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BlueOrchard
Impact Investment Managers

Social Performance Report

15 years of impact





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15 YEARS OF IMPACT



Dr. Patrick Scheurle

The year 2016 marks the 15th anniversary of the inception of BlueOrchard as the first commercial investment manager in the field of microfinance. Once a tiny, fringe sector known only to a few, microfinance has now become a household name – so much, in fact, that it has taken on a new nomenclature, and is now often referred to as inclusive finance, the largest sub-sector in the USD 60bn+ impact investment field.

The past decade and a half have brought tremendous changes in this ever-dynamic field. There has been exponential growth in the sector, with many millions more clients being reached across virtually all regions in the developing world. Product and service offerings have been expanded considerably, as many microfinance institutions have moved well beyond their credit-only roots to offer savings and insurance products that provide safety and security to their clients. Today, nearly three quarters of the MFIs financed by BlueOrchard funds offer savings in addition to lending products. A considerable number have also developed specific loan products for the financing of products like solar panels, biodigesters and clean cooking stoves, demonstrating how microfinance providers can address environmental objectives alongside social and economic goals. Moreover, mobile banking technology has emerged as an exceptionally effective tool to help reach ever more poor clients in remote regions.

At its core, microfinance, and related areas of impact investing more broadly, are about providing opportunities to the working poor to improve their lives. This 15-year milestone thus provides an excellent occasion for us at BlueOrchard to reflect on the achievements we have had and the lessons we have learned along the way as we have worked to provide such opportunities. In the pages that follow, we will look at how our company, our investees and the industry as a whole have progressed in furthering the objectives of inclusive finance.

We also look forward, to the next 15 years and beyond, to see where our impact can be greatest, how to effectively meet the challenges and to identify opportunities in this rewarding field. We are therefore very pleased to present you with BlueOrchard's latest Social Performance Report and thank you for your continued interest in our work. ●

Patrick Scheurle



15 YEARS BACK – 15 YEARS FORWARD

From its earliest days, **innovation** has been a key element in BlueOrchard's DNA. Fifteen years ago, BlueOrchard was founded as the first commercial fund manager specialized in microfinance investments. Today, commercial investment funds in microfinance top **USD 10bn.**



ASSESSING OUR ACCOMPLISHMENTS AND LOOKING TO THE FUTURE

“From its earliest days, innovation has been a key element in BlueOrchard’s DNA.”

15 YEARS BACK AND FORWARD

Providing opportunities is central to BlueOrchard’s mission. In the past fifteen years, we have helped to provide more than **USD 3bn** in funding to more than **300 microfinance institutions**, located in **60+ countries** around the world. This funding has provided loans to **millions of borrowers** running micro, small and medium sized businesses.

Looking forward and building on our strong expertise in inclusive finance investing, BlueOrchard is exploring new frontiers in impact investing, addressing the impacts of Climate Change, expanding Education Finance and others. With our innovative and pioneering spirit, we aim to be at the heartbeat of the impact investment field.

Helping clients to cope with challenges: In the past 15 years we have worked together with industry partners to address critical challenges in inclusive finance such as access to foreign currency hedging and risks posed by overindebtedness, among others.

Looking forward, technological applications, such as mobile banking and index-based insurance, provide the means for reaching greater numbers of unserved people with services to help them reach their economic potential. In the years to come we look to expand opportunities for millions of underserved clients, particularly in remote and rural areas in the developing world.



