose <b>DESCRIPTIVE</b>	Principle <b>GENERAL</b>
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<b>IFI 07</b>	<b>INDICATOR</b>
<b>IFI 07.1</b>	<p>Indicate if you contributed to the promotion of responsible investment in inclusive finance in the reporting year, beyond investment manager selection, appointment, monitoring and reporting.</p> <p style="text-align: center;"><input type="radio"/> Yes <span style="margin-left: 200px;"><input type="radio"/> No</span></p>
<b>IFI 07.2</b>	<p>Describe what actions you have taken and if these are delivered via a separate entity.</p>
<b>IFI 07.3</b>	<p>Additional information.</p>

<b>IFI 07</b>	<b>EXPLANATORY NOTES</b>
<b>IFI 07.1</b>	<p>Promotion of responsible investment can include support for non-investment activities, such as grants, patient capital or non-financial resources to support technical assistance programmes or exploration of financial services other than credit. It could also include promotion of / additional engagement in initiatives such as the PIIF, the Client Protection Principles / the Smart Campaign; MFTransparency; the Social Performance Task Force or your own specific responsible investment in inclusive finance initiative. Promotion beyond investment manager appointment, monitoring and reporting could include participation in conferences, panels, seminars or industry groups regarding raising awareness about responsible investment in inclusive finance.</p>
<b>IFI 07.2</b>	<p>For example, a foundation or other distinct but connected entity.</p>
<b>LOGIC</b>	
<b>IFI 07</b>	<p>[07.2] will be applicable if 'Yes' is reported in [07.1].</p>