



# SPI4 Audit Guide



3rd Edition - April 2019

# Table of Contents

## Audit Guide

- 4 Acknowledgements
- 4 The purpose of the Audit Guide
- 4 Who should use the guide
- 5 Cerise
- 6 How to use the guide

## Section 1

Standards of Use

- 9 Getting started
- 10 Audit process
- 11 Preparation phase
- 13 Implementation phase
- 16 Reporting phase
- 17 After the audit:  
using SPI results

## Section 2

Welcome Page and  
Organization Information

- 20 Welcome page
- 26 General information
- 28 Social objectives
- 28 Organization
- 30 Products/services
- 35 Clients
- 36 Portfolio composition
- 38 APR estimation module
- 40 Financial information
- 41 External reporting
- 41 Optional modules

## Section 3

Guidance by indicator

- 43 Dimension 1  
Define and monitor social goals
- 65 Dimension 2  
Ensure board, management and  
employee commitment to social goals
- 85 Dimension 3  
Design products, services and  
delivery channels that meet clients'  
needs and preferences
- 102 Dimension 4  
Treat clients responsibly
- 152 Dimension 5  
Treat employees responsibly
- 174 Dimension 6  
Balance financial and  
social performance

## Green Index

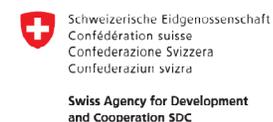
- 203 Dimension 7  
Green

# Audit Guide

- ▶ ACKNOWLEDGEMENTS
- ▶ THE PURPOSE OF THE AUDIT GUIDE
- ▶ WHO SHOULD USE THE GUIDE
- ▶ CERISE
- ▶ HOW TO USE THE GUIDE

## Acknowledgements

CERISE is grateful to the many people who have contributed to this Audit Guide. We would especially like to thank the Swiss Development Corporation, Triple Jump, Microfinanza Rating, the Social Performance Task Force and the Smart Campaign for their financial and technical contributions to this guide. We also appreciate the support and feedback of Opportunity International and its partners, as well as our qualified auditor network. Finally, deep thanks to the Green and Climate Smart Finance Action Group of the European Microfinance Platform for making the Green Index guidance a reality.



## The purpose of the Audit Guide

The CERISE SPI4 is the fourth version of the SPI-Social Performance Indicators, a social audit tool for financial service providers (FSP) to assess their social performance. First developed by CERISE in 2001, the SPI4 was updated in 2014 to fully align with the [Universal Standards for Social Performance Management](#), a core set of management practices promoted by the [Social Performance Task Force](#), a non-profit membership organization. The Universal Standards—which include the [Client Protection Principles](#) promoted by the [Smart Campaign](#)—offer guidance for financial service providers with a double bottom line wanting to make financial services safer and more beneficial for clients.



The SPI4 is organized around the six dimensions of the Universal Standards and includes a seventh dimension called the [Green Index](#), an optional module for triple-bottom line providers. Currently an Excel file, SPI4 can be downloaded for free online at <https://cerise-spm.org>

SPI4 is used worldwide by hundreds of financial service providers to measure, manage and improve their social performance. CERISE has developed a range of resources including document check lists, sample SPI4 reports, action plan templates to help the SPI4 auditor community use the tool efficiently. These resources are available online at <https://cerise-spm.org> CERISE also provides virtual and classroom trainings on the audit process and how to get the most from the SPI4's results.



This Guide complements these resources by providing practical, field-based guidance on how to understand and score each of the SPI4 indicators. It focuses on assessing the Universal Standards.



## Who should use the guide

The Audit Guide is designed for anyone using the SPI4.

Whether you are a newcomer to social performance or an experienced auditor, a FSP staffer conducting a self-assessment, a consultant carrying out an accompanied self-assessment, or an investment officer preparing social due diligence, this Guide will help you carry out consistent, efficient and effective analysis of social performance practices.



This guide is a companion to the [USSPM Implementation Guide](#) which focuses on implementing the social performance practices.



Created in 1998, CERISE is a French non-profit organization that promotes responsible, ethical and inclusive finance through the measurement and management of social performance. For 20 years, CERISE has been sharing its vision of social performance through training, tools and the emergence of international standards.

CERISE works as both a social innovator and a service provider in the field of microfinance, social business and rural finance. CERISE's approach is collaborative. It works closely with a richly diverse partner base including field organizations, researchers, TA providers, standards setting organizations, funds, donors and investors, equipping them to bring positive social benefits to the clients and communities they serve. Learn more at <https://cerise-spm.org>

CERISE has pioneered work on Social Performance Management since 2001. Our idea: provide organizations with a framework to self-assess and improve their managerial practices.



The **SPI4** is a social audit tool for financial service providers to measure their social performance. A free Excel questionnaire in its current version, the SPI4 is a set of quantitative and process indicators for FSPs to evaluate their level of implementation of the Universal Standards for Social Performance Management, which include the Client Protection Certification Standards.

SPI4 helps FSP create their social statements and offers a coherent, comprehensive and pragmatic way to strengthen client-focused management practices.



**ALINUS** is a social data collection tool for investor social due diligence and monitoring. It is a subset of SPI4 indicators that can be accessed by selecting the ALINUS option from the SPI4 Welcome Page.

The full SPI4 questionnaire includes 160 indicators from the Universal Standards for SPM and 11 indicators from the Green Index. The ALINUS option has 68 indicators, which were chosen by consensus among 15 of the leading social investors in microfinance.



SPI4 is available  
**for free** at  
<https://cerise-spm.org>

# How to use the Audit Guide

The Audit Guide has three main sections.

## Section 1 - STANDARDS OF USE

Section 1 lays out the Standards of Use for the SPI4. This section explains the steps of the audit process including how to prepare an audit, what to do during the field visit, how to report on findings and suggestions for using results. In this section, the reader will find links to resources to support the audit and reporting processes.

## Section 2 - ORGANIZATION INFORMATION

Section 2 offers definitions and formulas used to clarify the Organization Information indicators, which are divided into 10 different sections.

## Section 3 - GUIDANCE BY INDICATOR

Section 3 offers detailed guidance on how to analyse and interpret each indicator of the SPI4 questionnaire. Guidance is organized around 3 elements: **rationale for the indicator**, **sources of information**, **evidence to provide**. When appropriate, we provide examples and links to tools and resources that allow the reader to deepen their understanding of the indicator.



### RATIONALE

What is the rationale behind the indicator? This sub-section helps understand the spirit of the indicator. The rationale explains how the indicator fits into the bigger picture of helping improve management practices. It is the foundation from which the auditor should analyze the level of implementation by the FSP.



### SOURCES OF INFORMATION

Which documents or interviewees should be consulted to collect evidence for the indicator? This sub-section specifies the key information sources to score each indicator. This information is also inside the SPI4 Excel file, on the questionnaire page, in the Filter by Function columns to the right of each indicator.



### EVIDENCE TO PROVIDE

What should the evidence look like? This section provides guidelines on the evidence necessary to justify scoring, as well as examples (from the [USSPM Implementation Guide](#) and others). For client protection indicators, the compliance criteria used by the Smart Campaign are specified.



### RESOURCES

This section provides links to selected resources from the [USSPM Implementation Guide](#) when they can help interpret the indicator. It is not exhaustive, and users are encouraged to search the [SPTF Resource Center](#), [Smart Campaign Tools](#), and the [Microfinance Centre's Social Performance Fund Case Studies](#) for additional examples.

The SPI4 Audit Guide should be used in conjunction with the SPTF-authored [Universal Standards for Social Performance Management Implementation Guide](#), which offers practical, actionable guidance for improving social performance management practices. It is an excellent source of examples of SPM in practice, making it a valuable resource for implementing an action plan following a SPI4 audit.

# Section 1

# Standards of Use

- ▶ GETTING STARTED
- ▶ AUDIT PROCESS
- ▶ PREPARATION PHASE
- ▶ IMPLEMENTATION PHASE
- ▶ REPORTING PHASE
- ▶ AFTER THE AUDIT: USING SPI RESULTS

## Standards of use

These Standards of Use outline the practices SPI4 users should follow to produce high quality results that lead to accurate social statements, effective action planning and tangible improvements for the audited financial service providers.

SPI4 was developed with microfinance sector stakeholders using an open, collaborative and transparent approach. In return for the free use of the tool, CERISE requests that users respect the following rules:

### > INFORM

Inform CERISE of any audits conducted. Keeping us informed helps us keep users informed of updates to the tool and new resources, and reduces the reporting burden on financial institutions by letting users know if an audit has previously been done by the institution. CERISE will never share audit results, but does communicate the [list of audited FSPs](#).

### > ABIDE

Abide by the Terms and Conditions for Auditors and the Standards of Use defined below. These guidelines on how to conduct an audit ensure that the audit process is conducted efficiently and effectively. The Standards of Use link users to useful resources for conducting an audit, designed to standardize the process and make it easier for auditors.

### > SUBMIT

Submit the completed questionnaire to CERISE within 4 weeks of completing the audit. Results are entered into a confidential database used to generate benchmarks for comparing results with peers. [Benchmark tables](#) are updated regularly on <https://cerise-spm.org>. CERISE will never share SPI4 results without authorization from the FSP.

To ensure high quality results, CERISE strongly encourages SPI4 users to get trained on how to apply the questionnaire and pass an auditor qualification process. See [Get Trained section](#) on the SPI4 website for more information on the Auditor Qualification Process. The process is open to all who are interested. It is valuable for people who want to use SPI4 to accompany financial service providers or to use it internally in their own organizations.

# Getting **started**

## Choose the type of audit

### Self assessment

The FSP fills in the questionnaire alone.

As a self-assessment tool, the SPI4 encourages internal debate on social strategy, transparency and accountability, while helping FSPs identify their own strengths and weaknesses.

### Accompanied self-assessment

The FSP fills in the questionnaire with support from a SPI4 auditor.

In this case, the FSP benefits from an external, more objective perspective.

- **Option 1:** The FSP focal point can fill in the SPI4 first, and the auditor can then review, comment and complete the questionnaire during the on-site visit.
- **Option 2:** The auditor fills in the SPI4 with or without support from the FSP focal point, and the management team reviews, comments and validates the results as part of the exit meeting.

## Choose the approach

### Centralized

With top management only. A centralized approach is sufficient for a rapid diagnosis and for external communication. This approach gives the FSP a quick overview of its social performance and identifies its strengths and weaknesses.

### Participatory

With different stakeholders involved in the audit process (senior management, middle management, branch management, loan officers, elected representatives, external partners, clients, etc.).

A participatory approach encourages better appropriation of results for strategic planning on social performance management. It encourages dialogue and internal analysis of the FSP's practices. In our experience, with the participatory approach, the audit tends to be more representative of the institution as a whole and thus conclusions and operational recommendations are more likely to be accepted and implemented by staff.

# Audit process



## Centralized Approach



🕒 2h

**Introduce** the SPI4 process to top management



🕒 4h - 2days

Prepare and consult **documentation**



🕒 1-4 days

Conduct **interviews** to fill in the questionnaire



🕒 2h

Internal **dissemination** of findings, in particular with BoD



🕒 1-2 days

**Send** SPI questionnaire to CERISE/SPI database



Prepare **summary** report and define an action plan

## Participatory Approach Additional steps



🕒 3-4h

Introductory **workshop** with stakeholders



🕒 2-5 days

**Focus groups with clients**, visits to external stakeholders



🕒 2h

**Workshop** to share and discuss findings



🕒 3-4h

**Workshop** to prioritize actions and define action plan

## Audit Resources

- SPI4 Step by Step
- Intro Meeting Powerpoint template
- Introduction letter
- Document and Interviewee Check List
- Sample SPI4 & report
- Sample TOR

- Audit Guide
- Glossary
- Focus Group Guidelines
- Exit Meeting Powerpoint template

- Report Template
- Action plan template
- USSPM Implementation Guide

# Preparation Phase



## Introduce the audit process

- a. Download the [most recent version of the SPI4](#) from the SPI4 website.
- b. Familiarize yourself with the tool and be ready to explain the process to top management or other participating stakeholders. (Ideally, you have been trained on SPI4; check the Get Trained section of the SPI4 website for upcoming trainings and virtual webinars). Consult the [Step by Step](#) on the SPI4 website, under Conduct an Audit section.
- c. Formally introduce the SPI4 tool to the financial service provider. Make sure the FSP understands the purpose of the audit, and how it can help address social performance risks. Ideally, you should get the FSP's consent to share results of the audit on a confidential basis with CERISE so as to have access to peer benchmark. The FSP can also give consent to CERISE to share the MIX Report with MIX.
- d. Send the CERISE SPI4 file to the FSP along with a [formal letter of introduction](#).
- e. Schedule a preliminary virtual or face-to-face meeting with relevant stakeholders in the process. Establish the calendar for the audit. Discuss, as needed, non-disclosure terms.



## Desk review

- a. Prepare for the audit by thoroughly researching the FSP's context.
- b. Find out what social performance initiatives have already been undertaken by the FSP, and which social performance assessment/reporting tools have been used.



If the FSP has already conducted a SPI4, consider importing data into the SPI4 tool and then verifying what has changed.



If the FSP has reported its social data to MIX, this information can be utilized to pre-fill part of the Organization Information page.



If the FSP has conducted a Smart Assessment on Client Protection, remember: scores from the assessment input sheet in Excel can be automatically imported in SPI4 to pre-fill as much as one-third of the SPI4 tool!



If the FSP has gone through a social rating recently (in the last 2 years), please read it carefully so you can report the information in SPI4. Make sure to review the section that assesses compliance with the Universal Standards.



If the FSP has completed a MicroFact Factsheet, it can help fill in the SPI4 Organization Information page with financial indicators.



If a social investor has conducted due diligence using the SPI4-ALINUS subset (about 40% of the SPI4), you can start from there to fill in a full SPI4.

- c. Request the documentation and schedule interviews to fill in the questionnaire. Some financial and quantitative information (mainly from MIS) should be prepared up-front, as well as reading of key documents, when available (see here for a [Checklist of relevant documents](#)).



## Key Documents for desk review

- a. Most recent business plan / strategic plan
- b. Organizational chart
- c. Annual reports
- d. Credit and/or operations manual
- e. Internal audit manual
- f. HR manual, including Code of Ethics or Code of Conduct
- g. Complaints handling policy
- h. Product descriptions
- i. Recent client feedback reports (e.g., satisfaction studies, market research)
- j. Financial statements from last 2-3 years
- k. Recent institutional assessments or rating reports

For an exhaustive list of documents to consult, please refer to the [Document and Interviewee Check List](#) under the Conduct an Audit section at [www.cerise-spm.org](http://www.cerise-spm.org). Users can also refer to the 'Filter by Function' columns in the SPI4 Excel file, in the Questionnaire tab, which summarizes key documents to consult by indicator.

# Implementation Phase



## Launch the audit with an opening meeting

A PowerPoint presentation can be used to introduce SPM, the Universal Standards and SPI4 – see a sample template under Conduct an Audit section at [www.cerise-spm.org](http://www.cerise-spm.org)

- If a Centralized Approach is used, the meeting will be with top management.
- If Participatory Approach is used, you may want to organize a stakeholders' workshop and include representatives from the Board, middle management, and field staff.



## Fill in the questionnaire

- a. In a Self-Assessment, the FSP fills in the questionnaire alone. Usually the process is coordinated by one person (e.g., CEO/managing director, SPM Champion, internal audit, risk), but involves the management team.
- b. In an Accompanied Self-Assessment, an external auditor works with the FSP to fill in the questionnaire. The auditor will be involved in gathering documents, interviewing stakeholders, reviewing evidence and working with the FSP focal point to fill in the SPI4 tool.
- c. In a Participatory Approach, the auditor conducts interviews with a range of stakeholders (HQ, branch management, field staff, clients, donors, investors, etc.). If the audit generates different opinions, the external auditor must come to his or her own understanding of the FSP based on interviews and data, and generate one final version of the questionnaire (with specific comments on the indicators where consensus was not reached).
- d. Focus groups may be organized to gather feedback from staff and/or clients ([see here for guidelines on organizing focus groups](#)).



## Present preliminary findings

This may take the form of a meeting with top management or a workshop with participating stakeholders, at the end of the field work. This session should aim to provide a high-level overview of findings in terms of strengths and weaknesses by Dimension, **but does not necessarily involve presenting scores**. The goal of this debriefing session is to open discussion on potential weaknesses and validate the audit findings. It is important to hear from the CEO in this meeting so that the management team knows s/he accepts the results of the audit. Getting this verbal feedback from the CEO in front of management makes the follow up steps easier to implement.

Presenting preliminary findings will help develop common vision for a social performance strategy. The auditor should also use the preliminary findings session to ask management what gaps they would like to prioritize and define a timeline for drafting the action plan. See the [Closing Meeting powerpoint template](#) for an example of how to present preliminary findings.

## Guidelines for ensuring high quality audits

### ■ All the indicators must be filled in.

Graphs will not generate if even one indicator or detail is missing.

### ■ Scoring in the answers column

"----" means that no score has been given yet and it does not calculate the indicator (so you do not see the graphs in the dashboards).

### ■ Answering N/A

The answer option "not applicable", or N/A, is purposefully limited to only a few indicators, because the Standards are designed to be universal and so most institutions should answer every indicator. The indicators for which N/A is an option are specified under the specific indicators in Section 2 of this Guide. Unless "NO" is really the most appropriate answer, avoid answering "NO" in the place of "N/A": a "NO" brings zero points, whereas a "N/A" does not penalize the score.

### ■ Complete the columns entitled "Concrete practices, comments and clarification" to justify the scoring.

Comments should provide evidence: citing documents (and page numbers), practices or processes observed, or explaining why the indicator doesn't apply. All indicators evaluated as "partially complete" must also have a comment to explain which portion of the indicator is implemented and which portion is missing.

Comments are important because (1) they allow people less familiar with the FSP to better understand practices and (2) they allow CERISE to validate the quality of the audit. While not EVERY indicator needs to be commented, auditors must, at the very least, comment all of the ALINUS indicators, which are indicated by a bullet point in the far left column of the questionnaire. Auditors must also comment any indicators that raised discussion or debate during the audit. See section 2 of this Guide for indicator-by-indicator guidance on what to include in the comments column.

The second comments column is for a reviewer. For example, the FSP focal point may fill in the questionnaire and comment the first column, and the external auditor or CERISE may review and comment in the second column. Or, an external audit may first fill in the questionnaire and ask the FSP focal point to review and comment in the second column. Always fill in the name of the person filling in the comments and reviewing, in the cell provided for this purpose just below the words "**Concrete practices, comments and clarification**"

### ■ **Future projects**

Projects that WILL BE developed in the near future but do not exist should be scored as a “NO”. In the comments section, the auditor can document what the institution has said in terms of the planned date for the implementation of the practice. This helps the FSP understand that the auditor knows it is planned, and to also accept that this still does not count as implemented. If there is documentation, ex., a strategy document to develop a complaints mechanism, but the mechanism is not yet in place, then it can be scored “PARTIALLY”.

### ■ **Avoid over-estimating**

Auditors must conduct as objective analysis as possible. Overestimating scores can mislead an organization, and discredit the auditor in the event the audit is followed by a more rigorously scored Smart Certification mission or social rating. Artificially boosting scores robs the organization of the opportunity to address gaps and make improvements. Auditors can “soften” the impact of low scores by comparing the organization’s results to benchmarks for its peer group. For example, smaller or younger institutions often lack formalized procedures, and typically score lower on all the dimensions.

### ■ **Reference to existing documents**

If the FSP fills in the questionnaire as a self-assessment and refers to a specific document to justify the answer, the auditor should make sure to consult the document (code of ethics, impact study report, etc.) and provide references / pages in the Column “Practices, comments and clarifications”.

### ■ **Triangulate evidence for robust analysis**

Use different sources of information--documents, interviewees, your own observation--to triangulate evidence. It is not uncommon to read one thing in a policy manual and observe something different at the branch level. Crossing different sources will allow you to provide a coherent analysis that is based on empirical evidence.

# Reporting Phase

## Disseminate findings

There are three expected outputs in a SPI4 audit:



1. Completed SPI4 questionnaire with graphs.



2. A [summary report of results](#) that analyzes strengths and gaps by dimension, prioritizes areas for improvement, and identifies resources for improving practice. CERISE strongly recommends developing an action plan together with the FSP (see [Action plan template](#) under the Conduct an Audit section of [www.cerise-spm.org](http://www.cerise-spm.org) to accompany the report. The standard report includes the social dashboard with results for the Universal Standards and Client Protection Certification Standards. Results analysis for optional lenses may also be added.



3. *[optional]* A personalized analysis comparing the FSP's SPI score with its peer groups—FSPs in its country, region, of similar size (clients, portfolio), age, operating area (urban, rural, mixed). This can be done by using the benchmark tables available on the Benchmarks section of [www.cerise-spm.org](http://www.cerise-spm.org), or by contacting CERISE.

**Send the completed questionnaire to CERISE (unless not authorized by the FSP).**

All results are kept anonymous. Scores are entered into the SPI4 database for peer group comparison. CERISE will never communicate scores without the express written permission of the FSP.

Auditors who are undergoing the auditor qualification process must send the summary report and the completed questionnaire.

**AUDITORS MUST GIVE ALL DOCUMENTS TO THE FSP**  
(QUESTIONNAIRE, PEER GROUP ANALYSIS, SUMMARY REPORT)

# After the audit: using SPI results

Assessing practices is the **entry point** to social performance management. But what really matters is **transforming** results into action! Here are some ways to ensure that data collected is put to use.

## INTERNALLY



### Inform the board or management team of results!

The SPI4 audit offers an objective, concise and visual description of the systems in place to achieve an FSP's social mission, and how the latter affects operational and financial performance. Sharing the SPI4 social dashboard or report with the Board and senior management team is the first step towards making and monitoring improvements.



### Define an action plan for balanced management

Identify the priorities to improve social performance and the ways to reach your objectives (processes, systems, products, trainings, etc.). Make sure that priorities and action points are integrated, as much as possible, into the FSP's business or operational plan.



### Build a SPM committee within the FSP

The starting point to ensure continuity of action after the audit is to define who will be in charge of the follow-up, and make it visible within the FSP. A SPM committee formed with the person who coordinated the audit (sometimes referred to as the SPM "champion"), and the key resource persons for implementation (HR department, COO, marketing, etc., with the CEO) can spearhead the SPM project and ensure that the action plan will be implemented and/or integrated into the business plan.



### Organize training workshops on how to optimize SPI4 results

Users have found that workshops lead to richer debates, more systematized results and concrete measures for improving social performance. Sharing results widely can help increase understanding, commitment and implementation capacity of social performance practices.

## EXTERNALLY



### Disseminate!

Many FSPs leverage SPI4 results in discussions with investment partners and donors. Use the summary results report to publicize your social performance and enhance reporting (annual reports, performance reports or public relations material).



### Report social data

Increase your visibility and promote social performance in the sector by helping create benchmarks. For this, you can send your SPI4 to CERISE. With your authorization, we will report selected social data to the MIX.



### Write a case study

Share your good practices and increase your visibility by writing a case study. Contact CERISE for examples of case studies and potential platforms to disseminate your practices: conferences, webinars, e-learning modules on SPI4 and SPM, etc.



### Lobby local authorities

Raise awareness on social performance, reinforce transparency and promote responsible finance by sharing results and dialoguing with government authorities. Some countries have already started using social performance results to regulate inclusive finance.

