responsAbility
leading social investments

Social Performance Report
2011

A report on the social and development performance of responsAbility's investment activities

About responsAbility

Founded in 2003, responsAbility Social Investments AG is one of the world's leading asset managers for social investments. It specializes in sectors such as microfinance, SME financing, fair trade and independent media. With its products, responsAbility enables people in developing countries and emerging markets to access markets, information and other services crucial for their development. Private and institutional investors can thus professionally contribute to positive social development while at the same time achieving a financial return.

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responsAbility Extends Global Presence

Dear Investor

We have had an eventful year! While the first half still bore the marks of the financial crisis, in the second six months the social investment business was back to powerful growth. Especially in microfinance, it became clear that demand for access to financial services in developing countries and emerging markets remained as high as ever. For this reason we are still pursuing our core objective of investing in local institutions that offer solutions enabling local people to improve their standard of living.

On the microfinance side, the funds managed by responsAbility invest in 251 institutions in 60 countries. These microfinance institutions in turn reach 16 million clients. They increasingly offer savings and transaction facilities in addition to classic microloans. Clients now have an unprecedented range of choices, and are empowered to run their households and small businesses more effectively. We are also finding that financial sectors are forming in developing countries that are increasingly catering to small and medium-sized enterprises. This is helping create long-term development prospects that go way beyond microfinance itself.

In 2011 we will continue to work hard to help enhance the standard of living of people at the base of the pyramid by improving their access to products and services and their opportunities to get involved in value creation. We will harness our local presence, which now extends to eight locations worldwide, to open up new themes and markets to our investors.

In this report we provide information on the rich and varied work we did in 2010, explain the guiding principles that govern what we do, and describe the objectives we have set for the 2011 financial year. Then we will take a more in-depth look at fair trade and responsAbility ventures, two new investment themes that we have started offering to cover the basic energy, nutrition, information, education and health care needs of poor households. Finally, in our reporting of 2010, we will look at the entire range of themes we cover, illustrating the figures with short portraits of organizations to show the local impact of our investments.

We wish you interesting reading!

Kaspar Müller
Chairman of the Board
of Directors

Klaus Tischhauser
CEO & Co-Founder

“The concept of microfinance implies more than the supply of credit. It is about universal access, at an affordable cost, to a wide range of financial services including savings, credit, insurance and financial transactions, for everyone needing them, provided by a diversity of sound and sustainable institutions.”

Her Royal Highness Princess Máxima of the Netherlands,
UN Secretary-General’s Special Advocate for
Inclusive Finance for Development

A Year of Sharply Accelerated Development
Our Review of 2010

Last year was dominated by powerful growth in emerging markets, with responsAbility also feeling the effects. The volume of outstanding loans at microfinance institutions in our core portfolio grew by 25%. This growth was qualitative as well as quantitative, with portfolio quality improving steadily from quarter to quarter; the average repayment rate remained high, and profitability was up slightly. At the end of 2010, responsAbility had invested USD 628 million in debt, and USD 74 million in equity of microfinance institutions.

As the market recovered, responsAbility moved ahead with its growth strategy. We expanded our local presence worldwide to be able to respond even more closely to the needs of clients. We established a subsidiary in Peru, recruiting a high-caliber team of experts to cover the whole of Latin America. At the end of 2010 we extended our presence in Africa with a local office in Kenya, and in 2011 we will be setting up an office on the Indian subcontinent. Stronger local presence enables us to assure the continued high quality of our investments in debt and equity.

In February 2011, responsAbility took a strategic interest in PlaNIS, with the aim of expanding our financing activities in developing countries and emerging markets even more efficiently. Companies in responsAbility's portfolios will benefit from the more straightforward procedures that result.

responsAbility named "outstanding innovator" by G-20
In 2010 our many years of experience in social investments earned us the highest recognition, with the G-20 countries awarding responsAbility for its SME finance solution at their summit in Seoul. In addition to being chosen as one of the 14 winners from a field of 350 companies and organizations from 75 countries that entered the G-20 SME Finance Challenge competition, responsAbility was also named "outstanding innovator." The winners were chosen on the basis of providing the most sustainable and scalable solutions for financing SMEs in developing countries.

