

Impact for Generation 2030

Investing now for a sustainable future



Where we came from...

GENERATION 2030 AS THE SUSTAINABLE GENERATION
Every generation is known for something. With the UN's Sustainable Development Goals targeting 2030, what action needs to happen over the next 10 years to ensure that Generation 2030 lives on our planet more sustainably than previous generations?



The Greatest Generation

This group experienced the highs of the jazz era and the lows of the Great Depression and World War II.



Silent Generation

Labelled "silent" because this group was a rule-following bunch who didn't want to make waves.



Baby Boomers

Born during the economic boom after WWII, this group was full of "flower power" and rock-n-roll.



Generation X

Experiencing the fall of the Berlin Wall, the dawn of MTV, and the AIDS epidemic, this rebellious bunch was impossible to define.



Millennials

This generation experienced the rise of the internet and have been lauded as "digital natives" by some and overly technology-dependent by others.



Generation Z

As the first generation born with the internet, this group is seen as the most individualistic but has also been labeled as the iGeneration.

Generation 2030

Will we be able to call this bunch "The Sustainable Generation"?

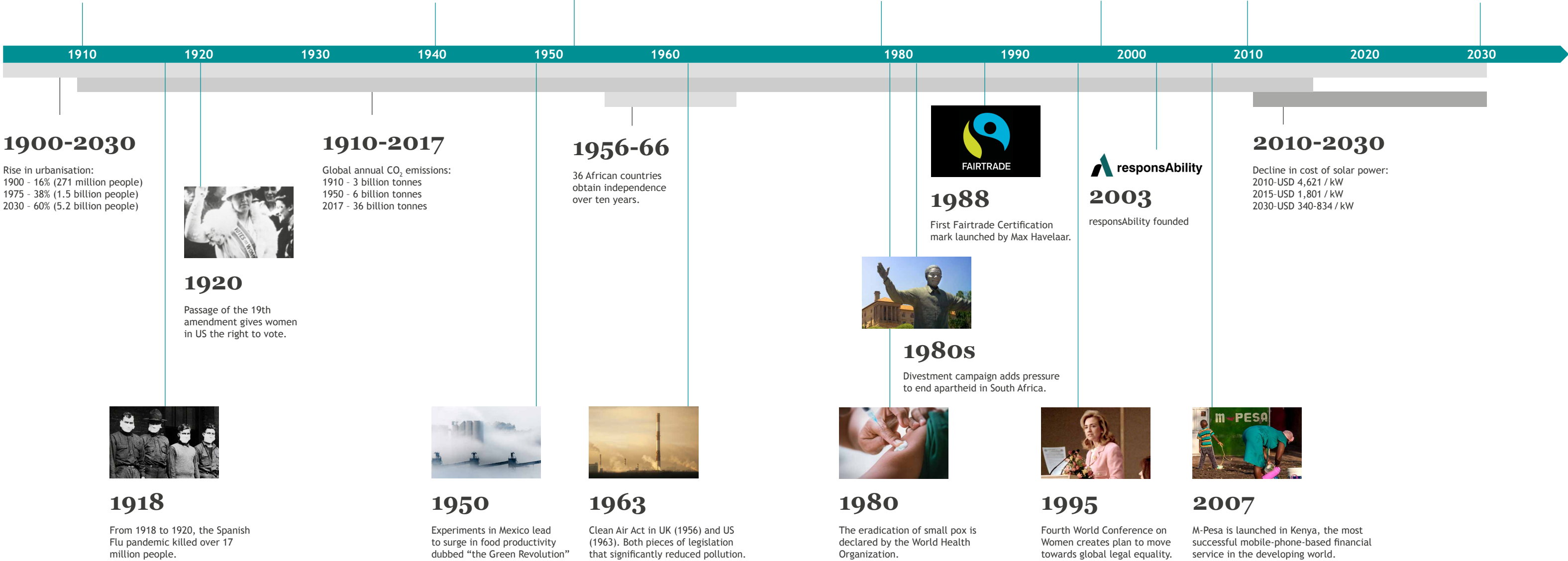


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Where we are going:

Generation 2030
or the Sustainable Generation

2020 is a tipping point. Not just because of the Covid-19 pandemic, hashtag revolutions and the specter of climate change, but also due to a raft of demographic and technological changes in developing markets that will reshape the world in the next decade. While the West ages, a surge of young people will be hitting the workforce in the developing world. These youths will be educated to a degree unprecedented in the history of their countries, especially young women. They will also be filling the world’s urban centers, part of a shift from the countryside that has accelerated exponentially since the last century.

At the same time, the ambitious Sustainable Development Goals (SDGs), created by the United Nations, have a target date of 2030. Moreover, we need to halve greenhouse gas emissions by this point to avoid a 2°C increase in global temperatures, resulting in a climate catastrophe. So, there are only ten years left to ensure that this planet is a place we are proud to let “Generation 2030” inherit.

Therefore, in this publication we have decided to focus on three macro-topics, which will have an immense impact on our ability to create a sustainable future:

1. TECHNOLOGY: MAKING THE DIFFERENCE

Hundreds of millions of people will obtain connectivity for the first time over the next ten years. Harnessing this will allow impactful business models to increase their outreach, to the benefit of populations otherwise excluded from access to information, healthcare, education, finance and other essential services.

2. CREATING OPPORTUNITY

From gender equality to income equality, this is a global topic. Business models that provide access to services and jobs for women, young people and other excluded populations will dramatically boost emerging economies. This in

turn will catalyze development and significantly improve quality of life across generations to come.

3. MASTERING SUSTAINABILITY

As urban populations surge, particularly in emerging markets, finding ways to live together sustainably are crucial - investing in infrastructure and buildings that avoid emissions, or transitioning to green vehicles that reduce pollution. These solutions can also generate millions of green jobs. Limiting global warming and boosting economies at the same time is a win-win for the planet and for us.

We are at a critical moment for our planet and for the global economy, with the developing world at center-stage. This is the moment to harness new technology and new business models to transform economies while providing sustainable solutions to the challenges of our time.

