

Investors in inclusive finance demonstrate a strong commitment to responsible investment

LONDON, 27 February 2013 - New insights into fund managers' commitments to responsible investment in inclusive finance are available in a new report released today by CGAP and the UN-backed PRI Initiative's Principles for Investors in Inclusive Finance (PIIF).

Investment manager signatories, who between them manage US\$ 6.5bn of the estimated US\$ 14bn of foreign capital investment in inclusive finance, took part in the voluntary pilot of the PRI's new Reporting Framework in 2012.¹ The aggregated results of this exercise are published today in a report, PIIF Signatories' Report on Progress. Fund managers reported on a number of indicators based on the possible actions accompanying the [seven PIIF Principles](#).

Highlights from the responses include:

- All participants have endorsed the Client Protection Principles, a set of pro-client codes of conduct and practices that together form the minimum standards that clients should expect to receive when doing business with a microfinance institution. The majority report that they are incorporating these into their policies and practices.
- Most participants' investment decision-making takes into account the social performance of investees, but staff incentives (monetary or otherwise) are not always linked to social performance.
- Fund managers report a high commitment to investing in microfinance institutions that offer a range of financial services; just over half collect data on the proportion of the retail providers in which they invest that provide financial products beyond credit; on average, 48% provide savings and 44% offer insurance.
- Nearly 90% report a procedure to integrate environmental issues into their investment decision making.
- Active involvement in corporate governance is mixed; on average, equity investors report having board seats with half of their investees.

¹ Based on unpublished CGAP data of cross-border guarantees, debt and equity investments.

The report is based on 15 voluntary responses to the direct investor supplement of the PRI Reporting Framework received between June and August 2012. The Framework is intended to increase transparency and accountability about responsible investment practices and processes, which in turn encourages stronger dialogue between direct and indirect investors. It will launch in October 2013, when individual assessments of signatories will also be piloted, for private use by participants to help them identify areas of strength and weakness compared to peers. The primary aim of the pilot was for investors to test the indicators, but aggregated, anonymised information resulting from this exercise has been published by the PRI Initiative, with support from CGAP, to enable investors to assess trends in advance of the formal launch. CGAP supported the creation of the PIIF in January 2011 alongside the PRI Initiative, where the PIIF is housed. CGAP promotes transparency and accountability to improve performance along the chain of microfinance investment.

Notes

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About the Principles for Investors in Inclusive Finance

The Principles for Investors in Inclusive Finance (PIIF) provide a framework for responsible investment in inclusive finance. As of February 2013 there were 51 PIIF signatories, mainly private institutional investors (15 asset owners and 36 investment managers), across 11 different countries, managing an estimated US\$ 9bn. More information, including the full list of signatories, is available at www.unpri.org/piif

About CGAP

CGAP is an independent policy and research center dedicated to advancing financial access for the world's poor. It is supported by over 30 development agencies and private foundations who share a common mission to alleviate poverty. Housed at the World Bank, CGAP provides market intelligence, promotes standards, develops innovative solutions and offers advisory services to governments, microfinance providers, donors and investors. More information: www.cgap.org