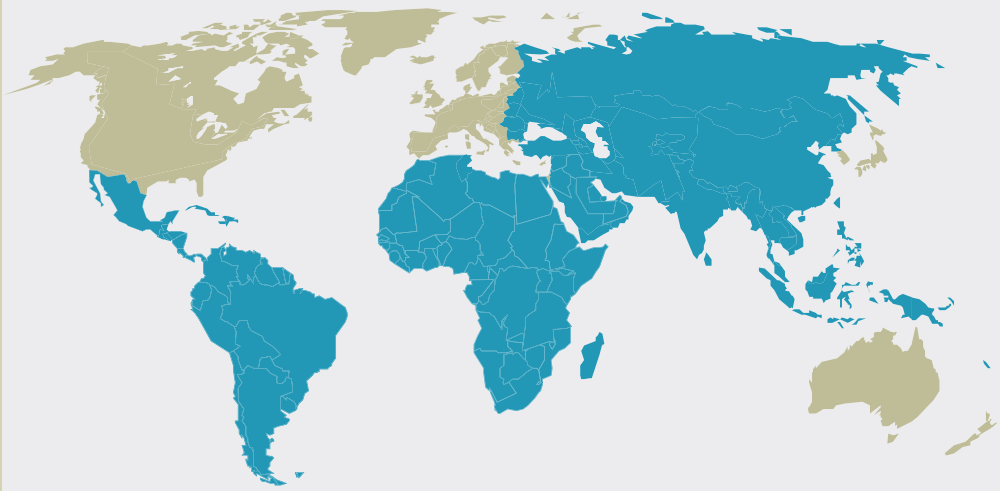
responsAbility's investment universe

As at the end of December 2010, responsAbility managed USD 908 million, invested in 344 institutions and in 65 countries.

■ Universe of potential investment countries

Regional breakdown of investment volumee in USD million

Central and South America	275.5
Eastern Europe and Central Asia	269.3
South and East Asia	118.5
Sub-Saharan Africa and MENA	18.0



Developing the Markets
Our Engagement in 2010

Alongside our investment activities, which are given comprehensive coverage in this publication, in 2010 responsAbility was involved in a wide range of initiatives designed to facilitate the more broadly based development of the social investment markets.

Debt restructuring
It is very rare indeed for a microfinance institution to go bankrupt. However, under extreme circumstances (for example political unrest, natural disasters or employee fraud), MFIs can fall into payment difficulties. Of our 350 counterparties, we had 7 cases of debt restructuring (so-called workouts) in 2010. Often the amount of money at stake for responsAbility bears no relation to the time and effort involved in a workout. Since responsAbility's guiding principles commit us to responsible investing and economic and social sustainability, we do our best to support microfinance institutions that fall into difficulties, particularly when it comes to assuring their clients access to financial services.

Overindebtedness
When microfinance markets grow too quickly, there is often a risk of unpleasant side effects. The trickiest of these risks from a social point of view is overindebtedness among micro-entrepreneurs. responsAbility's efforts to ensure that overheating markets are recognized early on and that steps are taken to avoid overindebtedness take a number of forms. Together with Triodos Investment Management and the Council of Microfinance Equity Funds, we have commissioned research at the University of Zurich that includes the creation of an early warning index for overindebtedness in microfinance. The goal of the initiative is to help the microfinance industry alleviate any crises that might arise in the future. To ensure that our investors also benefit from the insights gained in this research, we have incorporated the findings in our investment process.

Inclusive Finance Principles
To create a uniform, industry-wide basis for operating responsibly and safeguarding clients, responsAbility has become one of the 40 global investors who were the first to sign the Principles for Investors in Inclusive Finance (PIIF). The principles were signed at a ceremony in The Hague arranged by Her Royal Highness Princess Máxima of the Netherlands and Ben Knapen, the Netherlands' Minister of European Affairs and International Cooperation. responsAbility had already signed up to the UN's pan-industry Principles for Responsible Investments (UN PRI) in 2007, and since then has been working towards a code more specifically tailored to inclusive finance. The UN PRI secretariat will now be monitoring the implementation of the PIIF at the signatory organizations.

Regulation
Convinced that microfinance has to develop on an ongoing basis to meet the changing needs of clients, responsAbility works hard to ensure that rules and regulations are in place to give MFIs the right incentives. In 2010 we also advised a number of central banks and regulators all over the world on these matters. Particularly important was an invitation from the Indian central bank to take part in the consultation process to create a new, pan-Indian microfinance regulatory framework. We advised the central bank directly, and made a number of contributions to the public debate.

