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• Using industry tools to measure social performance of our partners

PART I – Our portfolio partners’ social performance

• Portfolio performance and benchmarking against global market

• Progress from 2016

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• Measuring results on our social mission

• Evolution since 2016
Introduction:
Assessment Methodology
The social performance of our partners evaluated by using the “Universal Standards”.

Social Performance evaluates an organization’s effectiveness in achieving its stated social goals and create value for clients.

Responsible Inclusive Finance means delivering financial services in a transparent, fair and safe way, so they are the most likely to generate benefits for poor clients.

Since 2012, the microfinance industry has agreed on a set of best management practices that lead to strong SPM. These practices form the Universal Standards for Social Performance Management (“the Universal Standards”).

Developed through broad consultation, the Universal Standards reflect current best practice. By allowing for evaluation and comparative analysis, they push practitioners toward better performance.

The Foundation has largely contributed to this work and applies the analysis since its beginning.
The six dimensions cover 19 globally recognized Standards

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<thead>
<tr>
<th>Dimension 1: DEFINE AND MONITOR SOCIAL GOALS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a) Social strategy</td>
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<td>1b) Reporting of client-level data</td>
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<tr>
<td>2a) Board accountability</td>
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<td>2b) Senior management accountability</td>
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<td>2c) Staff accountability</td>
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<th>Dimension 3: PRODUCTS FOR CLIENTS’ NEED/PREFERENCES</th>
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<tr>
<td>3a) Clients needs and preferences</td>
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<td>3b) Benefits to clients</td>
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<table>
<thead>
<tr>
<th>Dimension 4: TREAT CLIENTS RESPONSIBLY</th>
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<tbody>
<tr>
<td>4a) Prevention of over-indebtedness</td>
</tr>
<tr>
<td>4b) Transparency</td>
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<tr>
<td>4c) Fair and respectful treatment of clients</td>
</tr>
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<td>4d) Privacy of client data</td>
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<tr>
<td>4e) Mechanisms for complaint resolution</td>
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<thead>
<tr>
<th>Dimension 5: TREAT EMPLOYEES RESPONSIBLY</th>
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<tr>
<td>5a) HR policy</td>
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<tr>
<td>5b) Communication of terms of employment</td>
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<td>5c) Employee satisfaction</td>
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<tr>
<th>Dimension 6: BALANCE FINANCIAL AND SOCIAL PERFORMANCE</th>
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</thead>
<tbody>
<tr>
<td>6a) Growth rates</td>
</tr>
<tr>
<td>6b) Alignment of objectives</td>
</tr>
<tr>
<td>6c) Profits</td>
</tr>
<tr>
<td>6d) Compensation</td>
</tr>
</tbody>
</table>
Social Performance of our Partners
Progress from 2016
Our portfolio partners rank again above benchmark in all six dimensions and improved their global scoring (+ 6%)

Global SCORE
GCAMF PORTFOLIO: 69% (2016: 63%)
BENCHMARK: 58% (2016: 57%)

**BENCHMARK:**
* Only highest quality audits taken into account (by experienced auditors + 100% complete + include comments to justify scoring).
** Latin America and Europe audits excluded from the sample.
Global benchmarks: GCAMF database = 46; CERISE database = 135
Reminder 2016 “areas for improvement”: West Africa, Social Goals in Tier 1 and Tier 2

**Areas for improvement**

- Performance of Sub-Saharan Africa is due to East Africa.
- **West Africa** below benchmark for dimension 2 (governance), 3 (product adaption) and 6 (balancing financial and social objectives).

