



LEA 02	Objective: Monetary	Reason for Interaction	Principle: PRI 1, 2, 3
Individual/ internal staff engagements	<input checked="" type="checkbox"/> To support investment decision-making in a company's interests <input checked="" type="checkbox"/> To influence corporate transition or identify the need for a transition <input checked="" type="checkbox"/> To engage investor ESG advisors <input checked="" type="checkbox"/> Other: specify	<input type="checkbox"/> We do not engage in internal staff	
Collaborative engagements	<input checked="" type="checkbox"/> To support investment decision-making in a company's interests <input checked="" type="checkbox"/> To influence corporate transition or identify the need for a transition <input checked="" type="checkbox"/> To engage investor ESG advisors <input checked="" type="checkbox"/> Other: specify	<input type="checkbox"/> We do not engage in collaborative engagements	
Service provider engagements	<input checked="" type="checkbox"/> To support investment decision-making in a company's interests <input checked="" type="checkbox"/> To influence corporate transition or identify the need for a transition <input checked="" type="checkbox"/> To engage investor ESG advisors <input checked="" type="checkbox"/> Other: specify	<input type="checkbox"/> We do not engage in service provider	

# RI TRANSPARENCY REPORT

## 2020

Luxembourg Microfinance and Development Fund

## About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2020 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

## Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

# Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO TG		🔒	n/a							
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	🔒	n/a							✓
OO 08	Segregated mandates or pooled funds	🔒	n/a							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	Active ownership practices for listed assets	🔒	n/a							✓
OO 11	ESG incorporation practices for all assets	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓
OO LE 01	Breakdown of listed equity investments by passive and active strategies	🔒	n/a							✓
OO LE 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
OO FI 01	Breakdown of fixed income investments by passive and active strategies	🔒	n/a							✓
OO FI 02	Reporting on strategies that are <10% of actively managed fixed income	🔒	n/a							✓
OO FI 03	Fixed income breakdown by market and credit quality	🔒	n/a							✓
OO SAM 01	Breakdown of externally managed investments by passive and active strategies	🔒	n/a							✓
OO PE 01	Breakdown of private equity investments by strategy	🔒	n/a							✓
OO PE 02	Typical level of ownership in private equity investments	🔒	n/a							✓
OO PR 01	Breakdown of property investments	🔒	n/a							✓
OO PR 02	Breakdown of property assets by management	🔒	n/a							✓
OO PR 03	Largest property types	🔒	n/a							✓
OO INF 01	Breakdown of infrastructure investments	🔒	n/a							✓
OO INF 02	Breakdown of infrastructure assets by management	🔒	n/a							✓
OO INF 03	Largest infrastructure sectors	🔒	n/a							✓
OO HF 01	Breakdown of hedge funds investments by strategies	🔒	n/a							✓
OO End	Module confirmation page	✓	-							

CCStrategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 01 CC	Climate risk	✓	Private							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public						✓	
SG 03	Conflicts of interest	✓	Public							✓
SG 04	Identifying incidents occurring within portfolios	✓	Private							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Private							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 07 CC	Climate-issues roles and responsibilities	✓	Private							✓
SG 08	RI in performance management, reward and/or personal development	✓	Private							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 09.2	Assets managed by PRI signatories	🔒	n/a	✓						
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
SG 12	Role of investment consultants/fiduciary managers	✓	Public				✓			
SG 13	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13 CC		🔒	n/a							✓
SG 14	Long term investment risks and opportunity	✓	Private	✓						
SG 14 CC		✓	Private							✓
SG 15	Allocation of assets to environmental and social themed areas	✓	Private	✓						
SG 16	ESG issues for internally managed assets not reported in framework	✓	Public							✓
SG 17	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
SG 18	Innovative features of approach to RI	✓	Private							✓
SG 19	Communication	🔒	n/a		✓				✓	
SG End	Module confirmation page	✓	-							

Direct - Inclusive Finance				Principle							General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	7	
IFD 01	Mission and investment objective	✓	Private								✓
IFD 02	Governance, management structures and processes	✓	Private								✓
IFD 03	Social targets	✓	Private								✓
IFD 04	Percentage in equity, debt and guarantees	✓	Private								✓
IFD 05	Percentage in microfinance and/or SME finance	✓	Private								✓
IFD 06	Geographical spread of microfinance investments	✓	Private								✓
IFD 07	Tracking microfinance investees portfolio	✓	Public	✓							
IFD 08	Support financial services beyond credit, compulsory savings and/or compulsory insurance	✓	Public	✓							
IFD 09	Support the introduction of services tailored to the 'poor', 'very poor' and 'low income'	✓	Private	✓							
IFD 10	Technical assistance to investees	✓	Private	✓							
IFD 11	Public endorsement of the Client Protection Principles	✓	Public		✓						
IFD 12	Provide training and assistance for investees implementing the Client Protection Principles	✓	Private		✓						
IFD 13	Include the Client Protection Principles in investment policies	✓	Public		✓						
IFD 14	Investment in local currency	✓	Public			✓					
IFD 15	Average maturity of debt investments	✓	Public			✓					
IFD 16	Average holding period of equity investments	🔒	n/a			✓					
IFD 17	Terms and conditions	✓	Public			✓					
IFD 18	Tools for social performance reporting	✓	Public				✓				
IFD 19	Retail institutions have independent financial/social rating and/or social audit	✓	Public				✓				
IFD 20	Due diligence on and monitoring and reporting of corporate governance among investees	✓	Public				✓				
IFD 21	Training or assistance for investees on corporate governance	✓	Private				✓				
IFD 22	Percentage of investees where board seats are held	🔒	n/a				✓				
IFD 23	Procedure to integrate environmental issues in investment decision processes	✓	Public				✓				
IFD 24	Anti-corruption and whistle-blowing policies	✓	Private				✓				
IFD 25	How mission and investment objectives are communicated to stakeholders	✓	Private					✓			
IFD 26	Investors and/or the public provided with information aligned with industry standards	✓	Public					✓			
IFD 27	Transparency of pricing, terms and conditions among investees	✓	Public					✓			
IFD 28	How social performance of investees affects decision making and portfolio	✓	Public						✓		