Clarity and Transparency
Our Guiding Principles and Objectives for 2011

responsAbility's guiding principles

1. **To generate double bottom-line returns**
   We aim to offer our investors innovative investment products that generate both financial and social returns.
2. **To facilitate access to adequate services**
   We are driven by a desire to improve the standard of living for people at the base of the pyramid by giving them access to financial services and other services relevant to their development.
3. **To promote entrepreneurship**
   We believe in free market solutions and local entrepreneurship as a means of stimulating economic growth and development.
4. **To invest responsibly and sustainably**
   Our long-term horizon means we have to invest sustainably. Using private capital reduces dependencies and avoids the risk of distorting local markets.
5. **To account for what we do**
   We are committed to a high degree of transparency. We measure and monitor the social impact of our investments, and report regularly to our investors on what we do.

Objectives successfully met in 2010
We achieved almost all the objectives we had set for 2010. With assets under management of USD 908 million, we fell only a fraction short of our USD 910 million target. On the other hand we exceeded our target for microfinance clients serviced by a clear margin: at 691,000, the figure was almost one-quarter more than a year ago.

Over the year the volume of our fair trade investments swelled from USD 9.9 million to USD 35.9 million. Our new limited partnership for collective investments, responsAbility Ventures I, which was launched in December 2010, added a new theme to the range of vehicles offered to our investors. The number of developing countries in which responsAbility invests directly increased by seven, and the volume of investments in Africa more than doubled. We have already granted USD 44 million in funding in 10 hedged local currencies.

Summer 2010 saw the broad rollout of rADER, our new tool for systematically assessing the development relevance of our investments, and by the end of the year we were using it to evaluate data for 80% of our microfinance investments.

Objectives for 2011

To service more micro-entrepreneurs and households
We want our investments to service an additional 100,000 micro-entrepreneurs and households.

To extend the investment universe
We intend to launch new, innovative investment products covering themes including fair trade and press freedom.

To penetrate new markets
We plan to gain access to new, underserved markets, primarily in Africa and India.

To get closer to clients
We want to get closer to our investments and regional investment partners by continuing to expand our local representations into full-fledged branch offices.

To play our part in developing the markets
We want to continue playing an active role in the development of regional microfinance markets to facilitate a range of products and services that best cover the needs of clients.

responsAbility Ventures I
Improving the Products Available to Poor Households

responsAbility has developed a new solution investing in companies whose products and services have a high development impact. These companies meet poor people's basic needs efficiently and reliably, and thanks to appropriate technologies and distribution models they are able to do so at an affordable price.

One example is a type of robust and bright LED solar light that has taken the place of inefficient, harmful kerosene lamps wherever it has been made available. A noteworthy example in agriculture is drip irrigation systems, used to efficiently irrigate small areas of soil, which can boost productivity by up to 90%. An example in education is initiatives to set up excellent but highly cost-efficient primary schools in urban slums in Africa.

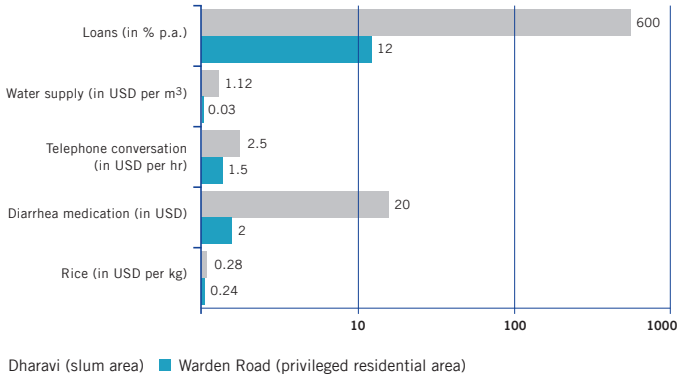
Being poor is expensive

At the moment many people in base of the pyramid (BOP) markets are not able to cover their needs for a dependable supply of energy, proper lighting, efficient agricultural equipment, reliable information or good education. While most poor households would actually have sufficient financial means to cover such basic needs, appropriate goods and services are not available, or consumption is limited by inadequate distribution, the high costs of transport, or a lack of steady income. Being poor is expensive. Households in developing countries have to fork out more for basic goods and services than their counterparts in industrialized nations – often even in absolute terms. This is where new entrepreneurial approaches come in, providing solutions to this problem.

The scale of the BOP markets in which responsAbility invests is impressive: at present, three billion people in Asia and Latin America, Africa and Eastern Europe are buying goods and services that in many cases fall far short of their real needs.