Many of these business models have only risen to prominence in recent years, but their influence over the next decade could be profound for all of us. Yet this is also true of the investment that they need to develop. With ethical and consumer choices more entwined than ever, the rise in sustainable investing means that investors are choosing to align their money with their beliefs. By continuing to do so, we can turn this decade from trauma to transformation.



Paul Hailey,
Head of Impact

Spreading Technology

“I'd put my money
on sun and solar
energy...I hope we
don't have to wait
until oil and coal
run out before we
tackle that.”

Thomas Edison, 1931



Sharing Knowledge at Record Speed

One of the most striking changes of the last decade has been the colossal increase in connectivity. The advantages of this have been clearly seen during the coronavirus outbreak, with millions able to work, study, socialize and exercise from home. Yet this phenomenon is unevenly spread - large swathes of the developing world have little access to the internet, especially in rural areas. This will change in the next decade, with hundreds of millions of workers, consumers and content creators coming online as infrastructure improves and mobile broadband reaches all corners. This dramatic increase in the number of people online provides an extraordinary opportunity for businesses to scale up their impact.

FINANCIAL INCLUSION

The internet has already revolutionized the way we access financial products in Europe. Mobile banking allows microfinance institutions (MFIs) in the developing world to extend their reach, providing savings and loans to remote villages while reducing costs. Meanwhile new fintech companies will disrupt markets with new products adapted to the local context.

SUSTAINABLE FOOD

Access to weather data helps farmers to plan planting and harvest cycles better. Up-to-date crop prices give more transparency to smallholders. Better connectivity enables more traceability, fulfilling consumer demand for food with less environmental damage and more social impact.

CLIMATE FINANCE

Smart air conditioning will reduce energy costs, lessen the load on electric grids and reduce emissions. Connected technologies enable business models such as pre-financed solar home systems, or solar-powered irrigation systems.

IN FOCUS: NOTEWORTHY TOPICS AND STATISTICS IN TECH AND FINANCE



FINTECH

FinTech boomed during Covid-19, advancing more quickly as access to finance from home became an essential service.



AGRITECH

From drone-based analysis to intelligent software for soil management, the sustainable food industry needs investments in technology for efficient production.



GREEN BUILDINGS

As buildings cause 40% of global GHG emissions, green buildings represent one of the most significant investment opportunities to help mitigate climate change.

90%

OF GROWTH IN
MOBILE BROADBAND
subscriptions between 2015-2030 will
be outside of Europe and the US

40%

INCREASE IN 3G COVERAGE
for the population of Nigeria
in 2019

64%

INCREASE IN DOWNLOAD SPEEDS
in 2019 across 20 lower middle-income
countries surveyed

Our impact

responsAbility has supported microfinance and SME finance for nearly twenty years. By providing long-term debt financing and equity investments, we have provided the financial platform for MFIs and SME banks to move into mobile banking, already benefitting thousands of low-income households and small businesses. Our ongoing support will enable the revolution in financial sector development to continue as connectivity improves in many of our markets. Furthermore, we have increased investment activities in fintech-only companies, taking equity shares and providing strategic direction to ground-breaking business models. Meanwhile, our sustainable food and climate finance investments introduce and scale up a wide variety of technologies that are new or at a very early stage in many developing countries.

The positive impact of connectivity on smallholders

INCREASED REVENUE

Weather and crop price data will increase farmer revenues.

SUSTAINABLE PRODUCTION

Connected solar irrigation systems minimise water use and improve yields.

ACCESS TO FINANCE

Mobile banking allows Microfinance Institutions to reach more rural communities, benefiting smallholders.



Technology: making the difference



1. FinTech in India

“Lending simplified, growth amplified” is the motto of NeoGrowth, one of responsAbility’s portfolio companies leading the way in FinTech. The demand for finance in India is massive, as 50% of India’s creditworthy SMEs could not previously receive loans because of outdated underwriting methods.

The core of NeoGrowth’s business model started with using the digital track record of its MSME customers to underwrite and provide loans to this unserved segment. Currently NeoGrowth uses technology to parse one year of digital bank statement data and gain insights into daily card based and other digital sales for the last year. Proprietary algorithms are developed to build predictive models into the future sustainability and growth of the client’s business. This helps to determine the eligibility for loans and creates a bespoke offering in terms of loan amount, tenure and pricing.

Flexible repayment is a hallmark of the NeoGrowth business, offering customers small daily auto-repayment facility from card-based sales. This is only possible because of digital interfaces with the banks and a proprietary Loan Origination System (LOS) and Loan Management System (LMS) which was custom built for NeoGrowth’s unique loan product. The next step will be further investment into analytics and machine learning, which will facilitate the disbursement of loans within 48 hours from first application.

Best of all, they are determined to create a positive social impact by lending to first generation entrepreneurs, supporting job creation, and also proactively working to increase the number of business loans to female entrepreneurs.

2. Technology in Agriculture

From precision farming to smart warehousing to satellite-based crop monitoring, Samunnati, one of responsAbility’s equity investments, actively promotes such activities and aims at facilitating the use of technology with farmer collectives around India, indirectly impacting more than 2 million farmers.

Samunnati is also proactive in FinTech, having developed a QR based virtual card that allows farmers to directly pay for inputs or other resources from their loan account. Linked to a specific list of registered merchants, it ensures that the loan is being used for its original purpose.

Next, they will be launching a mobile application that connects buyers and sellers directly. In addition, they are piloting integrations with transportation, quality assessment, and insurance on the same interface. For instance, if there are suppliers and buyers from two different regions who want to make a transaction, they would be able to review the transportation charges from various vendors and select the lowest price.

On Covid-19 and agriculture: “Amid these extraordinary times, we have taken an approach to finding solutions, aligned to our mission to make markets work for smallholder farmers. While we continue to focus on lending to our FPOs and AEs customers to build their business, we have embarked on a technology transformation route to ensure we fast pace the introduction of innovative solutions at the ecosystem level. This, we believe, would create transparency among the ecosystem players and improve value chain efficiency, ultimately benefitting the livelihoods of smallholder farmers.” - Anil Kumar SG, Founder and CEO, Samunnati.