- **Tier 2** partners’ social performance globally just at benchmark

- **Tier 1** partners globally at or below benchmark

- Main area for improvement is defining and monitoring of Social Goals
Reminder 2016: Introduction of Social Performance Requirements for new Partners

Social Performance Management

- **Strengthen our partner selection** based on social performance through the implementation of social covenants and performance targets

  - Global Social Performance score (All six dimensions)
    - TIER 1 > 50%
    - TIER 2 > 45%
    - TIER 3 > 40%

  - Client Protection score (dimension 4)
    - TIER 1 > 70%
    - TIER 2 > 60%
    - TIER 3 > 50%

  - Prevention of over-indebtedness
    - TIER 1 > 70%
    - TIER 2 > 50%
    - TIER 3 > 50%

- **Monitor the poverty level** of our partners’ clients and their social outcomes
- **Offer Technical Assistance** missions to reinforce social performance

End clients focus

- Introduce specific **funding products for agriculture**
- Focus on **vulnerable clients**, such as **refugees** (project in partnership with the UNHCR)
Achievements in 2017

GCAMF vs benchmark by region: West Africa

GCAMF vs benchmark by size: Tier 2 - MFI – 10M<GLP<100M

Details of achievements

- **Global**: from average to underperformance in 2016 for West Africa and Tier 2 and Tier 1 we achieved over performance in all areas in 2017 (only exception Products Design for Tier 1)
- **Strongest performance**: client protection (D4) but also social targeting (D1) and commitment (D2)
- **West Africa**: focused partner selection allowed to achieve a portfolio performance above benchmark across all 6 dimensions
- **Tier 1**: New Tier 1 partners selected in 2017 based on their definition and monitoring of clearly stated social goals allowed to reverse the performance of this group from clearly below to above average
Focus 1: Dimension 5 Treat Employees Responsibly

**Rationale:** How employees are treated by the financial institution has a huge impact on how those employees treat the institution’s clients. Dimension 5 focuses on how an institution can create a fair, safe, and supportive working environment and ensures that employees are protected, trained, and motivated.

**Dimension 5 – Treat employees Responsibly**

- GCAMF (N=46): 74%
- CERISE Database (N=135): 66%

**Outperformance especially in Employee satisfaction:** 34% above benchmark

**Dimension 5 by Tier**

- Tier 1: GCAMF: 87%, CERISE Database: 80%
- Tier 2: GCAMF: 79%, CERISE Database: 71%
- Tier 3: GCAMF: 70%, CERISE Database: 60%

**Standard A - HR Policy**

**Standard B - Communication of terms of employment**

**Standard C - Employee satisfaction**

- GCAMF (N=46)
- CERISE Database (N=135)
Focus 2: Social Performance Tier 3

**GCAMF defines a Tier 3 institution as an MFI whose GLP < 10 k EUR**

<table>
<thead>
<tr>
<th>SPI4-ALINUS average score by dimension</th>
<th>GCAMF portfolio Tier 3</th>
<th>CERISE database Tier 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of audits</td>
<td>28</td>
<td>79</td>
</tr>
<tr>
<td>DIM 1: DEFINE AND MONITOR SOCIAL GOALS</td>
<td>68%</td>
<td>52%</td>
</tr>
<tr>
<td>DIM 2: COMMITMENT TO SOCIAL GOALS</td>
<td>59%</td>
<td>45%</td>
</tr>
<tr>
<td>DIM 3: PRODUCTS THAT MEET CLIENTS’ NEEDS &amp; PREFERENCES</td>
<td>63%</td>
<td>49%</td>
</tr>
<tr>
<td>DIM 4: TREAT CLIENTS RESPONSIBLY</td>
<td>75%</td>
<td>57%</td>
</tr>
<tr>
<td>DIM 5: TREAT EMPLOYEES RESPONSIBLY</td>
<td>70%</td>
<td>60%</td>
</tr>
<tr>
<td>DIM 6: BALANCE FINANCIAL AND SOCIAL PERFORMANCE</td>
<td>60%</td>
<td>57%</td>
</tr>
<tr>
<td>Total</td>
<td>66%</td>
<td>53%</td>
</tr>
</tbody>
</table>

**Details of performance**

- Tier 3 main focus of the Foundation activity. The careful selection of socially oriented and responsible partners has allowed to achieve this strong over performance of our portfolio.

- Strongest areas of improvement from 2017: Confirmation of high client centricity: adaptation of products and services and client protection.

