Introducing SPI4-ALINUS

the common social data collection tool for ALigning INvestors due diligence with the Universal Standards

February 17, 2017
Bonnie Brusky & Jurgen Hammer
Why are you here?
As social investors, due diligence is a key part of what you do
Sample Due Diligence Checklist

1. Financial Information
   a. Annual and quarterly financial information for the past three years
   b. Income statements, balance sheets, cash flows, and footnotes
   c. Planned versus actual results
   d. Management financial reports
   e. Breakdown of sales and gross profits by:
      - Product Type
      - Channel
      - Geography
   f. Current backlog by customer (if any)
   g. Accounts receivable aging schedule

2. Financial Projections
   a. Quarterly financial projections for the next three fiscal years
   b. Revenue by product type, customers, and channel
   c. Full income statements, balance sheets, cash
   d. Major growth drivers and prospects
   e. Predictability of business
   f. Risk attendant to foreign operations (e.g., exchange rate fluctuation, government instability)
   g. Industry and company pricing policies
   h. Economic assumptions underlying projections (different scenarios based on price and market fluctuations)
   i. Explanation of projected capital expenditures, depreciation, and working capital arrangements
   j. External financial arrangement assumption

MANAGER SCORECARD

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Question</th>
<th>Score</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Management</td>
<td>My manager told me in the last 3 months</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>I was given feedback on improvements in areas I need to improve</td>
<td>50%</td>
<td>40%</td>
</tr>
<tr>
<td>Career Development</td>
<td>My manager had a career discussion with me in the last 3 months</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td></td>
<td>The discussion helped me identify areas for improvement</td>
<td>50%</td>
<td>35%</td>
</tr>
<tr>
<td>Mentoring</td>
<td>In the last 3 months, my manager helped me solve a problem or succeed</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Recognition</td>
<td>recognitions per person (System metric)</td>
<td>1.5</td>
<td>4.0</td>
</tr>
</tbody>
</table>
### Manager Scorecard

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Optimal</th>
<th>Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profitability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Risk Management</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Restructuring</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Financial Information for the past three fiscal years and channel

- **Revenue:**
  - Year 1: $XXXX
  - Year 2: $XXXX
  - Year 3: $XXXX
- **Profit and Loss Statement:**
  - Year 1:
    - Revenue: $XXXX
    - Expenses: $XXXX
    - Net Profit: $XXXX
  - Year 2:
    - Revenue: $XXXX
    - Expenses: $XXXX
    - Net Profit: $XXXX
  - Year 3:
    - Revenue: $XXXX
    - Expenses: $XXXX
    - Net Profit: $XXXX

**Notes:**
- Revenue from projects with capital expenditures, depreciation, and amortization.
- External financial statements: Adjusted for exchange rate fluctuations.

#### Capital Structure

1. **Current shares outstanding:**
   - Year 1: XXXX
   - Year 2: XXXX
   - Year 3: XXXX
2. **List of all shareholders:**
   - Year 1:
     - Shareholder A: XXXX
     - Shareholder B: XXXX
   - Year 2:
     - Shareholder A: XXXX
     - Shareholder B: XXXX
3. **Schedule of all options, warrants, rights, and any other potentially dilutive securities:**
   - Exercise prices and vesting terms.
4. **Summary of all debt instruments/bank lines with key terms and conditions:**

#### Board Composition

- **Board Responsibilities:**
  - Ethical principles and conflicts of interest
  - Board Organization and running
- **Governance Score:**
  - 91 - 100: Excellent Performance
  - 81 - 90: Very Good Performance
  - 71 - 80: Good Performance
  - 56 - 70: Fair Performance
  - < 55: Insufficient
A common framework for talking about social performance in responsible inclusive finance.

Management practices that help double bottom line institutions meet their goals.
Cerise SPI4

• A **data collection** and **assessment tool** aligned the Universal Standards of SPM
• A **free tool** for FSPs to analyze their SPM practices
• A modular **management** and **reporting tool**, SPI4 helps FIs define their “**social statements**”

300 SPI4 audits completed
From 88 different countries
Aligning INvestors due diligence with the Universal Standards
Each participating MIV selected from SPI4 the indicators they wished to use during due diligence/monitoring.

CERISE analyzed this list, and asked MIVs to reconsider their choices when they had selected indicators that few other MIVs were interested in.

These iterative rounds of input made it possible to finalize a list of 80 indicators from the SPI4.

In July 2016, SPI4 revised, with 20% fewer indicators. ALINUS 2.0 frozen at 68 indicator until 2020.
**Accessing ALINUS**

**Cerise SPI4**

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**SPI4 2.0 - Social Performance Indicators**

The SPI4 is an audit tool developed by Cerise to assess the Universal Standards for Social Performance Management, which include the Client Protection Certification Standards.

### 1 - Indicate your contact information

<table>
<thead>
<tr>
<th><strong>Date of completion (DD/MM/YY)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact person from the FSP</td>
</tr>
<tr>
<td><strong>Position</strong></td>
</tr>
<tr>
<td><strong>Organization</strong></td>
</tr>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td><strong>Tel</strong></td>
</tr>
<tr>
<td><strong>Email</strong></td>
</tr>
<tr>
<td><strong>Type of assessment</strong></td>
</tr>
<tr>
<td><strong>Name of auditor</strong></td>
</tr>
<tr>
<td><strong>Organization of auditor</strong></td>
</tr>
</tbody>
</table>

### 2 - Select additional modules (optional)

<table>
<thead>
<tr>
<th><strong>Poverty (Inclusive)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender (W/W/W/W)</strong></td>
</tr>
<tr>
<td><strong>Green Index (e.g. MFI)</strong></td>
</tr>
<tr>
<td><strong>Third Party Provider (Smart)</strong></td>
</tr>
<tr>
<td><strong>Insurance (Smart)</strong></td>
</tr>
</tbody>
</table>

Click to update

### 3 - Select external reporting (optional)

<table>
<thead>
<tr>
<th><strong>I DO authorize Cerise to store the content of this questionnaire in its database on a confidential basis and use the results for benchmarking purposes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I DO authorize Cerise to share this questionnaire with Mix</strong></td>
</tr>
</tbody>
</table>

Click to update

### 4 - Import data (optional)

**Smart Assessments**

- **MFI Fact-sheet by Microfis**
  - **SMI 1.0**

### 5 - Fill in your data

**Organization Information**

**Questionnaire**

### 6 - See the results

**Social dashboard**

**Universal standards**

**Client protection standards 2.0**

**MIX social data**
Demo
CONCENTRATE
CONVINCE
COMPILE
COMPARE
COMMUNICATE
CONCENTRATE on what counts

Analyze results
Make informed investment decisions
CONVINCE and guide partners to improve

Clear road map
Technical resources
COMPILEResults at the portfolio level

Aggregate results to identify profiles or TA needs
COMPARE to benchmarks

Use benchmarks to guide investment strategy or set performance thresholds
COMMUNICATE using a common language
The value added of ALINUS

- CONCENTRATE
- CONVINCE
- COMPILE
- COMPARE
- COMMUNICATE
Q&A with Jurgen Hammer
What next?

www.cerise-spi4.org/alinus

ALINUS

The common social performance data collection tool for investor due diligence and monitoring

Helping social investors track what matters.

LIST OF COMPLETED SPI4
SPI4 ALINUS Toolkit for Investors
FEBRUARY 2017

step by step
Thank you!

spi4@cerise-microfinance.org
CONCENTRATE
CONVINCE
COMPILE
COMPARE
COMMUNICATE