3. Watch: FinTech in Action



<https://youtu.be/jA67vtqq-74>

Scan with your smart phone camera and follow the link to watch FinTech in action.



4. Going Digital in Nicaragua

The highest quality coffee beans in Nicaragua are known to be produced in Matagalpa and Jinotega, where our portfolio company Aldea Global operates. They play a critical role in the region, as coffee production is the economic backbone for thousands of rural communities, providing the equivalent of 280,000 permanent agricultural jobs.

Vulnerable to climate change due to its geographic positioning, catastrophes such as hurricane Mitch in 1998 are inevitable and can exacerbate social tensions that continue to weigh on a country impoverished by twenty years of civil war. And as more than 50% of rural incomes in Nicaragua are generated through traditional rainfed agriculture, and are heavily dependent on natural resources, these communities needed support to become resilient.

Aldea Global initiated a project, therefore, to equip farmers with digital technology that will provide insights into their crops during the agricultural cycle to mitigate climate risks and increase productivity for their specialty coffee. With the support of our Technical Assistance Team, a mobile application was developed that provides timely information, including weather forecasts, to help farmers plan for planting, fertilization and spraying, as well as practical guidance, e.g. on soil conservation practices. The overall goal is to put farmers in a position to be more resilient and to enable them to increase their yields and incomes. Long-term, it is expected that the app could be upgraded for other crops and benefit a larger number of farmers.

Increasing the use of digital technologies is expected to be key not only to address pain points, improve productivity and transparency along the value chain, but also to ensure social distancing and protect those who represent the most vulnerable populations in developing countries, mainly women, rural, aging and migrant workers.

Creating Opportunity

**“As we look ahead
into the next
century, leaders
will be those who
empower others.”**

Bill Gates



Level the Playing Field

The challenge

The final toll of Covid-19 remains hard to predict. Nonetheless, one thing has remained constant: regardless of a country’s overall wealth, the effects of the pandemic have hit hardest in areas where inequality is greatest. Populations that already face discrimination in terms of government support or access to key services are least able to weather the toll of Covid-19, on health or finances.

Even so, the long-term trend for development has been positive, and despite the current set-backs, will continue to be so. Developing countries account for an increasingly large share of the global economy, with higher rates of growth reducing the gap in income. Demographic shifts also mean an unprecedented surge in young people graduating now and in the next few years. The potential is even greater among parts of the population to whom the public and private sector have historically not given much thought: women, youth, and those in rural areas. New technologies and business models offer a potential revolution in addressing inequality and opening new markets.

99

The number of years until gender parity is reached, according to the World Economic Forum (WEF).

71%

The share of the population in Sub-Saharan Africa under 30 years old.

70%

of rural Africans do not have access to electricity

Our impact

In the next decade, women, rural and young populations will profoundly reshape their environments.

EQUAL MARKETS. Since 2003, responsAbility has focused on investing solely in developing economies. Not only are these markets poorer, but they also attract a much smaller proportion of global investment flows. 100% of our activities are, and will continue to be, aimed at reducing the gap between the developed and developing world.

EQUAL INCOMES. Most of our portfolio companies aim to reduce poverty and improve the quality of life for low-income households. For example, microfinance institutions aim to resolve financial exclusion, a problem primarily affecting the bottom 60% of income-earners in developing markets. Equally, our agricultural portfolio companies primarily source from smallholder farmers with holdings of three hectares or less.

EQUAL OPPORTUNITIES. Job creation will be essential to ensure that a demographic surge becomes an asset instead

of a source of poverty and unrest. Most of the financial institutions that we finance support small businesses, a key engine for job creation in the developing world. Furthermore, our portfolio companies support thousands of youth customers across emerging markets.

EQUAL GENDERS. For a significant proportion of our investee companies, most or all of their customers are women. These women are thus better placed to access their own bank account, start their own business, buy their own property and many other vital services. Continued support will provide long-term benefits to the quality of life of these customers and their households.

EQUAL REGIONS. responsAbility tackles high levels of poverty in rural areas by supporting agricultural companies that source from smallholder farmers, employ local workers and protect the local environment. In the long-term, this support will strengthen agricultural value chains, to the benefit of local economies. We also finance companies providing off-grid energy solutions to homes and businesses in remote rural areas with limited or no access to electricity.



Increasing Possibilities

Empowering Women in Uganda

Fed by melting glaciers from the Rwenzori Mountains, the Nyamwamba river safeguards water for over 1 million people. The river sustains the main economic activity in the area: growing coffee, harvested by mostly female smallholder farmers.

The land here has been heavily eroded, and yields are limited due to fragile soils and old farming techniques. So through its Technical Assistance Facility, responsAbility and WWF Uganda are supporting a restoration project focusing on protecting important water catchments for socio-economic development as well as biodiversity conservation. The project uses a Payment for Watershed Services approach, that encourages private and public sector agencies to actively engage in financing ecosystem conservation. And most importantly for the female smallholders, it mobilizes landowners for Sustainable Land Management interventions to increase farm productivity, and improve community livelihoods upstream, while at the same time ensuring sustainable water supply to the many users downstream. Finally, this initiative also supports the Ugandan government's effort to increase wealth at the household level, targeting SDG 1: end poverty.

Working Together in a Crisis

At the beginning of the Covid-19 pandemic, a collective of lenders in the microfinance industry came together to act as the foundation of the sector's response to challenges which financial institutions around the world faced. These lenders signed a Memorandum of Understanding (MoU), which was crucial as these lenders manage more than USD 15 bn of funds invested, setting the precedent for these standards to be taken up by many more lenders.

Why is this important? Measures taken locally to reduce the spread and impact of COVID-19 were directly affecting clients, operations and the liquidity of microfinance and SME finance institutions. This resulted in an increased need for the rescheduling of loans that funds provided to these financial institutions. The MoU, then, established a common approach among lenders to deal with such rescheduling requests and established trust amongst the lenders' community.

After Covid-19, microentrepreneurs and SMEs will form a vital basis for social and economic recovery. Continued access to finance should help them through this difficult liquidity situation so they will be ready to support their clients once the economy picks up once again.