	management												
IFD 29	Staff incentives linked to social performance measures	✓	Private								✓		
IFD 30	Collecting data regarding social outcomes of investees work	✓	Private								✓		
IFD 31	Incentivise investees to track social performance	✓	Private								✓		
IFD 32	Collaborative initiatives your organisation has supported or participated in	✓	Public									✓	
IFD 33	Encouraging investees to participate in collaborative initiatives	✓	Private									✓	
IFD 34	Encouraging your investees to participate in initiatives which contribute to the development of industry benchmarks	✓	Private									✓	
IFD End	Module confirmation page	✓	-										

Confidence building measures				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
CM1 01	Assurance, verification, or review	✓	Public							✓
CM1 02	Assurance of last year's PRI data	✓	Public							✓
CM1 03	Other confidence building measures	✓	Public							✓
CM1 04	Assurance of this year's PRI data	✓	Public							✓
CM1 05	External assurance	🔒	n/a							✓
CM1 06	Assurance or internal audit	🔒	n/a							✓
CM1 07	Internal verification	✓	Public							✓
CM1 01 End	Module confirmation page	✓	-							

# Luxembourg Microfinance and Development Fund

## Reported Information

### Public version

### Organisational Overview

## PRI disclaimer

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## Basic information

OO 01	Mandatory	Public	Gateway/Peering	General
-------	-----------	--------	-----------------	---------

**OO 01.1** Select the type that best describes your organisation or the services you provide.

- Non-corporate pension or superannuation or retirement or provident fund or plan
- Corporate pension or superannuation or retirement or provident fund or plan
- Insurance company
- Foundation
- Endowment
- Development finance institution
- Reserve - sovereign or government controlled fund
- Family office
- Other, specify

Investment Fund

**OO 01.3** Additional information. [Optional]

LMDF is a sub fund of the fully regulated Luxembourg incorporated SICAV Investing for Development. The SICAV has two sub-funds: the Luxembourg Microfinance and Development Fund and FCCF - the Forestry and Climate Change Fund.

OO 02	Mandatory	Public	Peering	General
-------	-----------	--------	---------	---------

**OO 02.1** Select the location of your organisation's headquarters.

Luxembourg

**OO 02.2** Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

**OO 02.3** Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

5

OO 03	Mandatory	Public	Descriptive	General
-------	-----------	--------	-------------	---------

**OO 03.1**

Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

Yes

No

**OO 04**

**Mandatory**

**Public**

**Gateway/Peering**

**General**

**OO 04.1**

Indicate the year end date for your reporting year.

31/03/2019

**OO 04.2**

Indicate your total AUM at the end of your reporting year.

Include the AUM of subsidiaries, but exclude advisory/execution only assets, and exclude the assets of your PRI signatory subsidiaries that you have chosen not to report on in OO 03.2

	trillions	billions	millions	thousands	hundreds
Total AUM			39	487	468
Currency	EUR				
Assets in USD			43	527	087

Not applicable as we are in the fund-raising process

## OO 06.1

Select how you would like to disclose your asset class mix.

- as percentage breakdown  
 as broad ranges

	Internally managed (%)	Externally managed (%)
Listed equity	0	0
Fixed income	0	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Fund of hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	>50%	0
Cash	<10%	0
Money market instruments	0	0
Other (1), specify	0	0
Other (2), specify	0	0

**OO 06.2** Publish asset class mix as per attached image [Optional].

**OO 06.3** Indicate whether your organisation has any off-balance sheet assets [Optional].

- Yes
- No

**OO 06.5** Indicate whether your organisation uses fiduciary managers.

- Yes, we use a fiduciary manager and our response to OO 5.1 is reflective of their management of our assets.
- No, we do not use fiduciary managers.

<b>OO 09</b>	<b>Mandatory</b>	<b>Public</b>	<b>Peering</b>	<b>General</b>
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**OO 09.1** Indicate the breakdown of your organisation's AUM by market.

Developed Markets

4

Emerging Markets

25

Frontier Markets

11.5

Other Markets

59.5

Total 100%

100%

**OO 09.2** Additional information. [Optional]

- This analysis does not include the cash portion of our portfolio- it purely looks at the portfolio
- We answered question OO 09.1 according to the MSCI market classification, but we consider the greatest proportion of our investments to fall under "Frontier Markets" and "Pre-Frontier Markets". To comply with the MSCI classification, the following countries were included under "Other Markets": Cambodia, Ecuador, El Salvador, Ghana, Guatemala, Haiti, Honduras, Kazakhstan, Kyrgyzstan, Nicaragua, Niger, Sierra Leone, Tajikistan, Timor Leste, Uganda.  
For further information about the countries we invest in, please consult our annual audited report as at 31st March 2019.
- Developed markets refers to our positions in MFX (currency service providers) and HEFF where GP is Delaware based but investments are disbursed in emerging latin american countries

## Asset class implementation gateway indicators

OO 11	Mandatory	Public	Gateway	General
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OO 11.1

Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

Inclusive finance

- We address ESG incorporation.
- We do not do ESG incorporation.

Cash

- We address ESG incorporation.
- We do not do ESG incorporation.

OO 12	Mandatory	Public	Gateway	General
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OO 12.1

Below are all applicable modules or sections you may report on. Those which are mandatory to report (asset classes representing 10% or more of your AUM) are already ticked and read-only. Those which are voluntary to report on can be opted into by ticking the box.