## Section 2

# Welcome Page and Organization Information

- ▶ WELCOME PAGE
- ▶ GENERAL INFORMATION
- ▶ SOCIAL OBJECTIVES
- ▶ ORGANIZATION
- ▶ PRODUCTS/SERVICES
- ▶ CLIENTS
- ▶ PORTFOLIO COMPOSITION
- ▶ APR ESTIMATION MODULE
- ▶ FINANCIAL INFORMATION
- ▶ EXTERNAL REPORTING
- ▶ OPTIONAL MODULES



# Welcome page

Click on  on the top and center of the Welcome Page, and choose your language from the list

**2** Provide **contact information** as well as the type of audit you plan to do (see [page 8](#) on types of audits)

In return for use of the SPI4, CERISE requests that audited financial service providers share their results with CERISE and authorize CERISE to enter their results into a confidential database for benchmarking purposes. FSPs can also be shared with MIX Market, to update the FSP's social performance profile, and with a forthcoming on-line Data Platform ([learn more](#)). If the FSP **does not** authorize to share result, you must **untick** this box.

**4** Point to additional modules section ([learn more on page 20](#)).

Choose an external reporting option to report to partners (optional). This option filters the questionnaire to provide a selection of the indicators used in that reporting option. Once you've selected the option, make sure to **click to update** to update the questionnaire.

**5** **ALINUS**- Filters the Organization Information and Questionnaire page, to show a sub-set of 68 indicators used by impact investors in inclusive finance for due diligence and monitoring.  
**Opportunity international partner**- Indicators specific to Opportunity International partners.  
**Networks**- Indicators specific to country-level network reporting selected by Microfinance Centre of Poland.  
 You cannot select both an optional module AND an external reporting option. If you select an optional module and then an external reporting option, you will have an error message. The optional module will be cancelled.

#### 4 SELECT ADDITIONAL MODULES

3 - Select additional modules [optional]

Please select the additional module(s) that you want to fill in

|                              |     |
|------------------------------|-----|
| Poverty (Truelift)           | No  |
| Gender (WWB/ForoLAC)         | Yes |
| Green Index (e-MFP)          | Yes |
| Third Party Provider (Smart) | No  |
| Insurance (Smart)            | No  |

Click to update

By default, SPI4 opens to the core questionnaire (Universal Standards, which include the Client Protection Certification Standards and indicators).

If your organization has a specific mission focus, you can select additional modules by selecting one in the **drop-down menu** and “**click to update**”.

#### When to select additional modules

**Poverty (Truelift)** – This option can be selected for financial service providers that have a specific “pro-poor” mission. This means that they have an explicit objective to reach people living in conditions of poverty. The “poverty” module adds on a *separate questionnaire* that assesses the provider against 3 principles: purposeful outreach to the poor, products and services that meet the needs of the poor, and tracking progress of poor clients. This separate questionnaire will generate separate results graphs. This module was developed by [Truelift](#), a global initiative to push for accountability in pro-poor development.

**Gender (WWB/ForoLAC)** – This option will add a few extra quantitative indicators to the *Organization Information* page, asking for disaggregated data on women staff, clients, etc. There are no separate results graphs for the Gender module.

**Green Index (e-MFP)** – This option can be selected for FSPs that aim to (or would like to) manage, measure and report on the environmental impact of their activities. The Green Index modules adds an extra Dimension to the *SPI4 Questionnaire* page that assess the provider against 4 standards: how the provider defines, manages and monitors its environmental strategy; how it manages its internal environmental risks, how it manages its external environmental risks and how it fosters green opportunities for clients (i.e., environmentally focused products or services). There is a separate Green Index Report that shows results of this Dimension.

**Third Party Provider (Smart)** – This option should be selected if the FSP has works with third party providers like mobile network operator agents, money transfer companies, business correspondents, insurance companies, or collections agencies. It will add indicators to the SPI4 Questionnaire. There are no separate results graphs for the Third Party Provider module.

**Insurance (Smart)** - This option should be selected if the FSP offers insurance products (voluntary or compulsory). It will add indicators to the SPI4 Questionnaire. There are no separate results graphs for the Insurance module.

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.

Tools assistance

Select your language: English

**1 - Indicate your contact information**

Date of completion (DD/MM/YYYY)

Contact person from the PSP

Position

Organization

Country

Tel

Email

Type of assessment

Name of auditor

Organization of auditor

**2 - Select additional modules (optional)**

Please select the additional module(s) that you want to fill in:

|                              |    |
|------------------------------|----|
| Poverty (True/False)         | No |
| Gender (WIB6/Yes/No/AC)      | No |
| Green Index (0-100)          | No |
| Third Party Provider (Smart) | No |
| Insurance (Insur)            | No |

Click to update

**4 - Import data (optional)**

Smart Assessments

MiXMarket

MiX Factsheet by Microfact

SPI4 1.X & 2.X

**5 - Fill in your data**

Organization information

Questionnaire

**3 - Select external reporting (optional)**

By selecting one of the options below, the questionnaire will be filtered to include only questions that are relevant for this option.

Click to update

**6 - See the results**

Social dashboard

Universal standards

Client protection standards 2.0

MiX social data

Transparency Index Dashboard

**Authorization**

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

I DO authorize CERISE to share this questionnaire with MiX

I DO authorize CERISE to document in the SPI4 audit report and indicators exclusively to the subscribers of the secured web-based SP data Platform.

[To learn more about the platform](#)

6

Import from other data collection tools to pre-fill the SPI4. Click on the option you want to import to go to the page with detailed instructions. You can import data from the following tools:



Pre-fill nearly half of the SPI4 questionnaire with the **Smart Diagnostic Tool** used for Smart Assessments and Certifications or the **Getting Started Questionnaire** used for self-assessments.



Use your **MIX SP** profile to pre-fill in data on the Organization Information page.



The **Microfact Microfinance Factsheet**, developed by ADA/BRS will pre-fill indicators on the Organization Information page.



Pre-fill part of SPI4 questionnaire with data from versions 1.1 and above of SPI4.

**1 - Indicate your contact information**

Date of completion (DD/MM/YYYY)

Contact person from the ISP

Position

Organization

Country

Tel

Email

Type of assessment

Name of auditor

Organization of auditor

**2 - Select additional modules (optional)**

Please select the additional module(s) that you want to fill in:

Power (True/FI) No

Gender (W/M/Trans/JAC) No

Direct Index (or not) No

Third Party Provider (Smart) No

Insurance (Smart) No

**3 - Select external reporting (optional)**

By selecting one of the options below, the questionnaire will be filtered to include only questions that are relevant for this option.

**4 - Import data (optional)**

Smart Assessments

MixMarket

MIX Factbook by MixMarket

SPM 1.X & 2.X

**5 - Fill in your data**

Organization Information

Questionnaire

**6 - See the results**

Social dashboard

Universal standards

Client protection standards 2.0

MIX social data

Transparency Index Dashboard

**Authorization**

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.

**Click to update**

7

**Social dashboard**

A comprehensive social dashboard is automatically generated based on the data provided on the organization information page and questionnaire. Offers a graphic overview of the key ratios and social indicators to easily track performance and communicate internally (ex. Board, SPM committee) or with external partners (ex. investors, networks).

**Universal Standards**

There are 2 reports showing scores in the Universal Standards. The first shows results by Dimension and by Standard, out of a score of 100. All indicators are weighed equally. The second report offers a more granular view of results for each dimension, standard and essential practice.

**Client protection standards 2.0**

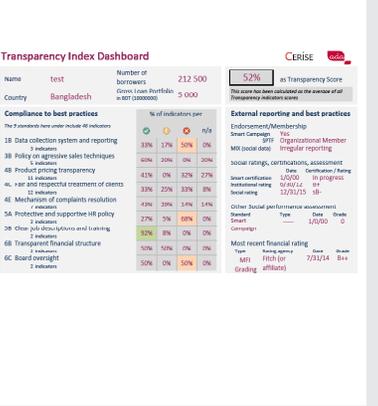
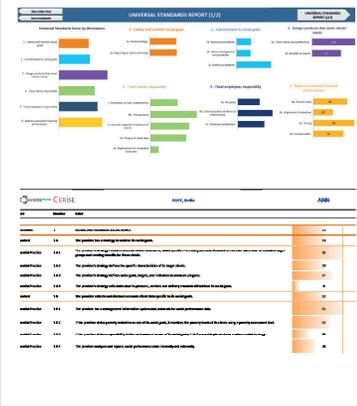
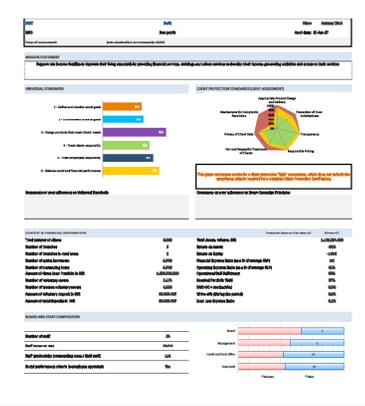
There are two Client Protection "Light" reports based on answers to the Smart Campaign indicators integrated into the Universal Standards. The results are those of a Smart Campaign assessment using level 1 indicators only, similar to the level 1 option on the Smart Getting Started Questionnaire. The second report provides details for each client protection indicator, presented in the table format used in Smart Campaign assessment tools.

**MIX social data**

SPI4 also generates a MIX social data report based on data from the Organization Information and the Questionnaire. Use this report to facilitate social performance reporting to MIX. Give your authorization to allow CERISE to share this data with MIX (on the Welcome Page, see p. 6) and CERISE will transfer this report to MIX to update your SP profile.

**Transparency Index**

Transparency index dashboard draws on indicators from the Universal Standards to score the level of transparency of a financial service provider. The Index is generated automatically upon filling in the SPI4. It measures the financial service provider against best practices in terms of external and internal reporting, disclosure to clients, pricing and communication with staff and governance bodies.



The Organizational Information part of the SPI4 tool contains the financial data and demographic details of the financial service provider. These are important for generating a Social Dashboard that contains a robust summary of the primary social and financial information about the FSP in one succinct report.

This section is essential for SPI4:

- The indicators in this section are reported on the social dashboard. The social dashboard is automatically generated based on the data provided on the Organization Information page and the SPI4 questionnaire.
- Some data on the Org Info page can be used to answer indicators in the tool, such as responsible pricing indicators under standard 6C.
- Some of the information also serves to classify each FSP by peer groups (country, region, size, maturity, personalized benchmarks) and is necessary to use the SPI4 benchmarks for a detailed analysis.

## LAYOUT OF THE ORGANIZATION INFORMATION PAGE

The screenshot shows the 'ORGANIZATION INFORMATION' page layout. At the top, there are navigation buttons: 'WELCOME PAGE', 'QUESTIONNAIRE', and 'SOCIAL DASHBOARD'. Below these are tabs for 'GENERAL INFORMATION', 'SOCIAL OBJECTIVES', 'ORGANIZATION', 'PRODUCTS / SERVICES', 'CLIENTS', 'PORTFOLIO COMPOSITION', 'API (PRIORITY)', 'FINANCIAL INFORMATION', 'EXTERNAL REPORTING', and 'OPTIONAL LENSES'. A 'Glossary' button is also present. Callouts explain: 'Click on Tip! For definitions and explanations' (pointing to 'Tip!' icons), 'Buttons to navigate between sections of the Org Info page' (pointing to the tabs), and 'Click to access a glossary of key terms and definitions' (pointing to the 'Glossary' button). A 'Want more data? Add the "OPT" filter' callout points to a filter icon on the left. The main content area is divided into sections: 'GENERAL INFORMATION' and 'REPORT DETAILS'. Each section has a table with columns for 'Name of the Financial Service Provider', 'Country of operations', 'MIX MPI ID', 'Year of creation', 'Legal form', 'Regulated', 'Status', 'Lending Methodology', 'Period type', 'As of date', 'Currency used in the report (in 3-letter currency code)', 'Units', 'Context', 'WorldBank data for year', 'Exchange rate local currency: 1 USD =', and 'GNI/capita (Currency used in the report)'. The 'Comments & clarifications' and 'Review and comments' columns are also present. Callouts explain: 'Blue bullet points show which data is reported in the Social Dashboard or MIX report. Add more data points by filtering this column and adding OPT' (pointing to blue bullet points), 'Green cells are automatically updated' (pointing to green cells in the 'Currency used in the report' and 'WorldBank data for year' rows), and 'Comments column for users to specify source of data or additional information, like if the data provided comes from the MIS or is estimated' (pointing to the 'Comments & clarifications' column).

Want more data? Add the "OPT" filter

Click on Tip! For definitions and explanations

Buttons to navigate between sections of the Org Info page

Click to access a glossary of key terms and definitions

ORGANIZATION INFORMATION

WELCOME PAGE QUESTIONNAIRE SOCIAL DASHBOARD

GENERAL INFORMATION SOCIAL OBJECTIVES ORGANIZATION PRODUCTS / SERVICES CLIENTS PORTFOLIO COMPOSITION API (PRIORITY) FINANCIAL INFORMATION EXTERNAL REPORTING OPTIONAL LENSES

Glossary

| GENERAL INFORMATION |  | Comments & clarifications | Review and comments |
|---------------------|--|---------------------------|---------------------|
| Tip!                | Name of the Financial Service Provider:                  |                           |                     |
| Tip!                | Country of operations:                                   |                           |                     |
| Tip!                | MIX MPI ID:  |                           |                     |
| Tip!                | Year of creation:  |                           |                     |
|                     | Legal form:  |                           |                     |
|                     | Regulated:   |                           |                     |
|                     | Status:  |                           |                     |
|                     | Lending Methodology:                                     |                           |                     |
| REPORT DETAILS      |  | Comments & clarifications | Review and comments |
| Tip!                | Period type:   |                           |                     |
| Tip!                | As of date:  |                           |                     |
| Tip!                | Currency used in the report (in 3-letter currency code): |                           |                     |
|                     | Units:   | 1                         |                     |
|                     | Context:   |                           |                     |
| Tip!                | WorldBank data for year:                                 | 2000                      |                     |
| Tip!                | Exchange rate local currency: 1 USD =                    | n/a                       |                     |
|                     | GNI/capita (Currency used in the report):                | n/a                       |                     |

Blue bullet points show which data is reported in the Social Dashboard or MIX report. Add more data points by filtering this column and adding OPT

Green cells are automatically updated

Comments column for users to specify source of data or additional information, like if the data provided comes from the MIS or is estimated

## THE ORGANIZATION INFORMATION SECTIONS:

The Organization Information Page is divided into different sections, described below.

- **General information** – Key data to enable peer group analysis, based on MIX categories.
- **Social Objectives** – Mission statement and objectives.
- **Organization** – Governance structure, branch network and staff composition.
- **Products/Services** – Financial and non-financial products offered.
- **Clients** – Target clients and breakdown of client composition.
- **Portfolio composition** – Loan and savings portfolio data and pricing data.
- **APR estimation module** – Calculator to estimate the Annual Percentage Rate for the loan portfolio.
- **Financial information** – Key financial ratios for the reporting year.
- **External reporting** – Level of participation/disclosure in initiatives such as Smart Campaign, SPTF, ratings, etc.
- **Optional modules** may appear on the bottom of the page based on what you selected on the Welcome Page.



## General Information

**Key data to enable peer group analysis, based on MIX categories.**

The monetary context comes from a World Bank database (data through 2015).

| GENERAL INFORMATION                    | DEFINITION / FORMULA  |
|--|---|
| Name of the Financial Service Provider | In SPI4, the “Financial Service Provider” refers to the organization that is being evaluated.   |
| Country of operations                  | State country name  |
| Mix MFI ID                             | Click on the cell to access to MIX MFI ID list. It is important to fill in this ID if data is to be used for statistical analysis or to track SPI4 reported (names of FSP are sometimes reported differently – acronyms, extensions). The Mix ID is unique by FSP reporting to MIX. |
| Year of creation                       | Date of start of operations   |
| Legal form                             | Drop-down list includes organizational forms used by IRIS and European frameworks.<br>Avoid putting “Other” unless the FSP is in a country with specific legal form for inclusive finance/microfinance. Describe legal form in comment section                                      |
| Regulated                              | Select from drop-down list Yes or No depending if the FSP is formally recognized by regulation  |
| Status                                 | Select from drop-down list for-profit or non profit   |
| Lending Methodology                    | Select from drop-down list, Individual, Solidarity, village banking or Mix (if combinations of methodology are used)  |

| REPORT DETAILS  | DEFINITION / FORMULA   |
|---|--|
| Period type   | This report should only be filled for full years   |
| As of date:   | Please input the end date of the period for which you are providing data. Put a date with day, month and year, in the format that is recognized by your computer and using '/'   |
| Currency used in the report (in 3-letter currency code) | By default, we have indicated the currency of your country of operations in 3-letter international currency code. You can overwrite this currency code. The list of codes can be found by clicking on the link that appears on the cell label.   |
| Units   | Refers to the way the national currency is expressed. Most currencies can be expressed in a unit of 1, but some countries express in larger units (ex., 1 000, 1 000 000, or lakhs in Indian numbering system).                                  |
| <i>Context</i>  |  |
| WorldBank data for year                                 | World Bank Data is only available until 2015. If you report data for subsequent years, we will use 2015 as a reference per default. Yet, you can manually modify the information in the light blue cells if you wish. The formulas will be lost. |
| Exchange rate local currency : 1 USD =                  | Please fill in the date above. The tool will automatically show the World Bank exchange rate for the year. You can change the data if you like.  |
| GNI/capita (Currency used in the report)                | Total income generated by a country's residents, irrespective of location / Total number of residents  |



## Social Objectives

### ***Mission statement and objectives***

This section collects data on the mission and social objectives of the FSP. You must first specify the mission statement. Then, you choose, among the 17 United Nations' Sustainable Development Goals (SDGs) a maximum of 4 SDG that the FSP specifically pursue through its provision of financial and non-financial products and services.



## Organization

### ***Governance structure, branch network and staff composition***

| ORGANIZATION  | DEFINITION / FORMULA   |
|---|--|
| <i>Board Composition (in number of members)</i>   |  |
| <b>Total number of board members</b>  | Persons that are part of the board meeting, council or main directive body of the financial institution. They are not part of the staff because they do not receive a salary from the FSP..                        |
| Please specify number of women among board members  | Specify number of women members  |
| At least one board member has education and/or work experience related to social performance. | Select from drop-down list : yes, no or unknown  |
| <i>Branches</i>   |  |
| <b>Number of branches</b>   | Specify total number of branches   |
| Branches in urban areas   | Urban: Areas constituting a city or town with higher density of population in comparison to the surrounding areas, where the majority of people is not dependent upon agriculture as their main economic activity. |
| Branches in rural areas   | Rural: Settled places outside towns and cities, such as villages, hamlets, where most livelihoods are farm based. Farm includes both crop and non crop agriculture, livestock. fishing, etc.                       |

|  |   |
|--|---|
| Please specify number of branches in excluded/poor areas | <p>Poor or excluded areas: areas with a percentage of poor people that is higher than the national average; areas that lack access to basic services such as water, electricity, education, health, sanitation, infrastructure; areas with basic services but that are far removed from urban centers.</p> <p>In rural zones, these are areas characterized by poor infrastructure (roads, markets), lack of access to public services, and subsistence farming.</p> <p>In urban zones, these are areas characterized by a high concentration of poor people, lack of access to public services, high unemployment (such as migrant settlements).</p> |
|--|---|

| <b>Staff composition</b>   |  |
|--|--|
| <b>Number of staff</b>   | The number of individuals who are actively and directly employed by the FSP.   |
| Women  | Specify the number of women staff  |
| Men  | Specify the number of men staff  |
| Number of total staff employed for one year or more  | Staff working for one year or more consecutively at the FSP. This ongoing relationship may be full-time or part-time |
| Number of exits of staff of the past 12 months   | Specify the number of staff exits (voluntary or involuntary) in the last 12 months                                   |
| <b>Staff turnover rate</b><br><i>this ratio is directly calculated in the social dashboard, based on raw data from the boxes above</i> | Number of exits / (Total staff + Staff employed > 1 year) / 2 ), based on Mix definition of turn-over rate           |
| <b>Number of staff in credit and front office operations</b>   |  |
| Women  | Specify the number of women credit and front office staff  |
| Men  | Specify the number of men credit and front office staff  |
| <b>Number of management staff</b>  |  |
| Women  | Specify the number of women management staff   |
| Men  | Specify the number of men management staff   |



## Products/Services

**Financial and non-financial products offered. Select Yes/No from the drop down list.**

If you select No for a product group, like savings, the other sub-products under that group will be automatically hidden and the answer will be No.

| PRODUCTS AND SERVICES                   | DEFINITION / FORMULA  |
|---|---|
| <i>Financial services</i>               |   |
| <b>Loans</b>                            |   |
| Microenterprise loans                   | Loans whose purpose is to finance a microenterprise (5 or fewer employees).   |
| SME loans                               | Loans whose purpose is to finance small or medium enterprises (greater than 5 employees and less than 250).   |
| Loans for agriculture                   | Loans destined to activities linked to agriculture/livestock.   |
| Express loans                           | Short-term loans intended to help clients take advantage of unexpected business opportunities   |
| Emergency loans                         | Short-term loans intended to help clients meet unexpected non-business expenses.  |
| Loans for education                     | loans destined to finance the education of any household member   |
| Personal loans                          | Loans for personal use mostly linked to work (car, motorcycle, etc.) (definition in the European context)   |
| Consumer loans                          | Loans to obtain products for consumption  |
| Microleasing                            | The FSP leases equipment or other durable goods to microentrepreneurs for use in their microenterprises. This service can be provided directly by the institution or offered through a partnership. |
| Other, please specify in comment column |   |
| <b>Deposits</b>                         |   |
| Checking accounts                       | An account which allows the holder to write checks against deposited funds.   |
| Voluntary savings accounts              | Deposits are voluntary  |
| Compulsory savings (cash collateral)    | Savings are mandatory (and used as cash collateral)   |

|   |   |
|---|---|
| Demand deposit accounts                 | Deposits that can be withdrawn any time   |
| Time deposit accounts                   | Deposit that cannot be withdrawn before a date specified at the time of deposit   |
| Special purpose savings account         | Special purpose savings accounts: a deposit account for individuals to accrue money for a special purpose and receive interest on the deposited amount. |
| Other, please specify in comment column |   |

**Compulsory Insurance**  
(bundled with loans or savings)

|   |  |
|---|--|
| Credit life insurance                   | Insurance required by the FSP to cover the balance of an outstanding loan in case of the borrower’s incapacitation or death. If the borrower becomes incapacitated or dies prior to repayment of the debt, the policy pays off the balance of the amount outstanding. Sometimes this type of insurance also pays additional money to the policy holder and/or beneficiaries as well. |
| Life/accident insurance                 | Insurance required by the FSP that guarantees a specific sum of money to a designated beneficiary upon the death or accident of the insured.   |
| Agriculture insurance                   | Insurance required by the FSP to cover losses to crops or livestock in the event of loss or damage; intended to mitigate seasonal risks to agricultural loan repayment.  |
| Other, please specify in comment column |  |

**Voluntary Insurance**

|                         |  |
|-------------------------|--|
|                         | Select from drop-down list   |
| Credit Life insurance   | Optional insurance to cover the balance of an outstanding loan in case of the borrower’s incapacitation or death. If the borrower becomes incapacitated or dies prior to repayment of the debt, the policy pays off the balance of the amount outstanding. Sometimes this type of insurance also pays additional money to the policy holder and/or beneficiaries as well (e.g. funeral costs). |
| Life/accident insurance | Optional insurance that guarantees a specific sum of money to a designated beneficiary upon the death or accident of the insured.  |

|   |   |
|---|---|
| House insurance                         | Optional insurance that covers losses to one’s home, its contents, or loss of its use or of other personal possessions of the homeowner.                        |
| Agriculture insurance                   | Optional insurance that covers losses to crops or livestock in the event of loss or damage; intended to mitigate seasonal risks to agricultural loan repayment. |
| Health insurance                        | Optional insurance that covers medical expenses incurred by the policy holder or his dependents.  |
| Workplace insurance                     | Optional insurance that covers medical expenses and lost wages in case of accident or injury to the policy holder in his or her place of business.              |
| Other, please specify in comment column |   |