2XChallenge: Invest in Women

The G7 and other Development Finance Institutions (DFIs) have agreed to join together for the 2X Challenge: collectively mobilizing USD 3 billion in commitments that provide women in developing countries with access to leadership opportunities, quality employment, finance, enterprise support and products and services that enhance economic participation and access. Two years after it launched, the initiative has more than exceeded expectations, already mobilizing over USD 4.5 billion in Gender-Smart Investments.

One of our climate funds, that targets universal access to clean power, recently qualified as 2X compliant, with over 50% of the portfolio companies in the fund actively improving and providing quality employment for women. The fund is supported by the Dutch Development Bank (FMO) and the European Investment Bank (EIB), both of which have been active in the 2X Challenge since its inception.

responsAbility worked with technical assistance from Power Africa, and with support from leading impact and gender advisors Sagana and Catalyst at Large in order to pilot a gender smart investing framework for the climate fund.

CREATING OPPORTUNITIES
THROUGH ACCESS TO CLEAN
ENERGY

22,240

JOB
created by our energy access fund's
portfolio companies

66 million

PEOPLE
have obtained greater access
to energy since the energy access
fund's inception

65%

COST REDUCTION
in electricity procurement for small
businesses from the energy access fund's
activities

4.8 million

HOUSHOLDS
with improved electricity
access in 2019 due to the energy
access fund's investments

798

COMMERCIAL & INDUSTRIAL SOLAR
companies with improved electricity
access from the energy access fund's
activities since inception





Mastering Sustainability

“Only if we understand, can we care. Only if we care, we will help. Only if we help, we shall be saved.”

Jane Goodall

Under the same roof

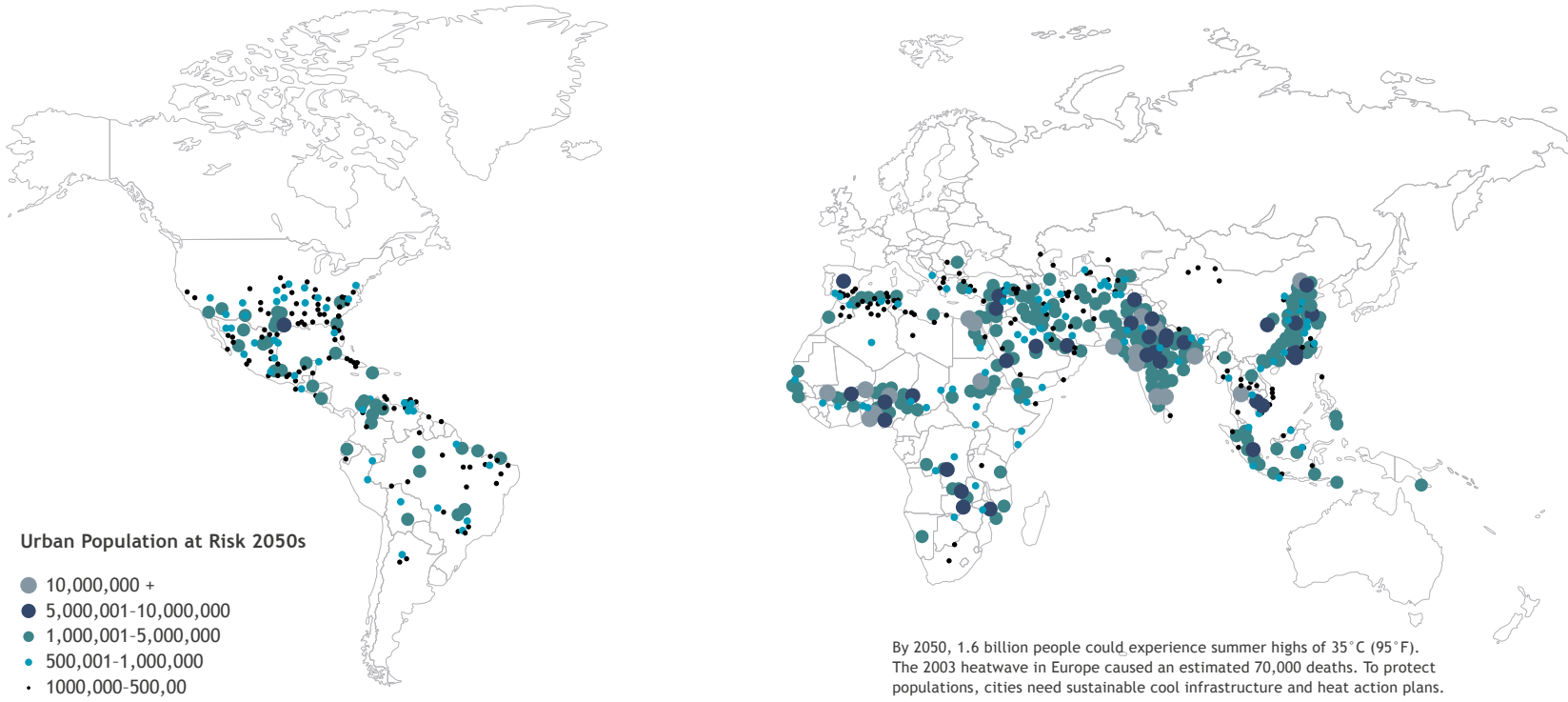
With significant urbanization expected during the next decade, immediate actions are needed to tackle air pollution. Direct emissions from transportation, industry, cooking, heating and lighting cause much of the air polluter in the developing world, but because many cities are still powered by coal, electricity consumption is a major polluter. One way we counter this, is to finance energy efficiency projects that achieve a reduction in GHG emissions of at least 20%.

60% of the area expected to become urban by 2030 is not yet built. And with buildings accounting for 28% of the energy related to GHG emissions, we have integrated the IFC EDGE certification into our investments, which is a powerful tool to quantify water, energy and building materials savings.

Finally, 37% of the world's population will be exposed to severe heat by 2030 under a 2 °C increase. So we have partnered with UN Environment to develop efficient air conditioning base-lines and with BASE (Basel Agency for Sustainable Energy) to explore innovative approaches to energy efficiency financing such as Cooling as a Service.