Core modules

- Organisational Overview
- Strategy and Governance

RI implementation directly or via service providers

Direct - Other asset classes with dedicated modules

- Inclusive Finance

Closing module

- Closing module

# Luxembourg Microfinance and Development Fund

## Reported Information

### Public version

### Strategy and Governance

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## Investment policy

SG 01

Mandatory

Public

Core Assessed

General

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Fiduciary (or equivalent) duties <input checked="" type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input type="checkbox"/> Screening / exclusions policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input checked="" type="radio"/> Applicable policies cover all AUM <input type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.3

Indicate if the investment policy covers any of the following

- Your organisation's definition of ESG and/or responsible investment and it's relation to investments
- Your investment objectives that take ESG factors/real economy influence into account
- Time horizon of your investment
- Governance structure of organisational ESG responsibilities
- ESG incorporation approaches
- Active ownership approaches
- Reporting
- Climate change
- Understanding and incorporating client / beneficiary sustainability preferences
- Other RI considerations, specify (1)
- Other RI considerations, specify (2)

SG 01.4

Describe your organisation's investment principles and overall investment strategy, interpretation of fiduciary (or equivalent) duties, and how they consider ESG factors and real economy impact.

LMDF's vision and mission of working with the most marginalised are key to its investment policy. In order to achieve this, LMDF concentrates its investment strategy on emerging (Tier 2) microfinance institutions as it believes these are closer to the entrepreneurs and communities with which it works. When examining an MFI, both financial and social criteria are taken into account- we will look at the proportion of rural, female and young entrepreneurs an institutions supports, as well as its governance credentials and loan sizes to evaluate its social impact. Both social and financial measures are also key to our regional analysis process in which we monitor the development situation and financial inclusion levels in each country, as well as more conventional metrics such as politics and economics.

SG 01.5

Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]

The fund focuses on promising MFIs which have a positive social impact. Promising MFIs are institutions which have a proven business model, have reached or are close to reaching financial sustainability and have a strong social vision and mission focused on positive impact for the ultimate clients. We focus mainly on Tier 2 MFIs, those at an intermediate stage of maturity, which have strong social aims. The fund does not directly engage with the end-clients of the MFIs (micro-entrepreneurs, small savers and insurance policy holders) as this activity requires local presence and local knowledge and is best done by locally implanted MFIs. The fund invests in developing countries in Africa, Asia and Latin America. The decision to invest will be based less on the overall level of development of the country in question, but rather more on the merits of the individual cases, i.e. the potential benefit for the local population and the prospects of autonomy for the MFI. Due diligence looks at quantitative and qualitative criteria including the Institutional structure of the MFI, its social profile (social mission, targeted clients, product offering, quality of established links with customers, etc.) and its financial robustness.

No

SG 02

Mandatory

Public

Core Assessed

PRI 6

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

SG 02.1

Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.

Policy setting out your overall approach

URL/Attachment

URL

URL

<https://www.lmdf.lu/en/institutional-investors/publications/prospectus/>

Attachment (will be made public)

Formalised guidelines on social factors



URL/Attachment

URL

URL

<https://www.lmdf.lu/en/institutional-investors/publications/prospectus/>

Attachment (will be made public)

Asset class-specific RI guidelines

URL/Attachment

URL

URL

<https://www.lmdf.lu/en/institutional-investors/publications/prospectus/>

Attachment (will be made public)

We do not publicly disclose our investment policy documents

**SG 02.2** Indicate if any of your investment policy components are publicly available. Provide URL and an attachment of the document.

Your organisation's definition of ESG and/or responsible investment and it's relation to investments

URL/Attachment

URL

URL

<https://www.lmdf.lu/en/private-investors/a-social-investment-fund/vision-mission/>

Attachment

Your investment objectives that take ESG factors/real economy influence into account

URL/Attachment

URL

URL

<https://www.lmdf.lu/en/private-investors/a-social-investment-fund/vision-mission/>

Attachment

Time horizon of your investment

URL/Attachment

URL

URL

<https://www.lmdf.lu/en/institutional-investors/publications/prospectus/>

Attachment

Reporting

URL/Attachment

URL

URL

<https://www.lmdf.lu/en/private-investors/a-social-investment-fund/vision-mission/>

Attachment

We do not publicly disclose any investment policy components

**SG 02.3** Additional information [Optional].

Please see our prospectus which covers our investment policy, guidelines on social factors and asset class specific guidelines. This is published on our website and hence available to the public. Further information is also available in our audited and unaudited reports.

<b>SG 03</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>General</b>
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**SG 03.1** Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

Yes

**SG 03.2** Describe your policy on managing potential conflicts of interest in the investment process.

In accordance with Luxembourg law the LMDF has a Conflicts of Interest policy which means that it identifies key issues which may give rise to a conflict of interest and considers the best ways to manage, monitor or disclose these conflicts if they arise. The policy is monitored by the Board on a regular basis. A conflict of interest log is maintained.

No

**Objectives and strategies**

<b>SG 05</b>	<b>Mandatory</b>	<b>Public</b>	<b>Gateway/Core Assessed</b>	<b>General</b>
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**SG 05.1**

Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not set/reviewed

**SG 05.2**

Additional information. [Optional]

The Investment Strategy is formerly reviewed by the Board on an annual basis - with ad hoc meetings and further follow up meetings as required. The investment strategy is also reviewed in conjunction with the investment advisor on a more regular ad hoc basis. These reviews focus on both the financial and social aspects of performance.

## Governance and human resources

**SG 07****Mandatory****Public****Core Assessed****General****SG 07.1**

Indicate the internal and/or external roles used by your organisation, and indicate for each whether they have oversight and/or implementation responsibilities for responsible investment.