Companies that manage to activate this unexploited potential by marketing easy-to-distribute, efficient and reliable products can create great benefits in both commercial and social terms. responsAbility provides venture capital to finance this growth. With households able to meet their basic needs more effectively thanks to these new products, their standard of living improves and resources are freed up for productive activities.

Additional costs for the same services



Source: responsAbility (following C. K. Prahalad, 2005)

Fair Trade
Brighter Prospects for Small Farmers

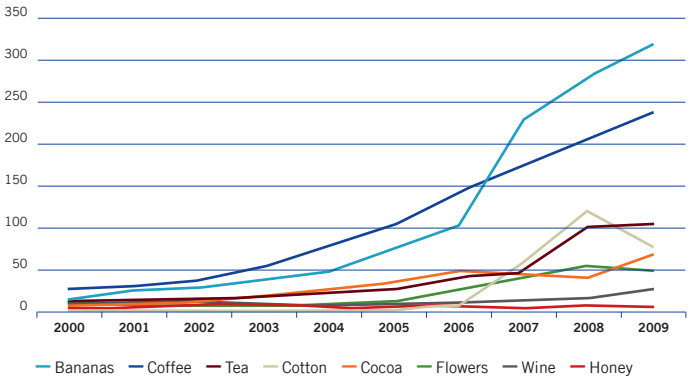
Situation tough for small farmers
In many developing countries up to half the population works in agriculture. Poverty is widespread, particularly in rural areas and farming families. This means developing rural areas and agricultural value chains is key to sustained poverty alleviation.

Most agricultural producers are small farmers. They are heavily dependent on external factors. So for example they are completely exposed to the kind of major price swings that are commonplace for agricultural produce. They also have only very limited options when it comes to processing, professionally marketing and exporting their harvests.

responsAbility's pre-export financing
Fair trade investments at responsAbility primarily involve financing cooperatives bringing together small farmers. These cooperatives are thoroughly checked from an economic, financial and social point of view. They have substantial financing requirements because of the delays between the planting and sale, and purchase and export of produce. This is where responsAbility comes in to provide the necessary financing. For example, pre-export financing can help ensure that producers have enough cash available: since the cooperative can pay its members as soon as it buys up their harvests, members do not have to wait for the proceeds of the sale of the exported produce, and can go on to invest in the next harvest.

Sustainable in every respect
Most of the organizations financed by responsAbility are fair-trade-certified. Fair trade means that producers in developing countries are guaranteed a minimum price and a fair trade premium for their produce. This way, the fair trade model gives small producers greater planning certainty and protection against unexpected price swings. It is also a good way of promoting distribution channels and exports and providing access to know-how on farming methods, processing or marketing. Small farmers participate in the process by way of democratic structures.

Demand for fair trade products in Great Britain (in USD million)



Source: Fairtrade Foundation

The fair trade model promotes trade between north and south, and enables farmers to improve their productivity. The result is a more secure household income and a better-quality produce. The environment and the community at large also benefit. Fair trade often involves organic farming methods. The share of the fair trade premium not paid directly to farmers is used for community projects, for example health care, education or environmental initiatives.

At the end of December 2010 the social investments managed by us had assets of 908 million USD. Our investments have an impact on 344 institutions in 65 countries.

Worldwide, our microfinance funds invest in 251 microfinance institutions, enabling us to service 691,000 micro-entrepreneurs – 54% of them women.

We invested USD 74 million in the form of venture capital to facilitate local entrepreneurship.

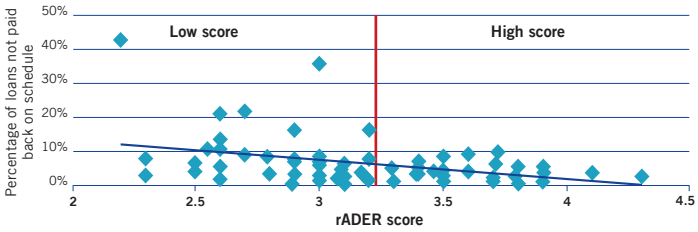
We expanded our fair trade financing from USD 10 million to USD 36 million. This investment impacts 20,450 cocoa and coffee farmers.

