



BlueOrchard
Impact Investment Managers



**Social Performance Management at
BlueOrchard Finance**

March 21st 2017

Microfinance as an asset class is attractive with its “double bottom line”: Economic performance + social benefits

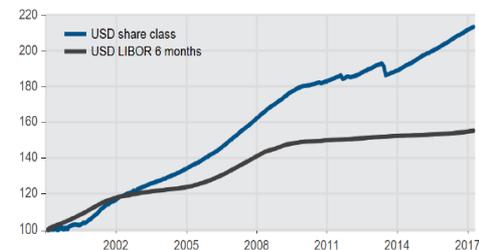
Microfinance works through:

- Empowering the poor by supporting their income-generating activities
- Ensuring sustainability through loans and paying financial service
- Fighting poverty in a lasting manner by improving economic security and quality of life

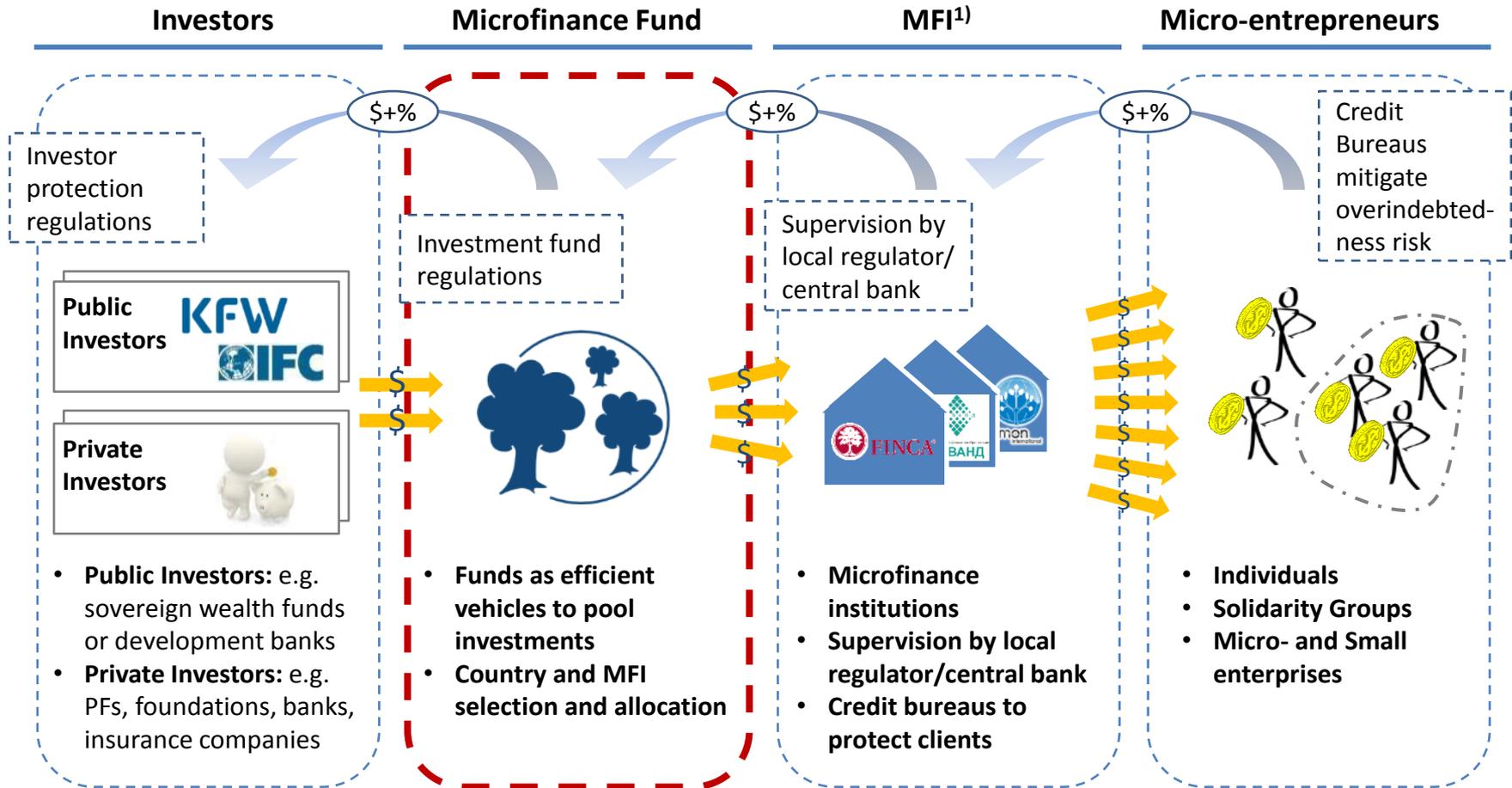
Social/envIRON. impact



Economic performance



What does BlueOrchard manage? Loans to Microfinance Institutions



1) Microfinance institution

Underlying the loans, concrete success stories prove the effectiveness of microfinance

Zohir lives and works in Dushanbe, Tajikistan where he set up his own shop to sell the traditional bread non. With his 1st loan of USD 2'000 he bought flour and raw materials. With his 2nd loan of USD 4'000 he could build a second oven and hire two bakers. He now oversees the selling in the street with his wife and thanks to his high productivity, he sells to other bread vendors in the neighboring area.



Maria Gutierrez operates a market stall on the San-Gregorio market in Lima, Peru. She already took her 4th loan that amounts to USD 2'500. She currently sells vegetables and intends to expand her product offering. Her market stall allowed her to send her children to university and renovate the roof of her family house.



Saroam Tum owns and operates a junkyard on the outskirts of Phnom Penh, Cambodia. She collects household garbage and resells raw material to large junk merchants. She already took her 3rd loan of USD 5'000 and now hires 6 employees.



Katanga runs a workshop in Zambia to build drums, marimbas and other folklore instruments. In addition, he also heads a musical group. He received a first loan 4 years ago of USD 1,700, which he since repaid with interests. He presently holds a loan of USD 5'700. These credits allowed him to buy raw materials and utensils to build his instruments and to promote his enterprise. His three children now help him in his work and his daughter Orica co-manages the Katanga foundation with him.



What does Social Performance in Microfinance mean?