### Roles

- Board members or trustees
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Internal Roles (triggers other options)

### Select from the below internal roles

- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Operating Officer (COO), Investment Committee
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify  
**Head of Impact**

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
- Investment analysts
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment
- Investor relations
- Other role, specify (1)
- Other role, specify (2)
- External managers or service providers
  - Oversight/accountability for responsible investment
  - Implementation of responsible investment
  - No oversight/accountability or implementation responsibility for responsible investment

<b>SG 07.2</b>	For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.
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Responsible Investment is key to our investment process. Monitoring that investments are in line with our investment procedure and ensuring that the social metrics, as detailed in our Social Performance Report (<https://www.lmdf.lu/wp-content/uploads/2018/03/180323-LMDF-Social-Performance-Report-Online-Version-final-1.pdf>), are closely followed enables staff and directors to to execute their oversight and implementation responsibilities. To give further transparency regarding our social performance, we include social metrics on our key performance indicators in our quarterly fund factsheets. Details of the social merits of each investment are brought before the board before any investment decisions are taken. A social performance report is published every 2 years in this regard and social performance metrics are incorporated into all our other reporting (factsheets, annual reports etc.). The report will be made available, similar to the previous one 2020 in terms of structure in this link: <https://www.lmdf.lu/en/private-investors/more-information/reports-and-publications/>

<b>SG 07.3</b>	Indicate the number of dedicated responsible investment staff your organisation has.
----------------	--

	Number
--	--------

3

## Promoting responsible investment

<b>SG 09</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PRI 4,5</b>
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**SG 09.1**

Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

**Select all that apply**

Principles for Responsible Investment

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LMDF is a signatory to the principles and reports annually on how we implement the six principles into practice.

- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- AVCA: Sustainability Committee
- France Invest – La Commission ESG
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change
- CDP Forests
- CDP Water
- CFA Institute Centre for Financial Market Integrity
- Climate Action 100+
- Code for Responsible Investment in SA (CRISA)
- Council of Institutional Investors (CII)
- Eumedion
- Extractive Industries Transparency Initiative (EITI)
- ESG Research Australia
- Invest Europe Responsible Investment Roundtable
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LMDF systematically completes GIIN's annual investment survey and may participate in other initiatives

- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles
- HKVCA: ESG Committee
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Financial Action in the 21st Century
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify  
Association of the Luxembourg Fund Industry

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LMDF is an active member of the Responsible Investing group within ALFI.

- Other collaborative organisation/initiative, specify  
European Microfinance Platform

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LMDF is a member of e-MFP since 2010 and has co-chaired the action group on Investors in Tier 2/3 MFIs.

Other collaborative organisation/initiative, specify

Inclusive Finance Luxembourg Asbl

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LMDF is a founding member of InFiNe and contributes to a number of projects, including the European Microfinance Award

Other collaborative organisation/initiative, specify

LuxFLAG Microfinance Label

Your organisation's role in the initiative during the reporting year (see definitions)

- Basic
- Moderate
- Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

LMDF has been labeled by LuxFLAG annually since 2011.

Also member of Financial Inclusion Equity Council since 2014 - but no space to add this

SG 10	Mandatory	Public	Core Assessed	PRI 4
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**SG 10.1** Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

Yes

**SG 10.2**

Indicate the actions your organisation has taken to promote responsible investment independently of collaborative initiatives. Provide a description of your role in contributing to the objectives of the selected action and the typical frequency of your participation/contribution.

- Provided or supported education or training programmes (this includes peer to peer RI support) Your education or training may be for clients, investment managers, actuaries, broker/dealers, investment consultants, legal advisers etc.)

## Description

CEO lectures and provides training at the University of Luxembourg and ATTF- House of Training. He also teaches at Boulder Microfinance training. We also host sessions in the Maison de Microfinance to keep other organisations in the building up-to-date with trends in impact investment. We hosted an investment readiness session at the SAM in Ougadougou

## Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other
- Provided financial support for academic or industry research on responsible investment
- Provided input and/or collaborated with academia on RI related work

## Description

When contacted by universities, we are happy to collaborate. This happens on an ad hoc basis (normally one or two times a year)

## Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment

## Description

Frequently participate in events in this area. European Microfinance Week, ALFI conference, ADA conferences, holding own impact ecosystem event to promote impact investment in Luxembourg...



#### Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Wrote and published in-house research papers on responsible investment

#### Description

Social performance reports published on a regular basis which are intended as thought leadership pieces in area of RI. Other research and articles regularly published on website and in reporting documents,

#### Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Encouraged the adoption of the PRI

Responded to RI related consultations by non-governmental organisations (OECD, FSB etc.)

#### Description

Participated recently in OECD blended finance research

#### Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other

Wrote and published articles on responsible investment in the media

#### Description

Conducted on an ad hoc basis typically with Luxembourg publications. Articles regularly published on website too

## Frequency of contribution

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad hoc
- Other
- A member of PRI advisory committees/ working groups, specify
- On the Board of, or officially advising, other RI organisations (e.g. local SIFs)
- Other, specify
- No

### SG 10.3

Describe any additional actions and initiatives that your organisation has taken part in during the reporting year to promote responsible investment [Optional]

LMDF views thought leadership to be part of its role, together with investment. For this reason it takes an active part in many groups. The CEO regularly supports initiatives to increase knowledge of responsible finance and impact investing. He lectures and provides training at the University of Luxembourg and ATTF- House of Training. LMDF also takes an active part in the Luxembourg Microfinance Week and regularly collaborates with the NGO ADA on events, such as this year's ADA-led SAM which took place in Ougadougou (Semaine Africaine de la Microfinance).

LMDF has continued to promote gender lens investing. In addition, LMDF is supportive of microentrepreneurs.

For 3 years running, LMDF has supported an event in Luxembourg to encourage social enterprises and open up minds towards impact investing. It is called the Impact Ecosystem Event, and is now a regular occurrence.

In July 2019, LMDF organised an event about the deforestation

The fund regularly produces information and publishes articles in the media regarding microfinance and its impacts. As mentioned in a previous section, LMDF is working on a new social performance report, which will be readily available in this section: <https://www.lmdf.lu/en/private-investors/more-information/reports-and-publications/>

## Outsourcing to fiduciary managers and investment consultants

SG 12

Mandatory

Public

Core Assessed

PRI 4

**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

### SG 12.1

Indicate whether your organisation uses investment consultants.

