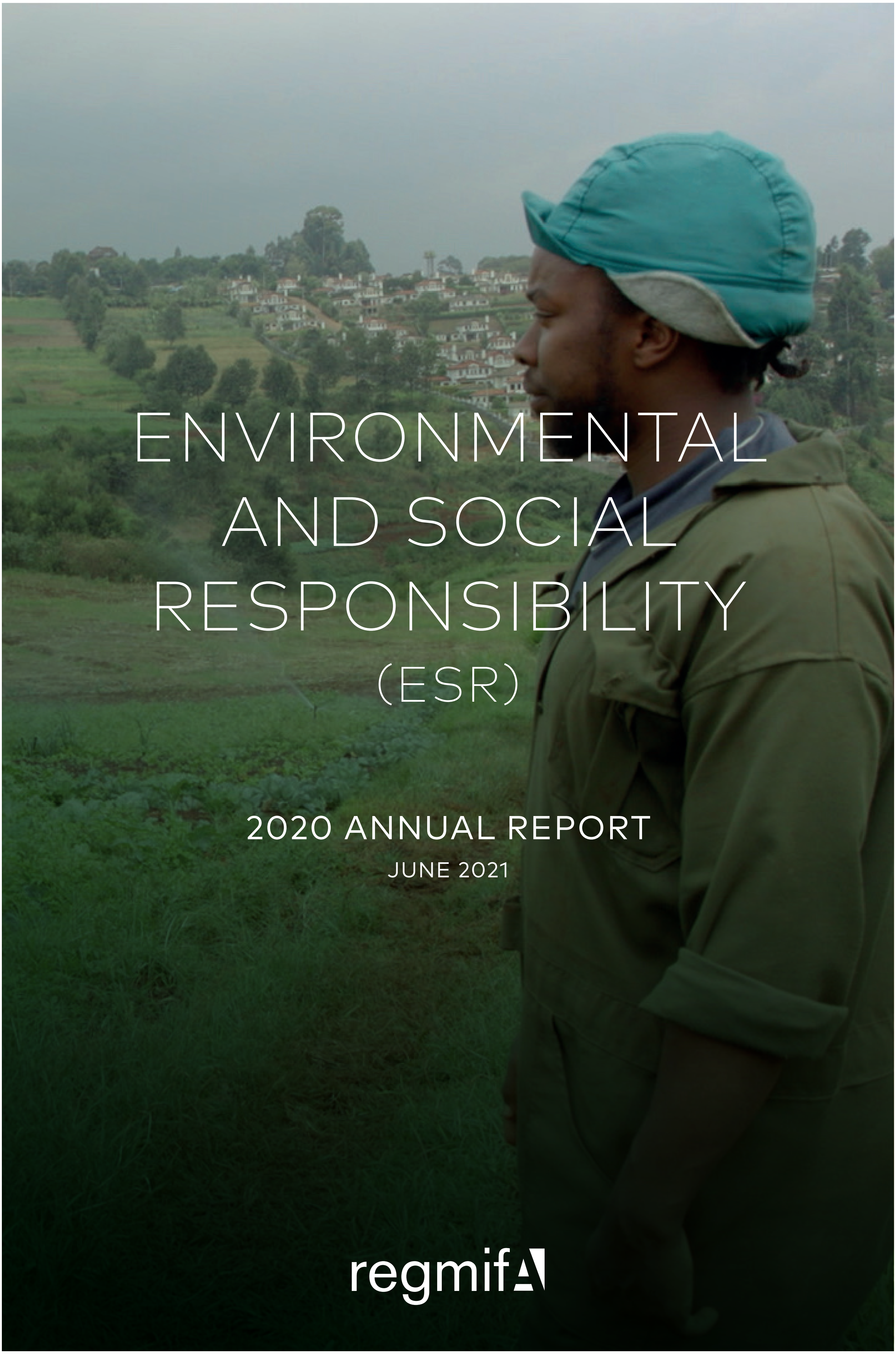

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (ESR)

2020 ANNUAL REPORT

JUNE 2021

regmifA

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REGMIFA'S 2020 SOCIAL RETURN AT A GLANCE (EXECUTIVE SUMMARY)[1]

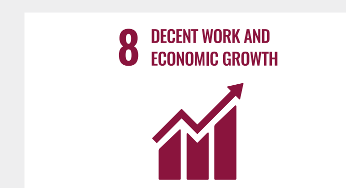
The Fund invested USD 73.7 million in 2020 across 46 transactions, ending the year with a net portfolio size of USD 136.5 million[2] and reaching 165,188 end-borrowers who:

- Are a majority women (49%) vs. 37% male clients and 14% legal entities.
- Reside primarily in urban areas (78%)
- Live in 19 different countries, notably Kenya (18%), South Africa (16%), Ghana (14%) and Tanzania (10%)
- Are running a micro, small, or medium sized enterprise (82%)
- Are active in trade (56%) and also services, agriculture, and production (35%)
- Received on average a USD 826 loan, representing 37% of GNI per capita, on average
- Borrowed through both individual and group loans (82% and 18%, respectively)
- Repaid their loans on time in 86% of cases

The Fund is actively contributing to United Nations Sustainable Development Goals[3] 1, 5 and 8 by:

Ensuring that low-income individuals have access to financial services, including microfinance and savings products

Providing women with equal access to economic resources and opportunities



Promoting job creation by financing micro-, small and medium enterprises, and expanding access to banking and financial services

1 The majority of indicators in this report were calculated based on the Investment Manager's internal ESR standards. The IM's internal reporting standard at the portfolio level focuses on investment-weighted data to provide a clearer picture of the overall portfolio.
2 The portfolio in the ESR report is presented at market rate (USD 136.5M) while some graphs and data of the Annual Report are presented at cost (USD 136M). This can cause differences in charts and/or graphs between these two reports when presenting portfolio information.
3 The United Nations Sustainable Development Goals, adopted by all Member States of the United Nations in 2015, are 17 global goals to achieve peace and prosperity for people and the planet by 2030 (https://sustainabledevelopment.un.org/sdgs)

1.0 SOCIAL MISSION, OBJECTIVES & STRATEGY

1.1 SOCIAL MISSION

REGMIFA's mission is to foster economic development in Sub-Saharan Africa by supporting financial institutions that serve micro, small, and medium sized enterprises (MSMEs). REGMIFA works to build unique public-private partnerships with public institutions, private investors, and African stakeholders to achieve its mission.

In pursuing its development goal, the Fund will observe principles of sustainability and additionality, combining public mandate and market orientation.

1.2 IMPACT OBJECTIVES

Public Private Partnership
Develop inclusive financial systems by leveraging public funds as a risk cushion to attract significant private sector capital to SSA.

Foster economic development
Foster socio-economic development, employment creation, and income generation in countries where human development is low.

Sub-Saharan Africa
Access large numbers of poor and difficult-to-access countries in SSA through commercial investments.

Demand-oriented financing
Provide PLIs with a stable source of long-term, local currency financing coupled with Technical Assistance (TA) to build capacity and reduce the PLIs overall risk profiles.

Qualified PLIs
Invest in PLIs (including Tier 2 and Tier 3) that are operationally sound, lack access to capital and adopt best practices in the field of social performance and client protection.[4]

Serving MSMEs
Promote entrepreneurship and the MSME sector through the financing and strengthening of PLIs.

Additionality
Produce and catalyze positive changes in the MSME financing industry in SSA by playing a complementary role to the private sector.

Sustainability
Demonstrate to the general financial sector and investor community that MSME financing can be a sustainable investment in terms of social impact and commercial returns.

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4 Tier 1 institutions: PLIs with total assets above USD 30m;
Tier 2 institutions: PLIs with total assets between USD 10m and USD 30m;
Tier 3 institutions: PLIs with total assets below USD 10m.