- Dimension 6 on growth rates, compensation and profit share most challenging for small MFIs.
Focus 2: Social Performance Tier 3

Tier 3 – GCAF and Benchmark Results by Standard

**DIM 1**
DEFINE AND MONITOR SOCIAL GOALS
- 1A- Social strategy: 77.4%
- 1B- Reporting of client-level data: 58.0%

**DIM 2**
COMMITMENT TO SOCIAL GOALS
- 2A- Board accountability: 51.7%
- 2B- Senior management accountability: 57.5%
- 2C- Staff accountability: 67.7%

**DIM 3**
PRODUCTS THAT MEET CLIENTS’ NEEDS AND PREFERENCES
- 3A- Client needs and preferences: 63.8%
- 3B- Benefits to clients: 62.0%

**DIM 4**
TREAT CLIENTS RESPONSIBLY
- 4A- Prevention of over-indebtedness: 77.3%
- 4B- Transparency: 81.6%
- 4C- Fair and Respectful Treatment of Clients: 67.4%
- 4D- Privacy of Client Data: 75.4%

**DIM 5**
TREAT EMPLOYEES RESPONSIBLY
- 5A- HR policy: 71.0%
- 5B- Communication of terms of employment: 83.4%
- 5C- Employee satisfaction: 59.0%

**DIM 6**
BALANCE FINANCIAL AND SOCIAL PERFORMANCE
- 6A- Growth rates: 68.9%
- 6B- Alignment of objectives: 66.1%
- 6C- Profits: 80.6%
- 6D- Compensation: 25.4%

Full line = GCA score
Red dot = Cerise benchmark
## Responsible Pricing – where do we stand in 2017?

<table>
<thead>
<tr>
<th>Our objectives</th>
<th>Our achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce interest rates charged to end clients</td>
<td>• Interest level to end clients is a <strong>social selection criteria</strong> in all investment decisions</td>
</tr>
<tr>
<td>Prioritize MFIs who work on lowering interest rates to their clients</td>
<td>• <strong>48%</strong> of our partners have a <strong>difference between interest rate charged and cost of funding below 20%</strong> (+9 pp vs. 2016).</td>
</tr>
<tr>
<td></td>
<td>• <strong>32%</strong> of our partners with a <strong>gap between 20% and 30%</strong> (stable vs. 2016)</td>
</tr>
<tr>
<td></td>
<td>• We substantially reduced the proportion of partners with a differential of <strong>&gt;30%</strong> (-11 pp). Moreover we systematically ask for mitigating aspects.</td>
</tr>
</tbody>
</table>

### APR – Highest borrowing rate

- **20%** APR- highest borrowing interest >30%
- **48%** APR- highest borrowing interest <20%
- **32%** APR- highest borrowing interest between 20%-30%
Highest over-performance – our key strengths in 2017

• 5 out of our partners’ 10 strongest indicators in Dimension 4 (Treat clients responsibly / client protection)

• Strongest indicator: managing of complaints (+32 pp above benchmark)

• We significantly outperform the benchmark when it comes to ensure that our partners have measurable indicators for each social goal (+27 pp)

• Our partners have boards strongly committed to Social Performance, taking corrective actions when social targets are not met (+27pp).
Areas for further improvement

Green Index (Dim 7) : environmental performance in Microfinance

<table>
<thead>
<tr>
<th>Green Index</th>
<th>Average score Cerise-SPi4 database (N=135)</th>
<th>Average score GCAMF (N=46)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7B- Managing internal environmental risks</td>
<td>48%</td>
<td>35%</td>
</tr>
<tr>
<td>7C- Managing external environmental risks</td>
<td>28%</td>
<td>19%</td>
</tr>
<tr>
<td>7D- The provider fosters green opportunities</td>
<td>22%</td>
<td>21%</td>
</tr>
</tbody>
</table>

The use of Green Index is mandatory for all social audits conducted by the Foundation

Comments and rationale

- Green Index is the only dimension where our portfolio underperforms the benchmark in 2017

Rationale:
- Green Index is still an optional dimension for the SPI Evaluation
- Therefore, institutions reporting on it are generally good « green performers ».
- Hence, the average of the benchmark is higher.