- Yes, we use investment consultants
- No, we do not use investment consultants.

### SG 12.7

Additional information [Optional].

ADA NGO acts as the Investment Adviser to LMDF and Unique acts as an Investment Adviser to FCCF

## ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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<b>SG 13.1</b>	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities
- No, our organisation does not currently carry out scenario analysis and/or modelling

<b>SG 13.3</b>	Additional information. [OPTIONAL]
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Modelling is conducted on FCCF on a project by project basis to see how much carbon would be sequestered based on various forestry management scenarios. This is systematically looked at for FCCF but not for LMDF.

## Asset class implementation not reported in other modules

SG 16	Mandatory	Public	Descriptive	General
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<b>SG 16.1</b>	Describe how you address ESG issues for internally managed assets for which a specific PRI asset class module has yet to be developed or for which you are not required to report because your assets are below the minimum threshold.
----------------	--

Asset Class	Describe what processes are in place and the outputs or outcomes achieved
Inclusive finance	<p>We collect quarterly reporting data from each of the institutions we invest in.</p> <p>This data features a range of metrics, including social performance metrics- related to loan size and poverty levels of those reached, as well as clients from marginalised groups.</p> <p>On the basis of this, we can see whether we are achieving goal of working with communities conventionally excluded from financial solutions.</p> <p>On top of this, we also look at SPI4 data which gives transparency over many aspects of ESG performance within the institutions where we work.</p>

<b>SG 16.2</b>	Additional information [Optional].
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NA

# Luxembourg Microfinance and Development Fund

## Reported Information

Public version

Direct - Inclusive Finance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## PIIF Principle 1: Range of services

IFD 07

Mandatory

Public

Core Assessed

PIIF 1

### **Possible action:**

*Develop and extend the range of financial services available to low-income populations. Extensions could include savings, loans, insurance, payment services, remittance facilities and pension plans.*

IFD 07.1

Indicate if you track the percentage of your microfinance investees' portfolio that is in microenterprise loans.

Yes, we track

If you aggregate this information at an organisational level, indicate the percentage of your portfolio in microenterprise loans. [Optional]

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

No, we do not track

Not applicable (there are no microenterprise loans in the portfolio)

IFD 07.2

Indicate if you track the percentage of your microfinance investees' portfolio that is in loans for immediate household needs (i.e. consumer loans).

Yes, we track

If you aggregate this information at an organisational level, indicate the percentage of your portfolio in loans for immediate household needs. [Optional]:

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

No, we do not track

Not applicable (there are no loans for immediate household needs in the portfolio)

IFD 07.3

Indicate if you track the percentage of your investees' portfolio in housing loans.

Yes, we track

No, we do not track

Not applicable (there are no loans for housing in the portfolio)

**IFD 07.4**

Additional information. [Optional]

Each investment dossier provides details on loan types in several ways:

Each product offered by the MFI is listed- featuring time, duration, size, pricing, purpose, amortisation and any special features (particularly for agricultural loans). The proportion of a portfolio in each of these products is also reported.

This data is aggregated so that the proportion of a portfolio financing each type of loan can be monitored e.g. consumption, rural, service etc.

This data is monitored on an institutional level, but is not systematically reported in our data, but will be monitored in producing social performance report.

Given our focus on supporting agriculture and women, we closely track data on this area on a quarterly basis for the entire portfolio.

As indicated in the semi-annual report 09/19, 23% of microcredits financed by LMDF were for agricultural activities and 80% of all active micro-entrepreneurs financed by LMDF are women.

**IFD 08****Mandatory****Public****Core Assessed****PIIF 1****IFD 08.1**

In your microfinance portfolio, indicate if you support the provision of financial services beyond credit, compulsory savings and/or compulsory insurance.

Yes

**IFD 08.2**

Indicate which of the following services you support:

Voluntary savings products

Provide examples of how and what you support.

An integral part of our due diligence notes is to see what other services are offered by the MFI. These will be detailed in the report. The financial profile of savings is also considered. Further information on these is also used in our social performance reporting.

Data is collected at the time of disbursement on this area and is therefore on an institution level. It will be aggregated on a portfolio level for the social performance report.

Indicate if you gather data regarding the percentage of financial service providers in your portfolio that are offering such a service.

Yes

If you aggregate this information at an organisational level, indicate the percentage of microfinance providers in the MIV or organisational direct portfolio offering such products.

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

No

Voluntary insurance products

Provide examples of how and what you support.

As part of our due diligence, other services offered by the MFI are researched. Further information on these is also used in our social performance reporting.

Detailed information on other products is collected during on sight visits (looking at terms and conditions and how it works/complements other products. This is on an institutional level, but will be aggregated in social performance report.

Indicate if you gather data regarding the percentage of financial service providers in your portfolio that are offering such a service.

Yes

If you aggregate this information at an organisational level, indicate the percentage of microfinance providers in the MIV or organisational direct portfolio offering such products.

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

No

Other financial services, specify

leasing for energy efficient equipment

Provide examples of how and what you support.

As part of our due diligence, other services offered by the MFI are researched, notably leasing products. Further information on these is also used in our social performance reporting.

Indicate if you gather data regarding the percentage of financial service providers in your portfolio that are offering such a service.

Yes

No

Non-financial services, specify

Education, training, healthcare

Provide examples of how and what you support.

As part of our due diligence, other services offered by the MFI are researched. Further information on these is also used in our social performance reporting. We also produce regular case studies on these MFIs.

Questions about this are systematically asked during due diligence. The Fund may also ask follow up questions about these programmes - for the purpose of social performance reporting.