Our investments in independent media make critical news coverage possible for 3.7 million people in emerging democracies.

rADER
High Development Impact Also Means Lower Financial Risks

We evaluate and monitor the development impact of our investment activities using the responsAbility Development Effectiveness Rating (rADER). The tool covers five dimensions (see graphic) evaluated using 19 indicators. A score of 5 denotes the highest development impact; 1 indicates no development impact. The average rADER score of our core portfolio is 3.2. This figure indicates that thanks to our stringent criteria we are already more than halfway there. From now on we will have a clear and straightforward indicator to track and illustrate our progress from year to year.

Evaluation of responsAbility's core portfolio



Source: responsAability

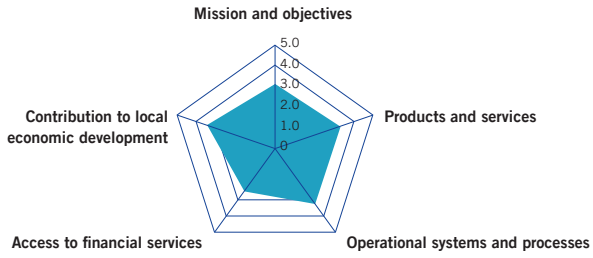
The interesting question now is how the rADER score stands up in the context of financial and operational risks. One representative indicator of risk is the percentage of MFI loans not paid back on schedule. At all the MFIs with a rADER score of more than 3.2, this figure averaged less than 10%, while the figures for MFIs on the lower half of the rADER scale had a much broader distribution (see graphic).

This highlights the fact that microfinance institutions with a high development impact have lower financial risks. So there is no conflict between social and financial performance. Indeed, MFIs that are well managed in terms of social criteria are subject to lower risks and are therefore more interesting for investors from a financial point of view as well.

rADER covers 19 indicators in five dimensions:

1. **Mission and objectives:** alignment of MFIs' missions and strategies to the social dimension; use of analytical systems to capture the level of poverty among clients
2. **Products and services:** variety of financial products and services offered; fair pricing
3. **Operational systems and processes:** appropriateness of internal systems and workflows in terms of enabling responsible management of employees, clients and the environment
4. **Access to financial services:** number and type of micro-enterprises serviced; access to savings facilities
5. **Contribution to local economic development:** level of poverty in the country; economic sectors financed; proportion of rural population and women in MFIs' clientele

Overall rADER results



Source: responsAability

Microfinance

In 2010, at USD 821 million, assets under management were slightly below the prior-year level. Investments increased slightly from USD 612 million to USD 628 million, servicing 694,000 micro-entrepreneurs via 251 institutions in 55 countries.

The average microfinance institution (MFI) grants loans of around USD 2,000. However, this figure varies widely, from USD 81 for an Indonesian MFI up to USD 12,000 for MFIs in much more economically advanced Eastern Europe. The average loan size is USD 1,034. Around 55% of borrowers are women, and 47% live in rural areas.

More investments in local currencies

In geographical terms we substantially increased our exposure to South and East Asia, raising it slightly in Central and South America. We kept our exposure in Central Asia more or less unchanged, but significantly reduced our exposure in Eastern Europe. We more than doubled our investment in sub-Saharan Africa, although Africa's share of the portfolio is still way behind the other regions.

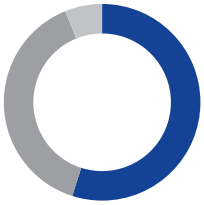
To further extend our impact, responsAbility is now also providing financing in hedged local currencies. This works to the benefit of MFIs and their clients by eliminating the currency risk. In 2010 we were already making investments worth the equivalent of USD 44 million in 10 local currencies.

General and financial indicators	Dec. 10	Dec. 09
Volume		
Total volume of rA microfinance funds, in USD million	821	840
Number of MFIs serviced	**628**	**612**
Via direct investments	176	164
Including investments in microfinance portfolios	251	230
Number of countries		
With direct investments in MFIs	42	34
Including investments in microfinance portfolios	55	52

Social performance indicators	Dec. 10	Dec. 09
Total number of borrowers of MFI, in million	16.0	11.4
Total number of savers, in million	7.6	6.3
Outstanding MFI credit portfolio, in USD million	16,589	14,083
Total clients' savings managed by MFIs, in USD million	8,889	6,621
Average outstanding credit per borrower, in USD	1,942	2,083
Average savings, in USD	1,123	1,360
Number of people employed by MFIs[1)]	64,385	85,976
Number of microfinance clients serviced	691,000	548,121
Estimated number of family members serviced, in million[2)]	3.5	2.8

1) Figures based on information from MFIs
2) Projections based on number of microfinance clients serviced; data from World Bank, UNDP and own assumptions