First analysis:
- Organizations who evaluate their environmental practices present higher SPI scores than their non reporting peers
SOCIAL MISSION
Achievements in 2014-2018 Strategy
### People: rural populations, women and low income customers

#### 2016 – 2017

<table>
<thead>
<tr>
<th>Our objectives</th>
<th>Our achievements</th>
</tr>
</thead>
</table>
| Prioritize MFIs targeting poor and vulnerable clients     | • GCAMF continues to **target poor and vulnerable clients** as a priority  
• Greater proportion of rural clients reached in MENA and ECA  
• Average loan balance 548 €; increase in MENA but reduction in target regions Africa and SEA |
| Focus on women and rural populations                     | **76% of women clients in 2017**                                                                                                           |

#### Average loan balance of MFI partners by region (in EUR)

- **Sub-Saharian Africa**  
  - 2016: $489, $455  
  - 2017: $531, $446  
- **South-East Asia**  
  - 2016: $816, $921  
  - 2017: $1,123  
- **MENA**  
  - 2016: $2,532  
  - 2017: $2,532

#### Proportion of rural clients by area (% of active borrowers)

- **Sub-Saharian Africa**  
  - 2016: 68%  
  - 2017: 68%  
- **South-East Asia**  
  - 2016: 88%  
  - 2017: 88%  
- **Europe and Central Asia**  
  - 2016: 68%  
  - 2017: 74%  
- **MENA**  
  - 2016: 25%  
  - 2017: 54%

#### Proportion of women clients by area (% of active borrowers)

- **Sub-Saharian Africa**  
  - 2016: 77%  
  - 2017: 89%  
- **South-East Asia**  
  - 2016: 89%  
  - 2017: 85%  
- **Europe and Central Asia**  
  - 2016: 43%  
  - 2017: 55%  
- **MENA**  
  - 2016: 81%  
  - 2017: 36%
Partners: MFI with limited access to funding (Tier 3)
2016 – 2017

Evolution of portfolio by size of MFI
(% of commitments)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Tier 1 (OLB &gt; 100 M USD)</th>
<th>Tier 2 (10 M USD &lt; OLB &lt; 100 M USD)</th>
<th>Tier 3 (OLB &lt; 10 M USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 2016</td>
<td>33%</td>
<td>39%</td>
<td>28%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>38%</td>
<td>37%</td>
<td>25%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>32%</td>
<td>45%</td>
<td>24%</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>28%</td>
<td>51%</td>
<td>21%</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>22%</td>
<td>53%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Portfolio by size and region
(% of commitments)

<table>
<thead>
<tr>
<th>Region</th>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Tier 3</th>
<th>(vide)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEA</td>
<td>47%</td>
<td>51%</td>
<td>3%</td>
<td>56%</td>
</tr>
<tr>
<td>West Africa</td>
<td>30%</td>
<td>44%</td>
<td>58%</td>
<td>44%</td>
</tr>
<tr>
<td>East Africa</td>
<td>23%</td>
<td>44%</td>
<td>58%</td>
<td>14%</td>
</tr>
<tr>
<td>ECA</td>
<td>18%</td>
<td>58%</td>
<td>14%</td>
<td>68%</td>
</tr>
<tr>
<td>MENA</td>
<td>44%</td>
<td>44%</td>
<td>56%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Our objectives
Focus our funding on Tier 3 institutions

Our results
• Tier 3 institutions represent 22% of our commitments as of Q4 2017. Proportion is gradually decreasing throughout the year 2017, to the benefit of Tier 2.
• Tier 1 stable in % of total commitments.
• Highest proportion of Tier 3 partners in East Africa (58%) and West Africa (44%)
Countries: poorest countries with priority Sub-Saharan Africa
2016 – 2017

<table>
<thead>
<tr>
<th>Portfolio by area (% of commitments)</th>
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<tr>
<td>Q4 2016</td>
</tr>
<tr>
<td>SEA</td>
</tr>
<tr>
<td>37%</td>
</tr>
<tr>
<td>24%</td>
</tr>
<tr>
<td>19%</td>
</tr>
<tr>
<td>13%</td>
</tr>
<tr>
<td>7%</td>
</tr>
</tbody>
</table>

Our objectives

Focus: Sub-Saharan Africa (SSA)
- Half of our partners are Sub-Saharan Africa MFIs
- West Africa represents 24% of our portfolio in 2017 and is particularly stable.
- However, proportion of East and West Africa in total commitments – 8%