#### Other financial services

|   |  |
|---|--|
| Debit / credit card                     | A debit card is a card used to make an electronic withdrawal from funds on deposit in a bank, usually for the purpose of purchasing goods or obtaining cash. A credit card is a card that may be used repeatedly to borrow money or buy products and services on credit. |
| Payment services                        | The FSP acts as mediator for payments between clients and third parties, such as utility providers, allowing clients to set up payment schedules that are debited directly from accounts at the institution.   |
| Scholarships/educational grants         | The FSP offers payment for schooling to clients or the children of clients based on predetermined criteria. This service can be provided directly by the institution or offered through a partnership.   |
| Mobile banking services                 | The provision of financial services through a channel other than a branch of the FSP, such as a mobile device or agent banking arrangement.  |
| Savings facilitation services           | Rather than or in addition to offering deposit accounts to clients directly, the FSP acts as mediator between clients and deposit-taking institutions, connecting clients with third-party deposit accounts.   |
| Remittance/money transfer services      | The FSP facilitates money transfers either domestically, internationally, or both. This service can be provided directly by the FSP or offered through a partnership.  |
| Other, please specify in comment column |  |

| <b>Non financial services</b>                               |   |
|---|---|
| <b>Enterprise services</b>                                  | Enterprise services may include enterprise skills development, business development services and other enterprise services.   |
| Enterprise skills development                               | Includes vocational training, technical and management skills courses to develop small-scale enterprises.   |
| Business development services                               | Includes information, training, business advice, consulting and marketing services, assistance with information and communications technology (ICT), technical assistance, and business links.                    |
| Other enterprise services                                   |   |
| <i>Enterprise services outreach<br/>(Number of clients)</i> | Please provide the total number of clients reached by those services during the reporting year  |
| <b>Education services</b>                                   | Education services may include financial literacy education, basic health/nutrition education, child and youth education, occupational safety and health in the workplace education and other education services. |
| Financial literacy education                                | Training which addresses topics related to financial planning, savings, investments, borrowings, budgets, interest rates, etc..   |
| Basic health/nutrition education                            | Teaching sessions on topics such as breastfeeding, child health and nutrition, family planning, reproductive health, etc.   |
| Child and youth education                                   | Educational programs and strategies geared toward children and youth.   |
| Occupational safety and health in the workplace education   | Training that aims to inform local entrepreneurs about how to ensure safer and healthy working conditions.  |
| Other education services                                    | Please specify in comment column  |
| <i>Education services outreach<br/>(Number of clients)</i>  | Please provide the total number of clients reached by those services during the reporting year  |
| <b>Health services</b>                                      | Health services may include basic medical services, special medical services for women and children and other medical services.   |
| Basic medical services                                      | Basic nursing, basic medical support and vaccination services.  |

|  |  |
|--|--|
| Special medical services for women and children                      | Services such as PAP smears to breast exams, STD screenings, pre- and post-natal care for pregnant women.  |
| Other medical services   | Please specify in comment column   |
| <i>Health services outreach<br/>(Number of clients)</i>              | Please provide the total number of clients reached by those services during the reporting year   |
| <b>Women's empowerment services</b>                                  | Women's empowerment services may include leadership training for women, women's rights education/gender issues training, counseling/legal services for female victims of violence and other women's empowerment services   |
| Leadership training for women  | Training aiming at increasing women's confidence to work productively, enhance their sense of self-empowerment related to control over their freedom of movement and decision-making.  |
| Women's rights education/gender issues training                      | Women's rights education/gender issues (training for men and women): provides a forum for dialogue on social and political issues, such as, women's rights and issues concerning gender roles in the community and awareness to eliminate any form of violence and discrimination against women. |
| Counseling/legal services for female victims of violence             | Gives women victims of violence psychological and support and free legal advice.   |
| Other women's empowerment services                                   | Please specify in comment column   |
| <i>Women's empowerment services outreach<br/>(Number of clients)</i> | Please provide the total number of clients reached by those services during the reporting year   |
| <b>Other non financial services</b>                                  | Please specify in comment column   |



# Clients

## Target clients and breakdown of client composition.

Green cells are filled in automatically!

| CLIENTS  | DEFINITION / FORMULA   |
|--|--|
| <b>Client composition</b>  |  |
| <b>Number of active borrowers</b>  | The number of individuals who currently have an outstanding loan balance with the FSP or are primarily responsible for repaying any portion of the loan portfolio, gross. Individuals who have multiple loans with a FSP should be counted as a single borrower. |
| Women  |  |
| Men  |  |
| Legal entities   |  |
| Rural  |  |
| Urban  |  |
| <b>Number of voluntary savers</b>  |  |
| Women  |  |
| Men  |  |
| Legal entity   |  |
| <b>Total number of clients</b>   | The number of individuals who are active borrowers, depositors or both. Individuals who have multiple loans or accounts directly with the FSP should be counted as a single client. The number should be based on individuals rather than the number of groups.  |
| <b>Borrowers retention</b>   |  |
| Active borrowers at the beginning of the period  |  |
| New borrowers during the period  |  |
| Borrowers retention rate<br><i>this ratio is directly calculated in the social dashboard, based on raw data from the boxes above</i> | Number of active borrowers / (number of borrowers at the beginning of the period + new borrowers during the period)  |



## Portfolio composition

### *Loan and savings portfolio data and pricing data*

| PORTFOLIO COMPOSITION              | DEFINITION / FORMULA   |
|------------------------------------|--|
| <i>Loan portfolio</i>              |  |
| <b>Number of outstanding loans</b> | The number of loans in the Loan portfolio, gross. For FSP using a group lending methodology, the number of loans should refer to the number of individuals receiving loans as part of a group or as part of a group loan.  |
| Individual lending                 | This refers to lending systems where loans are made to individuals, and any guarantee or collateral required comes from that individual. Loans based on consideration of the sole borrower, but disbursed through and recollected from group mechanisms, are still considered individual loans for this standard.  |
| Solidarity group                   | Solidarity group lending refers to the use of groups for disbursement of funds and collection of repayment on loans to either the group as a whole or to the individual members of that group. Borrowers of such groups often bear joint and several liability for the repayment of all loans to the group and its members. This group liability may also determine credit decisions made by the institution. Solidarity groups vary in the degrees to which they use groups for credit decisions, disbursement, collection, or to reduce credit risk. For this standard, loans are considered to be of the solidarity group methodology when some aspect of loan consideration depends on the group, including credit analysis, liability, guarantee, collateral, and loan size and conditions. |
| Village Banking/SHG                | Village Banking and Self Help Groups refer to methodologies that provide access to credit and savings services through group or community managed associations. Loans from MFIs are considered of this type when the MFI lends to the group, which in turn uses this money to lend to its members. Loans to the Village Bank or Self Help Group are made under the collective guarantee of the group. Loans may also be made from the retained profits of the group or from group members' savings. These loans are considered internal to the Village Bank or Self Help Group.  |
| Other                              | Please specify in comment column   |
| Rural                              |  |
| Women                              |  |

| <b>Amount of Gross Loan Portfolio in (SELECTED CURRENCY)</b>                                      | Gross Loan Portfolio, adjusted for standardized write-offs   |
|---|--|
| Individual lending  |  |
| Solidarity group  |  |
| Village Banking/SHG   |  |
| Other   |  |
| Rural   |  |
| Women   |  |
| <b><i>Deposits portfolio</i></b>  |  |
| Amount of total deposits in (SELECTED CURRENCY)   | Includes here compulsory savings   |
| Amount of voluntary deposits in (SELECTED CURRENCY)   |  |
| <b><i>Pricing of loans</i></b>  |  |
| How does your institution state the interest rate of its most representative microcredit product? | Select from drop-down: flat or declining balance   |
| Average APR of your loan portfolio  | Fill in the average APR of your loan portfolio manually. If you do not have a precise figure for the average APR of your loan portfolio, you can use our simple APR estimation tool.                 |
| You can use our simple APR estimation tool  | Click on the link in the cell to go to the APR tool. It will calculate an average APR for your main products and a weighted average APR for the loan portfolio that you can enter in the above cell. |



# APR estimation module

## ***Calculator to estimate the Annual Percentage Rate for the loan portfolio.***

Calculating the Annual Percentage Rate (APR) is key to be able to assess responsible pricing. APR is used to express the true price as a standard measure that allows for the comparison of the cost of different loan products. The purpose of the APR is to convert all fees and commissions related to a loan into an annualized interest rate.

### **HOW TO ESTIMATE THE APR?**

Use the APR estimation tool in the SPI4. In this tool, the calculation is based on an average of 3 samples per loan product. The samples are determined according to loan amount and repayment frequency (minimum, most frequent and maximum). You can add up to 6 loan products. The total percentage for the products should add up to over 80% of the loan portfolio in terms of number of borrowers.

Refer to our manual SPI4- [APR Estimation Tool](#) for additional information and examples.

### **WARNING MESSAGES IN THE TOOL**

#### **If you can't calculate the APR for the institution**

1. Make sure you have entered enough products to cover 80% of the loan portfolio.
2. Check if your product is too complex (ex., daily, quarterly, annual repayments, commissions >5% of loan amount). The tool can only calculate relatively simple products.

#### **Warning messages will appear if your products have any of the following terms:**

- Repayments that are daily, quarterly, annual or flexible
- Loans with a flat interest rate that combine a high nominal rate and long maturity (nominal rate\* max number of periods) > 500%
- Total upfront commissions are greater than 5% of the loan amount
- Grace period of more than one period
- Cash collateral of more than 17.5% of the initial loan amount
- Commissions on loans with a term below 2 months

For more complex products, you need to use the [Microfinance Transparency Pricing Calculator](#).

---

### 1. DOWNLOAD

Download the MFT Pricing Calculator

---

### 2. GO TO

Go to the sheet "Pricing-Advanced"

---

### 3. CALCULATE

Calculate the APR for three samples of each Product you want to assess.

**sample 1:** minimum loan amount and minimum maturity

**sample 2:** maximum loan amount and maximum maturity

**sample 3:** most frequent loan amount and maturity

---

### 4. GO BACK

Once you get the 3 APRs per product, go back to the **SPI4 APR estimation tool**.

---

### 5. FILL IN

In the first table of the **SPI4 APR estimation tool**, fill in the first section of the 'Loan Product Analysis' section (lines 3-8) with product details

---

### 6. INSERT

Now go to the **APR Estimations table** below. Insert the APRs calculated by the MFT Pricing Calculator in the orange cells entitled 'APR (from MFT pricing calculator)'.

---

### 7. REPLICATE

Replicate the operation for other Products. Remember, you can add up to 6 loan products. The total percentage for the products (Product 1 + Product 2 + Product 3 + etc.) should add up to over 80%.

---

### 8. AVERAGE APR

An average APR of your loan portfolio will be calculated in cell AA 24.

---

### 9. INSERT

Insert this value in cell AA 207 of the Organization Information page.

---



## Financial information

### **Key financial ratios for the reporting year.**

These ratios are aligned with MIX and Microfact Factsheet definitions.

| FINANCIAL INFORMATION                           | DEFINITION / FORMULA  |
|---|---|
| <a href="#">Key financial indicators</a>        | Definitions are aligned with MIX. Click on “Key financial indicators” to access MIX glossary and definitions.<br><a href="http://www.mixmarket.org/about/faqs/glossary">More information: http://www.mixmarket.org/about/faqs/glossary</a>  |
| Total Assets, volume, (SELECTED CURRENCY)       | Total assets, adjusted for inflation and standardized provisioning for loan impairment and write-offs.  |
| Return on Assets (%)                            | $(\text{Adjusted Net Operating Income} - \text{Taxes}) / \text{Adjusted Average Total Assets}$  |
| Return on Equity (%)                            | $(\text{Adjusted Net Operating Income} - \text{Taxes}) / \text{Adjusted Average Total Equity}$  |
| Financial Expense Ratio (as a % of average GLP) | $\text{Financial Expense} / \text{Average Gross Loan Portfolio}$  |
| Operating Expense Ratio (as a % of average GLP) | $\text{Operating Expense} / \text{Average Gross Loan Portfolio}$  |
| Operational Self-Sufficiency (%)                | $\text{Financial Revenue} / (\text{Financial Expense} + \text{Net Loan Loss Provision Expense} + \text{Operating Expense})$   |
| Nominal Portfolio Yield (%)                     | $\text{Interest and Fees on Loan Portfolio} / \text{Average Gross Loan Portfolio}$  |
| PAR >30 + rescheduled (%)                       | $\text{Portfolio at Risk} > 30 \text{ days} / \text{Average Gross Loan Portfolio}$  |
| Write-offs (during the period) (%)              | Write-off: outstanding loans that are more than 360 days past due, and that may be considered as a loss.  |
| Loan Loss Expense Ratio                         | $(\text{Adjusted Write-offs} - \text{Value of Loans Recovered}) / \text{Average Gross Loan Portfolio}$<br>Loan loss reserve (or provision) expense (or provision for loan impairment) = non-cash expense that is used to create or increase the loan-loss allowance on the balance sheet. The expense is calculated as a percentage of the value of the gross loan portfolio that is at risk of default, depending on the provision policy. FSPs should provision according to the age of their portfolio at risk: the older the delinquent loan, the higher the loan-loss allowance. Thus the level of delinquency is an important factor in setting appropriate loan loss allowance.<br>The LLER (ratio) is the LLR over the average gross portfolio. |



## External reporting

*Level of participation/disclosure in initiatives such as Smart Campaign, SPTF, ratings, etc.*



## Optional modules

*Optional modules appear on the bottom of the page based on what you selected on the Welcome Page.*

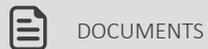
| OPTIONAL MODULES   | DEFINITION / FORMULA  |
|--|---|
| <i>Poverty Focus</i>   |   |
| <b>What is the poverty level of the clients that your institution aims to reach?</b> |   |
| <b>Please check all that apply:</b>  |   |
| Very poor clients  | Very poor: Clients living below an absolute extreme poverty line. Common extreme poverty lines include (1) persons in the bottom 50% of those living below the poverty line established by the national government, or (2) persons living on less than US \$1.00 per day (technically \$1.08 per day per capita at 1993 Purchasing Power Parity- PPP) or on less than of US \$1.25 per day at 2005 PPP. |
| Poor clients   | Poor: Clients living below a poverty line. Common poverty lines include (1) persons living below the poverty line established by the national government, or (2) persons living on less than US \$2.00 per day in daily per-capita expenditures at 1993 PPP.  |
| Low income clients   | Low income: Clients above the poverty line but below the national average income. For any update about poverty lines and PPP visit: <a href="http://www.povertytools.org/">http://www.povertytools.org/</a>   |
| No specific poverty target   |   |

# Section 3

## Guidance by indicator

### SOURCES OF INFORMATION

#### DESK REVIEW



#### FIELD REVIEW



## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR 1A11

#### The provider's mission statement specifies:

- Target clients, which include vulnerable or excluded groups
- The expected social outcomes, including access to financial services for target clients and creating benefits for these clients
- How the provider will meet the needs of the target clients through products, services, and other mechanisms

#### RATIONALE

The mission statement is the starting point for defining a clear strategy.

#### EVIDENCE TO PROVIDE

Analyze the mission statement (noted in Organization Information page). Verify that it answers three key questions:

- **Who** the provider wants to reach (target population) specifying the type of exclusion/vulnerability, or identifying populations known to be excluded (ex: women, small farmers, SMEs, etc.)
- **How** the provider intends to serve its target population? (which products, services)
- **What changes** the provider hope to bring? (outcomes)

A mission statement needs to be short and simple, but clear on the 3 main points above.

Scoring guidance: If there is no mention or just vague mention of the 3 points, score 'partially'

#### EXAMPLES

Good example: "To provide competitive credit and savings products [*products and services*] that empower smallholder farmers and rural enterprises [*target clients*] to create sustainable agri-businesses and improve their livelihoods [*social outcomes*]."

Example that cannot guide strategy: "Provide financial services to our people". Terms like "our people" and "financial services" are too broad and vague. And this mission statement is missing the why: which outcomes are expected?

#### SOURCES OF INFORMATION



- Strategy/ Business plan
- Annual report
- Website

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR 1A12

#### Management promotes the mission statement by:

- Circulating and explaining it at all levels of the institution
- Reviewing it during times of institutional change, such as changes in ownership, legal form, and other significant changes

#### RATIONALE

The mission should be known by all employees and stakeholders, to inspire and guide their actions and allow them to be effective advocates for the financial service provider.

The mission statement should be revised every few years to make sure it reflects changes in context or the provider's positioning in the market.

#### EVIDENCE TO PROVIDE

In interviews, verify that stakeholders know the mission (or the spirit of it if not the exact wording). Verify that the mission has been reviewed (even if it hasn't changed) in the last 5 years.

Observe if the mission statement is visible (posters, brochures) in HQ and branches.

Comments column: Specify which key documents promote the mission. Specify whether employees know the mission, whether it has been recently revised.

Scoring guidance: If the mission statement is not visible in HQ and branches, but the staff clearly understand the mission, the answer can be 'yes'.

#### SOURCES OF INFORMATION



- Strategy/business plan
- Leaflets, posters, promotional materials
- Training material for new employees
- Internal newsletters or email campaigns destined to employees



- Interviews with employees and board



- Observation of HQ and branch offices

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR 1A21

#### The strategy includes the specific characteristics of target clients:

- Demographics and/or socio-economic characteristics (e.g., male/female, urban/rural, level of education, poverty level)
- Banked/unbanked (e.g., previously excluded from formal financial services)
- Business activity (e.g., agriculture/trade, new business/existing business)

#### RATIONALE

The strategy should specify the main characteristics of the people and/or organizations the provider wants to reach in order to define precisely the target market.

#### EVIDENCE TO PROVIDE

Verify key strategy documents. They should specify which types of clients are to be served, and should include **at least one** of the characteristics specified in the details (i.e. the sub points under the indicator), and ideally several of them.

Terms like "marginalized", "excluded", "poverty" should be defined based on national definitions or local realities.

Comments column: Specify the key characteristics of target clients as they are defined in strategy docs or as discussed with CEO

Scoring guidance: If interviews with management indicate that target clients are clearly defined, but there is no formalization in a strategy document, the score will be 'partially'.

#### SOURCES OF INFORMATION



- Strategy/business plan
- Operations/credit manual



- Interviews with CEO/managing director
- Interviews with branch managers
- Interviews with loan officers

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR **1A31**

The provider defines clear social goals.

#### RATIONALE

A provider must clearly define its social goals to orient its operations, and to measure whether they are being achieved.

#### EVIDENCE TO PROVIDE

Verify that social goals are clearly specified in the strategy documents, and that they are realistic and consistent with the mission. They should describe the positive changes the provider expects to happen to the target clients as a result of providing particular products and services.

Comments column: Give examples of social goals found in the business plan. This will help verify the next two SPI4 indicators.

Scoring guidance: If the social goals exist but they are unrelated to mission/social strategy, are too vague or are too ambitious, then the answer should be 'partially.' In order to verify consistency, compare the answer here with **2B1** – if the answer is 'no' here, then the answer to the indicators under this Essential Practice should most likely be 'no'.

In the case where the provider defines only one social goal and target and it is included in the business or operational plan, the answers under Essential Practice **1A3** may be 'partially', and the answer under **2B11** may be 'yes'.

#### EXAMPLES

“Alleviate poverty” – Example of a social goal that is too vague. For which target group? Using what definition of poverty?

“Eliminate all forms of poverty” or “create economic and social development” – Examples of social goals that are too ambitious

Ensure better income, more assets in SMEs, job creation, increased crop productivity – Examples of concrete outcomes/changes expected

#### SOURCES OF INFORMATION



- Strategy/business plan

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR **1A32**

The provider defines output and/or outcome targets that correspond to its social goals.

#### RATIONALE

Targets allow the provider to quantify its goals, and measure progress towards them.

#### DEFINITIONS

**Output targets** describe the actions the provider will take to reach the social goals (e.g., number of trainings to be provided, volume of loans to be disbursed, % of clients using financial services for the first time).

**Outcome targets** describe how clients will benefit from the products and services offered (e.g., % of clients satisfied with products to measure appropriateness of services; % of clients who introduced a new product in their business in the last X years can measure improved business practices; % of households with improved source of drinking water can measure improved living conditions).

#### EVIDENCE TO PROVIDE

Identify the targets in the strategy documents. Targets are quantitative. They should be SMART: Specific, Measurable, Attainable, Relevant, and Time-bound. There should be at least one target for each social goal.

Comments column: Give examples of precise quantitative targets found in strategy documents

Scoring guidance: if only few targets are set, or they are not SMART and not really actionable, the answer is “partially.”

To verify consistency, compare with **2B1** – if the answer is ‘no’ for **1A32**, then the answer to these indicators is most likely ‘no’. In the case where the provider defines only one social goal and target and it is included in the business or operational plan, the answers under Essential Practice **1A3** may be ‘partially’, while the answer under **2B11** may be ‘yes’.

Also verify consistency with **2B31** on assessing senior managers against social performance targets. If the answer is ‘no’ for **1A32**, then the answer to these indicators should likely be ‘no’.

#### SOURCES OF INFORMATION



- Strategy/business plan
- Operational plan

## DEFINE AND MONITOR SOCIAL GOALS

Alinus

### INDICATOR **1A33**

**The provider has at least one measurable indicator for each social goal.**

#### RATIONALE

Indicators make it possible to measure results and track progress toward achieving targets. Indicators should be directly linked to social targets and useful for decision making.

#### EVIDENCE TO PROVIDE

Identify indicators in the strategy documents. Find out how they are reported, used, commented in management report, or annual report.

Observe what kind of information the MIS tracks and the kind of reports it produces by sitting with the MIS manager and getting a demo of the system. Analyze whether the data collected are simple, easy to understand for the clients, easy to collect by field staff, regularly tracked, systematically reported, etc.

Comments column: Provide examples of indicators used with reference of the documents where they are found.

Scoring guidance: if indicators are defined for only one of the social goals, the answer is “partially.” If some of the indicators appear to be complex to understand/measure/assess/report/, the answer is “partially.”

In order to verify consistency, compare the answer for **1A33** with indicators under **2B1** – if the answer is ‘no’ to these indicators, then the answer for **1A33** should most likely be ‘no’. In the case where the provider defines only one social goal and target and it is included in the business or operational plan, the answers under Essential Practice **1A3** may be ‘partially’, while the answer under **2B11** maybe ‘yes’.

#### SOURCES OF INFORMATION



- Strategy/business plan
- Management reports
- Annual report
- MIS
- Client application

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR **1A41**

**The provider's strategy specifies how its products, services and delivery channels will:**

- Reduce barriers to financial inclusion
- Reduce client vulnerability
- Promote economic opportunities

#### RATIONALE

The ultimate purpose of delivering a product or service is to encourage financial inclusion, improve capacity to cope with risks and vulnerability, and contribute to an improved economic situation. This should be reflected in the provider's service offerings.

#### EVIDENCE TO PROVIDE

Specify in what way the product and service mix (financial and non-financial) and the delivery channels have been designed to reduce financial exclusion, vulnerability, and to promote economic opportunities.

Comments column: Summarize the rationale for the provider's service offerings.

Scoring guidance: If the strategy is not fully formalized in strategy documents but is very clear for the board and management, then the answer can be a "yes".

#### EXAMPLES

See Table 9 in USSPM [Implementation Guide](#) (page 62) for an example of how products/services can serve a provider's social goals.

#### SOURCES OF INFORMATION



- Strategy/Business plan
- Product manuals
- Impact or SPM reports



- Interviews with CEO/managing director + board

## DEFINE AND MONITOR SOCIAL GOALS

Alinus

### INDICATOR **1B11**

**The provider has a formal system for collecting social performance data on a regular, ongoing basis.**

#### RATIONALE

Regular and solid social performance data collection helps ensure managers have the information needed to make informed decisions and track the social goals.