Microfinance clients by gender[1)]



54% Women
39% Men
6% Corporate bodies

Microfinance clients by place of residence[1)]

53% Urban
47% Rural

Pearl, Uganda

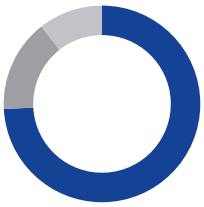
Pearl Microfinance Limited is an MFI that services around 20,000 clients in rural Uganda. responsAbility is invested in Pearl by way of both equity and debt. Recently the MFI applied for a new, extended license from the central bank to be able to offer its clients savings and foreign-exchange services in addition to loans. In preparation for the transformation, Pearl has overhauled its internal processes, expanded its branch offices, and hired new specialist staff. Even before the central bank has completed its review of Pearl's license application, the results of these efforts to professionalize have already become apparent. In 2010 the MFI was able to substantially expand its portfolio, while at the same time significantly improving its quality.

Growing demand for savings facilities

Micro-entrepreneurs are increasingly benefitting from the expanded range of financial services offered by local microfinance institutions. Provided they meet the relevant regulatory requirements, many MFIs are able to offer savings facilities in addition to microcredits. Client savings held at the MFIs financed by us grew by 34% to USD 8.9 billion, underscoring the increasing importance of microsavings. The average savings balance came to USD 1,100. The broader and deeper a local MFI's product offering, the better it can meet the needs of its clients. This is why three-quarters of the institutions financed by responsAbility focus on individual loans. Group lending, while less flexible, is particularly suited to rural areas where people's incomes are so low that individual loans are not yet possible.

Access to adequate financial services makes households more independent and more resistant to a whole range of negative factors. They can balance their income and expenditure more effectively, diversify their income, and get a better grip on the risks. Improvements in nutrition and health can also be attributed to access to microfinance. Another interesting consideration from a development point of view is whether and how MFIs match their credit products to clients' specific financing requirements. The MFIs held in the portfolio of the funds managed by responsAbility grant more than one-third of their loans for a specific purpose. This includes loans to finance SMEs, renovation loans, consumer credit, and loans for education and medical care. The more varied the products and services offered by an institution, the greater the social impact it will have.

Lending methodology



- **73%** Individuals
- **15%** Small solidarity groups
- **10%** Large solidarity groups/village banking

Loan products

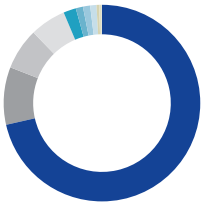
- **69%** Micro-enterprise loans
- **16%** Small-/medium-sized-enterprise loans
- **6%** Consumer loans
- **4%** Mortgages
- **5%** Other loan products

Economic sectors financed

- **45%** Services
- **18%** Commerce
- **17%** Other
- **13%** Manufacturing/industrial production
- **6%** Agriculture

Based on social performance data from 180 MFIs (of a total of 251 MFIs in the rA portfolio)

Currency allocation



All material foreign-exchange risks towards currencies (excluding fund currency) are hedged

- **70.9%** US dollar (USD)
- **9.4%** Euro (EUR)
- **6.8%** Peruvian nuevo sol (PEN)
- **5.9%** Mexican peso (MXN)
- **2.1%** Colombian peso (COP)
- **1.2%** Russian ruble (RUB)
- **1.2%** Philippine peso (PHP)
- **1.0%** Kazakhstani tenge (KZT)
- **0.4%** Nigerian naira (NGN)
- **0.3%** Romanian leu (RON)
- **0.1%** Thai baht (THB)

Fair Trade

Given the particular lack of access to financial services in rural areas, we devote a great deal of attention to solutions for agricultural enterprises. We believe that prefinancing harvests and funding agricultural value chains at cooperatives is an especially sustainable approach. This applies to an even greater extent in today's environment of high energy prices, where the benefits of agricultural methods that require less fertilizer and produce less waste come to the fore. In 2010, responsAbility funds financed 46 cooperatives in 15 countries. With these cooperatives supplied by around 300,000 producers, financing a single organization benefits a large number of families. Reflecting the importance of coffee in world trade and the growing availability of fair trade coffee on our supermarket shelves, finance for coffee-growing cooperatives accounts for around four-fifths of fair trade investments. Cocoa, nuts and honey are also an important component, as they represent opportunities for farmers to diversify.