Focus: Poorest countries
- LDC represent 35% of total commitments (vs 48% in 2016)

Portfolios in least developed countries

<table>
<thead>
<tr>
<th>Benin</th>
<th>Cambodia</th>
<th>Burkina Faso</th>
<th>DRC</th>
<th>Mali</th>
<th>Myanmar</th>
<th>Senegal</th>
<th>Togo</th>
</tr>
</thead>
<tbody>
<tr>
<td>34%</td>
<td>6%</td>
<td>2%</td>
<td>8%</td>
<td>25%</td>
<td>8%</td>
<td>2%</td>
<td>8%</td>
</tr>
</tbody>
</table>

MFIs by region in 2017 (N=57)

- Sub-Saharan Africa
- South-East Asia
- Europe and Central Asia
- MENA

Portfolio by area (% of commitments)

- SEA
- West Africa
- East Africa
- ECA
- MENA
Products: Local currency with limited access to funding
2016 – 2017

Our objectives

Responsible product offer to our investees

Our results

• 72% of our funding is provided in local currencies
• Increase of loans in USD due to development of operations in “dollarized countries” (Cambodia, Palestine, Georgia)

Local currency funding

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local currency</td>
<td>77%</td>
<td>72%</td>
</tr>
<tr>
<td>Hard currency</td>
<td>23%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Commitments per currency

2016

- XOF
- USD
- KES
- IDR
- KHR
- LKR
- USD
- JOD
- EUR
- Other local currencies

2017

- XOF
- USD
- KES
- IDR
- KHR
- LKR
- USD
- JOD
- EUR
- Other local currencies
Achieving the Social Mission while managing our risk carefully

Does Social Performance come at a cost to financial performance?

- Our belief is that good social performance management will have a positive outcome on financial stability and crisis resistance – but empirical evidence is yet to be developed.

- Current analysis can only look at static statistical observation: the majority of our partners have above average FPI and high SP, and high SP scores do not indicate lower FP.

- We will monitor the evolution of FP over time in relation to SPI to provide better evidence.
Our partners – TOP Performers in SPM

10 top ALINUS positions by regions and by Tiers

- ENCOT: Tier 1, 87%
- Musoni: Tier 1, 82%
- Asian Credit Fund: Tier 2, 86%
- Humo: Tier 2, 83%
- KMF: Tier 1, 90%
- OXUS Kirghizistan: Tier 2, 89%
- OXUS Tadjikistan: Tier 2, 87%
- AMK: Tier 1, 86%
- LOLC Cambodia: Tier 3, 93%
- LOMC: Tier 3, 85%

Who are our top SPM performers?

- No MFIs from West Africa and MENA in top 10 SPM performers
- 2 Tier 3 in East Africa are among best performers against 4 Tier 2 and 4 Tier 1
- 8 out of 10 of the top performers have above average financial performance

<table>
<thead>
<tr>
<th>MFI</th>
<th>FPI 2017</th>
<th>Performance compared to average (2/4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENCOT</td>
<td>2,5</td>
<td>ABOVE</td>
</tr>
<tr>
<td>Musoni</td>
<td>2,9</td>
<td>ABOVE</td>
</tr>
<tr>
<td>Asian Credit Fund</td>
<td>3,7</td>
<td>ABOVE</td>
</tr>
<tr>
<td>Humo</td>
<td>2,9</td>
<td>ABOVE</td>
</tr>
<tr>
<td>KMF</td>
<td>2,9</td>
<td>ABOVE</td>
</tr>
<tr>
<td>Oxus Kirghizistan</td>
<td>3</td>
<td>ABOVE</td>
</tr>
<tr>
<td>Oxus Tadjikistan</td>
<td>0,8</td>
<td>BELOW</td>
</tr>
<tr>
<td>AMK</td>
<td>3,4</td>
<td>ABOVE</td>
</tr>
<tr>
<td>LOLC Cambodia</td>
<td>3,5</td>
<td>ABOVE</td>
</tr>
<tr>
<td>LOMC</td>
<td>1</td>
<td>BELOW</td>
</tr>
</tbody>
</table>
An engaged actor for a shared economy