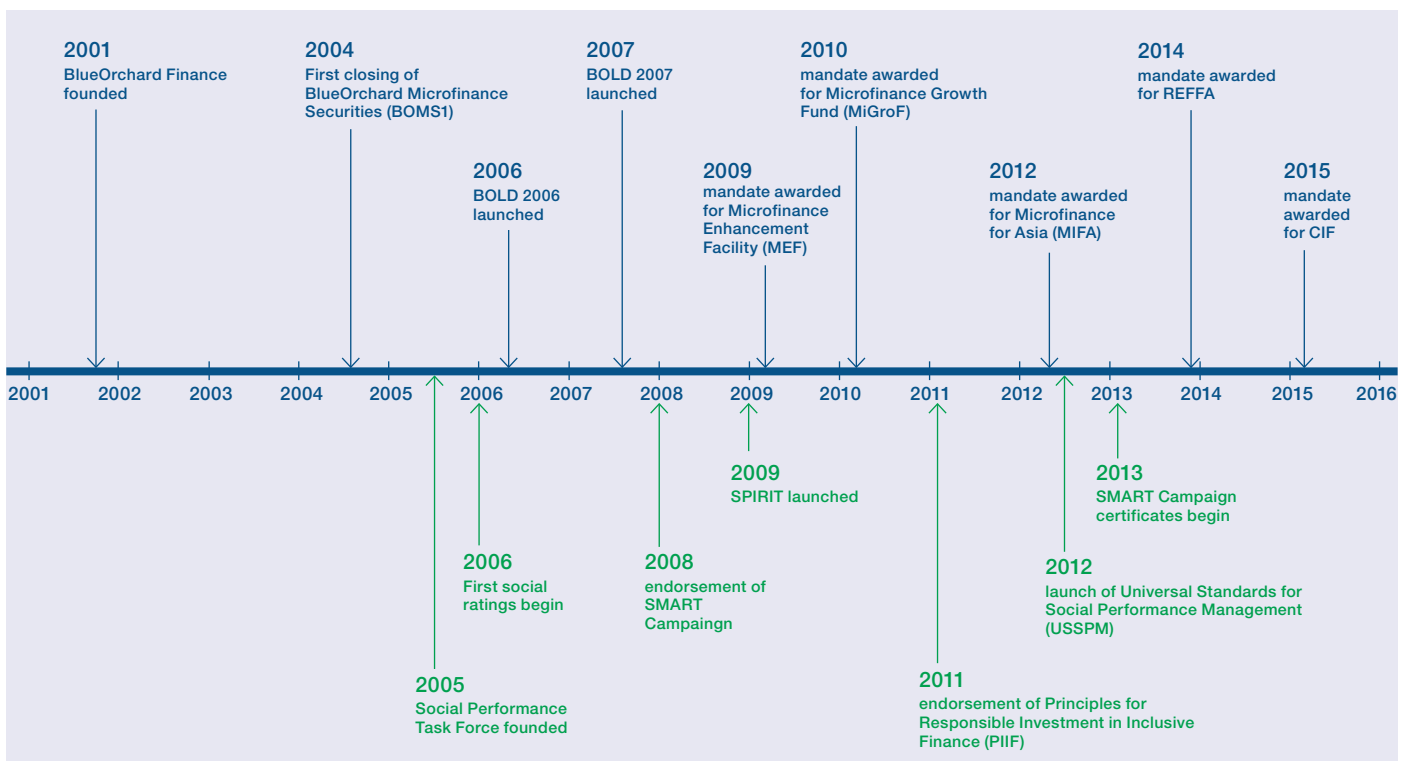


Climate change represents one of the key challenges of our times. We are proud to be working with partners to provide solutions for those most impacted by severe weather changes, such as insurance and various other mitigation strategies.

Rigorous social performance assessment is an integral part of BlueOrchard’s investment process, allowing us to identify strong performers and to promote best practices among all our investees. Our SPIRIT social performance assessment tool, now in its fifth version, is at the forefront of industry standards.

Looking forward, we will continue not only to incorporate important market changes in our assessment tools, but also to work to influence changes by promoting best practices in the companies in which we invest and in the industry as a whole.

Long term relationships are crucial in bringing about long-lasting, sustainable change. We are privileged to have accompanied our investees over the years as they have vastly expanded their outreach, providing a broader array of valuable products and services to their clients. **Looking forward**, it is clear that there are significant opportunities to have a strong impact on the lives of the world’s poor. But we cannot meet the challenges alone, and we are dedicated to continue to work together with a strong network of partners – our investees, our investors and other industry participants – to make our collective dreams a reality.





BUILDING LONG-TERM RELATIONSHIPS

Providing microfinance services is not a short-term fix. It takes time for micro and small businesses to develop and thrive and to build up assets to improve the livelihoods of their families. Having a trusted partner to accompany entrepreneurs as they build up their business is critical, and fostering long-term relationships provides a solid foundation to achieve success. Value for clients is created when microfinance institutions incorporate feedback from their clients to expand, adjust their services and products to best meet their needs, growing alongside their customers.



Over the past 15 years, BlueOrchard has accompanied many microfinance institutions as they have successfully built up their franchises, significantly expanded their outreach and broadened out their service offerings for their clients.

We highlight here three institutions that BlueOrchard has helped finance from its earliest days as a fund manager, when it was the first commercial lender in this sector. As seen from the various institutions profiled here, we work with a diversity of institution types, with different target clientele groups, and operating models.



“To be an outstanding financial institution that improves the living standards of the population and contributes to the economic and social development of Cambodia.”

AMRET – CAMBODIA

BlueOrchard provided its first loan – of USD 330,000 – to Amret in 2001. At that time, the MFI had just received its MFI license from the National Bank of Cambodia, managed a loan portfolio of just over USD 3mm and was serving 74,000 clients in 19 branches. Historically focusing on solidarity group loans, Amret launched its first individual loans in 2005 and became the first non-bank deposit-taking institution in Cambodia in 2009.

Today Amret reaches more than 300,000 borrowers and over 175,000 savers, with nation-wide coverage and total assets of more than USD 500mm. BlueOrchard managed funds provide a total of USD 13mm to the institution.

Amret’s commitment to its target market is clear from its vision statement “To be an outstanding financial institution that improves the living standards of the population and contributes to the economic and social development of Cambodia.”