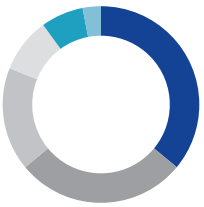
Quality pays off

Social, ethical and environmental certification is playing an increasingly important role. 72% of the sales revenues of the enterprises funded by responsAbility already come from fair-trade-certified produce, and 47% from certified organic produce. Both types of certification earn producers additional premiums; cooperatives decide how these proceeds are to be invested on a democratic basis. In 2010 the lion's share of premiums was distributed to producers, while smaller portions were ploughed back into improving cooperative infrastructure and extending the certification of their production (see graphic). The precise form of the distribution is influenced by the age of the cooperative and the degree to which it is developed.

General and financial indicators	2010	2009
Volume		
Total volume of rA fair trade investments, in USD million	35.9	9.85
of which coffee, in USD million	29.0	
of which cocoa, in USD million	5.1	
of which honey, in USD million	0.7	
of which other (blueberries, bananas, sugar, nuts), in USD million	1.1	
Number of fair trade cooperatives serviced		
Fair trade cooperatives serviced directly	27	
Fair trade cooperatives serviced indirectly	19	
Number of countries		
Serviced with direct fair trade investments	6	
Serviced with indirect fair trade investments	9	

Social performance indicators	2010	2009
Fair trade cooperatives		
Total number of people belonging to cooperatives	300,859	34,282
Total number of women belonging to cooperatives	15,649	8,410
Number of farmers serviced through rA investments	20,448	1,869
Number of people employed by cooperatives	1,446	542
Number of women employed by cooperatives	436	152
Organic produce as percentage of total volume	47%	36%

Deployment of premiums from fair trade and organic produce



- **36%** Strengthen institution and infrastructure
- **28%** Producers
- **17%** Technical assistance, quality improvement, certification
- **9%** Education and training
- **7%** Health care
- **3%** Other social projects

Apicoop, Chile

The Chilean cooperative Apicoop is almost entirely dedicated to bees: it has 145 members and around 300 different producers who yield 1,000 tons of fair-trade-certified honey a year. This makes Apicoop one of the biggest fair trade honey producers on the planet. It was originally established as a social project by a church foundation in Valdivia, a province famous for its primeval forests, with the aim of improving the local population's standard of living and encouraging people to send their children to school. The cooperative has given hundreds of families prospects for the future, and has funded scholarships allowing more than 1,000 children to attend school. Apicoop provides farmers interested in embarking on beekeeping with beehives and bee colonies on a loan basis.

SME Financing

A good indicator of an economy's degree of development is the degree to which small and medium-sized enterprises (SMEs) prosper. A healthy SME sector creates jobs and generates a steady flow of free-market solutions and innovations developed on a decentralized basis. This raises the probability that some businesses will make the breakthrough and evolve into large, successful exporting companies.

The immediate result of SME financing is the creation of formal employment. Besides enabling many households to earn a living, new jobs also generate additional tax revenues, which in turn strengthen the local public sector and thus have a long-term development impact.

Clearing obstacles to growth

In collaboration with the Swiss Investment Fund for Emerging Markets (SIFEM), at the beginning of 2008, responsAbility began building a portfolio of SMEs in developing countries and emerging markets. For many of these businesses, a lack of access to long-term capital poses a serious obstacle to growth. responsAbility procures this capital from investors and (via the funds it manages) passes it on to selected regional fund managers who then acquire interests in rapidly growing SMEs and contribute their know-how to enable them to access export markets.

At the end of 2010, USD 13 million was invested in 38 SMEs providing a total of 31,200 jobs. In the period under review, four new SMEs were added to the portfolio. In the course of the year the 34 SMEs already financed created 5,230 new jobs, which constitutes a growth of 22%. The geographic focus was India, South Africa and the Western Maghreb. SMEs in the manufacturing and service sectors each accounted for around half. Having been named a winner in the G-20 SME Finance Challenge (see page 5), and given the great relevance of SMEs in development terms, responsAbility plans to further expand its SME-related activities in the coming years.