Urban populations at risk from heat extremes



Our impact

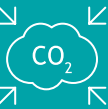
HOW FINANCING CLEAN ENERGY, ACCESS TO ENERGY AND GREEN BUILDING MAKES A DIFFERENCE



66 million

PEOPLE

provided with access to electricity through our clean power fund's activities while eliminating 13 million polluting kerosene lamps



17.2 million

TONNES OF CO₂

The total expected lifetime CO₂ reduction for all projects financed by our climate fund since inception



13,000

CARS/BUSES/TRUCKS

Our funding helped to replace more than 13,000 vehicles in some of the most polluted cities in the world, reducing CO₂ emissions by 180,000 tonnes.



11 million

MEGAWATT HOURS

is the expected lifetime energy savings from energy efficiency measures installed in our green building projects

Sustainable Cities

Taxi Transition in Lima

Millions of people commute to Lima's city center, making it the third most congested city in the world after Mumbai and Bogota. 290,000 taxis are in operation, and with 20% more than 20 years old, they are highly inefficient in terms of fuel and CO₂ emissions.

Acceso Crediticio, a portfolio company of responsAbility, finances natural gas vehicles (NGVs) that are far more environmentally sustainable than traditional combustion engines and have lower fuel costs, the latter due to Peru's extensive natural gas resources. In 2019, Acceso launched a scrapping program to persuade drivers to trade in their old models. Acceso paid a "scrapping bond" of up to USD 2,000 to be used as a down payment towards the new NGV taxi. Most of the proceeds of the bond came from a combination of private-sector sources - insurance companies, private vehicle dealers and Acceso itself - all of whom stood to benefit from the eventual purchase of the new NGV taxi.

Our Technical Assistance Facility assessed the program's economic fundamentals, ensured its environmental sustainability, and developed the implementation plan. By renewing Lima's obsolete vehicle fleet with cleaner alternatives, Acceso is contributing greatly to climate change mitigation.

Green Building Boom

"An entire New York City every 34 days for the next 40 years - that's the pace at which the world is urbanizing," according to UN Environment. By 2030 then, green building certifications must be the new normal, as green buildings create healthier environments, reduce operational costs, and increase asset value.

Benefits of certification include:

- > the ability to measure buildings' performance and collect data.
- > the requirement that building-related products are certified, slowly affecting the larger value chain, including resource and waste management, materials, etc.
- > lower operational costs, a higher resell value, healthier living environments and a lower environmental footprint than traditional buildings.

responsAbility has incorporated the IFC EDGE certification scheme into our Technical Assistance offering. This allows our Climate Fund's Partner Institutions to assess the eligibility of their projects in the building and construction sector using the IFC EDGE standard. This standard means a building must be at least 20% more efficient compared to the country baseline in three categories: energy, water and embodied energy in materials.

Staying Cool in Record Heat



2060

IS THE YEAR CHINA has committed to carbon neutrality. This will require reducing and offsetting more than 300m tonnes of CO₂/year from space cooling.

Demand for cooling will triple by 2050. With this in mind, we have partnered with the Basel Agency for Sustainable Energy (BASE) in order to promote Cooling as a Service (CaaS). This is a pay-per-service model for clean cooling systems, which eliminates upfront investment in clean cooling technology for customers who simply pay for the amount of air conditioning they use instead of buying and maintaining the equipment. This both incentivizes efficient energy consumption and drives technological advancement.



Urban Solar Everywhere



70%

OF GLOBAL ENERGY is consumed by cities, and by 2030, cities will house 60% of the global population

Cleaner, cheaper and more reliable energy is crucial when envisioning a sustainable future. So over the next 10 years, portfolio companies in our energy access fund will provide clean power to more than 150 million people, add 2,000 MW of clean energy generation capacity and reduce CO₂ emissions by 6 m tonnes. One such portfolio company is Fourth Partner Energy, who seeks to balance India's energy security, affordability and sustainability. Founded in 2010, they have grown to become one of India's largest companies in the commercial and industrial (C&I) solar sector, having set up over 2000 installations across 23 states.

ESG - the Basis of Sustainable Investment

At responsAbility, we differentiate between two key aspects of our portfolio companies: ‘Impact’ and ‘ESG’. ‘Impact’ refers to the activities or services provided by our investees that create positive outcomes such as access to financial services for low-income populations. ‘ESG’, which stands for Environmental, Social & Governance, is an assessment, a process to also avoid negative effects. By applying these two approaches (Impact and ESG), responsAbility applies a holistic approach to ensure that all our investments generate both positive impact and do no harm.



Pedro Fernandez,
Head of Sustainability

ESG: FULLY EMBEDDED INTO OUR INVESTMENTS

For some investors, ESG is just a simple exclusion exercise (i.e. not investing in certain harmful sectors such as fossil fuels or tobacco). However, at responsAbility, ESG goes far beyond this: It is a systematic process that ensures that investments don’t have negative issues associated with them. Our ESG criteria are then fully embedded in our investment process, and our ESG due diligence allows us to identify potential negative practices or issues that might contradict universal human rights principles of a potential portfolio company (i.e. a microfinance institution that has no formal complaint process to enable employees to raise concerns). By identifying these issues and then engaging with the company to address them, responsAbility ensures that all its investments only have positive consequences.

ESG in the financial sector: Outperforming conventional funds also during the Covid-19 lock-down

The integration of a proper ESG framework has been proven to be beneficial, not only at responsAbility but also in the wider financial sector. Research shows that funds with a proper ESG framework tend to outperform non-ESG funds - both in the short-term and the long-term. Companies that are performing well on ESG factors tend to be more resilient, avoid financial penalties and legal actions, and have a better reputation. These are some of the many ESG factors that contribute positively to the growth of the company and its financial results.

Even during the global coronavirus lockdown in 2020, ESG funds have shown statistically better performance compared to non-ESG focused funds (see Figure 1).