1.3 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY (ESR) STRATEGY

The Fund commits to its social mission and impact objectives through the active management of its social performance in line with its ESR strategy and risk management system. REGMIFA's ESR performance management strategy and system are based on four pillars:

1.3.1 Investor Level

Beyond its fiduciary duty, a key factor for financial sustainability, REGMIFA has a social responsibility to its investors as well as its end-borrowers. The Fund pursues a triple bottom line mission that aims to promote sustainable development in SSA. The Fund's various governance bodies constantly strive to support the Fund in achieving its mission and to realize both strong ESR and financial outcomes. This responsibility is put into practice through:

- The Fund's ESR Policy & Procedures, which clearly define its ESR strategy
- The ethical chart based on the client protection principles to which the Fund adheres
- The social rating tool used to manage ESR performance and to select PLIs
- This ESR report, allowing investors to assess the Fund's ESR performance
- The ESR Compliance Officer, in charge of coordinating the ESR performance management
- Partnerships with external research organizations to evaluate the Fund's ESR practices

1.3.2 Sector Level

At the sector level, the Fund aims to enter into a large number of countries in SSA, including those where no or very few commercial investors operate, and encourage the general financial sector to invest in African MSMEs and contribute to the development of inclusive financial systems. The Fund also aims to share and spur best practices within the microfinance sector, in particular in the area of social performance. This is accomplished through:

- The prospection of and investment in new untapped countries
- The participation of the Investment Manager in major sector initiatives
- The sponsoring of and participation in conferences on MSME finance
- The role played by the TA Facility in the strengthening of PLIs
- The provision of TA services to the Fund's PLIs addressing all areas of social performance
- The communication strategy of the Fund

1.3.3 PLI Level

At the PLI level, the Fund aims to work with a wide range of PLIs adopting and/or committed to using best practices in the area of social performance management. The Fund provides its partners with high-quality financial solutions. It also encourages them to adopt ethical practices and helps them build capacity. This is achieved through:

- Financing all types of PLIs, with a special focus on Tier 2 and Tier 3 institutions
- Targeting socially-oriented PLIs with strong business prospects
- The systematic inclusion of ESR issues in investment decision-making
- Offering a wide range of financing services meeting the specific needs of PLIs
- The positive impact of REGMIFA on PLIs' governance and business practices
- The integration of aspects of Social Performance Management principles and Client Protection Principles as defined by the SMART campaign in all TA projects wherever applicable

1.3.4 End-Borrower Level

At the end-borrower level, the Fund targets low-income people who are considered financially excluded who run MSMEs, through the Fund's investments with PLIs. The Fund offers PLIs a wide range of high-quality financial services and protects their clients against potential harmful practices. It also pays close attention to how PLIs interact with their stakeholders and whether they take into consideration the various needs of the end-borrowers. This fourth pillar is reached through:

- The targeting of PLIs focusing on low income and excluded end-borrowers
- The targeting of PLIs focusing on MSMEs
- The targeting of PLIs providing other loans such as housing and education
- The monitoring of loan terms and conditions and over indebtedness
- The evaluation of the extent to which PLIs consider all stakeholders in their operations
- The inclusion of client protection principles at all levels of the Fund's and TA Facility's operations

2.0
SOCIAL RESPONSIBILITY TO INVESTORS

2.2 ESR PERFORMANCE

REGMIFA maintained its social mission in 2020 with the incorporation of its ESR strategy in each stage of the investment process. The remainder of this report presents the Fund's most significant ESR achievements including the following:

+ The Fund financed an estimated **165,188 end-borrowers** via its partner lending institutions
+ The majority of borrowers run **MSMEs (82%)**, creating jobs in their local community
+ **5 new PLIs** were added to the loan portfolio
+ Of the 5 new PLIs, **three were categorized as Tier 1** (total assets above USD 30m) and **two as Tier 3** (total assets less than USD 10m), demonstrating a modest deepening of the Fund's stated developmental objective of **increasing its outreach to smaller and less developed PLIs** not commonly served by existing microfinance funders
+ **60%** of investments were made in **Low Human Development countries**[5],while **42%** of investments were made in **Least Developed Countries**[6]
+ PLIs have a **relatively small size** (64% were Tier 2 or Tier 3 institutions at disbursement date)
+ PLIs have a **diversified profile** in terms of legal status, credit risk, and age
+ **68%** of financing to PLIs was in **local currency** and **76%** had **fixed interest rates**
+ The Fund offers **longer-term maturities** (up to 5 years) than those available locally[7]
+ The Fund supported an estimated **1,220 jobs at the PLIs** through its investments
+ PLIs paid a total of more than **USD 143.2M of taxes** to national governments

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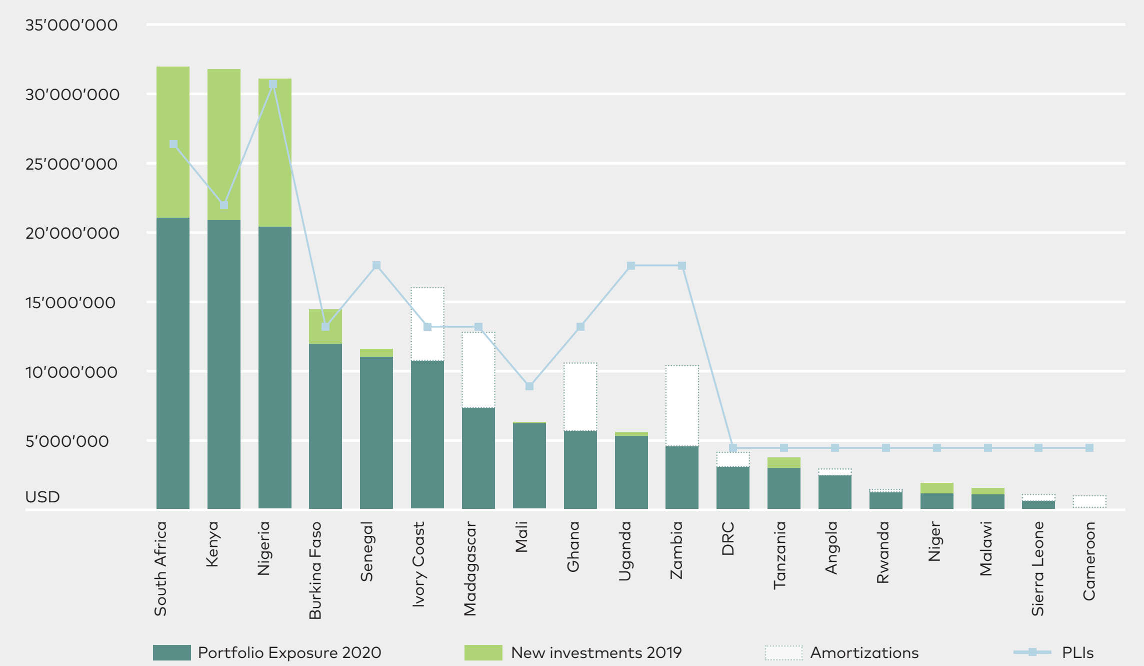
5 http://hdr.undp.org/en/content/human-development-index-hdi
6 http://unctad.org/en/Pages/ALDC/Least%20Developed%20Countries/UN-list-of-Least-Developed-Countries.aspx
7 While the average maximum maturity over the life of the fund has been 5 years, in 2020, both Access Bank Plc in Nigeria and KCB in Kenya had full maturity of 10 years.

3.0
SECTOR LEVEL DEVELOPMENT

3.1 INVESTED COUNTRIES

In 2020, the Fund portfolio was invested in a total of 19 countries, the same countries as in 2019.

Figure 3.1: Portfolio Exposures



3.2 DEVELOPMENT LEVEL AND COUNTRY RISK

Given that REGMIFA is an Africa-focused fund, the portfolio's risk exposure is greater than the global average.[8] The weighted average economic risk score for the portfolio in 2020 is 3.1 out of 10, whereas the political risk score is 2.7 out of 10 (10 being the highest possible risk level). These scores are on par with the risk levels for Sub-Saharan Africa overall, where the median economic and political risk scores 3.1 and 2.7, respectively. The global median economic and political risk scores, on the other hand, are 2 and 2.1 respectively, which are notably lower.