Some key highlights of the MFI’s strong social performance include:

Expansion of services

Providing a safe place to keep their savings is a valued service for the working poor, who often don’t meet the required minimum balances in regular banks. Amret provides interest-bearing accounts with a minimum deposit amount of just USD 3; approximately 60% of its depositors are women and nearly half are located in rural areas. The MFI also provides bill payment and local money transfer services for clients.

Board level commitment

Amret established a Social Performance Management Committee in June 2011. The implementation of Amret’s Social Performance Management framework is monitored by the board twice a year.

Client protection

Amret was one of eight Cambodian MFIs that participated in a 2013 study by BlueOrchard, Incofin and Oikocredit on the Drivers of Overindebtedness in Saturated Markets. Amret has a policy limiting multiple loans



and checks all clients with the Cambodian Credit Bureau to ensure that clients are not taking on more debt than they can handle. As of Dec 2015, only 2% of Amret's borrowers had loans outstanding from more than 3 institutions.

Technical assistance

With nearly half of its portfolio in agricultural loans, Amret set up a training program for its clients on agricultural techniques. In addition, it provides financial education programs to its clients in order to improve their knowledge and skills in budgeting, savings, debt management and asset management.



This is my story: My name is Duch Savoeurn and my husband and I have a trading business in Hang Chhouk village, selling rice, peanuts and watermelons.

In my opinion, borrowing money is not a bad thing, the most important thing is to use it wisely. I started with a very small loan from Amret of KHR 200,000 (~USD 50) back in 2004. During that time our living conditions were poor and our four daughters were small. It was even very hard to have suitable clothes for them. We sold a cow and I took the loan to buy a small wooden carry cart to sell our vegetables and other agricultural products. Over time, from cycle to cycle, I borrowed larger amounts to grow my business. Having a clear business plan, we now have two houses, a truck (2.5 ton), 10 cows and 3 hectares of farming land. I bought the truck with a USD 12,000 loan from Amret and use it to take garment workers to their factories. I can earn USD 300 per month from this. My husband also uses the truck to take watermelons and peanuts to distribute in Phnom Penh city. Now our family's living conditions have strongly improved. Our oldest daughter got married and had a son. She can now save USD 10 per month at Amret's branch office. Our second and third daughters are working as garment factory workers nearby our hometown and our youngest daughter is still in secondary school. I would like to gratefully thank Amret, which has always supported me to expand my business and I wish Amret prosperity & health.



MF MIKROFIN
Vaš pouzdan partner

“Providing additional services has helped clients both to manage their finances more effectively and provide security and safety nets.”

MIKROFIN – BOSNIA HERZEGOVINA

In 2001, BlueOrchard made an initial loan of USD 200,000 to Mikrofin in Bosnia Herzegovina, which had been operating since 1997 as a not for profit organization, initially started by CARE International.

Over the years, BlueOrchard-managed funds have provided an aggregate amount of USD 44mm to Mikrofin. We have accompanied its growth from an NGO in 2001 with 43 employees and 6,500 borrowers, to its position today, providing financial services nationwide (together through its bank affiliate, MF Banka), to more than 63,000 borrowing clients and (through MF Banka), 15,000 savers.

Some key highlights of the MFI’s actions as a responsible lender include:

Expansion of services

In 2010, Mikrofin bought and restructured a bank, rebranded as MF Banka, in order to provide full banking services to its clients. It also established an insurance subsidiary, Mikrofin Insurance. Providing additional services has helped clients both to manage their finances more effectively and provide security and safety nets.

Responsibility to clients

The Bosnian microfinance market faced a difficult period from 2009-2011, when the negative impacts of global financial crisis were exacerbated by client overindebtedness in the local market. Recognizing the significantly more difficult environment for clients, Mikrofin actively used loan restructurings as a means to support clients in adjusting their repayment schedules in line with their reduced capacity to repay, while still maintaining payment discipline. Similarly, during massive floods in the country in 2014, Mikrofin proactively communicated with affected clients, rescheduled loans when appropriate, and in cooperation with KFW, disbursed approximately BAM 7mm of emergency loans with a 0% interest rate.

Community development

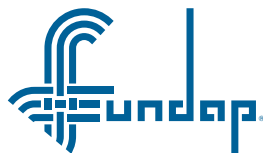
Mikrofin is actively involved in the implementation of various social projects and grants in the local communities in which it operates, primarily related to the childcare, and is a major sponsor of the local theatre in Banja Luka.



This is my story: My name is Milovan Bosančić, and I started working on my father's farm straight out of primary school. We had no machinery back then, just horses, 2 cows and 1 sow. As a young man, I bought 30 dunams (3 hectares) of land. At that time I did not use loans, rather, I bought the land with my own money.