#### EVIDENCE TO PROVIDE

A formal system refers to a system based on written procedures, that staff are trained on, that is explicitly referenced in the strategic or operational plans, that generates reports used by the top management and/or Board.

Discuss with MIS manager and Operations managers if/how SP data are formally collected and the regularity of data collection.

Make sure to observe the MIS and identify which SP data are available. The MIS does not necessarily have to be computerized, but should produce regular, reliable information.

Scoring guidance: If there are protocols in place, but inconsistent application, the answer is “partially”.

#### EXAMPLES

SP data may include client characteristics (gender, age, occupation/business type); client business data (assets, sales, number of wage workers); outreach by products/clients; client retention rates; client complaints; staff retention; client satisfaction; etc.

#### SOURCES OF INFORMATION



- Interviews with MIS manager
- Interviews with operations manager
- Interviews with field staff

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR 1B12

#### The provider has data protocols that identify:

- Who defines the indicators to be collected
- Who collects the data
- How the data are collected
- Where the data are stored
- Who analyzes the data
- Who verifies the accuracy of the data
- How the data are reported
- To whom the data are reported

#### RATIONALE

Data protocols ensure that data focus on clients and provider social goals, and that data collected is reliable, accessible, up to date and useful.

#### EVIDENCE TO PROVIDE

Analyze the social performance data chain from the source of the information (clients, employees) to the purposeful use of the information. Verify that this chain is coherent, with no missing link to ensure high quality and timely SP data.

Often social data is collected through loan or savings applications so it is important to talk to front-office employees to see how data is collected, and then stored, and analyzed. It also allows the auditor to verify that the reality on the ground matches the FSP's data protocols. A verification of the job descriptions can reveal if data collection responsibilities are included for relevant staff.

See Field Example 12. Microloan Foundation Uses a Data Protocol in USSPM [Implementation Guide](#) (page 70).

#### SOURCES OF INFORMATION



- Credit manual
- Job descriptions of relevant staff
- MIS procedures
- SP data reports



- Interviews with CEO/managing director
- Interviews with MIS manager
- Interviews with operations manager
- Interviews with front office employees

## DEFINE AND MONITOR SOCIAL GOALS

INDICATOR **1B13**

**Employees in relevant positions receive specific training on data collection and data entry.**

**RATIONALE**

Training employees to understand why and how data is collected and used can help them explain the purpose of data collection to clients. It also gives them understanding of the purpose and incentives to collect reliable information. Training allows for more accurate data collection.

**EVIDENCE TO PROVIDE**

Specify how and when employees such as loan officers or data entry clerks are trained on data collection and data entry.

**SOURCES OF INFORMATION**

- Training materials for employees



- Interviews with HR manager/training manager
- Interviews with branch manager
- Interviews with front office employees

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR **1B14**

**Data is validated by periodic internal audit or management review, including some field level checks.**

#### RATIONALE

Validating data ensures accuracy and pushes all actors in the social performance data value chain to achieve higher quality results.

#### EVIDENCE TO PROVIDE

Discuss with internal audit team and with the branch managers how the quality of client data is verified.

Comments column: Specify how and when data are validated. If possible add how many clients or what % of clients are included in these checks.

#### EXAMPLES

Validation techniques may include:

- Field level checks:
  - Visiting or calling a random sample of clients to confirm that interviews with branch employees happened.
  - Observing the data collector in action and providing feedback on his/her performance.
- Data verification
  - Verifying a random sample of data entered by the data entry personnel to confirm accuracy.
  - Using data entry screens that will not allow the user to proceed unless certain information is entered.

#### SOURCES OF INFORMATION



- Internal audit checklist
- Internal audit manual- to check the sampling size



- Interviews with Internal audit
- Interviews with branch managers
- Interview with SPM champion

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR 1B15

**The provider's management information system can disaggregate client level data by characteristics that are relevant to its social mission.**

- Outreach to women/men
- Outreach to at least one characteristic among those listed below:
  - Outreach to youth
  - Outreach to rural areas
  - Outreach by poverty level
  - Other type of social indicators (please specify)

#### RATIONALE

Disaggregating data is important for understanding whether the provider is reaching target clients, and how different types of clients experience products and services, and whether for some of the groups, product characteristics need to be modified in the future

#### EVIDENCE TO PROVIDE

Make sure to observe the MIS, to see how the data is recorded, which data is recorded, what types of reports are produced, etc.

Comments column: Specify how data is disaggregated.

#### SOURCES OF INFORMATION



- MIS reports
- Management reports

DEFINE AND MONITOR SOCIAL GOALS

Alinus

INDICATOR **1B21**

**The provider monitors the poverty status of its new clients, which may include non-monetary forms of poverty, such as lack of empowerment or food insecurity.**

- The provider systematically collects data to measure the poverty level of new clients.
- The provider uses a poverty assessment tool (see list of existing tools below).
  - Progress Out of Poverty Index (PPI)
  - Survey to calculate per capita income or expenditure
  - Internally defined poverty measurement tool (please specify)
- Either the provider collects data for all its clients, or uses an representative sample.

**RATIONALE**

Targeting the poor requires a purposeful strategy, based on poverty measurement tools that allow the provider to track the poverty levels of clients.

Measuring the poverty level of entering clients (new clients, defined as clients who have joined the program in the last 12 months) ensures purposeful targeting of clients below a stated poverty level, ideally the target defined the provider.

**EVIDENCE TO PROVIDE**

Specify which poverty tool is used, if the most recent version is being used, and how it is used (systematically at entrance or on a sample basis).

If the financial provider has a proprietary tool, verify how it was developed.

Verify that the poverty measurement tool is used for new clients (not on all clients).

Verify incentives for field employees to properly use the poverty assessment tool (is there internal audit review ex., indicator **1B14**?; are there financial incentives?)

Scoring guidance/N/A: If the provider does not state poverty reduction as one of its goals, then the indicators under **1B2** can be answered N/A and will not be counted in the score.

If the auditor has evidence that field staff are not fully aware, trained, incentivized on the use of the poverty assessment, the answer is 'partially'.

**SOURCES OF INFORMATION**



- Credit manual
- Poverty assessment tool
- Loan application form



- Interview with marketing/product development
- Interview with field employees

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR 1B22

#### The provider monitors change in the poverty level of its clients over time

- The provider uses a systematic approach to track progress of poor clients.
- Analysis accounts for the effect of drop-outs on the results.

#### RATIONALE

Beyond targeting the poor, the provider should also track changes over time to ensure an efficient strategy to serve the poor.

#### EVIDENCE TO PROVIDE

Specify how progress is monitored and whether the effect of drop-outs is taken into account in the analysis of results.

Scoring guidance/N/A: If the provider does not state poverty reduction as one of its goals, then the indicators under can be answered N/A.

#### SOURCES OF INFORMATION



- Credit manual
- MIS/management reports



- Interview with marketing/product development
- Interview with field employees
- Interview with SPM champion

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR **1B31**

**The provider formalizes environmental protection in its mission and values.**

#### RATIONALE

Formalizing environmental protection in the vision, mission, social goals or values statement holds the provider accountable to this commitment and it fosters strategic planning. This is an important signal to internal and external stakeholders, and it provides a framework of action for the organization itself.

*IF THE FSP DOES NOT SPECIFY A FOCUS ON ENVIRONMENTAL ISSUES, THE INDICATOR CAN BE ANSWERED "N/A". THIS ESSENTIAL PRACTICE IS AIMED AT RAISING AWARENESS OF FINANCIAL SERVICE PROVIDERS BUT IS NOT YET CONSIDERED A STANDARD.*

#### EVIDENCE TO PROVIDE

Specify how and where (which documents) a commitment to environmental protection is stated. The term "environment" should be mentioned directly and not indirectly.

Scoring guidance/N/A: : If the provider does not state responsibility to the environment as one of its goals, then the indicators under **1B3** can be answered N/A. The question should be answered as YES if environment is stated at least in one item among: mission, vision, and value. Not all three are needed.

#### EXAMPLE

XAC Bank's (Mongolia) mission statement is "To be a lifelong partner for our customers in providing value-added financial solutions embracing the highest standards of triple bottom line mission: People, Planet, and Prosperity."

#### SOURCES OF INFORMATION



- Strategy/business plan
- Website

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR 1B32

The provider has a formal environmental policy which specifies its environmental goals, targets, and indicators.

#### RATIONALE

Clearly defining goals, targets and indicators makes it possible to measure whether the environmental strategy is being achieved. The existence of a formal environmental policy shows the strategic commitment of an institution.

*IF THE FSP DOES NOT SPECIFY A FOCUS ON ENVIRONMENTAL ISSUES, THE INDICATOR CAN BE ANSWERED "N/A". THIS ESSENTIAL PRACTICE IS AIMED AT RAISING AWARENESS OF FINANCIAL SERVICE PROVIDERS BUT IS NOT YET CONSIDERED A STANDARD.*

#### EVIDENCE TO PROVIDE

The formal written document where the policy is defined. Specify the goals, targets and indicators used.

Scoring guidance/N/A: If the provider does not state responsibility to the environment as one of its goals, then the indicators under **1B3** can be answered N/A.

To answer YES, the institution should have a formal written policy, rather than an informal or oral one. If the policy is informal but it possible to verify that indicators, goals, targets exist and are known in the institution, then answer can be PARTIALLY.

#### EXAMPLE

See Table 12. Example Green Goals, Targets, and Indicators in USSPM [Implementation Guide](#) (page 75).

Cambodian FSP Amret has a formal social and environmental policy and procedures that can identify social and environmental risks/impacts associated with its operations and clients' business activities. The policy and procedures are intended to offer guidelines and training to implement so as to minimize negative impacts regarding social and environmental sustainability. To ensure they perform effectively, the policy and procedures have been integrated into the existing loan appraisal system and standard operating procedures (application, appraisal, loan contracting and disbursement, and recovery and monitoring). See <https://amret.com.kh/index.php/homeen/spm3>

#### SOURCES OF INFORMATION



- Strategy/business plan
- MIS reports

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR 1B33

**The provider has a person or a committee appointed to manage environmental issues.**

#### RATIONALE

Having a dedicated person or committee tasked with managing the environmental issues improves chances of achieving progress. It shows that there is someone in the institution who is accountable for managing the environmental dimension. While senior management should be ultimately responsible for achieving environmental objectives, they may lack the expertise or the tools to do so. Many providers have found it useful to assign a dedicated function to supporting the management in making decisions—for example, an environmental manager dedicated to defining and monitoring environmental goals.

*IF THE FSP DOES NOT SPECIFY A FOCUS ON ENVIRONMENTAL ISSUES, THE INDICATOR CAN BE ANSWERED “N/A”. THIS ESSENTIAL PRACTICE IS AIMED AT RAISING AWARENESS OF FINANCIAL SERVICE PROVIDERS BUT IS NOT YET CONSIDERED A STANDARD.*

#### EVIDENCE TO PROVIDE

Specify the person or committee and what that person or committee's role is in the oversight of the environmental strategy.

Environmental performance activities might include:

- Working with management to create an environmental strategy for the organization, including green goals, targets, and indicators. Monitoring progress toward these goals.
- Developing an environmental exclusion list—a list of businesses that the institution will not finance, based on their harmful impact on the environment.
- Supporting field officers to apply the institution's exclusion list (e.g., training on how to evaluate client businesses for their impact on the environment).
- Monitoring and evaluation of the institution's own environmental impact.
- Bringing green products to the institution's portfolio (e.g., clean energy loan products).
- Reporting to external stakeholders on the institution's progress toward its green goals.
- Monitor that the environmental value is considered in activities, processes, risks management, decisions of the institution.

Scoring guidance/N/A: If the provider does not state responsibility to the environment as one of its goals, then the indicators under **1B3** can be answered N/A.

To answer YES, at least one person should have part of his/her time dedicated to managing environmental topics. If there is an informal commitment and evidence can be provided to demonstrate, then can be answered PARTIALLY.

#### SOURCES OF INFORMATION



- Interviews with CEO/managing director

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR 1B34

**The provider reports on its environmental performance and practices through:**

- Internal reports (to the board, to investors)
- Public reports (annual reports)

#### RATIONALE

Regular reporting allows the provider to track progress and monitor the environmental strategy. Moreover it makes the institution accountable to its environmental activities and achievements internally and externally.

It also shows that the institution is actually willing to show its environmental brand.

*IF THE FSP DOES NOT SPECIFY A FOCUS ON ENVIRONMENTAL ISSUES, THE INDICATOR CAN BE ANSWERED "N/A". THIS ESSENTIAL PRACTICE IS AIMED AT RAISING AWARENESS OF FINANCIAL SERVICE PROVIDERS BUT IS NOT YET CONSIDERED A STANDARD.*

#### EVIDENCE TO PROVIDE

Specify the kind of reporting done and frequency

Scoring guidance/N/A: If the provider does not state responsibility to the environment as one of its goals, then the indicators under **1B3** can be answered N/A.

#### EXAMPLE

See Field Example 14. ACLEDA Bank Reports on Environmental Performance Indicators in [USSPM Implementation Guide](#) (page 76).

#### SOURCES OF INFORMATION



- Management reports
- Annual report

## DEFINE AND MONITOR SOCIAL GOALS

### INDICATOR **1B35**

**The provider trains loan officers on how to evaluate the environmental risks of their clients' activities.**

#### RATIONALE

Loan officers do not necessarily have experience evaluating environmental risks and should be trained to identify and assess environmental risks using the tools adopted by the FSP, such as exclusion lists, risk categorization lists, checklists, etc. (see 7C11) for a list of examples.

*IF THE FSP DOES NOT SPECIFY A FOCUS ON ENVIRONMENTAL ISSUES, THE INDICATOR CAN BE ANSWERED "N/A". THIS ESSENTIAL PRACTICE IS AIMED AT RAISING AWARENESS OF FINANCIAL SERVICE PROVIDERS BUT IS NOT YET CONSIDERED A STANDARD.*

#### EVIDENCE TO PROVIDE

Specify how and when employees are trained. Verify how environmental checkpoints are integrated into application and contracting forms and procedures. Verify that environmental risk is clearly distinguished from social risk, if not the score should be PARTIALLY and not YES.

Scoring guidance/N/A: If the provider does not state responsibility to the environment as one of its goals, then the indicators under **1B3** can be answered N/A.

#### SOURCES OF INFORMATION



- Training materials for employees



- Interviews with HR, field employees

## DEFINE AND MONITOR SOCIAL GOALS

INDICATOR **1B41**

**The provider creates management reports that include client level data on social indicators, at least once a year.**

**RATIONALE**

Social performance data should be valued by the provider. In order to be valuable to the provider the data must be reported and used in the making of operational and/or strategic decisions. Field experience shows that many providers who collect social data do not report on it and among those providers who collect and report on social data, it is not effectively integrated into management reports in a way that allows for informed decision making based on the results. Each of these three steps is key to effectively using social data.

**EVIDENCE TO PROVIDE**

Specify most recent management report with client level data and examples of type of data included.

**EXAMPLE**

See Field Example 15. AMK Reports to Different Stakeholders in USSPM [Implementation Guide](#) (page 78).

**SOURCES OF INFORMATION**

- Management reports
- Annual report

## DEFINE AND MONITOR SOCIAL GOALS

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### INDICATOR 1B42

**The provider discloses social performance data through one or more of the following channels:**

- The MIX
- Other channels such as:
  - National/regional network
  - Global network
  - Its annual report
  - The national regulator
  - Other

#### RATIONALE

Social performance data is also important to external stakeholders. It shows the provider is accountable to its mission and committed to transparency.

#### EVIDENCE TO PROVIDE

Specify which channels are used by selecting the details under the indicator

#### SOURCES OF INFORMATION



- Institutional website
- Annual report
- MIX website

## DEFINE AND MONITOR SOCIAL GOALS

INDICATOR **1B43**

**The provider updates externally reported data at least annually.**

**RATIONALE**

Updating externally reported data regularly is a sign of an efficient MIS, professionalism and commitment to transparency and social goals.

**EVIDENCE TO PROVIDE**

Specify when externally reported data was last updated and whether external reporting of social data is regular or sporadic.

**SOURCES OF INFORMATION**

- Institutional website
- Annual report
- MIX website

## ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS

### INDICATOR **2A11**

**During the orientation, board members receive:**

- An explanation of (or training on) the provider’s social mission and goals
- An explanation of their role in managing the provider’s social performance
- Updates about recent developments on relevant national and international SPM initiatives, such as SPTF, Smart Campaign, SP related regulation etc.

**RATIONALE**

In order to successfully support and safeguard an institution’s social mission, board members need to understand what that mission is and how they can help uphold it. New board members should be oriented to social performance and global trends in the area so they know they are part of a larger movement dedicated to socially responsible governance.

**EVIDENCE TO PROVIDE**

Comments column: Give the date of the board minutes where information is found, or reference to examples cited during interviews with board members or CEO. Note the frequency of such training (e.g., annual or sporadic). Board turnover rates are often high and therefore annual refreshers on SPM may be warranted in these cases.

**SOURCES OF INFORMATION**



- Board minutes
- Presentation used to train the board



- Interviews with board members
- Interviews with CEO/managing director

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

**INDICATOR 2A12**

**All board members confirm their commitment to the provider's social mission.**

- Upon joining, each board member agrees--either verbally or in writing--to carry out his/her social performance responsibilities.
- Upon joining, each board member signs the provider's Code of Ethics, agreeing to uphold it.
- Board members voluntarily and actively participate in board meetings

**RATIONALE**

Asking board members to formally confirm commitment to the social mission reinforces the importance of the mission itself and their role in upholding it.

**EVIDENCE TO PROVIDE**

Comments column: Specify how board members demonstrate their commitment to the social mission. For example, some board members may sit on a social performance or social utility committee that monitors the institutions social objectives.

Scoring guidance: Sometimes, board commitment is strong, but not formalized in any document or committee. In this case, active participation around social performance and client-centric issues in board meetings (as evidenced in board minutes) can be highlighted as an example of commitment.

Board meeting attendance alone is not considered active participation.

**SOURCES OF INFORMATION**



- Board minutes
- Code of ethics



- Interviews with board members
- Interviews with CEO/managing director
- Interview with HR

ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS

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INDICATOR **2A21**

**The board reviews each of these topics, at least annually, in order to determine whether the provider is meeting its mission and social goals:**

- Progress toward targets as measured by the social indicators
- Employee satisfaction survey results and employee turnover rate
- Client protection practices  
Client feedback or satisfaction surveys
- Client dormancy, drop-out and cancellation
- Growth targets vs. actual growth
- Profit allocation
- Independent information on the above (e.g., from internal audit or independent external social assessments, such as audit/rating)

**RATIONALE**

The board’s priorities should be consistent with the provider’s social mission. The board should adopt a balanced approach to performance management, using both financial and social information to make decisions.

**EVIDENCE TO PROVIDE**

At least once a year, the board minutes should reflect discussions on the topics listed in the details, based on updates from management and reports.

Scoring guidance: Analyzing growth targets vs actuals in terms of profitability is not enough (score NO). Analysis should address how growth affects quality of service to clients. Discussion of profit allocation should include how profits can be used to benefit to clients or the community.

Comments column: Give the date of the board minutes where information is found, or reference to examples cited during interviews with board members or CEO.

**EXAMPLES**

Decisions on dividend distribution, donations to the community, plans to reduce interest rates, etc. are examples of how the Board can use profits to reach its social mission.

See examples of social dashboards for board reporting in USSPM [Implementation Guide](#) (page 85-86).

**SOURCES OF INFORMATION**



- Board minutes



- Interviews with board members
- Interviews with CEO/managing director

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

INDICATOR **2A22**

**Board minutes show that social performance data informs decision making.**

**RATIONALE**

Board minutes offer evidence of what is discussed and decided in meetings.

**EVIDENCE TO PROVIDE**

Comments column: Give the date of the board minutes where information is found, or reference to examples cited during interviews with board members or CEO.

**SOURCES OF INFORMATION**



- Board minutes
- SPM reports or other reports sent to board



- Interviews with board members
- Interviews with CEO/managing director

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

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INDICATOR **2A23**

The board takes **corrective action** when social targets are not being met.

**RATIONALE**

The board’s oversight role means that it is responsible for taking action when targets are not being met.

**EVIDENCE TO PROVIDE**

Comments column: Give the date of the board minutes where information is found, or reference to examples cited during interviews with board members or CEO.

**EXAMPLES**

Examples of corrective actions:

- Financial provider X has missed its target to have 60% of its portfolio in solidarity group lending, leading the board to request management to review the incentive system which currently incentivizes individual loans more than group loans.
- Financial provider Y fell short of its target to have 2% of clients between 18 and 25 years of age, despite a “youth-specific” product, leading the board to request a market study to better understand the barriers facing this target population.

**SOURCES OF INFORMATION**



- Board minutes



- Interviews with board members
- Interviews with CEO/managing director

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

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INDICATOR **2A24**

**A designated SPM champion/committee sits within the board or reports to the board.**

**RATIONALE**

A designated SPM person or committee ensures the board receives key social performance information, helps challenge the provider when social objectives are not met, keeps the board updated on new trends, resources, SP risks, etc.

**EVIDENCE TO PROVIDE**

Comments column: Refer to names/organizational chart/ToR/minutes to provide evidence of the regular activity of the SPM committee/champion.

**EXAMPLES**

For example, SPM committee (representatives from Operations, HR, Audit, Risk) meets quarterly to assess progress towards social objectives based on a template defined with senior management and the board. One person, the SPM champion – who is the risk manager – is in charge of twice yearly reports to the Board.

**SOURCES OF INFORMATION**



- Board minutes
- Terms of reference for SPM committee /job description for SPM champion



- Interviews with board members
- Interviews with CEO/managing director
- Interview with SPM champion

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

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**INDICATOR 2A31**

**The board formally assesses the CEO/ managing director on achievement of social performance targets annually.**

**RATIONALE**

Assessing the CEO /managing director against social performance targets (in addition to other criteria) sends a strong message regarding their importance.

**EVIDENCE TO PROVIDE**

Comments column: Provide the list of criteria used in the evaluation of the CEO/Managing Director and date of last review

**EXAMPLES**

Examples of evaluation criteria to evaluate the CEO in relation to social criteria:

- outreach to target clients
- client retention rate
- employee retention rate
- client satisfaction
- implementation of an action plan for SPM, within a given period
- corrective action taken by management in relation to market research, by changing a product or service to better fit clients’ needs, etc.

**SOURCES OF INFORMATION**



- Evaluation form if it exists
- Board minutes



- Interviews with board members
- Interviews with CEO/managing director

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

**INDICATOR 2A41**

**When preparing for periods of institutional growth and change (in legal form, ownership, leadership, target clients, products), the board has a documented strategy to prevent mission drift.**

**RATIONALE**

The board should safeguard the institution’s social mission at all times, but particularly during periods of major change that make the institution vulnerable to “mission drift” (e.g., serving relatively wealthier clients over time).

Major changes may include legal transformation, bringing in new investors, introducing new products, target clients, and/or geographic expansion.

**EVIDENCE TO PROVIDE**

Comments column: Specify the document where the strategy is laid out.

**SOURCES OF INFORMATION**



- Board minutes
- Strategy/business plan



- Interviews with board members
- Interviews with CEO/managing director

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

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INDICATOR **2B11**

**The provider's social goals and targets are included in the business plan or operational plan.**

**RATIONALE**

It is important to include social goals and targets in the business or operational plan to ensure that they are integrated into the institution's strategic decisions, planning and operations.

**EVIDENCE TO PROVIDE**

Comments column: Specify the sections of the business plan that refer to the social goals and targets. Give concrete examples.