8 Average risk assessment scores are obtained from Information Handling Services (IHS) Markit. Each country is assigned an economic risk score and a political risk score:
(i) Economic risk includes the following sub-categories: capital transfer risk, currency depreciation risk, inflation risk, recession risk, sovereign default risk, and under-development risk
(ii) Political risk includes the following sub-categories: government instability risk, policy instability risk, and state failure risk
For both scores, the scale is from 0 to 10, where 0 represents the lowest risk and 10 the highest.

Compared to 2019, the median scores remained stable globally and in Sub-Saharan Africa. In 2020, there was an increase in the portfolio-weighted average risk score, going from 2.86 in 2019 to 3.08. Moreover, as in the two previous years, the Democratic Republic of Congo remains the country with the highest political risk scores in REGMIFA's portfolio (3.8).

Figure 3.2: Economic and Political Risk Scores

	Economic		Political	
	2019	2020	2019	2020
Portfolio-weighted average	2.86	3.09	2.70	2.71
Sub-Saharan Africa median	2.30	3.10	2.50	2.70
Global median	1.50	2.00	2.10	2.10

Sub-Saharan Africa continues to have among the highest levels of poverty worldwide. As of December 2020, 60% of the portfolio investments are in countries with low human development, 24% in countries with medium human development (Angola, Cameroon, Kenya, Zambia, Ghana) and 15% in South Africa, the only country classified with a high human development level.[9] The portfolio-weighted average GNI per capita is USD 2,204 which is far below the world average (USD 11,570) and in line with the average for Sub-Saharan Africa (USD 1,550).

9 In 2018, South Africa's Human Development Index (HDI) value was 0.705. According the United Nations Development Program classification, countries with a HDI value from 0.700 to 0.799 are classified with a high human development. From 1990 to 2018, South Africa's HDI value increased from 0.0625 to 0.705 due to the improvement of several indicators as life expectancy, mean years of schooling and expected years of schooling as well as an increase in the country's GNI per capita.
http://hdr.undp.org/sites/all/themes/hdr_theme/country-notes/ZAF.pdf

Table 3.1: Country-Level Development Indicators

Country	% Portfolio	2019 GNI per capita (current US$)[10]	2019 Life expectancy at birth[11]	HDI RANK 2019 (out of 189)[12]	Human Development Level[13]
Portfolio	100%	2,204	62.5	153.7	Low
South Africa	15.4%	6,040	64.1	114	High
Kenya	15.2%	1,750	66.7	143	Medium
Nigeria	14.9%	2,030	54.7	161	Low
Burkina Faso*	8.7%	790	61.6	182	Low
Senegal*	8.0%	1,450	67.9	168	Low
Ivory Coast	7.8%	2,290	57.8	162	Low
Madagascar*	5.3%	520	67.0	164	Low
Mali*	4.5%	880	59.3	184	Low
Ghana	4.1%	2,220	64.1	138	Medium
Uganda*	3.8%	780	63.4	159	Low
Zambia*	3.3%	1,450	63.9	146	Medium
DRC*	2.2%	520	60.7	175	Low
Tanzania*	2.2%	1,080	65.5	163	Low
Angola*	1.8%	3,050	61.2	148	Medium
Rwanda*	0.8%	820	69.0	160	Low
Niger*	0.8%	560	62.4	189	Low
Malawi*	0.7%	380	64.3	174	Low
Sierra Leone*	0.4%	500	54.7	182	Low
Cameroon	0.1%	1,500	59.3	153	Medium

**13 of the 19 investee countries are least developed countries (LDCs).*

10 The World Bank DataBank. (n.d.). World Development Indicators. Retrieved from: http://databank.worldbank.org/data/source/world-development-indicators
11 Ibid.
12 United Nations Development Programme. (2016). Human Development Reports. Retrieved from: http://hdr.undp.org/en/composite/HDI
13 United Nations Development Programme. (2016). Human Development Reports. Retrieved from: http://hdr.undp.org/en/composite/HDI

3.3 SECTOR INITIATIVES

The Investment Manager of REGMIFA is an active member of the main industry initiatives through which it shares its market knowledge and promotes best practices, in particular in the field of client protection and social performance management. The Fund also attends and sponsors conferences to promote its activities.

LUXFLAG
Supporting Sustainable Finance

LuxFLAG Microfinance Label

In May 2011, REGMIFA was granted the LuxFLAG Microfinance Label, which has been renewed every year since then. The Luxembourg Fund Labeling Agency (LuxFLAG) is an independent, non-profit association created in Luxemburg in July 2006. The Agency aims to promote the raising of capital for microfinance by awarding a recognizable label to eligible MIVs. s.

SocialPerformance TASK FORCE

Social Performance Task Force

In 2020, Symbiotics actively participated in various initiatives with the Social Performance Task Force (SPTF). In March 2020, Symbiotics participated in the annual Social Investor Workgroup Meeting, which focused on measuring client outcomes. REGMIFA's 10 Years of Impact report[14] was presented as a case study during the workgroup meeting, demonstrating REGMIFA's commitment to impact measurement and management.

As the Covid-19 pandemic evolved over the course of 2020, the SPTF collaborated with several industry actors, including FINCA, ADA, Oikocredit and 60 Decibels to launch the Covid-19 Client Interview Tool.[15] REGMIFA was among the earliest adopters of this tool. The fund supported five of its PLIs to collect data from over 3,000 end-borrowers using the client interview tool, allowing them to gain actionable insights on how to better serve their end borrowers during the pandemic. REGMIFA also co-sponsored the Covid-19 financial inclusion dashboard,[16] which is a public dashboard aggregating the data collected through the client interview tool in 21 countries worldwide.

14 REGMIFA 10 Years of Impact. 2020. Retrieved from: https://regmifa.com/wp-content/uploads/2020/10/ImpactStudy_2020_REGMIFA.pdf
15 For more details, please visit https://sptf.info/resources/covid-19/covid-19-client-interview-tool
16 To browse the dashboard, please visit https://app.60decibels.com/covid-19/financial-inclusion

The Client Protection Pathway

From 2009 to 2020, the Smart Campaign was a global initiative led by the Center for Financial Inclusion that worked to create an environment in which financial services are delivered safely and responsibly to low-income clients. The Campaign developed the Client Protection Standards, which comprise a set of guidelines for financial service providers to protect their clients from over-indebtedness and ensure they are treated fairly. The Campaign also managed a rigorous certification program for financial service providers to validate their commitment to the Standards. In July 2020, the Smart Campaign and the certification program officially closed, and the management of the Standards was transferred to the SPTF and CERISE, long-time partners of the Campaign.[17]

REGMIFA has embedded the Client Protection Standards in the fund's investment policy and operations. As an active member of the SPTF, Symbiotics is taking a leading role in ongoing developments in client protection, including the development and launch of the new Client Protection Pathway, the successor of the Smart Campaign's certification program.[18]

Other Initiatives

In November 2020, Symbiotics participated in the European Microfinance Week 2020 session, titled 'Impact Investing and Reporting on SDG Outcomes', highlighting the investment manager's efforts to measure end-borrower outcomes and align reporting to the SDGs.
Symbiotics also maintained its subscription to several other initiatives in 2020, including the European Venture Philanthropy Association, the Principles for Responsible Investments Association, Sustainable Finance Geneva, the Swiss Microfinance Platform, and Swiss Sustainable Finance.