Indicate if you gather data regarding the percentage of financial service providers in your portfolio that are offering such a service.

Yes

If you aggregate this information at an organisational level, indicate the percentage of microfinance providers in the MIV or organisational direct portfolio offering such products.

<20%

20-40%

41-60%

61-80%

>80%

No

No

**IFD 08.3**

Additional information. [Optional]

We work with the NGO ADA which has the capacity to provide technical assistance services to improve the delivery of services offered by the MFI.

This means that the range of product offerings from an MFI are closely monitored during due diligence and potential improvements considered.

## PIIF Principle 2: Client protection

IFD 11

Mandatory

Public

Core Assessed

PIIF 2

### **Possible action:**

*Publicly endorse the Client Protection Principles (CPP).*



**IFD 11.1** | Indicate if you have publicly endorsed the Client Protection Principles.

- Yes
- No

**IFD 13** | **Mandatory** | **Public** | **Core Assessed** | **PIIF 2**

**IFD 13.1** | Indicate if you include the Client Protection Principles and/or other client protection measures in your investment policies.

- Yes

**IFD 13.2** | Indicate if this is systematically applied.

**During due diligence**

- Yes
- No

**In covenants in loan agreements and/or in financing or shareholder agreements**

- Yes
- No

**IFD 13.3** | Indicate if you encourage investees to apply for Client Protection Certification. [Optional]

- Yes
- No
- No

**IFD 13.4** | Additional information. [Optional]

The ALINUS survey is incorporated into every due diligence mission. This includes a substantial focus on client protection. This is then reviewed and its performance benchmarked against the ALINUS benchmark and the rest of LMDF's portfolio. Based on this and other findings during due diligence, the Fund may also include other CP measures in its covenants or recommend TA. All institutions have a social covenant in the loan agreement, but whether this focuses on CP or other areas depends on the needs of the institution.

**PIIF Principle 3: Fair treatment**

**IFD 14** | **Mandatory** | **Public** | **Core Assessed** | **PIIF 3**

**Possible action:**

*Provide financing in an appropriate currency and tenor.*

**IFD 14.1**

In relation to your direct portfolio in debt, indicate if you provide investment in local currency.

Yes

Indicate what percentage of your direct portfolio in debt is invested in the investee's local currency.

- <20%
- 20-40%
- 41-60%
- 61-80%
- >80%

No

**IFD 14.3**

Additional information. [Optional]

As indicated in the semi-annual report 09/2019, 81% of the portfolio is in local currency. Where possible such a strategy is being favoured by LMDF as it facilitates currency management at the investee level.

**IFD 15**

**Mandatory**

**Public**

**Descriptive**

**PIIF 3**

**Possible action:**

*Provide financing in an appropriate currency and tenor.*

*Actively support the building of a diversified funding base.*

**IFD 15.1**

In relation to your direct portfolio in debt, indicate what percentage have a maturity (from the point of investment) of the specified duration:

- 12 months or fewer
- 13 to 24 months
- 25 to 60 months

Indicate percentage

- <20
  - 20-40%
  - 41-60%
  - 61-80%
  - >80%
- Over 60 months

**IFD 15.2**

Indicate if you have a set limit regarding the maximum fixed income investment exposure of the investees in which you invest. [Optional]

Yes

No

**Possible action:**

*Negotiate terms and conditions that are transparent, fair and reasonable, including fair break-up clauses.*

**IFD 17.1**

Indicate if you adopt the following practices:

- For fixed income investments: Use the Lenders' Guidelines for Setting Covenants in Support of Responsible Microfinance as an example or reference document.

Indicate if these practices are formalised in written policies and procedures.

- Yes  
 No

- Ensure that the investee understands the terms, covenants and their implications prior to signing loan / shareholder documentation.

Describe your process.

Initial discussion with MFIs through a detailed term sheet and timely submission of the full contract for review of MFIs.

Indicate if these practices are formalised in written policies and procedures.

- Yes  
 No

- Foster trust and proactive dialogue with investees through straightforward discussions on issues such as a covenant breach.

Describe your process.

Key is a dialogue between MFI and the opportunity to justify any breach and propose an action plan to address the situation.

Indicate if these practices are formalised in written policies and procedures.

- Yes  
 No

- In the case of material covenant breach, create/participate in a voluntary workout group where applicable, with the goal to help the investee remain a going concern whenever possible.

Indicate if these practices are formalised in written policies and procedures.

- Yes  
 No

- For fixed income investments: Train your staff on effective monitoring and covenant waiver negotiations to manage deteriorating conditions, and transition a non-performing loan from loan origination staff to specialised workout staff.

Indicate if these practices are formalised in written policies and procedures.

Yes

No

Encourage investee skills-building on financial projections, scenario planning and stress-testing for management, and on financial expertise and governance for Directors.

Indicate if these practices are formalised in written policies and procedures.

Yes

No

Other (explain)

None of the above

## PIIF Principle 4: Responsible investment

IFD 18

Mandatory

Public

Gateway

PIIF 4

### **Possible action:**

*Negotiate terms and conditions that are transparent, fair and reasonable, including fair break-up clauses.*

IFD 18.1

Indicate if you use the following tools for social performance reporting:

### **Externally developed tools**

During due diligence.

Yes

No

We don't track social performance

For monitoring and reporting purposes.

Yes

No

We don't track social performance

Describe the approaches used and frequency of use.

Any ratings and reports such as PPI, ALINUS or SPI4 are viewed as part of the due diligence. ALINUS is now systematically used in the due diligence process and this is part of the file in the investment committee reviews.

We also monitor and track these tools as part of our social performance monitoring.

### In-house tools based on externally developed tools

During due diligence.

- Yes
- No
- We don't track social performance

For monitoring and reporting purposes.

- Yes
- No
- We don't track social performance

Describe the approaches used and frequency of use.