ESG outperformance amid COVID-19 crisis
67 stocks of European members are more resilient in the view of investors
Significant better performance in the bearish market: reflecting investor confidence in European members
WBCSD Europe Portfolio Performance YTP

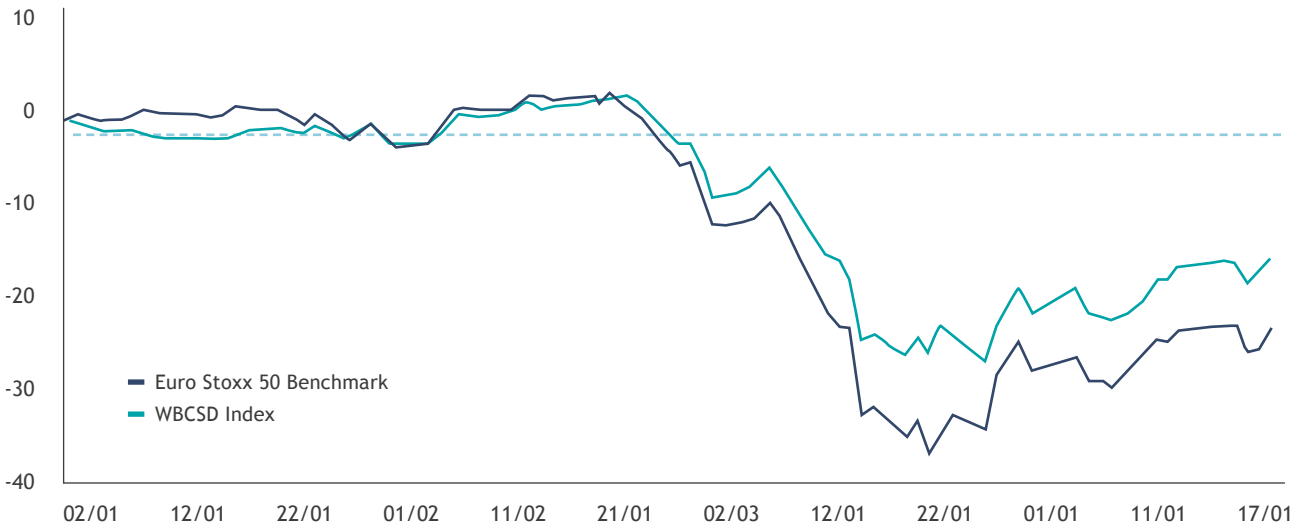


Figure 1: WBCSD index funds - all with integrated ESG frameworks - outperform conventional funds and indexes during the COVID-19 crisis. Case study from WBCSD index and Euro Stoxx 50 Benchmark between 1/1-2020 and 17/4-2020. Data source: WBCSD (link).

This trend can be explained by the fact that companies with good labour practices are protecting their workforce during the challenging Covid-19 crisis, and are therefore more capable ensuring additional support from its customers and the broader community around it.

ESG PROCESS AND PERFORMANCE AT RESPONSABILITY

Our ESG framework is aligned with the Performance Standards developed by the International Finance Corporation (IFC), the private sector arm of the World Bank Group. The framework consists of a set of indicators to screen potential investments for labour practices, environmental risks, community impacts, client protection, governance, etc.

After screening and due diligence, we either:

- > Engage with the portfolio companies and help them to improve over time. In these cases, we develop an ESG Action Plan, which we regularly monitor, to ensure that the portfolio companies improve. For instance, if we invest in a company that has no formal Human Resources policies, we will help them to develop and apply HR policies to protect its workforce.
- > If we identify more severe aspects, e.g. child labour, we will immediately stop the investment process and divest from such issues.

Because of our extensive work on helping our portfolio companies to improve on ESG related aspects, 70% of all

investments within the responsAbility portfolio are considered low ESG risk according to IFC’s risk categorization definition. The remaining 30% is classified as ‘medium’ ESG risk.

MANAGING ENVIRONMENTAL AND SOCIAL RISKS

An example of a company where responsAbility’s ESG framework has had a substantial positive impact is Pan Asia Banking Corporation in Sri Lanka. Within the last year, the bank has significantly improved from an unsatisfactory ESG performance in 2018 to a current satisfactory performance. With our support, the bank has been able to develop and implement a fully-fledged environmental and social management system (ESMS). Their ESMS helps them to manage and mitigate environmental and social issues that might occur as a part of their investments as well as within their own operations.

At a fund level, the ESG performance for one of our climate finance funds has, during the last year, improved by more than 40% for financial institutions. As these companies are taking into account our recommendations, feedback, help and requests, we are positively contributing to the improvement of their ESG processes.

There will always be space for further improvement, and responsAbility will therefore continuously strengthening its ESG framework. This will be done by expanding the list of indicators that we screen our investees against as well as aligning with the upcoming EU Action Plan on Sustainable Finance, among other initiatives.

In 2020, responsAbility released its first disclosure statement for the Operating Principles for Impact Management¹, and with it, we introduced new tools to better integrate impact into our investment selection and monitoring processes. The basis of our impact management is the data gathered annually from our portfolio companies, which includes about 200 indicators. Industry-standard definitions (IRIS², GOGLA³) are applied where available.

Scoring impact is a difficult task. How do we compare the impact of a microfinance institution in Tanzania with that of a coffee cooperative in Costa Rica? So we decided to develop a framework based on different impact strategies. An impact strategy starts with an objective that is linked to a Sustainable Development Goal, e.g. provide access to financial services for low-income households. We then calculate a score for each investee company for the relevant strategy and use it as a basis for selection. We can then identify the impact of companies in their operating context.

¹ The Operating Principles for Impact Management were launched by IFC and provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle.

² IRIS is a well-accepted system for measuring, managing, and optimizing impact developed by the Global Impact Investing Network.

³ GOGLA is the global association for the off-grid solar energy industry. It also creates and promotes standardized metrics for the measurement of impact.