17 For more details, please visit https://www.centerforfinancialinclusion.org/about/what-we-do/the-smart-campaign and https://cerise-spm.org/en/blog/sptf-and-cerise-take-over-smart-campaign-implementation-resources/
18 For more details, please visit https://sptf.info/client-protection/the-client-protection-pathway

4.0
PARTNER LENDING INSTITUTION DEVELOPMENT

4.1 PLI PROFILE

Legal Status and Years of Existence

Of the total volume invested by the Fund, 61% is in regulated financial institutions. These are institutions that are supervised by the financial regulatory authorities in their respective countries, including non-bank financial institutions, non-governmental organizations, and cooperatives. The rest (7%) is invested in unregulated institutions, including non-deposit taking institutions and non-profit companies. PLIs also vary in terms of years of existence from well-established to new institutions, with the majority of PLIs incorporated between 6-15 years ago (58%). The Fund continues to have limited exposure to relatively new institutions (3-6 years of existence) at 3% in since 2018.

Legal Status	Number of PLIs	% Portfolio
Bank	13	31.2%
Regulated	35	61.4%
Unregulated	4	7.4%

Years of Existence	Number of PLIs	% Portfolio
3-6 years	2	3%
6-15 years	34	58%
>15 years	16	39%

Figure 4.1: Years of Existence, % Portfolio

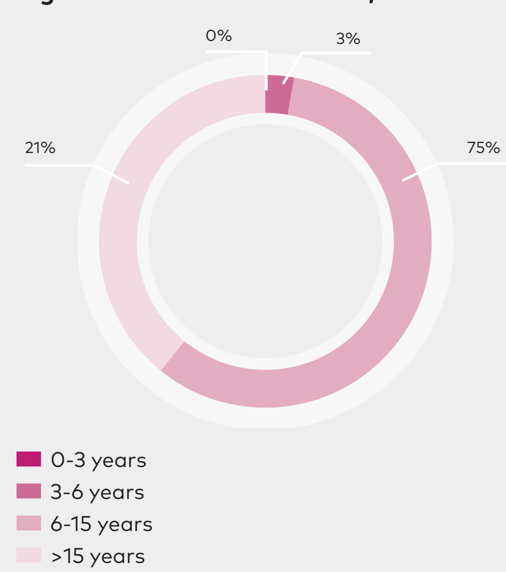
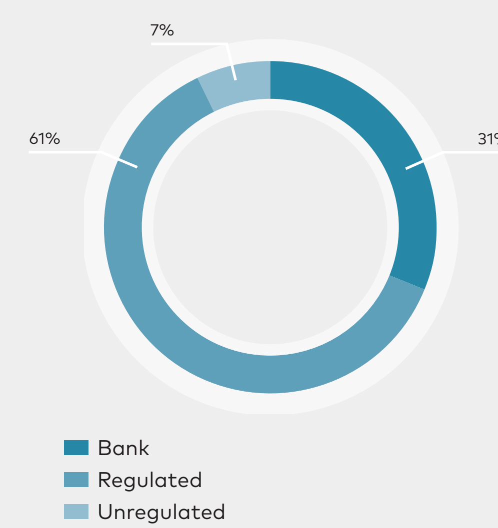


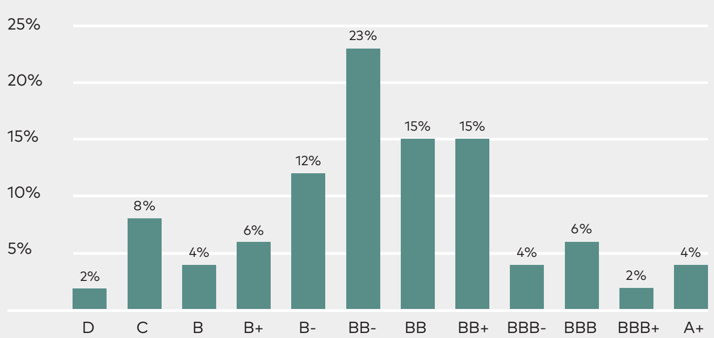
Figure 4.2: PLI Legal Status, % Portfolio



Credit Risk

In 2020, the weighted average credit risk of PLIs remained as BB (2019: BB). The Fund continues to target less mature financial institutions that are typically underserved by other lenders, while also continuing its exposure to larger, more stable PLIs. Covid-19 took its toll on some institutions as the number of workout cases was especially high this year. Except for the eleven workout cases, the individual credit ratings ranged from B+ to A+. 53% of the portfolio is invested in sub-investment grade PLIs (compared to 69% in 2019), representing 69% of the PLIs in terms of number

Figure 4.3: Credit Risk Profile December 2020



Size/Tier

Out of 5 new PLIs added to the portfolio in 2020, three are Tier 1 and two are Tier 3. At the portfolio level, 73% of the volumes invested are in Tier 1 institutions, while 27% are in Tier 2 and Tier 3 institutions.

Figure 4.4: Portfolio Breakdown by Tier, # PLIs

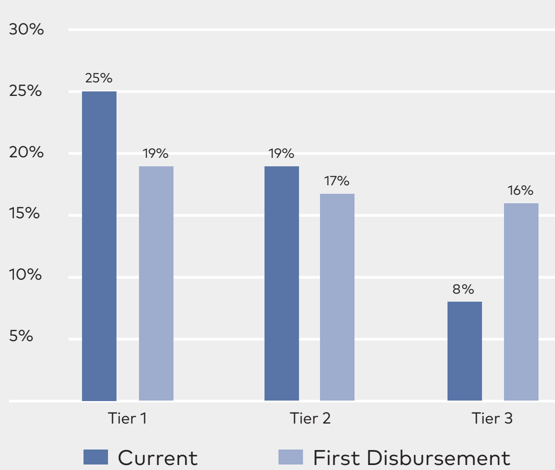
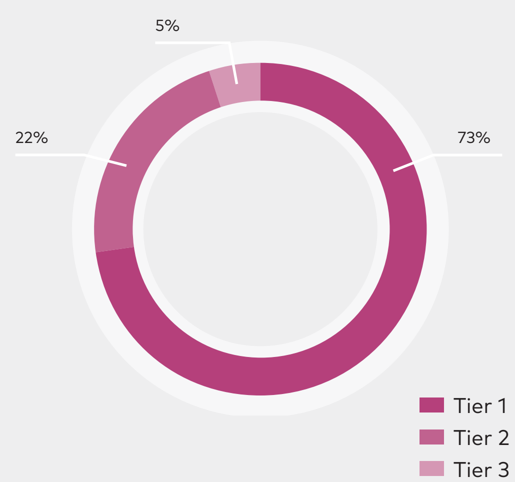


Figure 4.5: Portfolio Breakdown by Current Tier, % Portfolio



Financial Sustainability

To promote sustainable financial inclusion, the Fund invests in financially sustainable PLIs from all three tiers. Increasingly, the Fund has invested in smaller and weaker institutions that are not yet fully viable but have sound business strategies. Lower asset size, smaller client base, and lower average loan size are the typical characteristics of these PLIs. The table below shows a comparison among different PLIs based on the tier classification, and as compared to SYM50.[19]

Compared to previous years, in 2020 the PAR>30 was considerably higher. This can be explained by the impact of COVID-19 restrictions implemented on businesses and households.