Scoring guidance: Verify consistency with **1A31**, **1A32** and **1A33** – if the answer is 'no' to these indicators, then the answer here is most likely 'no'.

In the case where the provider defines only one social goal and target and it is included in the business or operational plan, the answers under Essential Practice **1A3** may be 'partially', and the answer under **2B11** may be 'yes'.

If the provider defines several social goals and targets, but only one is included in the business plan, then the answer is 'partially'.

**SOURCES OF INFORMATION**



- Strategy/Business plan
- Operational plans



- Interviews with CEO/managing director

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

INDICATOR **2B12**

**Senior management analyses social performance results and compares them to targets, at least annually.**

**RATIONALE**

An institution cannot truly know how it is performing against its social targets unless it measures and monitors its performance in a regular, objective, and deliberate way.

**EVIDENCE TO PROVIDE**

Comments column: Specify which elements of the social strategy are being analyzed and compared to targets. The results being analyzed should correspond to the defined social goals.

Scoring guidance: Verify consistency with **1A31**, **1A32** and **1A33** – if the answer is ‘no’ to these indicators, then the answer here is most likely ‘no’.

**SOURCES OF INFORMATION**



- Management reports



- Interviews with CEO/managing director
- Interviews with SPM champion

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

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**INDICATOR 2B21**

**Senior management assesses the following social performance-related risks at least annually:**

- Mission drift and reputational risk
- Incidents resulting in harm to clients
- Client exit or dissatisfaction
- Employee dissatisfaction
- Incentives that can lead to negative behaviors among employees
- Lack of transparency on prices, terms, conditions for clients
- Gender inequalities and/or discrimination

**RATIONALE**

Social performance risks are an integral part of a complete risk management framework. Indeed, many social performance criteria can serve as warning signs of crisis, institutional and operational weaknesses.

**EVIDENCE TO PROVIDE**

Comments column: Specify how risks are assessed (frequency, by whom). Refer to management reports and/or give examples cited in interviews with senior management.

Scoring guidance: Risk assessment may be done by a dedicated manager, a specific committee or across different operational areas.

If there is evidence of regular (at least once a year) risk assessment, with the intent of identifying social performance risks, the answer is ‘yes’.

If risks are assessed in an ad hoc way, but with no real intent to manage them, the answer is ‘no’.

If risks are assessed in an ad hoc way (i.e., no formal or aggregated report), but with intent to manage social performance risk, the answer is ‘partially’.

**EXAMPLES**

Mission drift and reputation risk – monitor levels of targeted clients (women, rural, youth, poor); market studies to assess provider’s image in the market

Incidents resulting in harm – monitor client complaints; analyze staff misconduct; abusive/aggressive collection practices

Client exit or dissatisfaction – conduct satisfaction surveys, analyze reasons for client exit

Incentives that can lead to negative behavior – review incentive schemes annually to check for unintentional, negative consequences (e.g., client recruitment incentives that lead employees to recruit clients who already have loans with multiple institutions)

Lack of transparency – ensure audit interviews clients to assess knowledge of terms and conditions

Gender inequalities/discrimination – analysis of gender breakdown of staff, remuneration discrepancies

**SOURCES OF INFORMATION**



- Management reports, reports to board



- Interviews with CEO/managing director
- Interviews with SPM champion / committee
- Interviews with internal audit/risk management

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

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INDICATOR **2B22**

**Internal audit and/or risk management integrates social performance criteria into their regular activities.**

**RATIONALE**

Internal audit and/or risk departments have the job of identifying gaps that pose a risk to the institution. They tend to focus on financial and operational risks, but there are risks that are more closely related to an institution’s ability to serve clients effectively. These risks should be integrated into the verification framework.

**EVIDENCE TO PROVIDE**

Comments column: Specify which criteria are integrated into the audit framework.

**EXAMPLES**

Verify the audit check list used for branches/front offices: do they include client interviews and check on issues like client understanding of terms and conditions? (Verify consistency with **4B34**) Collections practices and staff conduct? (Verify consistency with **4C51**) Uniform application of complaints handling procedure? (Verify consistence with **4E32**)

Does the audit team verify repayment capacity analysis? Use of credit bureau information? (Verify consistency with **4A15**) Is the client data collected under 1B1 validated by internal audit? (Verify consistency with **1B14**)

See examples of social performance risks to monitor (Table 13) and how it can be done (Field Examples 22 and 23) in USSPM [Implementation Guide](#) (page 94-95).

**SOURCES OF INFORMATION**



- Audit check lists, audit reports



- Interviews with internal audit / risk departments

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

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INDICATOR **2B31**

**The CEO/managing director formally assesses senior managers on their achievement of social performance targets annually.**

**RATIONALE**

Incentives can have a powerful impact on performance. Assessing senior management against social performance targets sends the message that they are a priority.

**EVIDENCE TO PROVIDE**

Comments column: list the criteria used in assessments.

**EXAMPLES**

See Table 14. Examples of Social Targets for Senior Managers in USSPM [Implementation Guide](#) (page 96).

**SOURCES OF INFORMATION**



- HR policy
- Staff evaluation forms (filled in)



- Interviews with the CEO
- Interviews with HR
- Interviews with senior managers

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

INDICATOR **2C11**

**The provider's hiring process assesses a candidate's commitment to the provider's social goals, and abilities and willingness to meet social performance-related job requirements.**

**RATIONALE**

Building an institutional culture that is aligned with the social mission starts with the hiring process. Recruitment procedures should screen candidates who fit the institution's culture and values.

**EVIDENCE TO PROVIDE**

Comments column: Specify the elements in the recruitment procedure that allow the provider to assess commitment to the social mission.

**EXAMPLES**

Depending on the provider's social mission, the institution may seek out candidates with relevant experience in communities with similar target clients, customer service responsibilities, willingness to travel to rural areas, and ability to speak a local language.

See Table 15. Examples of Employee Positions and Related SPM Duties in USSPM [Implementation Guide](#) (page 98).

**SOURCES OF INFORMATION**



- HR manual
- Interview guide for recruitment



- Interviews with HR

## ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS

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INDICATOR **2C21**

**The provider trains employees regularly, given its size and turnover, in order to ensure employee commitment to its social goals.**

**RATIONALE**

Training imparts new skills, ensures a shared culture, and promotes commitment to the mission. Larger and fast growing institutions or those with high turnover (>20%) need more frequent training so that all new employees have a shared understanding of their roles and responsibilities, including carrying out the social mission.

**EVIDENCE TO PROVIDE**

Comment column: Refer to training plans, training materials, interviews with staff, and how social goals are integrated.

Scoring guidance: If a standardized generic training module for trainees and trainer exist, but there is no specific reference to the provider's social mission and goals, the answer is 'no'.

For fast growing service providers, refresher trainings should be offered to most staff at least annually to ensure that these concepts are reinforced and new trends, policies, and practices related to social goals can be presented to existing staff. For slower growing institutions, every two years is reasonable.

**EXAMPLES**

See Table 16. Example of Employee Responsibilities in USSPM [Implementation Guide](#) (page 99) and Field Example 24. Finca Microfinance Bank Ltd. Evaluates Employees on Customer Care (page 100).

**SOURCES OF INFORMATION**

- Training plans, training material



- Interviews with HR
- Interviews with employees at HQ and branches

## ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS

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INDICATOR **2C22****Employee performance appraisals include social performance factors, such as:**

- Customer service
- Ability to recruit target clients (e.g., women, remote, rural communities, etc.)
- Sensitivity to gender discrimination and other types of discrimination
- Quality of social data collection
- Client retention
- Portfolio quality
- Quality of non-financial services provided (if applicable)

**RATIONALE**

Performance appraisals can help reinforce institutional culture and values. Providers can use existing employee evaluation methods to assess employees on social performance responsibilities, as a way to encourage commitment to social goals.

**EVIDENCE TO PROVIDE**

Comments column: Specify the appraisal criteria that are related to social performance factors.

Scoring guidance: If only one element in the list of details is taken into account in the performance appraisals, but it is done thoroughly, then the answer can be 'yes'.

However, if the only element taken into account is portfolio quality, the answer is 'no'.

Verify consistency with **2C231**. If the answer to **2C31** is 'no', then it is likely to be 'no' here too.

**EXAMPLES**

See Box 8. Example Social Variables for Incentivizing Employees in USSPM [Implementation Guide](#) (page 102).

**SOURCES OF INFORMATION**

- HR manual
- Appraisal form



- Interviews with HR
- Interviews with field employees

**ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS**

**INDICATOR 2C31**

**Employees are incentivized on both financial and social performance criteria (see indicator 2C22).**

**RATIONALE**

Indicator 2 C 2 2 focuses on evaluating employees based on social performance criteria. This indicator focuses on incentives. Incentives can have a powerful impact on performance and send a strong message about the importance of what is being incentivized.

**EVIDENCE TO PROVIDE**

Comments column: Specify the main points of the incentives policy.

Scoring guidance: Verify consistency with **2C22**. If the answer to **2C22** is ‘no’, then it is likely to be ‘no’ here too.

Combine analysis with **2C41**, **3B54** and **4E33** on the incentive/bonus structure.

**EXAMPLE**

See Field Example 26. ESAF Rewards Staff for Achieving SPM Targets in USSPM [Implementation Guide](#) (page 106).

**SOURCES OF INFORMATION**



- HR manual
- Incentives policy



- Interviews with HR
- Interview with operations manager
- Interviews with loan officers

## ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS

INDICATOR **2C32**

**The provider reviews incentive schemes at least annually to check for unintended social performance consequences (e.g., recording inaccurate client data to reach targets for poor clients; growth targets weighted more than social targets, leading to overemphasis of financial performance).**

**RATIONALE**

Incentive schemes can sometimes lead to unintended consequences, encouraging employees to act in a way that has negative affects on clients or the provider. Incentives schemes should be reviewed annually.

**EVIDENCE TO PROVIDE**

Comments column: Specify when the incentives schemes were last reviewed and whether they are reviewed regularly or on an ad hoc basis.

Scoring guidance: Verify consistency with **2C42**. If there is no review of incentive schemes at all, the answer to both is 'no'. However, it is possible that incentive schemes are revised annually based on market conditions, but not necessarily revised with unintended social consequences in mind. It is possible to score a 'no' here and a 'yes' for **2C42**.

**EXAMPLES**

See Table 17. Factors for Internal Audit to Examine When Reviewing Your Staff Incentive System and Table 18. Essential Questions to Answer When Reviewing Your Staff Incentive System in USSPM [Implementation Guide](#) (page 104).

**SOURCES OF INFORMATION**

- Incentives policy



- Interviews with HR
- Interviews with operations manager

ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS

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INDICATOR **2C41**



The provider has a **policy** and documented **process** in place to determine **sales and define caseload targets and monetary incentives** for credit staff (if used), including flags for caseload levels that signal high risk.

**RATIONALE**

Overly ambitious productivity targets can lead to lower service quality, weaker credit analysis and increased risk of client over-indebtedness. It is therefore important to identify thresholds for caseload levels. When productivity levels surpass these thresholds, the provider should look into them and take corrective action as needed. The high performance may be due to an efficient loan officer, but it also could indicate over-selling to reach targets.

**DEFINITION**

Caseload refers to the number of clients ("cases") per loan officer.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The provider's productivity targets are reasonable as compared to industry benchmarks\* for similar organizations operating in similar conditions.*
- *The incentive systems value portfolio quality at least as highly as other factors, such as client growth. Targets are aligned with context so that they are achievable.*
- *If loan officer salaries are comprised of a fixed and a variable portion, the fixed portion must represent at least 50% of total salary and it must constitute a living wage.*

**EVIDENCE TO PROVIDE**

Comments column: Specify caseload targets and thresholds that signal high risk.

Scoring guidance: Verify that analysis is consistent with **3B51** on aggressive sales. If there is a policy with targets in place, but no thresholds for casehold levels that signal high risk, then the answer is 'partially'.

Combine analysis with **2C31**, **3B54** and **4E33** on the incentive/bonus structure.

**EXAMPLES**

The following are Smart Campaign guidelines for productivity levels— each provider should set benchmarks that are specific to its context.

**Individual lending (loans per Loan Officer):**

- Green Zone (low risk to clients): below 200
- Yellow Zone (moderate risk to clients): 200-300
- Red Zone (high risk to clients): > 300

**Solidarity group lending:**

- Green Zone: below 350
- Yellow Zone: 350-500
- Red Zone: > 500

**SOURCES OF INFORMATION**



- Credit policy



- Interviews with operations
- Interviews with branch managers,
- Interviews with loan officers

## ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS

## INDICATOR 2C42



The provider **reviews incentive schemes** at least annually to assess whether they are reasonable in comparison to industry benchmarks and market risks.

**RATIONALE**

Market conditions evolve, with competition, regulation, political and economic fluctuations. Changing conditions both in the market and inside an institution (employee growth, new products, etc.) create a need to revise targets and incentives, to keep them appropriate and realistic. For example, if a provider incentivizes LOs with PAR30 <5% and productivity targets of 250 clients per LO, when the average for the MF sector in that country is 100 clients per LO, then the incentive scheme might be pushing LOs to issue less-than-high quality loans.

Incentive schemes should be revised annually.

**EVIDENCE TO PROVIDE**

Comments column: Specify when the incentives schemes were last reviewed.

Scoring guidance: Verify consistency with **2C32**. If there is no review of incentive schemes at all, the answer to both is 'no'. However, it is possible that incentive schemes are revised annually based on market conditions, but not necessarily revised with unintended social consequences in mind. It is possible to score a 'yes' here and a 'no' for **2C32**.

**EXAMPLES**

See Box 10. Example Incentive Structure that Balances Portfolio Growth/Size and Quality in USSPM [Implementation Guide](#) (page 103).

**SOURCES OF INFORMATION**

- Incentives policy



- Interviews with HR
- Interviews with operations manager
- Interviews with branch managers
- Interviews with loan officers

## DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

Alinus

INDICATOR **3A11**

**The provider conducts market research before introducing or modifying products. The research covers the following:**

- The characteristics of target clients
- Need/preferences for products
- Need/preferences for delivery channels
- Potential barriers to access products

**RATIONALE**

Products and services are still often standardized, based on what the sector knows how to do rather than what clients need. Providing high-quality, well-adapted services requires first understanding the financial lives and behaviors of target clients through market research, and then designing the product.

Market research is the study of clients and non-clients to identify financial needs, preferences, behaviors and barriers to accessing services.

**EVIDENCE TO PROVIDE**

Comments column: Specify the most recent market research done (and refer to related reports if available)

Scoring guidance: If the provider relies on informal discussions with loan officers, analysis of loan requests, or ad hoc surveys with clients or staff to collect client feedback, the answer is 'partially'.

If the provider has conducted studies with a sample of clients and non-clients or using focus groups, the answer is 'yes'.

**EXAMPLES**

See Table 19. Market Research Techniques in USSPM [Implementation Guide](#) (page 110) and Field Example 27. Microfund For Women Uses Mixed Research Methods to Evaluate Microinsurance Product (page 111)

**SOURCES OF INFORMATION**

- Market research reports
- Product descriptions



- Interviews with marketing/ prod development
- Interviews with operations

**DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES**

INDICATOR **3A12**

**The provider analyzes results of market research by client characteristics.**

**RATIONALE**

Segmenting market research data by client characteristics gives insight into the specific needs of different client types and allows for more tailored products.

**EVIDENCE TO PROVIDE**

Comments column: Specify the characteristics used to segment the market research (age, education, gender, employment status, etc.)

**EXAMPLES**

See Table 20. Segmentation Variables in USSPM [Implementation Guide](#) (page 113).

**SOURCES OF INFORMATION**



- Market research reports



- Interviews with marketing/ prod development
- Interviews with operations

DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

Alinus

INDICATOR **3A21**



The provider conducts satisfaction surveys or other systematic means of gathering feedback on client satisfaction with products, services and delivery channels, at least annually.

- Surveys are done at least once a year
- Surveys cover a representative sample of clients

**RATIONALE**

Regular client feedback is essential for making sure products meet client needs. Satisfaction surveys or other systematic ways of collecting feedback provide insight into how products are used, perceived and appreciated by clients. These insights serve to design appropriate products.

**DEFINITION**

A representative sample accurately reflects the entire client population and allows the collected results to be generalized. This requires a sample large enough, with random selection. A sample size of 250 is generally sufficient. Check here <https://www.surveymonkey.com/mp/sample-size-calculator/> to calculate the representative sample size. You will need to fill in the confidence level (recommended: 90%) and margin of error (recommended: 5%)

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The provider management uses results of client feedback to improve products and services.*
- *Measures are discussed, implemented, and monitored, and records of these actions exist. The provider evaluates the clients' ability to interact effectively with the technologies it uses to provide services and information.*

**EVIDENCE TO PROVIDE**

Examples of other systematic means of gathering feedback include client focus group discussions, or meetings between clients and employees to discuss client satisfaction.

Comments column: Specify the date of the most recent satisfaction survey or other form of client feedback. Specify example of changes made based on client feedback. Specify the sample size of the most recent satisfaction survey.

Scoring guidance: If the survey focuses on specific products, the sample may be focused only on the users of these products. For general satisfaction surveys, a representative sample should be used.

Verify consistency with **4E34**, which also refers to satisfaction surveys.

**EXAMPLES**

Refer to the USSPM [Implementation Guide](#): Box 6. Selecting a Sample Size (page 66) and Field Example 29. Ujjivan Collects Satisfaction Data Face-To-Face (page 121) and resources icon on p.116.

**SOURCES OF INFORMATION**



- Client satisfaction reports



- Interviews with marketing/ prod development
- Interviews with operations

DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

Alinus

INDICATOR 3A22



The provider analyzes product usage by client characteristic and investigates the reasons for dormancy, drop-out and cancellation.

**RATIONALE**

Understanding **which types of clients** (men, women, urban, rural, by sector...) **use different products** provides insight into client preferences.

**Client drop-outs/dormancy** represent lost investment for a provider and thus come at a cost. A high incidence of exits or inactive clients can indicate dissatisfaction, although it is natural for a certain percentage of clients to leave a provider when they no longer need services, when they move, or obtain access to a formal institution offering different services. Providers need to have an approximate idea of how many clients are leaving (or inactive) and why: are they dissatisfied or has financial access worsened their socio-economic situation?

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The provider analyzes data from insurance products to assess their value to clients and client satisfaction. Data should include: product uptake, claims ratio, claims rejection ratio, renewal rate, coverage ratio, demographics of those covered, complaints ratio, average time for claim's resolution, reasons for lapses in coverage and rejection of claims.*

**DEFINITION**

**product uptake = coverage ratio** | *Number of clients enrolled ÷ Target population* - Very high uptake of a voluntary product may signal undue pressure; low uptake may indicate poor value or that product is not being offered consistently

**claims ratio** | *Total claims paid out ÷ Total premium paid in* - Very low indicates low value for money; too high, and the product may not be sustainable

**claims rejection ratio** | *Number of claims rejected ÷ Number of claims solicited* - High claims rejection may signal misunderstanding and/or poor service

**renewal rate** | *Number of renewals ÷ Number of potential renewals* - Low renewals may signal bad experiences, lack of notice about opportunity to renew demographics of those covered: Gender, age, socioeconomic status

With a voluntary product, uptake only among certain demographics may indicate unmet needs in other groups

**complaints ratio** | *Number of complaints ÷ Number of enrolled clients* - High complaints suggest a problem with the product; zero complaints suggests clients do not know how to complain or channel is inappropriate

**average time for claims resolution** | *Time from insured event (or claim filing) to resolution* - Long delays can erode product value

**EVIDENCE TO PROVIDE**

Comments column: Refer to reports that analyze product usage by client characteristic. Specify how dormancy/drop-outs data is collected, and with what frequency it is analyzed.

Scoring guidance: Verify consistency with **4E34**, which also refers to drop-out data.

**EXAMPLES**

Refer to the USSPM [Implementation Guide](#), Box 12. Example Exit Survey Questions (page 118), Box 13. Using Exit Data To Inform Product Design And Improve Operations (page 119), and resources icon page 117.

**SOURCES OF INFORMATION**



- Drop out surveys
- Complaint reports
- Satisfaction and / or exit surveys



- Interviews with marketing/ prod development
- Interviews with operations

DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS’ NEEDS AND PREFERENCES

INDICATOR **3B11**



A policy is in place that defines how the provider will offer suitable products and services through appropriate channels, including designing products, services and channels and monitoring their suitability.

**RATIONALE**

Having a formal policy on how suitable products and services will be provided ensures that the provider has reflected on the product development and client feedback process. A policy should explain the methodology used for product development and how client feedback is gathered and used, to ensure products are suitable to clients’ needs.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The provider considers design and delivery suitability when products and services are designed or offered through a third-party provider.\**

*\*includes insurance companies, mobile network operator agents, money transfer companies, business correspondents*

**EVIDENCE TO PROVIDE**

Comments column: Specify the policy, including when it was adopted and last revised.

**EXAMPLES**

See Smart Campaign tools and resources website for an [example of a board-approved policy](#).

**SOURCES OF INFORMATION**



- Product development policy
- Product suitability policy



- Interviews with marketing/ prod development
- Interviews with operations

**DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES**

INDICATOR **3B12**



**Credit products are designed to require principal to be paid down regularly and or with flexible repayment schedules based on client cash flows.**

**RATIONALE**

Repayment schedules should match the cash flows of target clients and their activities to facilitate repayment. The only credit products that may not require principal to be paid regularly are loans with bullet payments (often agricultural loans associated with seasonality).

**EVIDENCE TO PROVIDE**

Comments column: If any products do not fit the criteria, specify the product and why.

**SOURCES OF INFORMATION**



- Product descriptions



- Interviews with marketing/ prod development
- Interviews with operations
- Interviews with field staff

DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

Alinus

INDICATOR **3B13**



**A policy is in place to ensure fair collateral requirements that do not create severe hardship for clients.**

- The provider has a list of assets or goods that cannot be pledged as collateral. The list is based on local norms and includes items that would create severe hardship or total loss of income earning ability for the client.
- Collateral valuation is determined based on a verifiable market price/resale value. The credit committee or second level approval verifies the collateral valuation.

**RATIONALE**

Collateral requirements are part of product design. They should align with target clients' access to physical collateral and/or guarantors. Collateral should not include items that would create severe hardship or deprive the client of the ability to earn income. "Soft" collateral reduces entry barriers for the poor and excluded and can foster a relationship of trust between FSPs and clients.

**ADDITIONAL SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The provider does not collect "mandatory" savings from clients other than as cash collateral, and cash collateral may not exceed 10% of loan disbursed.*
- *Collateral value as percentage of loan amount is not excessive.\**
- *Collateral documents (such as title deeds) are returned to clients after the loan is repaid.*

*\*There are no set guidelines, but in general, for small loans, the collateral value should not exceed 200% of the loan amount.*

**EVIDENCE TO PROVIDE**

Verify that a list of assets exists. Discuss with loan officers how collateral valuation is done.

Comments column: Specify where collateral requirements are defined. Briefly describe the collateral valuation process.

Scoring guidance: If no physical collateral is used, the answer can be a 'N/A'. In this case, ensure consistency with other collateral-related indicators: **3B21** and **4C34**

**EXAMPLES**

Assets that deprive borrowers of their basic survival capacity: goods that are necessary for day to day living, such as clothing, housewares required to feed a household; telephone; bed; radiators.

Land titles are generally not appropriate collateral for small loan and are an example of over-collateralizing a loan at great risk to the client. However, in some contexts, this is allowed by law and therefore the law prevails. In these cases, auditors can highlight the risk to clients and suggest that the provider seeks out more appropriate forms of collateral.

**QUESTIONS FOR CLIENTS**

Do you know anyone who has had difficulties repaying the loan? What has happened? Do you think this is fair?