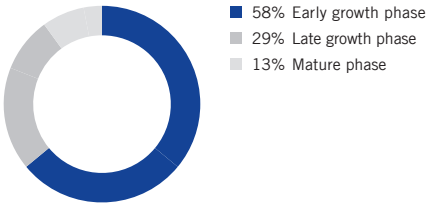
General and financial indicators	Dec. 10	Dec. 09
Volume		
Total volume of SME investments, in USD million[1]	12.9	10.8
Number of investments		
In local SME risk capital funds	4	4
Number of local SMEs serviced	38	33

Social performance indicators	Dec. 10	Dec. 09
Number of people employed by SMEs	31,215	24,538
Growth in sales of SMEs[2]	18%	19%

1) Fluctuations due to movements in currency of underlying investments
2) Median, data based on 24 of a total of 38 SMEs, adjusted for currency movements versus in USD

Portfolio companies by phase of growth	Dec. 10	Dec. 09
Start-up	--	--
Early growth phase	58%	58%
Late growth phase	29%	29%
Mature phase	13%	13%

Portfolio companies by phase of growth



Vitalait, Tunisia

Vitalait's comprehensive range of products makes it one of Tunisia's most important dairy processing firms. Vitalait has hardly been affected by the country's change of government. Founded in 1997, the company now has a market share of around 20%. From butter to bifidus yogurt, all its products are made with high-quality raw milk using modern processing equipment. Vitalait works closely with its suppliers, and supports them in technical and financial matters. Its staff of about 350 is employed on a fixed basis in accordance with International Labour Organization (ILO) standards. As well as being socially aware, Vitalait is also environmentally responsible, a fact evidenced, among other things, by its own liquid waste processing system.

Press Freedom

"An independent press is the best insurance for a fair and democratic society. Wherever independent media are allowed to develop, we see a decline in the abuse of power and corruption."

Micheline Calmy-Rey, President of the Swiss Conferderation

Independent Media

All over the world, the freedom of the press is under threat. The headlines are full of news of journalists who have been murdered in countries like Iraq, Mexico, Russia or the Philippines. These dramatic examples are only the tip of the iceberg. The inability or unwillingness of governments to protect independent journalism manifests itself in a wide variety of subtle ways. Press freedom can be limited by way of censorship, in other words rules on what content may or may not be published. But a more discreet way of doing this is by managing the way licenses are granted. While licensing may be justifiable for television and radio for technical reasons, for the printed press it is pure chicanery. Licenses can be made subject to a whole range of requirements that make independent reporting impossible. Journalist accreditation also opens the floodgates to caprice and despotism. Libel and slander are also a frequent pretext for suppressing the freedom of the press.

Press freedom impossible without financial independence
Many media get into financial dependency by way of the state or particular interests with economic power. Most independent media are vulnerable because they have only very thin capital cover. A monetary fine or libel case can spell the end. This is where the Media Development Loan Fund (MDLF) comes in, by giving independent media loan and equity support. responsAbility has been successfully working with the MDLF for more than five years.

At the end of 2010, the MDLF managed a portfolio worth USD 39.7 million, up 3.7% on the previous year. Around 10% of the MDLF portfolio is financed by an investment product called the Voncert on responsAbility Media Development Basket. A total of 45 media organizations are refinanced, around 72% of which operate in the print media. The biggest investment is the NewsDay newspaper in Zimbabwe (see portrait).

The MDLF reaches 35.8 million media consumers in 17 countries. In 2010 two countries were added, with new funding for two media companies in Nepal – the Jagadamba Press newspaper and the Communication Corner radio broadcaster – and Window to the World, a Chicago-based cooperative that produces TV and online news.

Financial and social performance indicators	Dec. 10	Dec. 09
Total volume of loans to the MDLF arranged by rA, in CHF million	4.3	4.3
Number of countries in the MDLF portfolio	17	15
Number of investments in the MDLF portfolio	45	41
Media users reached		
By the MDLF, in million[1)]	35.8	33.8
Number of loans to the MDLF arranged by responsAbility, in million	3.7	3.5

1) December 2009 data have been adjusted in line with latest MDLF figures. December 2010 data are projections.

NewsDay, Zimbabwe
The founding of the daily newspaper NewsDay in 2010 marked the end of seven years of de facto state censorship in Zimbabwe. After it filed its application, NewsDay had to wait two years before it was granted a license. Since then the paper has flourished, with its sales and geographic reach steadily increasing. Its success has provoked efforts to intimidate it from factions in the government and para-sovereign groups. The publisher of NewsDay has used journalistic and entrepreneurial means to defend itself. Since the collapse of the country's currency, there have only been dollar notes in Zimbabwe, but no coins. NewsDay sells each copy for 50 cents, exchanging the dollar note for its own plastic dollar that can be used to pay for the next day's edition.

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