Table 4.1: Key Financial Indicators by Tier

Key Indicators	Tier 1	Tier 2	Tier 3	Avg. Portfolio	SYM50
Number of PLIs	25	19	8	52	50
Total assets (USD millions)	1,102.18	20.21	8.02	538.51	254.70
Loan Portfolio (USD millions)	99.06	30.44	7.03	136.52	187.37
Number of active borrowers	171,020	32,570	13,453	96,191	67,395
Average loan balance (USD)	3,264	416	347	2,850	2,019
Debt to Equity ratio	4.83	5.36	4.67	5.00	4.58
Portfolio Yield (%)	28.1	41.4	49.4	36.2	20.9
OER (%)	18.3	32.0	48.6	28.0	10.7
OSS (%)	116.4	90.8	85.1	102.2	106.4
ROE (%)	3.2	-24.4	-2.8	-7.8	5.4
PAR>30 (%)	12.9	14.4	9.2	12.9	4.3

4.2 SOCIAL RESPONSIBILITY


Average Social Rating

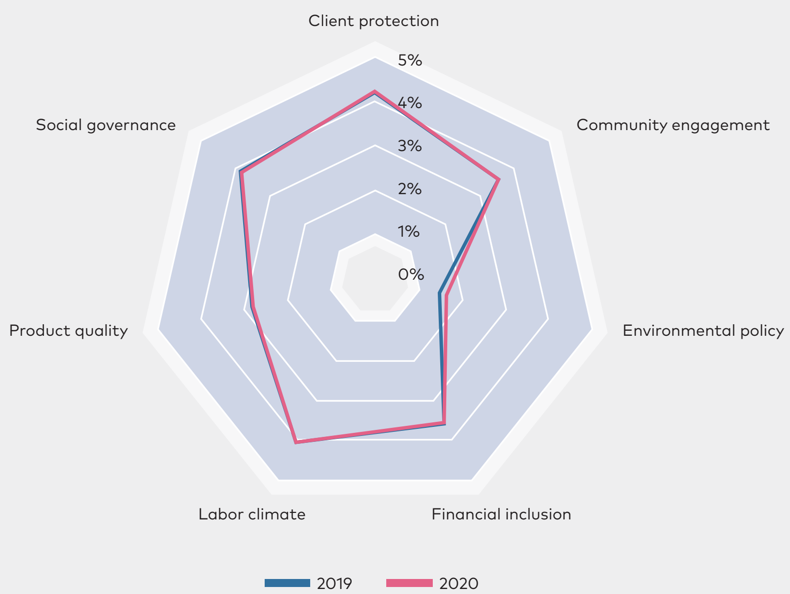
REGMIFA actively seeks to work with socially oriented PLIs and monitors social responsibility through its ESR ratings which are calculated prior to any disbursement and then updated annually when available.

The average ESR score of PLIs in the Fund's portfolio remained stable at 3.6 stars (2019: 3.6) out of 5.[20]

19 SYM50 is an index developed by Symbiotics, consisting of 50 microfinance institutions that are representative of Symbiotics' microfinance portfolio. It is updated on a monthly basis and each institution is equally weighted.

20 The calculation excludes two PLIs, Access Bank plc in Nigeria (7% of portfolio outstanding) and KCB Bank in Kenya (7% of portfolio outstanding). These are syndicated transactions with the FMO (Dutch development bank) and the International Finance Corporation, respectively. Therefore, the environmental and social risks were assessed by the respective development finance institutions, and Symbiotics did not conduct the ESR rating.

Figure 4.6: Social Responsibility Rating (Portfolio-Weighted)



ESR RATING AT A GLANCE

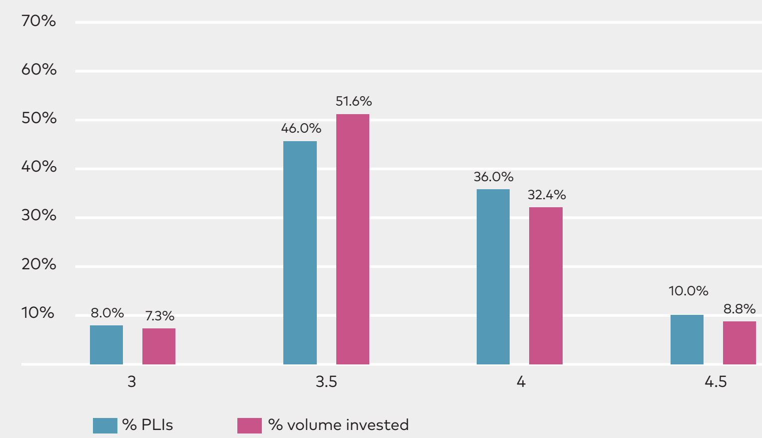
The ESR Rating shows to which extent a PLI contributes to socio-economic development and acts responsibly towards its stakeholders. It includes 100 indicators split into seven dimensions:

1. Social Governance (20%)	5. Product Quality (15%)
2. Labor Climate (15%)	6. Community Engagement (15%)
3. Financial inclusion (15%)	7. Environmental Policy (5%)
4. Client Protection (15%)	

Each indicator is graded from 0 to 3 (0 = non-existence or very poor, 3 = existence and high quality) and each of the seven dimensions contributes to the final score as per its weighting (see % amounts in brackets above). The final score is a rating from 0 to 5 stars, i.e., an extremely strong likelihood that the Fund contributes to sustainable development via its investment in the assessed PLI, or an extremely low risk of having a negative social impact.

Of the 52 PLIs in the portfolio, 19 were evaluated and rated in 2020. Eight PLIs received improved social responsibility ratings, while 1 PLI was downgraded.[21] The social responsibility assessment is generally performed once every year as an essential part of the investment advisory report. The outcomes of these reports are discussed by the Investment Committee, which bases its investment decisions on both the social and financial performance of PLIs.

Figure 4.7: 2020 Portfolio ESR Rating



ESR scores in the portfolio range from 3 to 4.5 stars. None of the PLIs in which the Fund is invested has a score below 3. Of the total volume invested by the Fund, 41% is in PLIs with a social rating of 4 stars or above, while another 52% is in PLIs with a social rating of 3.5 stars. Only 5% of the total volume is invested in Tier 3 institutions with scores 3.5 and 4. Smaller institutions generally have less established policies and weaker governance. Such institutions consequently score lower in Symbiotics' social rating, despite their positive impact through financial inclusion. 7% of the Fund's portfolio is invested in institutions with a social rating of 3 stars. Out of this volume, less than 5% is in Tier 1 PLIs and 2% in Tier 2.

21 MFinance was downgraded from 3.5 to 3 stars.

4.3 FINANCIAL SERVICES TO PLIS

Offering demand-oriented financial services to PLIs is one of the key objectives REGMIFA pursues to create social impact. This is reflected in REGMIFA's lending practices which are based on 1) flexibility in terms of loan amount and rapidity of disbursement; 2) the possibility of offering long term financing solutions in the framework of a long-term partnership with PLIs; 3) uncollateralized loan products denominated in local currency; 4) price competitiveness due notably to partnerships with two counterparties to hedge FX risk and the Fund's increasing size and efficiency; and 5) the possibility to offer complementary TA services.

The Fund's average investment size in PLIs increased to 1,312,739 (compared to USD 1,269,007 in 2019). Similarly, the average balance to each PLI increased from USD 2,413,602 in 2019 to USD 2,625,478 in 2020. While the average maximum maturity over the life of the fund has been 5 years, in 2020, both Access Bank Plc in Nigeria and KCB in Kenya had full maturity of 10 years.

Table 4.2: Loan Size and Maturity

Size	2020
Average loan size	1,312,739
Min loan size	88,769
Max loan size	9,928,110
Average loan balance	2,625,478
Min loan balance	90,749
Max loan balance	9,928,110
Avg. loan balance/ PLI Assets	
0-5%	37%
5-10%	48%
10-15%	12%
15-20%	4%
>20%	0%

Maturity	2020
Weighted avg. maturity	46.2
Min maturity	6
Max maturity	122
<12 months (% volume)	0.4%
12-24 months (% volume)	32.2%
> 24 months (% volume)	67.4%
<12 months (% number)	2.9%
12-24 months (% number)	41.3%
> 24 months (% number)	55.8%

Table 4.3: Loan Products and Pricing

Loan Product	Loan Pricing
+ Mostly senior debt + Most of the loans in local currency + Interest rate risk rarely transferred + Mostly uncollateralized loans + Flexible amortization schedules	+ Competitive pricing to PLIs + Partnership with 2 hedge counterparties + Pricing based on local market conditions + 1% upfront fee usually charged to PLIs

Product Range	2020
% Senior debt	86.8%
% Subordinated debt	13.2%
% Fixed rates	75.5%
% Floating rates	24.5%
% Local currency	67.9%
% Hard currency	32.1%
% Bullet loans	49.5%
% Amortization loans	50.5%

5.0 END-BORROWERS AND STAKEHOLDERS

5.1 END-BORROWERS[22]

The outstanding portfolio of USD 136.5 million contributed to financing 165,188 end-borrowers through 52 PLIs in 2020. There was a decrease in the total number of end borrowers from 2019 (171,805). Although the volume of the outstanding portfolio increased in 2020, the loan size is also slightly larger than in the previous year, increasing from USD 716 in 2019 to USD 826 in 2020. Investments generally finance more end-borrowers through institutions with smaller average loans, representing the proportionally broader effect an investment is estimated to have via an institution that provides smaller financing to more people. Because the number of REGMIFA end-borrowers is calculated as the sum of each REGMIFA investment in each PLI divided by each PLI's average credit per borrower, PLIs with extremely low average loans will have a proportionally larger share of end-borrowers in the REGMIFA portfolio.