**SOURCES OF INFORMATION**



- Product descriptions
- Credit manual



- Interviews with operations
- Interviews with loan officers
- Interviews with legal department



- Client focus groups (optional)

## DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

INDICATOR **3B14**

**The provider trains staff so that they fully understand how to determine whether products, services and channels are suitable for specific clients, and for lending staff, that collateral policies are understood.**

**RATIONALE**

A provider can have perfectly designed products, but in order for clients to benefit from them, staff must be able to assist them with choosing the appropriate products and options. This means making sure that employees master the different product features and are able to match clients with the right products/services.

**EVIDENCE TO PROVIDE**

Comments column: Specify how employees are trained on product features. If there are tests in place to verify employee understanding, make note of it.

Scoring guidance: If training is not formal or done in an ad hoc way (e.g., during discussion in credit committee, meetings at the branch or regional level), but is effective (i.e., loan officers interviewed can easily describe products and suitability), then the answer can be 'yes'.

If no physical collateral is used, the answer can be a 'N/A'

**SOURCES OF INFORMATION**

- Training materials for loan officers



- Interviews with HR
- Interviews with loan officers

## DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

Alinus

INDICATOR **3B21****Products, services and delivery channels are appropriate for the target population in terms of:**

- Size (e.g., small minimum loan and saving size)
- Guarantee and/or guarantor requirements (e.g., soft or flexible physical collateral, financial books not necessary)
- Loan repayment schedules, savings withdrawal conditions (e.g., compatible with the cash-flows of the target populations)
- Loan/saving/insurance/ payments/remittances product use (i.e., compatible with the target clients' activities)
- Methodology and technology used for delivery
- Other (please specify)

**RATIONALE**

Providers working with populations who are financially excluded should offer client / SMEs a range of financial and non financial products and services that meet 3 key challenges of 1) financial inclusion (3B21), 2) limiting vulnerability (3B31) and 3) providing economic investment (3B41).

To address the first challenge of financial inclusion, products should minimize barriers to entry by allowing for small amounts, guarantees adapted to the assets of economically excluded populations, repayment schedules aligned with the target clients' activities and accessible delivery methods/ channels (e.g., credit/ debit cards, mobile banking, points of service, agents), soft guarantees for SME, etc.

**EVIDENCE TO PROVIDE**

Comments column: Specify how products are designed to promote financial inclusion. For example, are loan sizes or savings sizes small enough to be accessible to poor clients? Are guarantee requirements for SMEs soft enough to include informal SMEs? Do repayment schedules make sense given the cash flows of rice farmers? Are there efforts to adapt delivery methodology or channels to meet specificities of the target population?

Scoring guidance: Verify consistency with **3B13** on collateral requirements.

**EXAMPLES**

See pages 123-127 in the USSPM [Implementation Guide](#) for examples of how features of products, services and delivery channels can be adapted to the target population.

**QUESTIONS FOR CLIENTS**

Did your last loan meet the needs for your last business activity? If not, why not?  
What about the loan duration and size of the loan? Did it satisfy your needs? Why or why not?

**SOURCES OF INFORMATION**

- Strategy/business plan
- Credit manual
- Product descriptions



- Interviews with operations manager
- Interviews with marketing/ product development



- Client focus groups (optional)

DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS’ NEEDS AND PREFERENCES

Alinus

INDICATOR **3B31**

**The provider offers products and services that help reduce client vulnerability and cope with common emergencies, such as:**

- Emergency loans
- Rescheduling or restructuring of loans when appropriate
- Savings, including but not limited to products with an easy withdrawal process (e.g., easy withdrawal in case of emergency)
- Voluntary insurance (see examples in Tip Box)
- Payments/remittances services
- Training services, including women’s empowerment, business, health and other educational services
- Funds or reserves earmarked in case of collective disaster
- Other (please specify)

**RATIONALE**

Reducing vulnerability calls for financial and non-financial services that allow clients to cope with common risks and emergencies. Understanding clients’ situations through market research makes it possible to design products that allow clients to manage risks.

**DEFINITIONS**

**Emergency loans** may be labelled as such, or may be “regular” loans that can be given over a short term (less than 3 months), a very fast turnaround time, and that do not require a specific purpose, to allow clients to quickly address unforeseeable circumstances.

**Types of voluntary insurance** include: credit life, life, home owners, agriculture, health, workplace

**Funds or reserves earmarked in case of collective disaster:** resources from the FSP dedicated to answer to collective emergency faced by its clients (fire, flood, draught, etc.)

**EVIDENCE TO PROVIDE**

Scoring guidance: Make sure the response to **3B31** on rescheduling is consistent with **4C33**.

Having compulsory savings does not count as compliance. Savings must be voluntary and withdrawals easily accessible.

**SOURCES OF INFORMATION**



- Credit and Other Product Manual
- Client satisfaction survey
- Market research reports



- Interviews with operations manager
- Interviews with marketing/product development manager



- Client focus groups (optional)

## DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

Alinus

INDICATOR **3B32**

**The provider's lending policies state that the institution should lend in local currency to the extent possible, to protect clients from foreign exchange risk.**

**RATIONALE**

Foreign currency loans increase client risk due to devaluation risk. If the provider has access to local currency funding and the borrower's operations are only in local currency, then loans should be in local currency. If the clients activities are linked to foreign currencies (exportation for example), then foreign currency loans can make sense. In this case, the provider should make sure the borrower knows the risk, and repayment capacity analysis should take into account devaluation risk.

**EVIDENCE TO PROVIDE**

Please indicate the share of the portfolio in foreign currencies and how foreign exchange risk is addressed/ explained to clients.

Scoring guidance/N/A: Score N/A if there is no foreign currency lending

**EXAMPLE**

See Field Example 33. Friendship Bridge Manages Foreign Exchange Risk in the USSPM [Implementation Guide](#) (p. 128).

**QUESTIONS FOR CLIENTS**

Do they receive loans in hard currency? and what is the currency used for their business (local or same hard currency)? Did the FSP explain how devaluation or valuation of the currency can affect their loan?

**SOURCES OF INFORMATION**

- Credit manual
- Product descriptions



- Interviews with operations manager
- Interviews with financial manager



- Client focus groups (optional)

## DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

Alinus

INDICATOR **3B41**

**The provider offers a diverse or flexible set of products/services which can be used by clients to invest in economic opportunities and address anticipated household needs at each life cycle stage, such as:**

- Business loans (start-up, working capital, investment)
- Loans for life events (e.g., weddings, funerals)
- Saving services such as youth savings, saving plans for life events (weddings/funerals, etc.), housing savings, etc.
- Loans for education
- Other (please specify)

**RATIONALE**

A wide range of well-adapted products can translate into a wide range of possibilities for clients to seize economic opportunities and anticipate household needs.

**EVIDENCE TO PROVIDE**

Comments column: Specify the product's purpose and terms that allow it to fit with productive/life cycle needs.

**EXAMPLES**

Providing wide range of business loans may mean making higher-risk loans for the provider in investing in innovative sectors, value chains or start-up.

Short-term loans with monthly repayment are poorly suited to many productive activities. Providers are better positioned to serve artisan and agricultural sectors, for example, by adapting terms, conditions and loan amounts to the specificities of these sectors.

The provider can also offer loans to entrepreneurs, linked with non financial services for business skills. Examples of other products include : home improvement loans or housing loans, fixed term deposits, leasing options, pension services, loans for agriculture, enterprise skills development, business development services, SME loans, checking accounts, etc.

**SOURCES OF INFORMATION**

- Credit manual
- Product description



- Interviews with operations manager, branch managers



- Client focus groups (optional)

## DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

INDICATOR **3B51**

The provider defines "aggressive sales" and levels that trigger additional monitoring.

**RATIONALE**

Aggressive sales techniques can be particularly damaging for low-income clients and those with limited financial capability, as they may be likely to buy products based more on sales pressure than on actual product "fit."

Aggressive sales may include:

- Telling clients that there is a time limit on a specific offer ("you must sign today, because the price will go up tomorrow")
- Continuing to pursue a client who has clearly declined a product
- Discouraging or preventing clients from consulting with a trusted person, from reading product information, contract, etc.
- Arguing, being hostile, or condescending toward the client
- Intimidating or threatening the client ("if you don't purchase life insurance, you are going to look like you don't care about your family")
- Requiring all group members to renew a loan, with no option for one of the members to opt out

**EVIDENCE TO PROVIDE**

Comments column: Specify how the provider defines aggressive sales and caseload targets that trigger additional monitoring.

Scoring guidance: Verify that analysis is consistent with **2C41** and **3B54** on caseload targets.

**EXAMPLE**

The following is an example of the kind of evidence to provide for this indicator, it is not a prescribed benchmark: *"Targets and limits for the MFI are set depending on branch age: New branches: 175 (target) - 375 (limit) new clients per month; 300 (target). Nb of clients / LO 450 (limit). All others: 100 (target) - 200 (limit) for new members per month; 350 (target) - 500 (limit) for clients/LO."*

**SOURCES OF INFORMATION**

- Credit policy



- Interviews with operations
- Interviews with branch management, loan officers

**DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES**

INDICATOR **3B52**



**The provider trains staff not to use aggressive sales techniques and to respect clients' right to refuse products.**

**RATIONALE**

Training ensures that staff are aware of what are considered aggressive techniques, as well as trained in what are the recommended or acceptable sales techniques for that provider.

**EVIDENCE TO PROVIDE**

Training material should explicitly refer to aggressive sales. Role plays are particularly valuable in demonstrating what aggressive sales look like.

Comments column: Specify which training modules address aggressive sales

**SOURCES OF INFORMATION**



- Training materials for loan officers



- Interviews with HR
- Interviews with loan officers

DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

INDICATOR **3B53**



The provider has a mechanism of rigorous and regular monitoring of front line staff and third-party sales techniques (e.g., agents, insurance companies or money transfer companies) to impede aggressive sales. When 'red flags' are raised, it triggers corrective measures.

**RATIONALE**

Aggressive sales can be monitored by verifying loan officer productivity trends. Trends should be analyzed at least monthly. Internal audit can also verify that policies on productivity levels are respected. Higher than average productivity could trigger visits to the loan officer's newest clients, to ensure sales were consensual.

**EVIDENCE TO PROVIDE**

Comments column: Specify the monitoring mechanism.

**QUESTIONS FOR CLIENTS**

Do you know anyone who felt pressured to take a product or service? What happened?

**SOURCES OF INFORMATION**



- Internal audit checklist



- Interviews with operations
- Interviews with branch management, loan officers
- Interviews with audit



- Client focus groups (optional)

## DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

INDICATOR **3B54**

**The provider's incentive/bonus structure does not promote aggressive sales.**

**RATIONALE**

An incentive or bonus structure that encourages unrealistically high productivity can lead to aggressive sales.

**EVIDENCE TO PROVIDE**

Talk to field staff to assess how realistic current productivity incentives are, and whether there is a risk of pushing aggressive sale techniques.

When data are available, compare productivity ratios like number of loans per loan officer (data in the SPI4 Social Dashboard) with peers in the region or country, taking data for the FSP's closest competitors).

Check with the professional association or MIX market (subscribers only) for productivity data on peers.

Comments column: Briefly describe the relevant features of the incentives scheme that demonstrate that it does not promote aggressive sales.

Scoring guidance: Verify that analysis is consistent with **2C41** and **3B51** on caseload targets.

Combine analysis with **2C31**, **2C41** and **4E33** on the incentive/bonus structure.

**SOURCES OF INFORMATION**

- Incentives policy
- Productivity ratios



- Interviews with operations
- Interviews with branch management, loan officers

## DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

INDICATOR **3B55**



**The provider does not use deceptive marketing techniques.**

### RATIONALE

Deceptive marketing techniques can be particularly damaging for low-income clients, whose precarious financial situations can badly suffer from ill-informed buying decisions.

### EVIDENCE TO PROVIDE

Verify any “bundled” products, like insurance. Hiding mandatory insurance is considered deceptive. Insurance can be mandatory but the terms must be properly disclosed. Other examples of deceptive marketing: disclosing only interest rates (and not fees and commissions or other fees) in marketing materials; using old pricing information; disclosing only the most advantageous conditions (for the most loyal clients, for example).

Comments column: Specify how the provider avoid deceptive marketing (clear information on bundled products, training of staff, mention in the code of ethics, etc.).

### QUESTIONS FOR CLIENTS

Do you know anyone that felt surprised by something related to the product after agreeing to it? Cheated? Confused? What happened?

### SOURCES OF INFORMATION



- Leaflets and promotion materials
- Website



- Interviews with operations
- Interviews with branch management, loan officers



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR 4A11



The provider defines the maximum percentage of a borrower's disposable income that can be applied to debt service, including debt from the provider and other lenders, and uses this amount in determining maximum loan amounts and terms.

**RATIONALE**

A debt service ratio, also known as the maximum debt threshold, is the maximum percentage of a borrower's disposable income that can be applied to paying the loan instalment. It helps prevent over-indebtedness by making sure that the provider has included all known sources of debt into their calculations of client repayment capacity, in an effort to ensure that the client has enough income to repay the loan

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *Guarantees, guarantor income and/or insurance coverage are not the main basis for loan approval.*
- *Clients are prohibited from borrowing on behalf of another person.*

**EVIDENCE TO PROVIDE**

Comments column: specify the percentage and how/where it is defined.

**EXAMPLES**

There are different ways to calculate a debt service ratio, depending on what is in the numerator and denominator. **The following are only examples: the debt service ratio depends on the market context and the Smart Campaign does not prescribe a maximum or minimum amount.**

- $\text{Net monthly profit} / (\text{Monthly installments on all the household's loans} + \text{installment for this future loan}) = \text{Debt coverage} > 130\%$  for the business and  $> 100\%$  when including household expenses
- $\text{Monthly installment} / \text{Household surplus} < 80\%$  (for maturities of 6 months); 60% for longer maturities

**SOURCES OF INFORMATION**

- Credit manual, credit appraisal form



- Interviews with loan officers

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR 4A12



The loan approval process evaluates repayment capacity through a cash flow analysis and review of client indebtedness. The analysis considers income, expenses and debt service related to business and family and any other sources, including informal sources.

**RATIONALE**

Robust repayment capacity analysis is the best way to assess creditworthiness and avoid client over-indebtedness. It should include careful analysis of the borrower's existing cash flow, with considerably less emphasis on additional cash flow anticipated as a result of any new borrowing.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The repayment capacity analysis is refreshed at each loan cycle to identify changes in the client's situation.*
- *For loans with a group guarantee, due diligence may be conducted by the provider or group members. For group loans without group guarantees, the provider carries out a repayment capacity analysis for each borrower.*

**EVIDENCE TO PROVIDE**

Make sure to verify that cash flow analysis considers both business and family related income and expenses. Verify a sample of the calculations of capacity analysis in a few client folders during the branch visits to ensure that the maximum debt service ratio is being adhered to and that the capacity analysis is reasonable and complete. Check calculations in several client files for adherence to loan approval process.

**EXAMPLE**

See resources icon in the USSPM [Implementation Guide](#) (p. 136) for links to examples of loan evaluation forms and training materials.

**QUESTIONS FOR CLIENTS**

Ask clients to describe the loan approval process.

**SOURCES OF INFORMATION**

- Credit manual, credit appraisal form



- Interview with operations, branch managers, loan officers



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4A13



The loan approval process involves at least one staff member other than the one directly involved in the client relationship (e.g., senior loan officer, branch manager, credit committee).

**RATIONALE**

The loan approval process should not rely solely on the credit officer in order to ensure a harmonized approach to repayment capacity analysis. Having a staff member who does not have a direct relationship with the client—such as a branch manager or designated credit committee—should be required to approve the loan amount and terms.

**EVIDENCE TO PROVIDE**

Scoring guidance: if the loan approval process involves other staff besides the loan officer, but there are exceptions, please note the exceptions. If these exceptions appear to present very low risk of fraud and/or over-indebting the client, the answer may still be 'yes'.

**SOURCES OF INFORMATION**

- Credit manual



- Interview with operations, branch managers, loan officers

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4A14



The provider has a policy that defines when clients are permitted to prepay loans. If prepayment is allowed, a cooling off period between two loans is required.

## RATIONALE

Repaying a loan in advance may be a sign of borrower problems, or may create problems by allowing clients to overborrow or “bicycle” loans. Having a policy on prepayment and a cooling off period reduces this risk.

## DEFINITION

**Cooling off period:** an interval time between settling a loan and taking a new one.

**Prepayment:** Refers to reimbursement of a loan before the end of the loan term, such as a client who takes a 12 month-loan but wants to repay it completely by the 8th month. For example, if a client reimburses her 12-months loan after 8 months, does she have to pay full interest on the 12 months? Partial interest on the remaining 4 months? Or is interest waived? Some FI have penalties for early repayment, to compensate for the loss of interest income, while others reward early repayment with rebates.

## EVIDENCE TO PROVIDE

Scoring guidance: if there is a policy on prepayment but it does not include a cooling off period, the answer is 'partially'.

If the provider's policy is that prepayment is not allowed, the answer is 'yes'.

If prepayment is allowed and no cooling off period is required but in practice (1) all new loans need CEO approval, or (2) no renewal loans are authorized during what would have been the original loan cycle, the answer can be 'yes'.

## QUESTIONS FOR CLIENTS

Can you repay a loan early and take a new loan? Do you have to wait or is it immediate?

## SOURCES OF INFORMATION



- Credit manual



- Interview with operations, branch managers, loan officers



- Client focus groups (optional)

**TREAT CLIENTS RESPONSIBLY**

Alinus

INDICATOR **4A15**



**The provider has a rigorous internal control process to verify the uniform application of policies and procedures about client underwriting, and it can produce evidence of corrective measures taken in case of partial or incorrect implementation.**

**RATIONALE**

Internal audit / risk management's role is to ensure uniform application of the policies and procedures.

**EVIDENCE TO PROVIDE**

Comments column: Specify how audit/risk verifies the loan approval process, and any actions that have been taken to solve incorrect implementation.

**EXAMPLES**

FSP X's policy states that internal audit will check 5% of client files annually to ensure calculations are correct and adhere to policy.

FSP Y's internal controls unit visits each branch at least twice a year and double checks 10 client files each time.

**SOURCES OF INFORMATION**



- Internal audit manual or checklist



- Interview with internal audit/risk

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4A16



All new staff are trained on loan analysis and the credit approval process and all credit staff receive refresher trainings annually.

**RATIONALE**

All new credit staff should be trained and regularly refreshed on the credit process, to ensure quality and uniform analysis.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *If due diligence is conducted by group members, groups are trained on how to conduct due diligence and relevant loan criteria.*

**EVIDENCE TO PROVIDE**

The indicator applies to credit staff.

Comments column: Specify date of most recent trainings.

Scoring guidance: This indicator refers to new credit staff. If new credit staff are trained but there are no annual refreshers, the answer is 'partially'. Annual refreshers may take the form of formal classroom trainings, on-line learning, or may occur during regular branch or regional meetings (as long as there is evidence that the credit approval process is addressed).

**SOURCES OF INFORMATION**

- List of trainings conducted in the last year
- Credit manual
- Group training material



- HR, operations, branch managers, loan officers

## TREAT CLIENTS RESPONSIBLY

Alinus

## INDICATOR 4A21


**Policy and documented process requires:**

- [credit bureau] Timely reporting to credit bureaus and use of credit reports systematically in the approval process for all loans.
- [no effective credit bureau] The provider shares data with competitors and uses data from competitors in loan approvals, as feasible in local context.

**RATIONALE**

An effective client repayment analysis requires information about client's outstanding debt and credit history.

**EVIDENCE TO PROVIDE**

Scoring guidance/N/A: In general, one of the details under this indicator should be a N/A. If there is a credit bureau, then the first detail must be answered yes/no/partially. In this case, the second detail should be answered N/A.

If there no credit bureau, then answer N/A to the first detail. In this case, the second detail must be answered with yes/no/partially.

**SOURCES OF INFORMATION**


- Credit manual



- Operations, branch managers, loan officers

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4A31



**The provider's loan officers and branch managers monitor portfolio quality at least monthly to identify areas with high risks of over-indebtedness. Analysis is done by branches, products and client segments.**

**RATIONALE**

In contexts of high-overindebtedness, portfolio quality should be monitored more closely, to react quickly to potential issues of over-indebtedness. Examples of high risk factors include: multiple borrowings, lack of effective credit bureau, high growth, high penetration rates of other FSPs, high competition, or growth models of geographic expansive vs. concentration, disaster situations, political conflict, major economic downturns.

**EVIDENCE TO PROVIDE**

Comments column: Specify the frequency of PAR reports. Specify how reports are segmented (by branches, products, clients).

Scoring guidance: If PAR is monitored at least monthly but there is no breakdown by branch, products, clients, or only one of these, the answer is 'partially'. In this case, make sure to note what element of analysis is missing.

**SOURCES OF INFORMATION**

- Reports on portfolio quality



- Interviews with Operations, branch managers, loan officers

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR 4A32



The provider's senior management and the board of directors review results related to over-indebtedness in the market and the provider's portfolio quality at least quarterly. Measures to prevent over indebtedness are discussed, implemented, and monitored and records of these actions exist.

**RATIONALE**

Management and Board should review and analyze portfolio quality reports (non-performing loans, rescheduled loans, write-offs) on a regular basis—at least quarterly

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The provider has a policy on sustainable target growth rates considering the provider's growth capacity and the markets being targeted.*
- *When a risk of systemic over-indebtedness arises in the market, the provider adopts risk mitigating policies, such as slower growth, more conservative loan approval criteria, or limits on total number of loans an individual can have at one time from multiple providers.*
- *The provider defines PAR levels that trigger additional internal monitoring and response.*

**EVIDENCE TO PROVIDE**

Comments column: Specify the frequency of portfolio quality reports. Specify the documents (minutes, reports) that shows Board/management awareness of over-indebtedness and any measures taken to prevent it.

**SOURCES OF INFORMATION**

- Management reports
- Board or executive committee meeting's minutes



- Interviews with Board members, CEO/MD

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4A41

**Total credit risk:**

- Has not averaged more than 10% during any quarter in the past 3 years, including the most recent quarter.
- Has exceeded 10% at any point in the past 3 years or in the past quarter, and the provider demonstrates that corrective measures have been put in place.

**RATIONALE**

Analysis of credit risk indicates sound portfolio quality.

**DEFINITION**

**Total credit risk** is calculated as total PAR30 + 12 month write off ratio + rescheduled loans, and should not exceed 10%.

Rescheduled loans are loans whose term has been modified to permit a new repayment schedule, to either lengthen or postpone the originally-scheduled installments, or to substantially alter the original loan terms, such as loan amount. The term “rescheduled loans” also usually comprises refinanced loans, which are loans that have been disbursed to enable repayment of prior loans for which the client was unable to pay the scheduled installments.

**EVIDENCE TO PROVIDE**

Look at portfolio reports to calculate credit risk, and verify management committee, board minutes or branch level memos to make an assessment of whether corrective measures have been taken.

Scoring guidance/N/A: **One of the details under this indicator must be a N/A.**

Either: credit risk has not averaged more than 10% in the last 3 years, and in this case, the answer to the first detail is ‘yes’ and the second detail should be N/A.

Or: credit risk has exceeded 10% in the last 3 years or in the past quarter, then the first detail is N/A and the second detail is yes/no/partially, depending on whether corrective measures have been put in place.

Examples of measures include:

- a change in the loan approval process
- revising the debt threshold
- enhancing the indebtedness analysis
- suspending disbursements for loan officers who have a too high PAR until they reach a reasonable PAR level
- updating the incentive system

**SOURCES OF INFORMATION**

- Reports on portfolio quality with PAR
- Minutes of the management committee meetings or board meetings
- Memos or circulars shared with the branch

## TREAT CLIENTS RESPONSIBLY

Alinus

## INDICATOR 4B11



**The provider gives clients a Key Facts Document that contains the following information about their loans:**

- total loan amount
- pricing, including all fees
- total cost of credit (all principal, interest and fees) and APR/EIR
- disbursement date and loan term
- repayment schedule with principal and interest amounts, number, and due dates of all repayment installments
- moratorium interest rates.