I got married in 1987, and together with my wife continued to increase the farm's production, especially after the war. Both my parents have since died, but we continue the work they started on the family land, and that means a lot to us. I have used loans from Mikrofin for different purposes: I built a stable, purchased a combine harvester and then a larger tractor. Today, I have about 50 dunams (5 hectares) of land, 3 tractors with all tractor implements, one harvester, 20 dairy cows and 5 heifers. I also farm 200 dunams (20 hectares) of farmland under lease. All three of our children graduated from high school. Two of them found jobs, while our youngest is working on the farm with me. My future plans include a fattening farm and a semi-open dairy barn.





FUNDAP – GUATEMALA

FUNDAP was also among the first borrowers from BlueOrchard managed funds, and took its first loan of USD 250,000 in 2001. At this time it managed a portfolio of slightly more than USD 7mm, serving 15,000 clients. FUNDAP was created as a foundation in 1983, in the midst of the Guatemalan civil war and launched its first microfinance programs in 1998.

Over the years, while it has steadily expanded its outreach, FUNDAP has done so at a gradual pace, maintaining a clear focus on its core clientele in Western Guatemala. Growth has been achieved mostly through the addition of new clients, rather than increasing exposure per client or moving to a different client segment. FUNDAP remains a borrower from BlueOrchard-managed funds, with a current loan of USD 2mm.

The vision of the organization is holistic development with a focus on women and self-empowerment. Besides its microfinance program, FUNDAP manages five different social programs that provide non-financial services related to education, health, enterprise training, forest preservation and agricultural development.

Some key highlights of the MFI's non-financial services include:

Agricultural training

Through the FOMAGRO program, FUNDAP provides training, technical assistance and transfer of technology to small-scale farmers to improve quality seeds for crops, irrigation systems and storing vaults. The program promotes food security and income generation through sustainable agricultural activities.

Environmental programs

Through its PRODAM program, FUNDAP's activities focus on the design and implementation of plans for natural forest management for protection or production in an environmental-friendly and economically sustainable manner.

Education

Through PEVI, the Education for life program, FUNDAP provides business training for entrepreneurs through its MBA "Mujeres Buscando Alternativas" (women looking for alternatives) courses. The PEVI program also provides scholarships for girls, sets up schools, and supplies them with books, tools and drinkable water, trains teachers and supports the nutritional recovery of malnourished children.

Health

Through PROISA, its Integral health program, FUNDAP coordinates the training of community members with nursing schools. Furthermore, it provides nutritional supplements to mothers and their children, and conducts health campaigns.

“The vision of the organization is holistic development with a focus on women and self-empowerment.”



Enterprise training for artisans

Through its FODESA program FUNDAP provides training to artisans to improve the quality of their products, access markets and transfer know-how.



Idalia has been a client of FUNDAP since 2012 and is currently the President of her village bank called “Ferrocarril de los Altos.” She is in the second year of the MBA program and has also enrolled in various gastronomy courses at a FUNDAP center. In April 2016 she participated in a culinary contest in Quetzaltenango and won 3rd place.”

This is my story: My name is Idalia del Carmen Mayorga Ruiz and I’m the owner of the “Shadday Food and Delights” restaurant.

I have taken out several village bank loans from FUNDAP that helped me to buy supplies and needed amenities for my business. Through the microcredit program, my loan officer and some friends, I also learned about FUNDAP’s Business School program (MBA – Mujeres en Busca de Alternativas), which has helped me tremendously. Before the Business School, I did not have much profit, I always ran out of money and I was surprised when I realized my menu was underpriced. I have now learned how to monitor my business expenses and my cash flows. Also, the Business school taught me to give more importance to the image of my business. I see my business no longer as a small eating place, but instead as a great restaurant.

I have learned to make good use of my money and the positive impact has not just been for me, but also for my family and the people I work with. I am now able to send my daughter Carmen to university and have three employees at the restaurant.

There are moments in life where you believe you cannot go further, but if I look at where I am now in comparison with some years ago, WOW! I feel I have achieved much but I have not yet reached all my goals.



SPIRIT – RESULTS OF V 5.0 PILOT

Systematic and Integrated Social Performance Assessment – A Brief History of our SPIRIT

It is at the core of BlueOrchard's mission to help provide opportunities that will improve the lives of those with low income households. Having the tools available to assess how and whether positive social change can come from our work – the reason, ultimately, that we do the work that we do – is therefore a critical element of our investment process. As such, we have worked over the past 15 years to fine-tune such tools.



THE EVOLUTION OF SPIRIT



Lisa Sherk, Head of Social Performance Management

“By continuing to develop and refine our social performance tools, we aim to make the work that we do ever more effective in providing opportunities to improve the lives of the world’s poor.”

Social performance assessment has always been an important element in the evaluation of our investments. In the early days this element was often largely an intuitive feeling, however, an overall, somewhat subjective assessment of the commitment, transparency and responsibility of our investees.