As shown in the second part of the table below, REGMIFA has maintained its broad impact in several key markets. The highest number of borrowers reached in 2020 was in Kenya (17.8%), an increase from 2019 (13.1%). This is explained by an increase in the exposure of USD 10 million to institutions in Kenya. South Africa and Ghana follow Kenya in terms of proportion of end-borrowers reached (with 15.6% and 13.9%, respectively).

Figure 5.1: Number of Borrowers Reached and Loan Balance

Outreach	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
End-borrowers*	37.7	103.3	156.0	194.3	192.8	197.6	164.2	151.3	180.1	171.8	165.2
Total since inception*	37.7	141.0	297.0	491.3	684.1	881.7	1'045.9	1'197.2	1'377.3	1'549.1	1'714.3
Average Loan Balance	823	420	501	537	603	650	699	723	674	716	826

* In thousands

22 Results in this section on end-borrower location, gender, activity, lending methodology, non-credit services, savings conditions and client protection are missing data points from Access Bank plc in Nigeria (7% of portfolio outstanding) and KCB Bank in Kenya (7% of portfolio outstanding).

Figure 5.2: Top Countries by Number of Borrowers Reached

Top Countries % of Borrowers	2019	2020
Kenya	13.1%	17.8%
South Africa	8.4%	15.6%
Ghana	26.5%	13.9%
Tanzania	7.8%	10.0%
Nigeria	4.4%	7.8%
Senegal	6.8%	7.1%

In 2020, REGMIFA financed a majority of female clients (49% vs. 37% male clients, with the remaining 14% of loans going to legal entities). Borrowers were mainly involved in small trading activities (56%), while a smaller proportion of clients are active in agriculture (8%), services (23%), production (4%) and other types of activities (8%), including transportation, construction, housing, renewable energy, and consumption.

Figure 5.3:
Distribution by Location, % Headcount

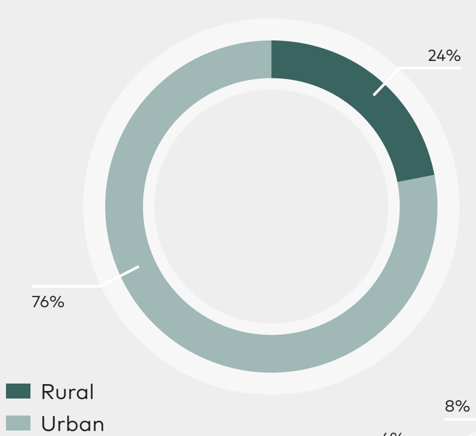
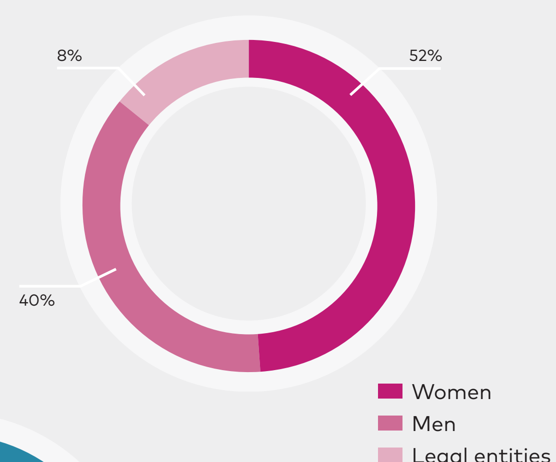


Figure 5.4:
Distribution by Gender, % Headcount



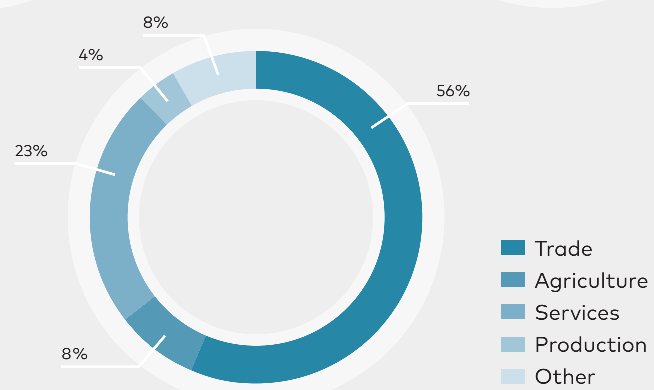


Figure 5.5:
Distribution by Activity,
% Headcount

5.2 PLI FINANCIAL SERVICES

Generally, micro-, small, and medium-sized enterprises together employ the majority of workers. This is especially true for developing countries in Sub-Saharan Africa. Access to finance restricts MSME growth, hampering wealth and job creation and eventually stifling economic growth. Removing these obstacles and unlocking the potential of local capital markets to benefit MSMEs is thus a priority for REGMIFA investors.

The majority of REGMIFA's portfolio is allocated to funding micro-, small and medium-sized enterprises (82%). The remaining 18% is split among other types of lending (large enterprises, consumption, housing, education, other).

Loans are distributed either directly to individuals (82%) or through group loans (18%).

Figure 5.6: Credit Products, % Portfolio (Weighted Average)

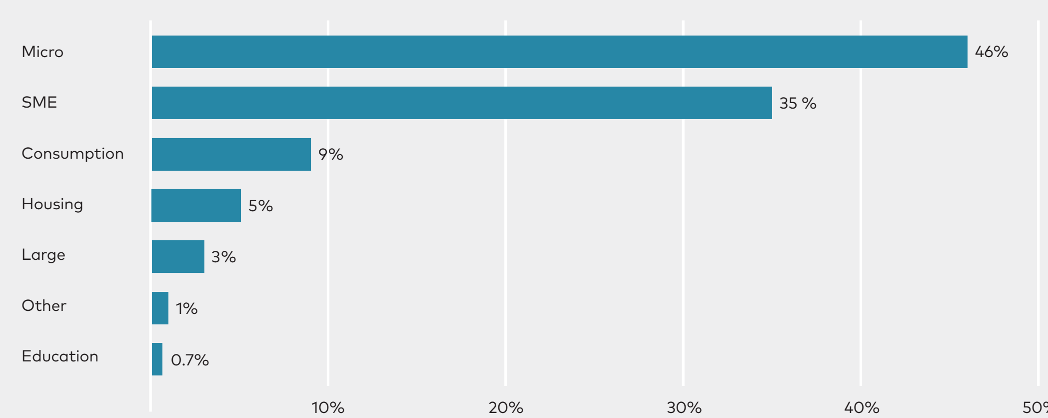
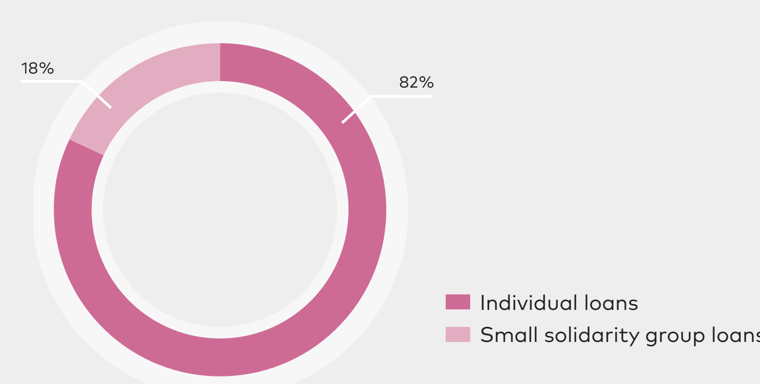


Figure 5.7: Lending Methodology, % Portfolio (Weighted Average)



Among the ways that individuals can cope with managing their cash flows is through financial (and non-financial) services such as:

I Savings (e.g., deposits, checking accounts)
II Insurance (e.g., credit insurance, life insurance)
III Payment services (e.g., cash transfers, electronic payments, remittances)
IV Other non-financial services (e.g., business development services, education)

Of the investees in the REGMIFA portfolio, 84% offer savings services, 80% offer insurance products, 71% offer payment services, and 41% offer other non-financial services. Overall, 88% of investees offer one or more of these non-credit products to their clients.