**RATIONALE**

Transparency on product information is vital for client understanding. The provider should centralize key information on loans to ensure maximum clarity for the clients.

**EVIDENCE TO PROVIDE**

Scoring guidance: All elements are required to score 'yes'. Flexibility can be applied in case of group lending, when clients are given clear and complete passbooks. If information is in the contract and is clearly disclosed, it is acceptable. If most elements are present, then score 'partially'.

Regarding APR/EIR: In markets in which interest rates are quoted in another form (e.g. flat rates, CAT in Mexico, TCEA in Peru, TEAC in Bolivia, etc.) by nearly all providers, the prevailing format may be used in addition to APR or EIR and alongside total cost of credit.

Comments column: If the score is 'partially' or 'no', specify the missing elements.

**EXAMPLE**

See Figure 2. Key Facts Documents for Loan Clients (Sample) in the USSPM [Implementation Guide](#) (p. 144).

**DEFINITION**

**Moratorium Interest Rates:** an additional interest rate that begins to be accumulated on top of the regular interests, after the loan stops being paid.

**QUESTIONS FOR CLIENTS**

Do you know the cost of the current loan? Do you know the level of interest you are paying and the processing fees? Do you know how the interest rate is calculated on the loan?

**SOURCES OF INFORMATION**

- Documents provided to clients at time of loan application
- Loan agreement or passbooks



- Interviews with operations manager
- Interviews with loan officers



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4B12



Loan contracts include all information included in the Key Facts Document, in addition to:

- grace period (if any)
- penalties for arrears or prepayment
- compulsory savings (if any)
- linked products (if any)
- member or guarantor obligations (if any)
- collateral (if any) collateral seizing procedures
- any restrictions on loan use
- cooling off periods
- cancellation rights
- consequences of late payment and default
- and whether terms and conditions can change over time.

**RATIONALE**

The contract should include all relevant information to ensure maximum clarity for the clients.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *Contracts are written in simple language and do not contain illegal clauses.*
- *For loans with a group guarantee or a guarantor, member or guarantor obligations are clearly defined, and communicated to group members or guarantors.*
- *For variable rate loans and loans denominated in a foreign currency different from the main currency of the client source of income, the provider demonstrates that it clearly explains pricing and cost scenarios to the clients, including a pessimistic scenario.*

*Example from Georgia: "Customers who take a loan in foreign currency face significant risks! Changes in currency exchange rates may significantly increase instalments in GEL. In case of annual depreciation of GEL to 15%, the calculated effective interest rate of the loan can go up to XX amount".*

- *If the provider deducts the first payment from principal and fees (i.e. upfront fee, insurance, guarantee deposit), it clearly communicates this to clients before disbursement.*

**EVIDENCE TO PROVIDE**

Scoring guidance: All elements are required to score 'yes'. If most elements are present, then score 'partially'.

Comments column: If the score is 'partially' or 'no', specify the missing elements.

**EXAMPLE**

See resources icon in the USSPM [Implementation Guide](#) (p. 144).

**QUESTIONS FOR CLIENTS**

Do you have a copy of your loan contract? Are there things in the loan contract you do not understand? Do you think this is a problem? Do you know what happens if you can't repay your loan?

**SOURCES OF INFORMATION**

- Loan contract



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4B13


**Savings documentation includes:**

- fees (including closure fees)
- interest rate and how amounts will be calculated
- minimum and maximum balances
- and whether deposits are governmentally insured

**RATIONALE**

Savings documentation should centralize key information to ensure maximum clarity for the clients. Any conditions that may lead to penalties or fees (like minimum balances), should be clearly disclosed to avoid unpleasant surprises for the client, which can erode their trust in the provider.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *Savers are informed of timing, conditions and fees for accessing their savings and equity shares, if relevant.*
- *If savings are used as cash collateral for loans, the documentation available to the client specifies whether and how savings can be used in case of default.*

**EVIDENCE TO PROVIDE**

When savings are used as cash collateral, make sure that clients are aware, and under what circumstances.

Scoring guidance/N/A: All elements are required to score 'yes'. If most elements are present, then score 'partially'.

If the provider does not offer savings, then score 'N/A'.

Comments column: If the score is 'partially' or 'no', specify the missing elements.

**EXAMPLES**

See the USSPM [Implementation Guide](#) Table 25. Transparency Policies and Procedures for Four Products (page 143).

**QUESTIONS FOR CLIENTS**

Do you know the interest that you earn on savings? What is the amount you can save each week? What is the minimum amount you need in your account? Are there any fees?

**SOURCES OF INFORMATION**


- Savings contract



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

INDICATOR **4B14**

**Providers make the same effort to educate clients about their products, whether the products are sold as voluntary, mandatory or bundled.**

**RATIONALE**

It is not uncommon for providers to bundle credit life insurance with a loan, which basically makes it mandatory. Providers should take special care to inform clients of these kind of products, so that clients understand how to use them.

**EVIDENCE TO PROVIDE**

This indicator is especially relevant for providers that require clients to take mandatory credit life insurance with their loan. Make sure the conditions of the credit life policy are clearly communicated to clients. When possible, talk to clients to see if they know that they have this life insurance product and whether they understand it.

**QUESTIONS FOR CLIENTS**

Did your loan come with any extra services? Which ones? Do you know how they work?

**SOURCES OF INFORMATION**

- Documents provided to clients at time of loan application
- Group training material, if any



- Interviews with operations manager
- Interviews with loan officers



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4B15



**Clients initiating or receiving money transfers and other payment transactions are provided the following information, when applicable:**

- amount paid by sender in sender's currency
- estimated exchange rate
- amount to be received in the destination currency
- fees- instructions for collecting money
- cancellation conditions
- instructions for resolving errors
- transaction confirmation
- taxes (if any) and
- linked products (if any).

**RATIONALE**

Money transfers and payments, even when through a third party provider, should follow the same rules of transparency as other products. International transfers can be particularly confusing due to exchange rates.

**DEFINITION**

**Payment transactions** can include bill payments and airtime top-up to mobile phone providers.

**Linked products** refer to any products that automatically come with the loan, such as credit life insurance premium, compulsory savings. If a compulsory savings is required to access a loan, this is considered a linked product and the terms and conditions must be specified in the contract (interest rate, accessibility of savings, whether the savings can be used in case of default).

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *Documentation that lists all fees, terms, taxes and cancellation conditions is accessible for clients of any payment service provided at the provider's agent (such as: money transfers, bill payments, airtime top-up, and deposit withdrawal).*

**EVIDENCE TO PROVIDE**

In the case of international transfers, make sure the exchange rate and currency conversion is clear.

Scoring guidance/N/A: All elements are required to answer 'yes'. If most elements are present, then score 'partially'.

If the provider does not offer transfers, then score 'N/A'.

Comments column: If the score is 'partially' or 'no', specify the missing elements.

**SOURCES OF INFORMATION**

- Documents provided to clients at time of transfer or payment



- Observe documentation/signs/posters in branch office with terms and conditions for transfers
- Interviews with operations manager
- Interviews with branch staff



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR **4B21**

**A documented process is in place to communicate information related to the product or service (on product terms, conditions and pricing, including contracts) before the client signs or renews it.**

- The provider gives clients adequate time to review the terms and conditions of products, ask questions, and receive additional information prior to signing contracts. The client has an opportunity to decline the product (loan + insurance combination in the case of bundled products).
- Upon signing, clients receive a signed copy of contract with no blank spaces. This applies to group products as well as individual. Digital services should be embedded into account opening documents for ease of client processing.

**RATIONALE**

Clients need time to review product information, to compare options, and to ask questions so that they can make informed decisions. Clients should receive product documentation that they can take home and review before the sale—many times, a client will want to share product information with a trusted person (e.g., spouse) prior to signing.

Having a signed copy of the contract ensures clients have proof of their contractual obligations to the provider and vice versa.

**EVIDENCE TO PROVIDE**

Verify that the client communication process is documented somewhere (ex., policy, operations manual, training materials).

Clients should have at least 24 hours to review the the terms and conditions, except in the case of an emergency loan.

Comments column: Specify at what point the clients get a chance to review terms and conditions, and for how long.

**QUESTIONS FOR CLIENTS**

How much time were you given to review the details of the loan and ask questions prior to signing the contract? Do you feel this was enough time? Has there ever been a time when you or someone you know did not understand something about the contract? Did you ask the staff (or anyone else) about it? Was further information provided? Did the information resolve your problem? Do you have a copy of your loan contract?

**SOURCES OF INFORMATION**

- Credit policy or operations manual (for savings, insurance, payment products)



- Observe loan files to verify signed contracts
- Interviews with operations manager
- Interviews with loan officers



- Client focus groups (optional)

TREAT CLIENTS RESPONSIBLY

INDICATOR 4B22



A documented process is in place to provide clients with regular and on-demand information on account balances. Information is accurate and clear.

**RATIONALE**

Clients should have access to accurate and clear account information at all times.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The provider gives clients receipts via email, paper, or text message (SMS) for every transaction. Appropriate format varies with channel and with client capability.*
- *For loans with a group guarantee or a guarantor and group savings accounts, each member in the group or guarantor receives notification of the total balance of the account at least quarterly. Clients are permitted to review the account activity upon request.*

**EVIDENCE TO PROVIDE**

An on-demand mechanism can be provided through online or mobile banking. Lower tech options include answering customer inquiries over the phone and in-person.

Comments column: Specify how clients receive information on account balances.

**SOURCES OF INFORMATION**



- Credit policy or operations manual (for savings, insurance, payment products)



- Observe transaction receipts



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

INDICATOR **4B31**

The provider's public information supports informed decision making by clients.

**RATIONALE**

Making information on products, terms and conditions publicly available gives clients the opportunity to check and compare prices.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *Basic product information on product and service features, including pricing, is displayed and visible in branches (e.g., posters, brochures, pamphlets) and should be readily available and proposed at agents.*
- *The provider discloses the pricing information in the public domain (e.g., website and branches) using the common standard for quoting interest rates (APR or EIR). In addition, the provider can also disclose other formats in markets in which interest rates are quoted in another form by nearly all providers (e.g. flat rates, CAT in Mexico, TCEA in Peru, TEAC in Bolivia, etc.).*
- *Marketing materials provide pricing information that is consistent with ultimate product terms and conditions.*

**EVIDENCE TO PROVIDE**

Make sure product information (e.g. annual nominal interest rate, fees, penalties, etc.) is visible in branches for clients.

Comments column: Specify how product information is made publically available: posters, brochures, website, newspaper, radio, etc.

**SOURCES OF INFORMATION**

- Website



- Posters/ documentation in branches



- Client focus groups (optional)

**TREAT CLIENTS RESPONSIBLY**

Alinus

INDICATOR **4B32**



**The provider participates in industry transparency initiatives, if available.**

**RATIONALE**

Participation in market-wide transparency initiatives will increase the likelihood of practicing client protection on a level playing field. This is because it is difficult to be the “first mover” in a market—for example being the first provider to quote interest rates on a declining balance when others quote flat rates.

Transparency initiatives may be organized by a regulator or a national association, and may include efforts to publish interest rates, standardize interest rate calculations, create standards for transparency in advertising, or standardize contract language.

**EVIDENCE TO PROVIDE**

Scoring guidance/N/A: If no transparency initiative exists, score ‘N/A’.

Comments column: If score is yes or partially, specify the initiative.

**SOURCES OF INFORMATION**



- Interview with CEO/managing director

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4B33



Staff are trained to explain pricing, terms and conditions to clients and verify client understanding in accordance with policies, and they demonstrate this understanding in practice. They receive refresher trainings annually.

**RATIONALE**

Staff should be trained on how to talk to clients in a way they understand. Verifying client understanding is an important part of effective communication.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The provider communicates all information related to products and policies to clients in plain language; information is not hidden in legalese or small print.*
- *The provider communicates all information related to products, services and policies to clients in the local language and at an appropriate level given financial literacy limitations. For less literate clients, oral communication supplements written information.*

**EVIDENCE TO PROVIDE**

Scoring guidance: If staff are trained but there are no annual refreshers, the answer is 'partially'.

Comments column: Specify how staff are trained.

**EXAMPLES**

FSP X has its customer service representatives, who handle disbursement, verify client understanding of terms and conditions verbally during the disbursement process.

FSP Y uses its loan officers to read the contracts to clients with literacy and/or financial capability limitations, making the exchange a series of questions and answers so that the clients can ask questions and the loan officers can verify understanding.

**SOURCES OF INFORMATION**

- Training materials



- Interview with HR
- Interviews with branch managers, loan officers

## TREAT CLIENTS RESPONSIBLY

INDICATOR **4B34**

**The provider has and uses an internal control process to verify uniform application of policies and procedures related to transparency.**

**RATIONALE**

As with all policies, it is important to ensure uniform application by conducting regular audits or controls.

**EVIDENCE TO PROVIDE**

A provider may not have a stand alone transparency policy, but transparency checks can still be integrated into existing audit checklists. Auditors or internal controllers can verify client understanding and complete product documentation during client visits, or out-going calls to clients as part of satisfaction surveys.

Scoring guidance: If the internal audit process does not include client interviews to verify understanding then the score should be partially.

Comments column: Specify the internal control process used to verify transparency policies.

**SOURCES OF INFORMATION**

- Audit checklists



- Interview with internal audit/  
internal control

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR **4C11**

The code of conduct (or equivalent) clearly spells out organizational values, standards of professional conduct and treatment of clients that are expected of all provider or third-party provider staff or agents. Policies also spell out what sanctions to apply in case of a breach of the code of conduct.

**RATIONALE**

An institutional Code of Conduct (or Code of Ethics) helps employees practice fair and respectful treatment of clients by defining clear standards of professional conduct that they must uphold. A written Code does not guarantee ethical conduct, but it is a first step toward formalizing an ethical organizational culture.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The following behaviors are always prohibited and sanctions are specified in writing and enforced: using abusive language; using physical force; limiting physical freedom; shouting at the client, entering the client's home uninvited; publicly humiliating the client; violating the client's right to privacy; mistreating a client based on any Protected Categories; using intimidation or threats; sexual or moral harassment.*
- *Fraud and unethical actions (e.g. corruption, theft, kickbacks) are also prohibited. Sanctions in such cases are clear and strictly enforced.*
- *Clients are informed of the provider's standards of professional conduct and the prohibited behaviors mentioned in the code of conduct.*

**EVIDENCE TO PROVIDE**

This indicator has two parts: don't forget to verify the sanctions policy, which ideally should define different levels of sanctions and disciplinary procedures depending on the violation.

Scoring guidance: The provider must have a code of conduct and a clear sanctions/disciplinary policy in case of non compliance with the code.

Comments column: Specify the main sections of the code and sanctions policy.

**EXAMPLES**

See the USSPM [Implementation Guide](#) Box 16. Contents for the Code of Conduct (page 149) and resources icon (page 150). For an example of sanctions protocol in case of a breach of the code, see Field Example 41. ASKI Sanctions Code of Conduct Violations (page 151).

**QUESTIONS FOR CLIENTS**

How would you describe the behaviour of staff towards you? What can you do if you are not satisfied and want to complain about the products, relations with staff, any element related to the FSP?

**SOURCES OF INFORMATION**

- HR manual, sanctions policy
- Code of Conduct



- Interview with HR manager
- Interview with branch staff



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4C12



Human resource policies and procedures reinforce the standards identified in the code of conduct.

**RATIONALE**

Having a code of conduct alone is not enough to make the values “come alive”. HR policies like recruitment, evaluation and training should reflect the standards laid out in the code.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *All staff sign a document acknowledging that they will abide by the code of conduct.*
- *The provider has an effective training program in place to ensure that staff understand and have the skills to implement policies and procedures related to fair and responsible treatment of clients and aligned with the code of conduct. Unacceptable behavior is highlighted.*
- *The provider verifies that third parties (agent network managers, etc.) train their own representatives on fair and responsible treatment of clients. The training is aligned with the provider's code of conduct and spells out unacceptable behavior.*
- *Employee and agent performance evaluations include reviews of adherence to the code of conduct, ethical behavior, and the quality of interaction with customers.*

**EVIDENCE TO PROVIDE**

Check employee files (or employment contract) to verify if staff sign a document acknowledging that they have read, understood and agree to abide by the code of ethics. Check the performance evaluation form to see if adherence to the Code or living the company values is included in the performance evaluation.

Comments column: Specify the elements in the HR policies that support the code (training modules, performance evaluations, etc.). Training material should be clearly point out the standard of conduct staff is expected to follow.

**SOURCES OF INFORMATION**

- HR manual
- Training materials
- Employee files
- Performance evaluation template



- Interview with HR manager
- Interview with branch staff

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR **4C21**

**Protected Categories include: ethnicity, gender, age, disability, political affiliation, sexual orientation, caste, and religion.**

**RATIONALE**

The provider should implement a non-discrimination policy that prohibits client discrimination on the basis of “Protected Categories” of client characteristics. Discrimination is different from targeting clients for inclusion in a program (e.g., loans to women, savings accounts for youth). Targeting generally corrects an existing problem of exclusion, whereas discrimination involves treating a client or potential client differently and less favorably based on personal characteristics or affiliations.

**EVIDENCE TO PROVIDE**

Comments column: Specify the document where non-discrimination policy appears.

Scoring guidance: All elements are necessary for a ‘yes’. If only some of the categories are, the answer is “partially”.

In some countries, sexual orientation is not protected by law, and FSP may be limited in their capacities to be compliant with this non discrimination policy. Either answer ‘yes’ with comment “not allowed by law” if the subject is very sensitive, or answer ‘no’ to raise the point and open discussions.

**EXAMPLE**

See the USSPM [Implementation Guide](#) Box 17. Examples of Discriminatory Policies and Staff Behaviors (page 152).

**QUESTIONS FOR CLIENTS**

Do you know of anyone who has been treated differently by staff? Why do you think that happened? Is it common?

**SOURCES OF INFORMATION**

- Code of conduct
- Credit policy
- Non-discrimination policy



- Interview with HR manager
- Interviews with field staff



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4C22



**Terms and conditions for individuals may differ based on 1) risk-based analysis, 2) target markets defined in the provider's mission, 3) accommodations based on special needs. Such differentiation should be consistently applied, stated in advance and made with the goal of benefitting clients.**

**RATIONALE**

Sometimes, the terms and conditions for products, like the interest rate for example, will differ from one individual to the next. These differences must not be discriminatory, and be based on risk (ex., rural farmers in frequently-flooded areas might be deemed too risky), target market (ex., “our mission is to serve youth in urban areas”) or special needs (ex., a person with limited mobility repays monthly instead of weekly, given her difficulty getting to the branch).

**EVIDENCE TO PROVIDE**

Any price differentiation should benefit the client and be clearly explained. Providers may have differentiated, risk-based pricing based on age.

Scoring guidance: If there is differentiation in terms and conditions and it is consistently applied, the answer is ‘yes’. If there is no differentiation in terms and conditions of products, then the answer is ‘yes’. Any differentiation that is not clearly stated and applied inconsistently warrants a ‘no’.

**QUESTIONS FOR CLIENTS**

Do you know of anyone who has had different product terms than you, for the same product? Why do you think that happened? Is it common?

**SOURCES OF INFORMATION**

- Credit policy



- Interview with operations manager



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR 4C31



A policy is in force that clearly defines appropriate and inappropriate debt collection practices by staff and third parties.

**RATIONALE**

To ensure the responsible treatment of clients during the debt collection process, it is essential for the provider to have written procedures that clearly state inappropriate collections behavior and the sanctions in case of non-compliance. If collections are outsourced, the third-party agency must be expected to follow the same debt collection practices as the provider.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The provider defines what actions should be taken in case of collections. The schedule of collections actions allows time for the provider or contractor to determine the reasons for a client's default.*
- *The provider trains staff and/or group members (if applicable) on the provider's debt collections practices and loan recovery procedures (including actions they are expected to take and those they are prohibited from taking in case of default).*
- *The provider verifies that third parties (agent network managers, etc.) train their own representatives on the provider's debt collections practices and loan recovery procedures.*

**EVIDENCE TO PROVIDE**

Scoring guidance: If appropriate collections are defined (and not inappropriate collections), then the answer is 'partially'.

Comments column: Specify the page or the chapter of the code of conduct or collections policy where appropriate and inappropriate debt collection practices by the staff are indicated.

**EXAMPLES**

See the USSPM [Implementation Guide](#) Field Example 42. Fincomún Introduces A "Collections with Dignity" Policy (page 154) and Field Example 43. Swadhaar Finserve Pvt., Ltd. Code Includes Collections Procedures (page 154).

**QUESTIONS FOR CLIENTS**

Do you know anyone felt uncomfortable with the way the loan officer or collections agent collected their repayment? If yes, what happened?

**SOURCES OF INFORMATION**

- Code of conduct
- Collections policy



- Interview with operations manager



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR 4C32



**The provider trains staff and/or group members (if applicable) on the provider's debt collections practices and loan recovery procedures (including actions they are expected to take and those they are prohibited from taking in case of default).**

**RATIONALE**

Staff and/or third agency (if debt collection is outsourced) must be trained on the debt collection policies. In addition to spelling out processes and identifying prohibited treatment, the training should include skills such as negotiating techniques, understanding customers, managing tensions, and reaching amicable agreements. Role plays are particularly useful for training on collections and recovery procedures.

**EVIDENCE TO PROVIDE**

Training on collections may take place in a classroom setting, and/or as part of on-the-job coaching by senior loan officers.

Comments column: Specify when staff receive training on collections (ex., induction training, on-the-job coaching, ad hoc sessions).

Example: The field staff in collections is encouraged to refer to clients as “clients with late loans” instead of “delinquent clients” in order to avoid the negative connotations and disdain associated with this word.

Scoring guidance: If training is not formalized or only done ad hoc, then score is ‘partially’.

**SOURCES OF INFORMATION**

- HR policy
- Training material
- Operations or credit manual



- Interview with HR manager
- Interviews with loan officers

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4C33



The provider has a policy for rescheduling loans/refinancing/writing off on an exceptional basis.

**RATIONALE**

Rescheduling and write-offs should only happen on an exceptional basis, and not as a routine reaction to delinquency. A clear rescheduling policy ensures clients are treated fairly.

**DEFINITION**

Rescheduled loans are loans whose term has been modified to permit a new repayment schedule, to either lengthen or postpone the originally scheduled installments, or to substantially alter the original loan terms, such as loan amount. The term “rescheduled loans” also usually comprises refinanced loans, which are loans that have been disbursed to enable repayment of prior loans for which the client was unable to pay the scheduled installments.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *The policy lists cases of specific distress under which clients can be granted rescheduling or refinancing (e.g., natural or man-made disaster; major hospitalization, etc.) or under which loans can exceptionally be written off.*
- *The provider reschedules, refinances or writes off loans on an exceptional basis for late clients who have the willingness to repay but not capacity to repay, prior to seizing assets. These are authorized by a higher ranked individual than the one proposing the rescheduling, refinancing or write off.*

**EVIDENCE TO PROVIDE**

Even if the provider states they never reschedule, a rescheduling policy should be in place. For these providers, rescheduling may not be common, but there are inevitably situations where rescheduling happens. It may be the direct decision of the CEO/Managing Director, in which case the policy can describe the exceptional events that may lead to rescheduling and who has the power to grant it.

Comments column: Specify where the policy is defined and a summary of key points.

Scoring guidance: Make sure the response is consistent with **3B31**. This indicator cannot be scored a N/A. If there is no rescheduling policy because the provider ‘never reschedules’, then the answer is ‘no’.