Over the years, we have worked to make such assessment increasingly rigorous, while at the same time recognizing the different approaches and diversity of target markets that many institutions have. Currently, and alongside tools developed for assessing the financial performance of its investees, BlueOrchard uses a comprehensive social performance assessment tool, the “Social Performance Impact Reporting and Intelligence Tool,” better known as simply “SPIRIT.” First developed in-house in 2009, SPIRIT has been adjusted and enhanced over the years to provide critical information on how MFIs work to achieve their mission, how they compare with their peers and where they can improve their performance. All BlueOrchard investment proposals include a SPIRIT assessment, and social performance monitoring take place alongside our financial assessment in periodic on-site due diligence visits to investees.

Some of the essential issues we address in SPIRIT include:

- What specific, development goals does the institution have and how does it track them?
- How does the institution ensure that Board, Management and Employees work to achieve social goals in their daily work?
- How are products and services designed to meet the needs of clients?
- How does the institution ensure responsible and respectful treatment of clients?
- How does the institution incentivize, train and reward its employees?
- How does it balance its social and financial goals?
- What does it do to promote environmental protection?

Contributing to and Drawing from Industry Initiatives

The developments of SPIRIT have not taken place in a vacuum and we have also worked alongside other stakeholders in the microfinance industry to develop common standards and highlight best practices to contribute to a healthy, sustainable market that maintains a strong



focus on the ultimate end-clients. This is part of a critical feedback loop where we both contribute to industry-wide initiatives, and incorporate them into our own assessment tools, to strengthen social performance management in inclusive finance as a whole.

It is no coincidence that the category names of SPIRIT are now aligned with the six areas covered by the Universal Standards of Social Performance (“USSPM”) in 2012, (plus a seventh on “Promoting Environmental Protection.”) By aligning the top line SPIRIT categories with that of the USSPM, we aim to help further the industry-wide goal of standardizing key elements of social performance, just as standard categories and indicators are used in financial analysis. Within this overall framework, we then apply our own rigorous assessment and analysis.

Other key initiatives that have helped build a strong social performance framework for the industry as a whole include:

- **Smart Campaign:** BlueOrchard was one of the first endorsers of the Smart Campaign’s Client Protection Principles, first articulated in 2008. Certifications of MFIs on their implementation of the seven principles began in 2013. Of the 46 MFIs certified as of April 2016, 41 have been borrowers from BlueOrchard-managed funds.
- **Social Performance Task Force:** BlueOrchard is an active member of this 2,700-strong multi-stakeholder group since 2005, and has served as co-chair of the AVOID Overindebtedness working group of the Social Investor Investor Working Group.
- **SPI4/ ALINUS:** BlueOrchard is working together with other investment managers to facilitate MFIs’ reporting of social performance through the use of common indicators.
- **Social Ratings and Social Audits:** BlueOrchard contributed to the Ratings Initiative to develop and promote social ratings and we continue to encourage MFIs to undertake ratings and/or audits.





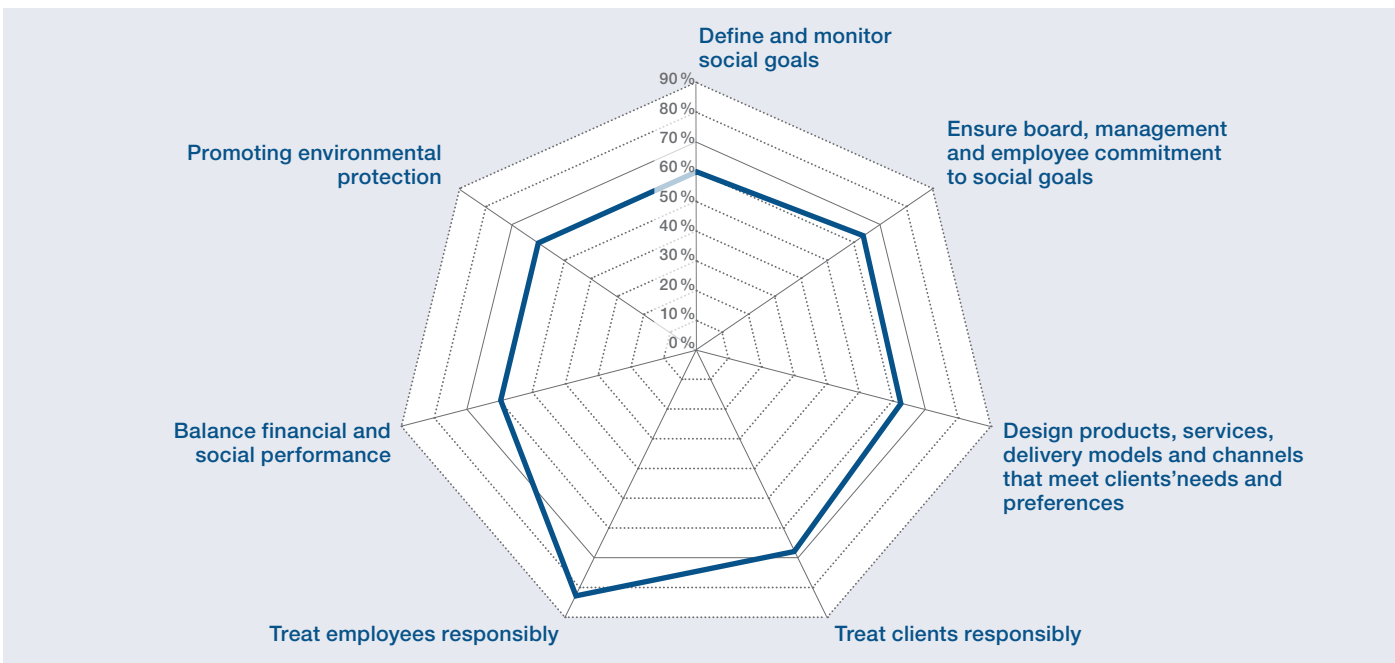
- **Principles for Investors in Inclusive Finance (“PIIF”)**: BlueOrchard has been a signatory of the UN PRI since 2008 and endorsed the UN PRI’s PIIF back in 2011.
- **LuxFLAG**: The BlueOrchard Microfinance Fund and the Microfinance Fund for Asia have received the luxFLAG label for the past eight and three years respectively.
- **Global Impact Investing Network (“GIIN”)**: BlueOrchard has recently joined the GIIN Investor Forum Advisory Board of the GIIN.