Figure 5.8: Non-Credit Services, % Headcount (Weighted Average)

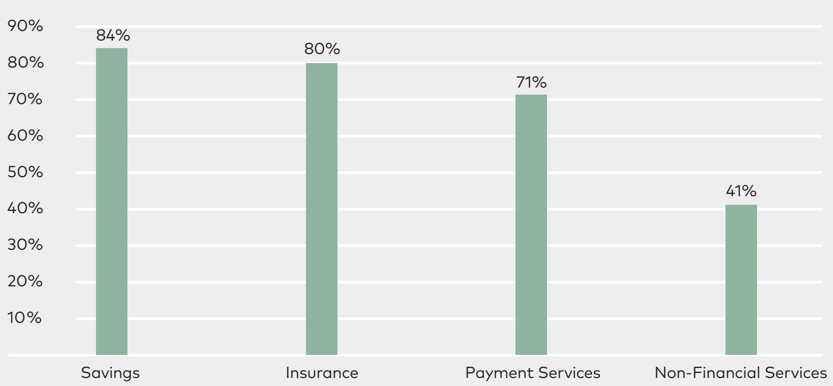


Table 5.3: Credit and Savings Conditions

Credit Conditions	2020
Avg. credit per borrower (USD)	826
Avg. credit per borrower / GNI pc	37%
Avg. Portfolio yield	36.2%
10% to 30%	40.4%
30% to 50%	36.5%
> 50%	23.1%

Savings Conditions	2020
% savers / borrowers	252%
% savings / PLI loan portfolio	56%
Avg. Savings (USD)	469
Avg. Savings / GNI pc	21%

The estimated credit per borrower was USD 826. This reflects the strategy of most PLIs (targeting micro-entrepreneurs) and may be an indication that PLIs are focused on poverty reduction, thus reaching individuals with strong liquidity constraints. The weighted average interest rate paid by end-borrowers is 36.2%, but the rate is higher in some cases. Overall, there is a weak negative correlation between a PLIs' size and its interest rate; smaller-sized institutions typically charge higher interest rates and decrease their rates gradually as they grow.

REGMIFA PLIs have, on average, more savers than borrowers. However, the simple average size of savings is relatively small (USD 469, representing 21% of GNI per capita).

5.3 CLIENT PROTECTION

In July 2020, the Smart Campaign communicated the discontinuation of it services and transferred responsibilities to its partners SPTF and CERISE. While this adjustment implies the interruption of certifications for the coming year, SPTF and CERISE are working together to launch a Resource Center that will provide a better user experience easing the search for tools and case studies. Also, they are working to attain a higher level of harmonization and alignment between the different industry standards in their future products.

Protecting clients is a shared responsibility between REGMIFA and its partner PLIs. Client protection is at the core of the Fund's investment policy and is embedded at all levels of operations. In practice, this means minimizing or eliminating negative effects for clients, particularly over-indebtedness, and treating clients fairly, in line with the principles previously promoted by the Smart Campaign: appropriate product design and delivery; transparency; responsible pricing; fair and respectful treatment of clients; privacy of client data; and mechanisms for complaint resolution.

At the strategic level, REGMIFA's activities comply with its ethical chart, which is strongly inspired by the Client Protection Standards. The various governance bodies address this issue on a regular basis to monitor progress made and actions taken in this area.

At the operational level, the Fund addresses the question of client protection in its day-to-day business. The credit risk analysis performed by the Investment Manager reviews in detail the operations as well as the credit policies and procedures of PLIs to check that the repayment capacity of clients, among other things, is properly assessed. The ESR rating, which is performed in conjunction with the credit risk rating, also includes 12 indicators related to the client protection principles. Finally, each potential loan is considered in terms of the PLIs' business plan and the possibility for them to disburse the sum lent by REGMIFA in a sustainable way.

In addition to checking the disbursement and repayment capacity of PLIs, the Investment Committee makes investment decisions based on ESR ratings, particularly the actions taken by PLIs in the area of client protection. Client protection related issues such as the interest rate level or risk of over-indebtedness are frequently discussed during Committee meetings and special disbursement conditions can be set to encourage PLIs to improve their practices. PLIs also commit to treat their clients fairly by signing loan agreements (which include a responsible finance clause).

Below are a few aggregated indicators extracted from the PLIs' ESR ratings. These indicators, among others, are used by the Fund to assess the social responsibility level of PLIs in the area of client protection as well as by the technical assistance (TA) facility to determine PLIs' TA needs. In addition, the TA Facility, since its inception, has been continuously advocating for projects that included client protection aspects, in areas such as prevention of over-indebtedness, product transparency, adequacy of services, responsible pricing, and client literacy.

Table 5.4: Social Responsibility Ratings - Client Protection Indicators

Client Protection*	2020
Average PAR>30 + Write off	13.9%
% of PLIs with PAR>30 + Write off < 6%	45.1%
% of PLIs with PAR>30 + Write off between 6% and 9%	19.6%
% of PLIs with PAR>30 + Write off > 9%	35.3%
% of PLIs with access to credit bureau (CB)	90.2%
% of PLIs with no access to CB but using informal means to collect client data	9.8%
% of PLIs assessing client repayment capacity in a detailed and systematic way	88.2%
% of PLIs assessing client repayment capacity but not in a detailed/systematic way	11.8%
% of PLIs with relatively efficient client complaint mechanisms in place	80.4%
% of PLIs making proactive efforts to promote financial literacy	92.2%

* Note: Restructured loan values are included

5.4 INCOME DISTRIBUTION AND IMPACT ON VARIOUS STAKEHOLDERS OF PLIS

The following data show PLIs' income sources and how income is distributed among various stakeholders. The table also demonstrates the impact of PLIs in terms of shareholder remuneration (average ROE of 15.9%), job creation (total number of 32,861 people employed by PLIs), and staff compensation (average annual gross salary of USD 15,351 per employee), as well as the total amount of taxes paid by PLIs to national governments (USD 143m).

Table 5.5: Income Distribution & Staff

Income Sources	2020
Income from lending activities	81.0%
Other-operating income	16.4%
Non-operating income	2.6%
Total Income Distribution	
Personnel expenses	25.1%
Banking expenses	29.5%
Other operating expenses	27.8%
Non-operating expenses	2.5%
Taxes	3.9%
Net Income	11.8%
Shareholders	
Return on assets	1.2%
Return on equity	2.2%
Leverage	5.2
Staff	
Total number of PLIs' employees	32,711
Average salary of employees (USD)	15,385.53
Average salary / GNI pc	7.0
Government Taxes	
Government taxes / taxable income	26.5%
Total taxes paid by PLIs	143,357'176

6.0 ESR OBJECTIVES

6.1 OVERALL ESR GOALS OF REGMIFA

REGMIFA's Investment Manager is proud to manage a fund in line with best practice ESR performance management guidelines. In order to constantly improve in this area and to put its social mission into practice, the Fund sets clear ESR goals on an annual basis. This makes it possible to actively manage ESR performance, to maximize the socio-economic impact of the Fund's activities, and to commit resources to this objective.