A due diligence tool based on SPI4 / ALINUS (selection of indicators)

### Tools developed solely in-house

During due diligence.

- Yes
- No
- We don't track social performance

For monitoring and reporting purposes.

- Yes
- No
- We don't track social performance

Describe the approaches used and frequency of use.

Propriety due diligence tool and propriety shareholder social performance reporting.

IFD 19	Mandatory	Public	Descriptive	PIIF 4
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**IFD 19.1**

Indicate if you require the retail institutions in which you invest to have an independent financial rating.

- Always
- In a majority of cases
- In a minority of cases
- No

**IFD 19.2**

Indicate if you require the retail institutions in which you invest to have an independent social rating.

- Always
- In a majority of cases
- In a minority of cases
- No

**IFD 19.3**

Indicate if you require the retail institutions in which you invest to have an independent social audit.

- Yes
- No

**IFD 19.4**

Additional information. [Optional]

If an institution does not have an independent social or financial rating, LMDF and the Investment Committee will review on a case by case basis the need for a covenant that would enforce such rating(s).

**IFD 20**

**Mandatory**

**Public**

**Core Assessed**

**PIIF 4**

**Possible action:**

*Assist in developing appropriate references for corporate governance issues.*

**IFD 20.1**

In relation to your due diligence on and monitoring and reporting of corporate governance among investees, indicate if you assess:

**Compensation of the Board of Directors and Executive Directors (i.e. its transparency, the use of benchmarking)**

Pre-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Post-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Describe what you look at and, if post-investment, the frequency of assessment. [Optional]

The composition of the Board and its structure is included in our Due Diligence dossier. During due diligence, Board policies will be questioned and interviews with BoD takes place. Focus is also placed on dividend policy. Regular follow up missions take place and engage with the Board.

**Composition of the Board (i.e. breadth and depth of experience, effective client representation, diversity)**

Pre-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Post-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Describe what you look at and, if post-investment, the frequency of assessment. [Optional]

This is systematically monitored by Investment Analysts. They write a full briefing on Board composition, notably looking at gender and local board members, and experience. Board Members are met during on sight due diligence missions. The analyst gives their opinion on their findings in their investment dossier which is presented to the IC.

MFIs update us on key changes in the board as a requirement of our investment.

Regular follow up missions are also conducted which involve interaction with the Board.

**Whether the Board receives social performance management-related information from the management team that is analysed and contributes to Board decision making.**

Pre-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Post-investment

- Yes
- No
- Not for all of our investments in inclusive finance

Describe what you look at and, if post-investment, the frequency of assessment. [Optional]

This is a question considered by the analyst when writing the original investment dossier.

It will be followed up in subsequent institutional visits. If necessary support may also be offered by our Investment Advisor in this area.

IFD 23	Mandatory	Public	Descriptive	PIIF 4
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**Possible action:**

*Assist in developing appropriate references for environmental issues.*

IFD 23.1 Indicate if you have a procedure to integrate the consideration of environmental issues in your investment decision processes.

- Yes
  - For all inclusive finance investments
  - For a majority of inclusive finance investments
  - For a minority of inclusive finance investments

IFD 23.2 Describe how your procedure to integrate the consideration of environmental issues in your investment decisions processes affect decisions pre-investment. [Optional]

For each investment we look to see whether green products are offered.

We encourage all investments to complete the Green section of the ALINUS - although responses to date remain limited.

We also consider environmental risks that have occurred and affected the MFI.

We are now looking at taking further measures to integrate environmental risks into the country notes we produce and to include standardises environmental metrics in each investment dossier

- No



**IFD 23.4**

Indicate if you request your investees to comply with an environmental exclusion list.

- Yes, for all investees
- Yes, for a majority of investees
- Yes, for a minority of investees
- No

### PIIF Principle 5: Transparency

**IFD 26**

**Mandatory**

**Public**

**Core Assessed**

**PIIF 5**

**Possible action:**

*Fully disclose policies, criteria and related conditions of products and services to investees and other relevant stakeholders.*

**IFD 26.1**

Other than the PRI/PIIF, indicate if you provide your investors and/or the public with information aligned with industry standards.

- Yes

**IFD 26.2**

Do you provide information aligned with:

- The MIV Disclosure Guidelines
  - Yes, to our investors only
  - Yes, to the public
- The Impact Reporting & Investment Standards (IRIS)
- Other, specify
  - SPI4
    - Yes, to our investors only
    - Yes, to the public
- No

**IFD 26.3**

Additional information. [Optional]

We regularly participate in industry surveys, such as the GIIN, to increase transparency across the industry

**IFD 27**

**Mandatory**

**Public**

**Core Assessed**

**PIIF 5**

**Possible action:**

*Ensure that investees adequately disclose the pricing, terms and conditions of financial products and services offered, and that the pricing, terms and conditions are understood by clients.*

**IFD 27.1**

Indicate if you encourage the retail institutions in which you invest to ensure that the following are transparent and fully explained to their clients (i.e. those seeking financial services from them) in a form they can understand.

Pricing

Yes

**IFD 27.2** Indicate how you ensure this for pricing and provide examples.

Understanding products and how they are offered to ultimate clients is essential part of the due diligence process. This includes but it is not limited to clients visits or pricing analysis breakdown. This is systematically reviewed by analysts and is presented to the Investment Committee in their dossiers. Where provided, the Client Protection ALINUS is also reviewed, which has a particular component on responsible pricing.

During production of our social performance report this year, we have aggregated data on average interest rates charged by MFIs and then see how this translates into costs. When this exercise was previously performed, MFIs were making an average of -0.5% loss, now they are making an average of a 1% profit. This very modest level of profitability helps to provide reassurance in that appropriate pricing is used,.