The Latest Findings from SPIRIT

Our most recent upgrade of SPIRIT was finalized in Q1 2015 and of the 145 investees in BlueOrchard managed portfolios, more than 90 MFIs have now been assessed with the latest version of the tool over the past year.

Results from our assessments show that our investees are strongest in the areas of Treating Employees and Clients Responsibly. Factors that are assessed in these areas include (1) For Employees: training of staff, adequate compensation, the development of career paths and staff evaluations and (2) for Clients: Endorsing and implementing the Smart Campaign Client Protection Principles, including most importantly, conducting an adequate assessment of client repayment capacity so that clients can make use of the funds they borrow and not become overindebted.

While Promoting Environmental Protection is a relatively new area for many institutions – and thus has the lowest average score of the categories in SPIRIT – nearly half of the MFIs that we work with offer so-called “green loan products” – loans specifically designated for the purchase of solar panels, biodigesters, building insulation, clean cooking stoves water etc ... – or have initiated pilots to offer such products.



NEW PERSPECTIVES

For most of the last 15 years, Blue-Orchard has focussed almost exclusively on microfinance debt investments, deepening our expertise in this sector and working to facilitate greater access and greater opportunity to microentrepreneurs. Many microfinance institutions have specific focus areas that compliment and enhance their standard credit offer – many have loans that are specifically earmarked for education and health expenditures, for example, and increasingly, MFIs are providing so-called “green loans” to clients for the purchase of energy saving and environmentally friendly products, such as solar panels, biodigesters and similar products.

Such products can offer significant value for clients, with interesting social and/or environmental impact potential, and we have incorporated such business lines in our social performance assessment process for many years. More recently, however, we have taken an additional step in exploring these activities with a more deliberate focus, with funds specializing in specific areas, including Education Finance and Environmental Issues.





NEW FOCUS AREAS FOR SOCIAL AND ENVIRONMENTAL IMPACT

FOCUS ON EDUCATION FINANCE

BlueOrchard was honored to receive the mandate to manage the Regional Education Finance Fund for Africa (“REFFA”), initiated by the German Development Bank, KfW and funded by the German Federal Ministry for Economic Cooperation and Development (BMZ). REFFA lends to financial institutions in sub-Saharan Africa specifically to finance their education portfolios, in which borrowers include education providers as well as students and parents of students.

The fund’s objective is to increase access to secondary, vocational and higher education and enhance education quality through the facilitation of demand-driven and sustainable provision of education finance services in African countries.

Data from UNESCO and the World Bank shows the need and the opportunity for education finance in sub-Saharan Africa: Of 58 mm primary school aged children not in school globally, 28 mm live in sub-Saharan Africa.



42:1 teacher student ratio in sub-Saharan Africa

36 % the percentage of qualifying secondary school children that are able to attend secondary school in sub-Saharan Africa

6 % of young people in sub-Saharan Africa are enrolled in tertiary education compared to worldwide average of 26%.



One institution financed by REFFA is **Advans Cameroon**. Operating since 2007, Advans Cameroon is a regulated institution permitted to provide both credit and savings products. Its loan from REFFA has been complemented by technical assistance that will help the MFI to further develop its education products – both on the credit and savings side – to meet client needs and promote greater access to education in the country.