The overall ESR goals of the Fund are as follows:

Investors / Sector	**Investors** • Social and environmental goals • ESR performance management • ESR reporting • Social audit of the Fund **Sector** • Open up new markets • Participate in major sector initiatives • Promote best practices • Technical assistance based on PLIs' needs • Effective communication strategy
REGMIFA	
PLIs	• Add PLIs to the portfolio • Target Tier 2 and 3 PLIs • Target responsible MFIs • Systematic inclusion of ESR issues in decision-making • High-quality financing solutions to PLIs • Positive impact on PLIs' governance
End-borrowers & Stakeholders	• Increase outreach • Target MSMEs • Target excluded clients • Customized products to end-borrowers • Stakeholder approach • Client protection

6.2 ESR ACHIEVEMENTS IN 2020

As shown in this report, although improvements can be made in some specific areas, the 2020 ESR objectives have been mostly achieved by the Fund at the investor, sector, PLI, and end-borrower levels.

6.2.1 INVESTOR LEVEL

Target	Actual	Status
Focus on financial sustainability and achieve business plan objectives	The COVID-19 pandemic severely affected the Sub-Saharan Africa region, resulting in a recession (-3.7% GDP growth) for the first time in 20 years. Many financial institutions in the region experienced a deterioration of loan quality, profitability, and foreign currency liquidity, which in turn had an impact in the performance of the Fund. Final adjustments to IFRS 9 also affected the financial results in 2020. Even though it was a challenging year, the Fund was able to fully pay target dividends to A and B Shares of approximately USD 2 million in total. The distributable income was ½ of the one recorded in 2019 and the 2020 results did not allow for a full payment of target dividends to C Shares. As a result, there were no complementary dividends distributed to any of the share classes.	Partially Achieved
Proactively manage PLIs with payment issues requiring a loan loss provisioning	The number of workout cases in 2020 was eleven, up from five in 2019, but without the write-off of any institution. The additional cases included three Zambian PLIs. The dedicated recovery unit proactively manages existing and potential workout cases and works with PLIs to collect outstanding sums and restructure the loans. The Fund participated in five “Handshake” agreements with other lenders to commit to the support of institutions affected by low or lack of liquidity. Provisions are calculated in accordance with IFRS 9 and assessed on a quarterly basis.	Achieved
Be responsive to information requests from Board, IC and shareholders, particularly with regard to COVID-19 effects	The Board of Directors noted that the Investment Manager continues to proactively respond to information requests from the Fund’s Board, IC, and shareholders ensuring responses are provided in a timely manner. New procedures have been implemented to closely monitor the performance of PLIs in this specific context and identify high risk investments.	Achieved

6.2.2 SECTOR LEVEL

Target	Actual	Status
Increase the portfolio size to USD 127 million	Outstanding portfolio at year end increased to USD 136 million. The Fund reached 52 investees at the end of the year with an average investment per institution rising modestly to USD 2.6 million from USD 2.4 million in 2019. This continues to reflect the Fund’s focus on its existing PLIs in 2020, many of which are smaller, less served institutions.	Achieved
Continue developing innovative financing strategies to enter new countries	REGMIFA did not enter any new countries in 2020 but continued expanding its reach to new PLIs in its target markets, investing in 5 new PLIs that were not in the Fund’s portfolio in 2019.	Partially Achieved
Develop the concept and budget for an impact study on the effect of COVID-19 on end borrowers	The impact study was completed with three rounds of data collection from over 3,000 end-borrowers in five countries between July and December 2020. The results were shared with the participating PLIs and the data was shared on a public online dashboard for all industry actors to benefit from.	Achieved

6.2.3 PLI LEVEL

Target	Actual	Status
Add new PLIs to the loan portfolio	Added 5 new PLIs.	Achieved
At least 30% of new PLIs should be Tier 2 or Tier 3 institutions	40% of the newly added PLIs are Tier 3 institutions	Achieved
At least 80% of PLIs endorse client protection principles	34 out of the 52 PLIs (65%) in REGMIFA’s portfolio endorse the Client Protection Principles.	Not achieved
Offer demand-oriented financial services to PLIs and be innovative in the field	Symbiotics continued to be proactive in offering demand-oriented services such as loans in local currencies, Technical Assistance, and longer loan maturities.	Achieved

Target	Actual	Status
Continue performing high-quality ESR ratings and focusing on socially responsible PLIs	13 high-quality ESR ratings were performed on REGMIFA PLIs in 2020	Achieved
Continue to implement Impact Assessment recommendations for REGMIFA and the REGMIFA TA intervention	Out of the 3 projects completed and reviewed by the TAF Manager in 2020, all 3 projects were assessed and found to address and enforce Client Protection Principles (CPPs) and Social Performance Management (SPM).	Ongoing

6.2.4 END-BORROWER LEVEL

Target	Actual	Status
Increase outreach in terms of number of end-borrowers financed	In 2020, REGMIFA reached 165,188 end borrowers, 4% less than in 2019 (171,805)	Not Achieved
Target mostly MSMEs while not excluding other credit products	82% of the REGMIFA portfolio contributed to funding MSMEs.	Achieved
Target low income and otherwise excluded end-borrowers (e.g., rural clients)	The majority of REGMIFA end-borrowers fall in a low-income bracket, as indicated by an average credit per borrower of USD 826. Additionally, 60% of investments were made in Low Human Development countries, while 42% of investments were made in Least Developed Countries.	Achieved
Encourage PLIs to endorse the Smart Campaign to reach a higher ratio of endorsement	This was not actively pursued as the Smart Campaign announced its closure in 2020. However, REGMIFA continues to encourage PLIs to adopt best practices in terms of client protection.	Not Achieved
Follow latest developments in the field of client protection and always seek to find innovative ways to implement the client protection principles	Symbiotics has been an active participant in ongoing efforts to develop a new Client Protection Pathway following the closure of the Smart Campaign	Ongoing

6.3 ESR OBJECTIVES FOR 2021

Investor Level

- Focus on financial sustainability and achieve business plan objectives
- Proactively manage PLIs with payment issues requiring a loan loss provisioning
- Be responsive to information requests from Board, IC and shareholders, particularly with regard to COVID-19 effects

Sector Level

- Increase the portfolio size to USD 160m
- Continue developing innovative financing strategies to enter into three new countries (Ethiopia, Benin and Guinea) and reach 22 countries in the portfolio
- Increase the focus on Compact with Africa countries[23] from 30% to 37% of the Portfolio
- Develop the concept and budget for the follow-up of the impact study on the effect of COVID-19 on end-borrowers

PLI Level

- Add new PLIs to the loan portfolio from which two must have an SME finance focus
- At least 30% of new PLI investments should be Tier 2 or Tier 3 institutions
- Offer demand-oriented financial services to PLIs and be innovative in the field
- Continue performing high-quality ESR ratings and focusing on socially responsible PLIs Develop and complete the first edition of the Crisis Impact Mitigation TA Package (TAP CIM 1) with the participation of 7 PLIs

End-Borrower Level

- Increase outreach in terms of number of end-borrowers financed
- Target mostly MSMEs while not excluding other credit products
- Add PLIs that offer impactful products and services to low-and medium-income households (e.g. off-grid solar, education, microinsurance)
- Target low income and otherwise excluded end-borrowers (e.g. rural clients)
- Revise and update the ESR policy and report

23 The G20 CwA was initiated under the German G20 Presidency to promote private investment in Africa, including in infrastructure. So far, twelve African countries have joined the initiative: Benin, Burkina Faso, Côte d'Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo, and Tunisia.

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