No

Other terms and conditions

Yes

**IFD 27.3** Indicate how you ensure this for other terms/conditions and provide examples.

Understanding products and how they are offered to ultimate clients is essential part of the due diligence process. Analysts will enquire about this in their DD missions and also try to gauge clients understanding on these matters. They systematically spend time visiting clients and ask about their knowledge of products. They also shadow loan officers at work. This is presented to the Investment Committee. The results of this are also captured in the ALINUS.

No

**PIIF Principle 6: Balanced returns**

<b>IFD 28</b>	<b>Mandatory</b>	<b>Public</b>	<b>Core Assessed</b>	<b>PIIF 6</b>
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**Possible action:**

*Strive for a balanced long-term social and financial risk-adjusted return that recognises the interests of clients, retail providers and investors.*

**IFD 28.1** Indicate if the social performance of investees affects your:

Investment decision making

Yes

**IFD 28.2**

Explain how social performance of investees affects investment decision making.

Social performance, broken down into outreach and impact criteria are core part of the Investment Committee decision making. ALINUS is integrated into the Investment Committee due diligence file to shed further light on this aspect of investments. We also use our own bespoke metrics which focus on particular areas of social performance which are fundamental to decision making. Social performance is also integrated into our analysis of financial performance - notably the analysis of interest rates and profitability.

No

Portfolio management

Yes

**IFD 28.3**

Explain how social performance of investees affects portfolio management.

Social performance criteria affect regional and country allocation targets. One of the criteria for country selection is the Human Development Index score (with a higher weight for less developed countries) or its presence on the DAC List for least developed countries. We also consider market saturation and dynamics of microfinance markets to see whether our investment adds value to a particular market.

No

**PIIF Principle 7: Standards****IFD 32****Mandatory****Public****Core Assessed****PIIF 7****Possible action:**

*Participate in networks to share tools, information and resources.*

**IFD 32.1**

Select which of the following collaborative initiatives your organisation has supported or participated in, and the role you played.

The Principles for Investors in Inclusive Finance

Yes

Basic

Moderate

Advanced

No

### The Smart Campaign

- Yes
  - Basic
  - Moderate
  - Advanced
- No

### Social Performance Task Force

- Yes
  - Basic
  - Moderate
  - Advanced
- No

### Financial Inclusion Equity Council (formerly CMEF)

- Yes
  - Basic
  - Moderate
  - Advanced
- No

### European Microfinance Platform (eMFP)

- Yes
  - Basic
  - Moderate
  - Advanced
- No

### Global Impact Investors Network (GIIN)

- Yes
  - Basic
  - Moderate
  - Advanced
- No

### Other network, association memberships and/or specific collaboration related to the promotion of inclusive finance, specify

- Yes

If yes then please specify

Inclusive Finance Network Luxembourg.

- Basic
- Moderate
- Advanced

No

**IFD 32.2**

If you have indicated that your organisation was involved in any of the above, please provide a brief commentary. [Optional]

Please see <https://www.lmdf.lu/en/private-investors/who-we-are/lmdf-is-member-of/>

This gives a brief summary of some of the organisation we are members of

# Luxembourg Microfinance and Development Fund

## Reported Information

### Public version

### Confidence building measures

## PRI disclaimer

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## Confidence building measures

CM1 01	Mandatory	Public	Additional Assessed	General
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**CM1 01.1** Indicate whether the reported information you have provided for your PRI Transparency Report this year has undergone:

- Third party assurance over selected responses from this year's PRI Transparency Report
- Third party assurance over data points from other sources that have subsequently been used in your PRI responses this year
- Third party assurance or audit of the correct implementation of RI processes (that have been reported to the PRI this year)
- Internal audit of the correct implementation of RI processes and/or accuracy of RI data (that have been reported to the PRI this year)
- Internal verification of responses before submission to the PRI (e.g. by the CEO or the board)
  - Whole PRI Transparency Report has been internally verified
  - Selected data has been internally verified
- Other, specify  
Verified by Deputy CEO and Head of Impact
- None of the above

CM1 02	Mandatory	Public	Descriptive	General
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**CM1 02.1** We undertook third party assurance on last year's PRI Transparency Report

- Whole PRI Transparency Report was assured last year
- Selected data was assured in last year's PRI Transparency Report
- We did not assure last year's PRI Transparency report
- None of the above, we were in our preparation year and did not report last year.

CM1 03	Mandatory	Public	Descriptive	General
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**CM1 03.1** We undertake confidence building measures that are unspecific to the data contained in our PRI Transparency Report:

- We adhere to an RI certification or labelling scheme

**CM1 03.2** Which scheme?

- National SRI label based on the EUROSIF Transparency guidelines
- B-corporation
- UK Stewardship code
- GRESB
- Commodity type label (e.g. BCI)
- Social label

Specify

LuxFLAG Microfinance Label

We have also recently become signatories of the Operating Principles of Impact Management

% of total AUM the scheme applies

- < 25%
- 25-50 %
- 50-70 %
- >75 %

- Climate label
- RIAA
- Other

We carry out independent/third party assurance over a whole public report (such as a sustainability report) extracts of which are included in this year's PRI Transparency Report

- ESG audit of holdings
- Other, specify
- None of the above

CM1 04	Mandatory	Public	Descriptive	General
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**CM1 04.1** Do you plan to conduct third party assurance of this year's PRI Transparency report?

- Whole PRI Transparency Report will be assured
- Selected data will be assured
- We do not plan to assure this year's PRI Transparency report

CM1 07	Mandatory	Public	Descriptive	General
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**CM1 07.1** Indicate who has reviewed/verified internally the whole - or selected data of the - PRI Transparency Report . and if this applies to selected data please specify what data was reviewed

**Who has conducted the verification**

- CEO or other Chief-Level staff
- The Board
- Investment Committee
- Compliance Function
- RI/ESG Team
- Investment Teams
- Legal Department
- Other (specify)

**CM1 07.2** Additional information [OPTIONAL]

Responses filled in by Communications team and verified by Head of Impact and Deputy CEO