One of Advans Cameroon's clients, pictured below, is Ayissi Valere. With experience as a primary school teacher and a teaching inspector, Mr. Valere decided in 2006 to open a nursery and primary school in Yaoundé, Cameroon. He initially transformed his home into three classrooms and went on to rent an apartment for himself and his family. The adventure began with 30 students in the first school year. In 2012, he took out his first loan from Advans Cameroon's Yaoundé Madagascar branch. At the time, he had a primary school, a nursery and a school for Teachers of the General Education curriculum. All in all, he had 12 classrooms, 276 students and employed 15 employees. The first two loans helped him to expand his school and further loans allowed him to purchase land and build what has since become a three-story secondary school. Mr. Valere now serves 937 students, has 26 classrooms and employs 62 employees, including 14 administrative staff and 48 teachers.





INTERVIEW

We interviewed Stefan Hirche, Principal Project Manager at KfW on the idea behind the Climate Insurance Fund (“CIF”) and the opportunities the fund provides:

How did you conceive of an investment fund as a means of addressing climate change challenges?

German financial cooperation has a long track record in launching purpose specific investment funds. As soon as we at KfW have the inkling that a certain field is on the one hand developmentally important and on the other hand has a chance of financial sustainability, we devise a fund concept. We pitch it to the German development ministry (BMZ) and receive seed funding to substantiate the investment case and attract additional investors into this field. Climate risk insurance for developing countries is a very young topic with few successful products and companies. At the same time, we considered the time right to kick start this highly relevant topic and prove its viability. Interest in this area is clear: Witness the G7 InsuResilience Initiative and CIF’s presence at the COP21 in Paris.

Now, we have to prove that this can be financially viable.

Why did you select BlueOrchard as the manager for this fund?

We believe in competition. Therefore, we tendered the fund management. The technical offer from BlueOrchard and CelsiusPro as

FOCUS ON THE ENVIRONMENT

Environmental issues constitute a central and critical challenge of our times, as the negative impacts of climate change are becoming more apparent and action to address such change increasingly more pressing. In the 17 Sustainable Development Goals of the UNDP, elaborated in 2016 as a continuation on the work of the Millennium Development Goals, challenges related to environmental degradation and climate change feature prominently. Populations in developing countries are highly vulnerable to these impacts, living in regions most affected by natural disasters, food insecurity and with minimal infrastructure protections.



The Climate Insurance Fund (“CIF”), initiated by KfW and managed by BlueOrchard, was designed precisely to address such issues. The overall objective of the Climate Insurance Fund is to contribute to the adaptation to climate change by improving the access to and the use of insurance in developing countries. Its specific objective is to reduce the vulnerability of micro, small and medium enterprises (MSMEs) as well as low-income households to extreme weather events.

There are innovative enterprises both working to attempt to reduce, and help vulnerable populations to cope with, the impacts of climate change globally. As such we are closely working with microfinance institutions, insurance providers and other innovative companies to tackle these critically important challenges.





technical assistance facility manager came out on top, as we valued very much the combination of solid experience in investment management and climate risk know-how. The strong build-up of the investment pipeline and efficient management have proven us right.

What do you see as the greatest impediments for greater use of climate-related insurance? How can such products become more readily available and used?

I guess the easy answer is: Better data. The less uncertainty needs to be priced in, the lower the required premium to be paid.

What do you see as the greatest challenges for CIF?

What we really want is to assist our investees both in offering insurance policies to individual clients who may be directly impacted by climate change as well as portfolio insurance for those who operate and provide needed services in vulnerable markets. Identifying how to price and market those two different product categories most appropriately will remain the main challenge.

Where do you see opportunities for the greatest impact on end-clients?

We will achieve the greatest impact on end-clients when we assist our investees in creating a product mix that combines affordability with wide coverage. For this reason, we are keen to promote both individual as well as portfolio policies.

One of the investments in CIF is in **PlaNet Guarantee**, a platform for innovation in the field of inclusive insurance and social protection. Established in 2007, PlaNet Guarantee acts as a consulting and brokerage firm, active in the fields of health, life, and index crop insurance. PlaNet Guarantee has been running its largest program in crop insurance in West Africa since 2009 and has sold a cumulative 50,000 policies, with 22,300 insurance policies sold in 2015 alone. The activities began with a feasibility study for cotton insurance in Mali and today the program is operational in four countries: Mali, Burkina Faso, Côte d'Ivoire and Senegal where PlaNet Guarantee has set-up a dedicated index insurance management unit.

PlaNet Guarantee has developed products covering maize, cotton, sesame, groundnut, amongst others. It has opened 4 offices, and secured important distribution channels including microfinance institutions and farmer organizations. It has tested several methodologies including area yield, weather station and satellites. This has permitted PlaNet Guarantee to understand the conditions best suited to a particular type of index and also to gain familiarity and expertise with each methodology.