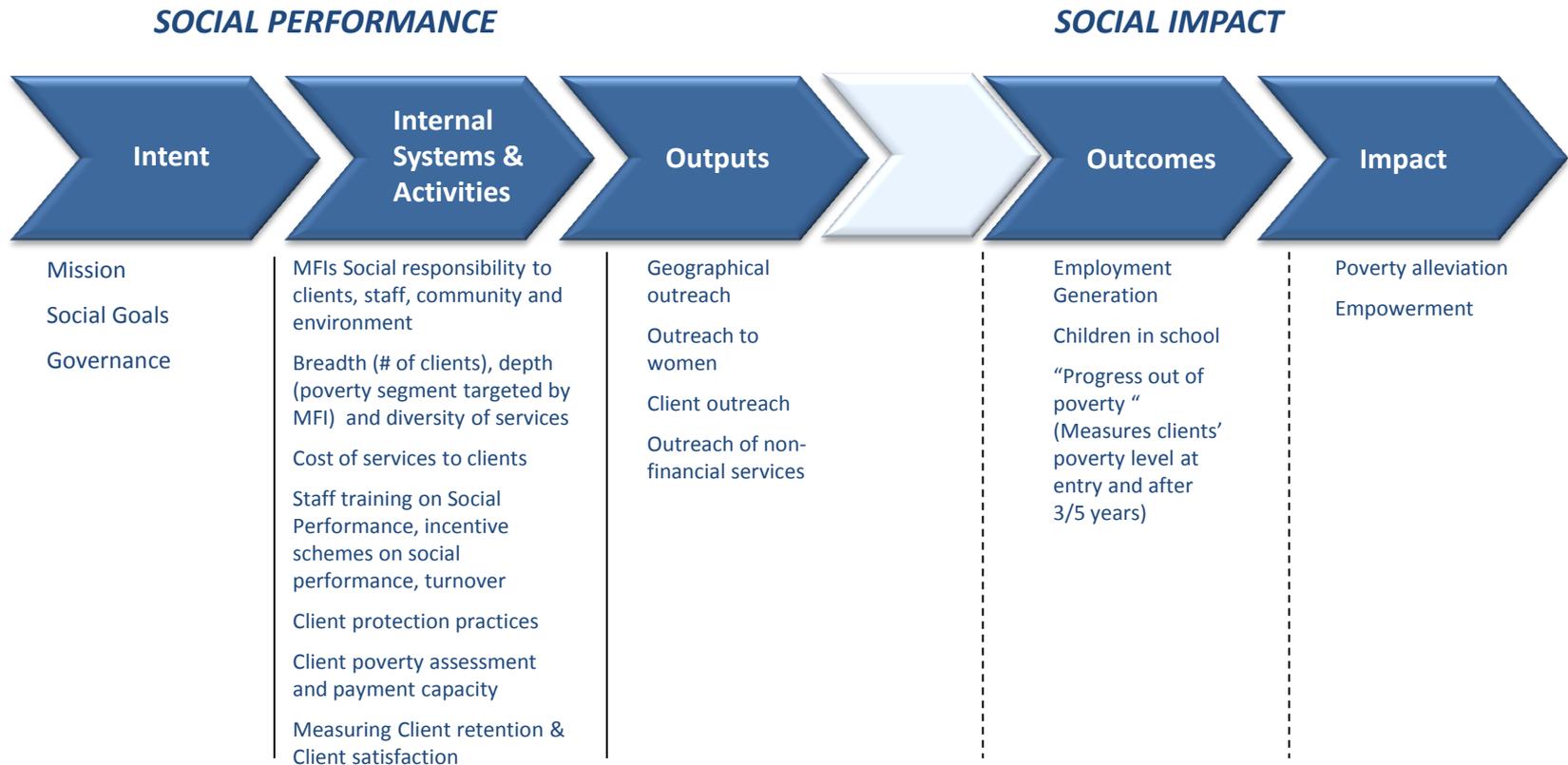
- The fundamental goal of microfinance is to expand the provision of financial services to low income groups that have been historically excluded from mainstream banking
- Microfinance institutions can improve the well-being of their clients through:



- Social Performance assessment in microfinance focuses on looking at the extent to which microfinance institutions operate to provide high quality and appropriate services to clients that need them, and effectively translate their social mission into practice.

Social Performance versus Social Impact

- Social performance looks at how the MFI operates in order to reach social objectives
- Social impact measures actual changes in clients' lives



Social Performance Management at BlueOrchard: overview

■ **Philosophy**

- Social performance is at the heart of BlueOrchard's mission, vision and culture
- Social Performance issues are embedded in daily work, especially of the Investment Team

■ **Internal policies and activities**

- Social Performance is an integrated part of the investment process
- SP assessments of all investee MFIs form part of the analytical work of each investment officer
- SPIRIT 5.0: proprietary Social Performance scorecard and related procedures

■ **External activities**

- BlueOrchard participates in local and global initiatives to develop the market further on social performance issues

■ **Reporting to investors**

- BlueOrchard values transparency and keeps investors informed on SP activities.

SPIRIT: Social Performance Impact Reporting & Intelligence Tool

- In addition to financial analysis, BlueOrchard conducts a social performance analysis on all potential investee MFIs based on SPIRIT, our proprietary social performance assessment tool first developed in 2008.
- The most recent SPIRIT update was conducted in 2014 and aligned assessment categories with the Social Performance Task Force's Universal Standards for Social Performance Management. We assess each MFI's social performance in the following areas:



15 Years of Impact

See our most recent social performance report at:

<http://www.blueorchard.com/social-performance-report-2015-2016-15-years-impact/>



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