Investment Sectors	Impact Strategies Applied	Primary SDGs reached
Financial Inclusion	<div>> Provide access to financial services for low-income households</div> <div>> Create jobs by supporting small businesses</div> <div>> Support gender equality via women’s economic empowerment</div>	<div><div>1 NO POVERTY</div><div>5 GENDER EQUALITY</div><div>8 DECENT WORK AND ECONOMIC GROWTH</div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div></div>
Sustainable Food	<div>> Improve rural livelihoods</div> <div>> Promote sustainable agriculture</div> <div>> Strengthen agricultural value chains</div>	<div><div>2 ZERO HUNGER</div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div>
Climate Finance - Green Lending	<div>> Promote clean energy and efficient use of resources</div> <div>> Reduce CO₂ emissions</div> <div>> Create technical capacity and support industry innovation</div>	<div><div>7 AFFORDABLE AND CLEAN ENERGY</div><div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div><div>13 CLIMATE ACTION</div></div>
Climate Finance - Off-Grid Energy	<div>> Provide access to clean & affordable energy for low-income households</div> <div>> Boost economic development by providing reliable electricity</div> <div>> Invest and catalyse investment in CO₂ reduction</div>	
Climate Finance - On-Grid Energy	<div>> Improve reliability of electricity supply and boost economic development</div> <div>> Reduce CO₂ emissions</div> <div>> Build electricity infrastructure and add to local technical expertise</div>	

Example of a strategy:

Increase Financial Inclusion

Access to financial services (loans, deposits, insurance, payments/remittances) for low-income households is essential to boost development and reduce poverty. Financial inclusion helps to expand businesses, to support long-term household investment through spending in home improvement, health and education, as well as to build resilience to economic shocks such as job loss, crop failures or sickness that could push households further into poverty. Financial inclusion can also improve women’s economic empowerment by giving them greater control over financial decisions within the household, a shift that often leads to increased spending on basic needs such as nutrition, health and children’s education.

As of 2017, 1.7 billion people remain unbanked due to lack of collateral, geographical isolation or the high costs of local financial services. Microfinance institutions continue to innovate through digital solutions, FinTech and other channels to improve services, affordability and access for historically underserved populations. The goal of this strategy - Increase Financial Inclusion - is to reduce the gap in access to finance.

ASKING THE RIGHT QUESTIONS: OUR IMPACT ASSESSMENT FOR ACCESSBANK NIGERIA

What problem does the investment aim to address and how important is it?

This investment targets SDG 1 “No Poverty” and goal 1.4 “ensure that [...] the poor and the vulnerable, have equal right to economic resources [...] including microfinance.”

AccessBank is based in Nigeria where poverty remains rampant and thus investments have high impact potential.

Who is targeted by the investments?

The main target are those with low income and the financially excluded, who are often women.

In 2019, 62% of AccessBank’s clients were women, 3% fell below the national poverty line and its average loan size was only USD 772 in a country where 60% of the population does not have access to an account.

How much change can beneficiaries experience and how many are impacted?

Impact is achieved through a mix of scale and intensity. AccessBank serves 240,000 customers which clearly achieves the scale. On the intensity front, AccessBank always aimed to reduce its pricing, which is proven by its net margin below 5%, and offers a number of products with a proven impact such as deposits, insurance, and mobile payments.

What is responsAbility’s contribution?







responsAbility is a long-time and important partner of AccessBank Nigeria. It gave its first loan in 2014 and offered flexible capital including local currency in a country where domestic credit to the private sector only represents 11%.





What is the risk of not achieving impact or having negative impact?

The main risk regarding microfinance is over-indebtedness due to transparency issues or predatory practices. AccessBank Nigeria is an endorser of the Smart Campaign and passed all eligibility criteria concerning client protection.

Reporting: Our Impact in Numbers

Sustainable investing means not only screening for ESG criteria, but also measuring the positive impact created by investments. Here, we reveal our impact in numbers, aligned with the relevant Sustainable Development Goals (SDGs). Data is gathered on an annual basis from every portfolio company and analyzed by our Sustainability Team.

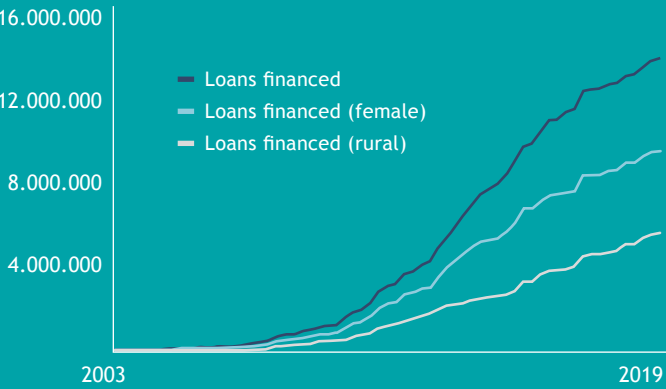
SDG	INDICATOR	2018	2019	% INCREASE
	> Number of clients / smallholders	82.1 m	86,7 m	6%
	> Average loan size	USD 2,350	USD 695	39%
	> Remittances received	USD 19.8 bn	USD 28,9 bn	46%
	> Customers - for insurance products*	2.6 m	7,8 m	47%
	> Rural customers of financial institutions	35.2 m	35,2 m	0%
	> Gross loan portfolio in rural areas	USD 22.1 bn	USD 12,3 bn	5%
	> Number of smallholders financed	545,296	677.610	19%
	> Payments made to smallholders	USD 2.3 bn	USD 3,2 bn	39%
	> Gross loan portfolio in health	USD 880.2 m	USD 604,4 m	-31%
	> Gross loan portfolio in education	USD 311.4 m	USD 411,1 m	32%
	> Staff trained*	201,019	279.558	39%
	> Microfinance clients that received financial literacy or business courses in 2018*	6.4 m	7,4 m	16%
	> Clients trained in business education		169.861	
	> Number of female clients	44 m	46,9 m	6%
	> Number of female staff	100,343	114.000	14%
	> Share of female senior managers	26%	29%	4%
	> Share of female board members	18%	18%	0%
	> Number of people provided with access to energy	21.6 m	24,9 m	15%
	> Total clean energy capacity installed	487 MW	811 MW	67%