GREEN LOANS



In previous Social Performance reports, we have featured MFIs that provide green loans to clients. An MFI's SPIRIT score is increased by the availability of such products, and we track the types of products available and the number of clients reached.

One such institution is Sonata, headquartered in Uttar Pradesh and operating in six states in India. Sonata began to provide two types of green loans in 2012: Smokeless Advanced Cooking Stove (Envirofit Brand) and D. Light (Solar Light). The Smokeless cooking stove loan was introduced to address health issues suffered by clients and their families due to the production of toxic smoke while cooking meals. For Solar Light loans, the MFI saw that although most villages are electrified, many clients face challenges because of the gap in demand and supply of electricity in rural areas.

In addition in the Microfinance Initiative for Asia (MIFA) fund managed by BlueOrchard, a separate proportion of the fund is now designated for Renewable Energy and Energy Efficient lending. This will also be combined with technical assistance funds to further advance MFI expertise in such products, encourage technology providers to take part and support the broader development of such lending initiatives through learning and knowledge exchange.





SUMMARY OUTREACH INDICATORS

Funds managed by BlueOrchard provide senior and subordinated debt, in local currency and hard currency to microfinance institutions throughout Africa and the Middle East, Asia, Eastern Europe and Latin America.

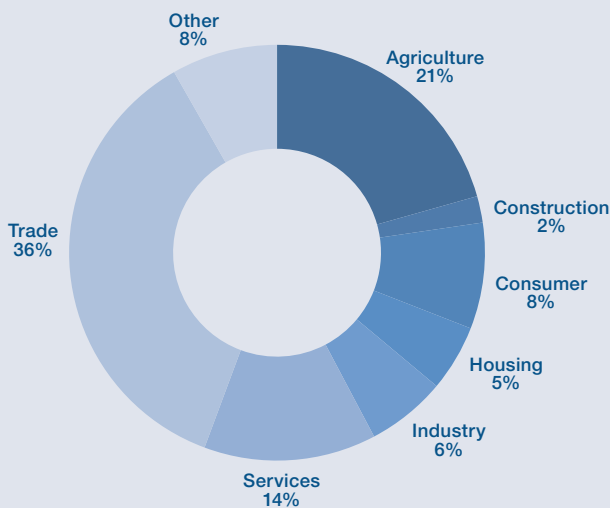
These funds include:

- The BlueOrchard Microfinance Fund
- The Microfinance Enhancement Facility (MEF); as co-manager
- The Microfinance Growth Facility (MiGroF);
- The Microfinance Initiative for Asia – Debt Fund (MIFA)
- The Climate Insurance Fund (CIF); and
- The Regional Education Finance Fund for Africa (REFFA)

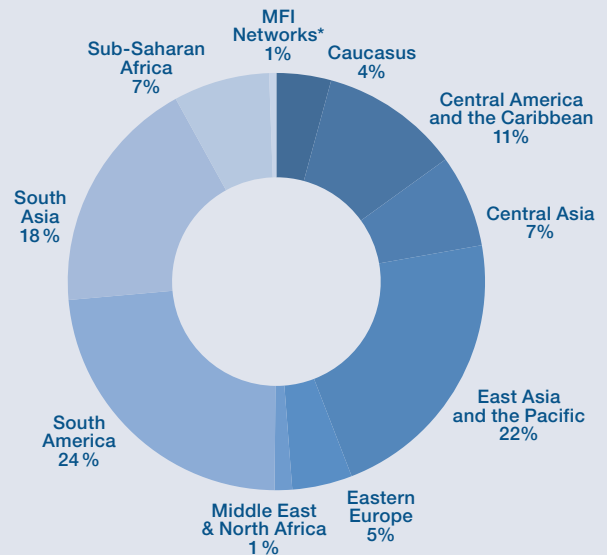
Social performance data for MFIs in BlueOrchard-managed funds: (as of May 2016*)

Total number of borrowers served	23.6 million
Total number of savers served	13.7 million
Total number of MFI employees	163,258
% of MFIs’ borrowers who are female	61 %
% of MFIs’ borrowers who live in rural areas	48 %
% of MFIs endorsing the Smart Campaign	80 %
% of MFIs with an exclusion policy on lending	99 %
% of MFIs reporting to the MIX	74 %
% of MFIs with a social rating, SMART certification and/or social audit	49 %
% of MFIs with environmental policy and/or eco products	70 %

Activities Financed by MFIs



Regional Portfolio Breakdown



* Some data as of 31 Dec 2015; includes some estimates made by BlueOrchard



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BlueOrchard Finance Ltd

Seefeldstrasse 231 · 8008 Zurich · Switzerland · T +41 44 441 55 50

Rue du Commerce 9 · 1204 Geneva · Switzerland · T +41 22 596 47 77