SDG	INDICATOR	2018	2019	% INCREASE
	> Number of staff	278,719	328.007	18%
	> Number of SME clients	1.4 m	1.4 m	-4%
	> Average loan size to SMEs	USD 22.412	USD 27.258	22%
	> Average number of products introduced in the past 3 years by FIs		2,98	
	> Processing units built/expanded	82	84	2%
	> Certified investees	69	64	-7%
	> Hectares under sustainable management	1.2 m	1.4 m	16%
	> Certified hectares	625.505	783.321	25%
	> Energy savings per year	594 GWh	641 GWh	8%
	> Clean energy generated	1,024 GWh	1.919 GWh	87%
	> Annual CO ₂ emission reductions	0,6 mt CO ₂ /year	1,4 mt CO ₂ /year	145%
	> Gross loan portfolio in energy efficiency and renewable energy	USD 2.5 bn	USD 2.5 bn	3%

*Indicators are either collected for the first time in 2018 or the definition was changed in 2018

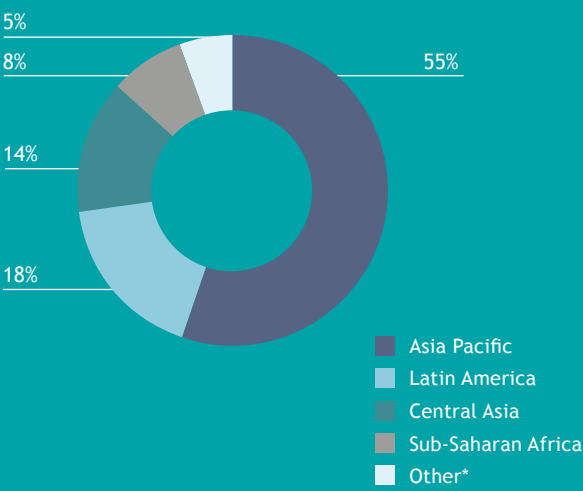
LOANS FINANCED: RESPONSABILITY

Loans financed by responsAbility since inception








*Includes Eastern Europe, MENA and microfinance holdings based in the developed world

Loans financed by region



responsAbility: Living Our Values

SDG	INDICATOR	2019	2018	Change
	> Share of female staff ¹	47%	42%	0% pts
	> Share of female managers ¹	32%	32%	5% pts
	> Share of female board members ¹	13%	29%	-17% pts
	> Number of staff ²	245	248	-3
	> Number of nationalities	36	34	2
	> Emissions created	1.661 t	1.948 t	-287 t
	> Emissions offset	1.571 t	1.851 t	-280 t
	> Emissions offset via reforestation	1.571 t	1.814 t	-243 t
	> Total assets under management ³	USD 3,4 bn	USD 3,0 bn	USD 440 m
	> Products managed	15	14	1
	> Portfolio companies ⁴	449	425	24

¹ SDG 5 indicators calculated on the basis of FTEs. ² Number of staff shown as total number employed full-time and part-time.
³ Includes capital committed for certain products. ⁴ Includes direct and indirect investments.

“Covid-19 has shed a glaring light on the gender economic gap. More needs to be done as improving gender equality is not only the right thing to do, it also boosts performance, and improves decision making and employee engagement.”

Marie-Anna Benard, Technical Assistance Officer and Chair of responsAbility’s Gender and Diversity Advisory Group



Technical Assistance: Making It Possible

Technical Assistance (TA) at responsAbility

responsAbility strategically combines the provision of finance with advisory support to leverage development impacts. Thanks to the thorough understanding of the business context and models of the companies for which responsAbility provides access to finance, a team of professional project managers structures tailored advisory support (technical assistance - TA). TA projects aim to enhance the investment readiness of companies, improve their institutional capacities to manage operational risks and increase their development impact. These projects are typically carried out by the best qualified subject matter experts who are all mandated by responsAbility and funded with capital from grants provided by public and private donors.

responsAbility values the trust and support provided by donors in creating broader and deeper levels of impact. Projects benefit company staff, clients, local communities and the environment. Some projects also aim to raise the awareness and equip companies to better manage environmental and social risks related to their business operations to ensure that the surrounding community or the local biodiversity is not negatively impacted.

How TA Helps to Save the Climate

CIFI (Corporación Interamericana para el Financiamiento de Infraestructura), a Panama-based commercial bank, has been a long-time partner of ours at responsAbility. Convinced that climate finance is good business, CIFI has been a strong advocate of energy efficiency and renewable energy financing. As part of several climate finance initiatives, CIFI has recently engaged in a strategy to decarbonize its portfolio in line with a 1.5° climate scenario. With support from responsAbility, a TA project was launched and through a competitive process, South Pole was mandated to analyze CIFI’s exposure to carbon-intensive activities and climate-related risks. As a result of the project, science-based targets have been set to support CIFI in adapting its portfolio allocation strategy and breach the gap between CIFI’s current exposure and a 1.5° scenario. In a next phase, the project’s aim is to develop key indicators, a roadmap and a communication plan to sustain CIFI’s decarbonization efforts on the long run.

TA: Saving the Sustainable Food Supply Chain in a Crisis

In Latin America, where responsAbility provides financing to agricultural cooperatives, Peru has been hit particularly hard by the Covid-19 pandemic. Specifically, farmers and workers upstream in the agricultural supply chains, who play a pivotal role in producing most of the food supply, are particularly vulnerable. Because they often cannot rely on financial safety nets, the livelihoods of these communities, mostly represented by women, rural, aging and migrant workers, depend on established linkages with cooperatives involved in the production and post-harvesting/processing segments of the food value chains. Considering the unprecedented nature and magnitude of the Covid-19 crisis, an emergency TA program was launched to support cooperatives to cope with the operational struggles caused by the effects of the crisis, safeguard producers and workers’ income and health, while ensuring business continuation and early recovery of businesses. Related interventions are expected to benefit around 15’000 smallholder farmers and their communities.

Generation 2030: In their own words



“What I hope for by 2030 is that people will plant more trees and be kind to animals.”

Mathew (10)

“What grown-ups can do to save the world is to quit smoking and littering.”

Rosa Maria (6)



“When I grow up, I want to play bear hunt with my kids in the woods. We need trees for that. My mummy says trees are important.”

Lily (4)

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BUILDING THE IMPACT INVESTING INDUSTRY
Our commitment to market initiatives



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