**EXAMPLE**

See the USSPM [Implementation Guide](#) Box 18. Sample Rescheduling Policy (page 153).

**SOURCES OF INFORMATION**

- Credit policy, rescheduling policy



- Interview with operations manager
- Interviews with branch staff

## TREAT CLIENTS RESPONSIBLY

INDICATOR **4C34**

Policy, documented processes and management oversight are in place to ensure that collateral seizing is respectful of clients' rights.

**RATIONALE**

Abuse is more common during collateral seizure, but even delinquent clients have the right to fair and respectful treatment. A collateral seizing policy should specify when and under what conditions seizing is appropriate.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *Clients are informed on collateral seizure processes before they take the loan. The provider follows local regulations to the extent possible. However, if court orders are not feasible for provider to obtain, providers may follow local best practice guidelines. Seizure must be preceded by informing the client and allowing the client to attempt to remedy the default. This applies to group and individual loans.*
- *If the collateral is seized and the value of the collateral exceeds the outstanding principal, accrued interest up to 180 days, any penalty fees and legal costs, the difference is returned to the client.*
- *The provider staff may not force clients to sell their own collateral to pay off their debt.*
- *Collateral cannot be sold to the provider, the staff of the provider, to their relatives, or to third parties involved in the seizing process.*
- *The provider has an internal control process to verify uniform application of policies and procedure related to collateral seizing. The provider can produce evidence of corrective measures taken in case of partial or incorrect implementation of the policies and procedures to ensure an adequate compliance in the practice.*
- *In case collateral is kept in the provider premises, it is kept in a locked room or secure premises, and noted in the contract.*

**EVIDENCE TO PROVIDE**

Comments column: Specify where the collateral policy is defined

Scoring guidance/N/A: If the provider does not accept any physical collateral, then score can be N/A.

**SOURCES OF INFORMATION**

- Credit policy, collateral policy



- Interview with operations manager
- Interview with legal department

## TREAT CLIENTS RESPONSIBLY

INDICATOR **4C41**

**A documented process is in place to avoid fraud related to client savings, and is in line with international best practice.**

**RATIONALE**

The savings processes are particularly susceptible to fraud because it involves the handling of cash. If the provider collects savings, mechanisms should be in place to avoid fraud. For example, staff collecting cash savings deposits must give clients transaction receipts to guard against staff pocketing the deposit.

**EVIDENCE TO PROVIDE**

Comments column: Give examples of how risk of fraud related to client savings is managed.

Scoring guidance: If the provider does not offer savings, then score 'N/A'.

**SOURCES OF INFORMATION**

- Operations manual
- Risk management policies



- Interview with operations manager
- Interview with risk management

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4C42



**A documented process is in place to manage appropriately transactions that are not completed or are incorrectly completed.**

**RATIONALE**

This indicator is particularly relevant to mobile banking transactions. During the money transfer process, sometimes a transaction fails. For example, the mobile network connection might drop, there could be an integration gap among multiple platforms, or clients might be unable to access mobile wallets due to technical problems or user error. Some of these problems lead to risky client behaviors such as leaving cash, personal ID numbers, or mobile phones with an agent to complete a transaction when the networks returns. Providers should establish a process for managing these situations so that fraud does not occur.

**EVIDENCE TO PROVIDE**

A documented process may ensure that if the funds cannot remit within 24 hours, the transaction is canceled and the client is notified. The process should state how to deal with incorrect transactions (ex., a transfer is made to the wrong account), for example having a customer hotline to call in the case of problems

Comments column: Give examples of how fraud related to money transfers is managed.

Scoring guidance: If the provider does not offer money transfers, then score 'N/A'.

**SOURCES OF INFORMATION**

- Operations manual



- Interview with operations manager
- Interview with risk management

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4C51



**The provider has an internal control process to verify uniform application of policies and procedures related to fair and respectful treatment of clients. The provider can produce evidence/records of monitoring/reporting of corrective measures taken in case of partial or incorrect implementation of the policies and procedures to ensure an adequate compliance in the practice.**

**RATIONALE**

Having an internal control process is key to making sure policies and procedures are followed.

**EVIDENCE TO PROVIDE**

Audit may have a dedicated questionnaire to check on client protection issues, or may integrate checks into the audit of other processes. Examples of audit checks may include:

- Checking staff understanding of the Code, for example, through random tests administered to different types of employees (e.g., various tenures, various geographic locations).
- Conducting business/household visits and client interviews on a representative sample of clients each year. Check that clients understand their rights, including the right to respectful treatment from employees, and the right to complain.
- Interviewing exiting clients to investigate reasons for leaving the institution (e.g., inappropriate products, employee behavior, difficulties meeting loan obligations).
- Verifying that employees comply with institutional policies on rescheduling/refinancing loans using client visits and loan files.
- Examining data on insurance claim processing, including promptness of claim settlement, and a sample of claims rejections.
- Examining a case of disrespect toward clients—including client and staff interviews—to determine breakdowns in policies and procedures.

Comments column: Give examples of how audit verifies policies related to fair and respectful treatment of clients. Give information on frequency of audits and extent of verification.

Scoring guidance: If the audit process does not include client visits, then the score should be 'partially'.

**EXAMPLE**

See [VF AzerCredit's Code of Ethics](#): Putting Values into Practice for an example of how one organization monitors their Code of Ethics.

**QUESTIONS FOR CLIENTS**

Have you ever had the visit of an internal auditor, to ask you questions about the products you've taken, staff behavior?

**SOURCES OF INFORMATION**

- Audit reports
- Board minutes



- Interview with internal audit/internal control



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

INDICATOR **4C52**

Management reviews key results (e.g., client satisfaction survey, complaints handling summary) related to fair and respectful treatment of clients. Measures for improvement are discussed, implemented, and monitored, and records of these actions exist.

**RATIONALE**

It is not enough to collect client feedback or conduct internal controls of client protection policies, management must take the time to review results, respond to audit recommendations and make changes, if needed.

**EVIDENCE TO PROVIDE**

Verify consistency with **3A21** on satisfaction surveys, **4E31** on review of complaints reports and **4E34** on analysis of complaints data, satisfaction surveys and reasons for drop-outs.

Comments column: Specify which reports relating to client treatment that management reviews. Give examples of actions taken as a result.

**SOURCES OF INFORMATION**

- Management reports



- Interview with CEO/managing director
- Interview with operations manager

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR 4D11



A policy and documented process are in place to maintain the confidentiality, security, and accuracy of clients' personal, transactional and financial information. They cover gathering, processing, use, distribution and storage of client information.

**RATIONALE**

Clients share very important personal and financial information with the organization. The provider has the responsibility to protect the privacy and confidentiality of this data. The provider must have a privacy policy and procedures that explain how the client data privacy is ensured.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *There are penalties for exposing or revealing client data to third parties (including guarantor and family not party to the account) without prior client consent.*
- *The provider's agreement with third-party providers that have access to client data specifies that these providers will maintain the security and confidentiality of client data. The provider monitors fulfillment of this agreement and takes action when problems are identified.*
- *There is a clear process to safeguard client data when staff leave or are terminated.*

**EVIDENCE TO PROVIDE**

Privacy policies and processes may not be all in one document, but spread out in different operational manuals.

Any third party that gets clients' information—agent network, insurance company, etc.—must also keep client data secure and confidential (verify this in the contract/agreement with the third-party provider).

Comments column: Specify documents that address confidentiality, security and privacy of client data.

**SOURCES OF INFORMATION**

- Privacy policy
- HR manual
- IT manual



- Interview with operations manager
- Interview with IT

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR 4D12



The provider's systems protect against theft or misuse of client data or identity; security breaches, and fraudulent access.

**RATIONALE**

Information systems—whether computerized or not—are vulnerable to misuse and security breaches. Measures should be in place to protect systems, including file storage facilities.

**SMART CAMPAIGN COMPLIANCE CRITERIA**

- *There is a disaster/ downtime recovery plan in place, including a business continuity plan.*
- *Files are maintained in a secure system, whether electronic or in physical format, with protections from inappropriate access, theft and damage.*
- *Data security measures are in place to protect against unauthorized access to data (i.e., passwords, access levels, software infrastructure). IT passwords are changed periodically with different access levels according to the position of the staff member accessing the data.*
- *The provider performs at least daily back ups of its client data.*
- *Employees use of files outside the office is controlled (e.g. they cannot take client files or loan documents to their homes or access the MIS from home), and the provider keeps records of the names of staff who request access to client files.*

**EVIDENCE TO PROVIDE**

Comments column: Specify the systems in place.

**EXAMPLE**

See the USSPM [Implementation Guide](#) Field Example 45. Caja Morelia Valladolid Protects Client Data (page 164).

**SOURCES OF INFORMATION**

- MIS or IT policy



- Interview with IT
- Observation of MIS
- Interviews with branch staff

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4D21



**Starting at the time of the application, clients give their consent before the provider shares personal information with any external audience, including credit bureaus, family members, guarantors, insurance agents, collections companies, and marketing material or other public content. Staff is required to highlight the text of consent signed by a client.**

**RATIONALE**

It is important to get client consent before sharing personal information with outside parties like credit bureaus, insurance companies or collections companies. This encourages a relationship of trust and respect. Providers should also get client consent before using their information for commercial purposes, like "success stories" or photos in an annual report.

**EVIDENCE TO PROVIDE**

Verify that consent is given at time of application since the credit bureau check will be done before signing the contract.

Comments column: Specify when consent is given and if there is a signed consent form.

**EXAMPLE**

See the USSPM [Implementation Guide](#) Box 19. Sample Consent Form for Sharing Client Data (page 162).

**QUESTIONS FOR CLIENTS**

Do you know if the FSP can share your information with any other institutions?

What were you told about what information would be shared and why?

Did you give your permission for this information sharing? Did you have any concerns about it?

**SOURCES OF INFORMATION**

- Credit policy
- Consent form or loan application



- Interview with operations manager
- Interviews with loan officers
- Observation of loan application



- Client focus groups (optional)

TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR 4D22



**Product contracts include a clear, concise explanation of how client data will be protected and how it may be used or shared and with whom, including sharing with a credit bureau.**

**RATIONALE**

The provider has to inform clients about data privacy and consent to the use of their data. The product contracts should have a clear explanation of how client data will be protected, how it might be used or shared, and with whom.

**EVIDENCE TO PROVIDE**

Comments column: Specify elements or sections of product contract addressing how client data is protected and used

Scoring guidance: If client data privacy is mentioned orally but is not in the contract, the score is 'no'.

**SOURCES OF INFORMATION**



- Contract-consent form

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4D23



The provider has an effective training program in place to ensure that staff understand and have the skills to implement the policies and processes related to privacy of client data.

**RATIONALE**

In order to inform your clients on data privacy, first make sure that your staff are well trained on the subject. Client data privacy should be part of staff induction training.

**EVIDENCE TO PROVIDE**

Comments column: Specify how staff are trained on privacy and data security policies (how to talk to clients about privacy and confidentiality, how to keep client information safe, how to keep IT passwords safe).

**EXAMPLE**

See the USSPM [Implementation Guide](#) Field Example 44. SKS and Equitas Protect Client Data (page 160).

**SOURCES OF INFORMATION**

- Training materials



- Interview with HR
- Interviews with loan officers

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4E11



Clients can submit complaints to the provider through someone other than their main point of contact for obtaining the product and that person's supervisor.

**RATIONALE**

Clients should be able to make a complaint to someone other than their regular point of contact or that person's supervisor. This protects the client from retaliation or mishandling of the complaint.

**EVIDENCE TO PROVIDE**

Comments column: Specify the complaints process.

**QUESTIONS FOR CLIENTS**

Have you or someone you know been treated unfairly or with disrespect? Did they complain? To whom? Do they have the opportunity to talk to someone other than their loan officer? Do you know who you can talk to to express dissatisfaction?

**SOURCES OF INFORMATION**

- Complaints manual



- Interviews with operations manager or person handling complaints
- Interviews with branch staff



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4E12



**Mechanisms to submit complaints are adapted to clients' needs and preferences and easily accessible (toll free number, etc.). Suggestion boxes are not sufficient, and at least two channels are available.**

**RATIONALE**

A complaints mechanism should be easily accessible for the majority of clients. Suggestion boxes are not sufficient: illiterate clients cannot write suggestions/complaints, and making a complaint in writing presents the added burden of travel to the branch. Boxes are often placed in plain view in branches, which can make clients feel uncomfortable when using them.

**EVIDENCE TO PROVIDE**

Client satisfaction surveys do not replace a complaints mechanism. A complaints mechanism through the national association is acceptable, as long as clients are aware of it and it is effective.

Comments column: The channels for receiving complaints (a suggestion box can be one of the channels).

Scoring guidance: If there is only a suggestion box, the answer is 'partially' (unless there is evidence that boxes are actively used and are effective).

**EXAMPLE**

The [Smart Campaign's tool How to Design a Complaints Mechanism](#) provides a list of different complaints mechanisms, and analyzes the pros and cons of each.

**QUESTIONS FOR CLIENTS**

How easy is it to submit a complaint? Do you feel like the FSP wants to listen to your questions or complaints?

**SOURCES OF INFORMATION**

- Complaints policy



- Interviews with operations manager or person handling complaints
- Interviews with branch staff



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR **4E13**

**Resolution of complaints is prioritized based on their severity, and almost all complaints are resolved within one month (some exceptions may be permitted due to complexity).**

**RATIONALE**

An effective mechanism allows for a timely response to clients and enables the institution to address both individual and systematic problems. Providers should respond quickly to client complaints, within no more than a month of submission for serious / complicated cases. Some complaints can be resolved on the same day, while others will require follow-up and investigation. The provider should have a timeline for complaints resolution, including realistic but responsive timeframes for dealing with different types of issues.

**EVIDENCE TO PROVIDE**

Comments column: Specify the document where complaint categories are laid out.

**EXAMPLE**

A Complaints & Suggestions Policy may define 3 levels of severity. Levels 1 and 2 must be resolved within 8 days. Level 3 (more severe complaints) must be resolved within a month.

**SOURCES OF INFORMATION**

- Complaints policy
- Complaints reports



- Interviews with operations manager or person handling complaints
- Interviews with branch staff

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR 4E14



**There is a clear and secure system in place so that complaints from branches and (if applicable) agents reach the provider's complaints handling staff and/or management.**

**RATIONALE**

A complaints system refers to the process of recording a complaint in a database, recording the resolution process, and analyzing the database of complaints for trends and institution-wide issues. This system should be as automatic as possible. Each complaint recorded in the internal database should be automatically assigned a reference number.

The database should allow your institution to easily aggregate complaints and analyze them by type (e.g., loan questions, employee misconduct), location, and other relevant factors. Ideally, the database will also generate reports on complaints trends.

**EVIDENCE TO PROVIDE**

Comments column: Specify the system used.

Scoring guidance: If there is no aggregated analysis of complaints on a regular basis then the answer is 'partially'.

If the FSP works with third party providers that directly serve clients (agents networks), it must have a system to receive client complaints that come through these partners. If it has an effective system for its own complaints recording and analysis but does not have a system for receiving complaints from the third party providers, the score should be 'partially'.

**SOURCES OF INFORMATION**

- Complaints reports



- Interviews with operations manager or person handling complaints
- Interviews with branch staff
- Observation of complaints system

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR **4E21**

**Front line staff and agents inform clients on how to submit a complaint during the product application process. This includes how to submit a complaint to a mechanism other than the provider, if available (e.g., self-regulatory organization or public sector ombudsman).**

**RATIONALE**

Clients need to know about their right to complain and how to do so. It is the responsibility of the front line staff to inform clients during the product application process.

**EVIDENCE TO PROVIDE**

Verify if product documentation that is given to clients (brochures, contract, key facts document, etc.) has information on how to submit a complaint.

If the national association has a complaint system or if there is a public sector ombudsman dedicated to consumer protection, this information should be provided as well.

**QUESTIONS FOR CLIENTS**

Have you or someone you know been treated unfairly or with disrespect? Did they complain? To whom? Do you know who you can talk to to express dissatisfaction and how your complaint will be addressed?

**SOURCES OF INFORMATION**

- Any documentation given to clients



- Interviews with operations manager or person handling complaints
- Interviews with branch staff



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4E22



Information on how to submit a complaint is displayed visibly in branch offices, at agents and/or included in product documentation.

**RATIONALE**

Clients may not remember the complaints submissions process if they only hear about it orally. They should be able to find information on how to submit a complaint easily thanks to posters, brochures or text included on product information like the contract, repayment schedule, client passbook, etc.

**EVIDENCE TO PROVIDE**

Comments column: Specify where information is displayed. If the provider gives permission, you can take pictures of posters or displays.

Scoring guidance: To score a 'yes', information can be **either** displayed in the branch or in product information.

**SOURCES OF INFORMATION**

- Documentation provided to clients
- Complaints brochures



- Observation of branch office

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4E23



**Clients are notified when complaints are received and when they are resolved.**

**RATIONALE**

Clients need to know that their complaint has been received and when it is resolved. Turn around time for resolution should be tracked in the complaints system. Management may realize that some easy-to-resolve complaints are taking longer than necessary, and could set goals to reduce the TAT.

**EVIDENCE TO PROVIDE**

Comments column: Specify how and when clients are informed that their complaints have been received and resolved.

Scoring guidance: To score a 'yes', clients must be both informed at time of reception and time of resolution.

**QUESTIONS FOR CLIENTS**

Have you or someone you know ever submitted a complaint? Was the complaint resolved? How?

**SOURCES OF INFORMATION**

- Complaints reports



- Observation of complaints system
- Interviews with operations manager or person handling complaints
- Interviews with branch staff



- Client focus groups (optional)

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4E31



Management regularly reviews KPIs (e.g., percent resolved, average time to resolve) and takes corrective action to resolve mis-handled cases and improve systematic shortcomings.

**RATIONALE**

Analyzing complaints data can highlight trends that can serve to improve products and services over time. For example, if a high number of complaints refer to lengthy waiting times at a particular branch, management may decide to increase the staff at that branch. Frequent complaints on the fees associated with a savings withdrawal may lead to improving staff training and documentation on fee disclosure.

**EVIDENCE TO PROVIDE**

Comments column: Specify frequency of management review of complaints reports and an example of corrective action taken, e.g., *last year, monthly analysis of complaints data identified many complaints that loan sizes were insufficient. As a result, operations is currently developing a new product with higher limits for well-performing clients.*

Scoring guidance: Corrective actions can date back over the last 3 years. If management regularly review data but has made no changes in the last 3 years as a result of the data, then try to understand why (are there not enough complaints? Is the system really effective?).

**SOURCES OF INFORMATION**

- Complaints reports



- Interview with CEO/managing director
- Interviews with operations manager

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4E32



The provider has an internal control process to verify uniform application of policies and procedures for complaints handling, including review of a sample of cases. The provider can produce evidence of corrective measures taken in case of partial or incorrect implementation of the policies and procedures, to ensure an adequate compliance with these in the practice.

**RATIONALE**

Internal audit / risk management's role is to ensure uniform application of the policies and procedures.

**EVIDENCE TO PROVIDE**

Comments column: Specify when audit last verified the complaints mechanism. If the audit made observations to address, verify that corrective measures were taken.

Scoring guidance: If an audit was conducted of the complaints system but corrective measures not taken, the answer is 'partially'.

**SOURCES OF INFORMATION**

- Audit reports



- Interview with internal audit/ internal control

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4E33



**Complaints and their resolutions are taken into account in staff bonuses or performance evaluations.**

**RATIONALE**

Integrating complaints data into performance evaluations ensures that employees take complaints seriously. For example, a performance indicator that could be included into performance evaluations is turn around time for resolving complaints. For example, employees involved in complaints resolution could be incentivized to resolve 90% of all easy-to-resolve complaints within 24h. Or, the performance review may note if the employee has received any justifiable complaints against them.

**EVIDENCE TO PROVIDE**

Combine analysis with **2C31**, **2C41** and **3B54** on the incentive/bonus structure.

Comments column: Specify how complaints are addressed in performance evaluations or incentives. Give examples of questions in performance evaluation that addresses this point.

**SOURCES OF INFORMATION**

- Evaluation forms



- Interview with HR
- Interviews with branch staff

## TREAT CLIENTS RESPONSIBLY

Alinus

INDICATOR **4E34**

The analysis of complaints data, satisfaction surveys and reason for drop-outs contributes to improving operations and services.

**RATIONALE**

Complaints data, satisfaction surveys and drop-outs data are all sources of client feedback that should be analyzed to identify any frequent or repetitive issues. These may indicate systematic problems that go beyond individual complaints and that need to be addressed by operational changes.

**EVIDENCE TO PROVIDE**

Combine analysis with **3A21** on satisfaction surveys, **3A22** on drop outs and **4C52** on management review of key results from satisfaction surveys, complaints handling summary.

Comments column: Specify any changes made based on analysis of client feedback data.

Scoring guidance: The provider must analyze all three items to score score 'yes'.

Improvements can have occurred in the last 3 years. If management regularly reviews data but has made no changes in the last 3 years as a result of the data, then score 'partially'.

**EXAMPLE**

See the USSPM [Implementation Guide](#) Table 28. Example Complaint Trends and Operational or Product Improvements to Address Complaints (page 170).

**SOURCES OF INFORMATION**

- Complaints reports, satisfaction surveys, drop-outs data



- Interview with operations manager

## TREAT CLIENTS RESPONSIBLY

## INDICATOR 4E35



**The provider's complaints handling training covers how the complaints mechanism works, the role of complaints staff, how to appropriately manage complaints until they are resolved, and how to refer them to the appropriate person for investigation and resolution.**

**RATIONALE**

For a complaints mechanism to be effective, employees must be aware of its existence and how to use it. Employees should know how the mechanism works and how to refer clients to the appropriate person/mechanism. Complaints handling should be covered in induction training.

**EVIDENCE TO PROVIDE**

Verify the training materials (induction, refreshers, etc.) to make sure the complaints mechanism is described.

Comments column: Specify the training materials consulted.

**SOURCES OF INFORMATION**

- Training materials



- Interview with HR
- Interview with branch staff

## TREAT EMPLOYEES RESPONSIBLY

Alinus

## INDICATOR 5A11

**The written HR policy is available to all employees and covers employees' rights related to the following:**

- Wages / salary scale
- Benefits (i.e., social protection)
- Working time and conditions, overtime pay or other compensation, rest periods and paid leave
- Safety at work
- Grievance resolution
- Whistle blower policy
- Anti-harassment safeguards
- Disciplinary procedures and possible sanctions
- Freedom of association and provision of any collective bargaining agreements
- Conditions for dismissal and exit formalities
- Non-discrimination

**RATIONALE**

The financial service provider should formalize working conditions and communicate on them transparently to employees. A written Human Resources policy compliant with national law needs to be available to all employees.

The policy should be easily accessible to all employees: each employee should know that the policy exists, what it covers, and where to find the entire policy. The effective dissemination of the HR policy to each employee is a basic indicator of operational management in human resources.

The HR policy should include key elements related to working rules, conditions and benefits, as an indication of the efforts to provide decent work conditions and comply with national law.

**EVIDENCE TO PROVIDE**

In terms of benefits, one can take into account any insurance which is not defined by country law and voluntarily paid by the provider.

Comments column: Explain where the HR policy is available and give the chapter or page where the indicator details are covered. Include how and when the policy was distributed to staff (e.g. last year by email or each revised version is posted to the intranet, etc.)

**DEFINITION**

**Whistleblower** is someone who discloses a policy violation or wrongdoing that they have observed.

**SOURCES OF INFORMATION**

- HR policy, HR Manual



- HR manager and Employees at branch level

## TREAT EMPLOYEES RESPONSIBLY

Alinus

## INDICATOR 5A12

**The following categories are covered by the financial provider's non-discrimination policy:**

- Sex
- Race/ethnicity/national extraction/social origin
- Religion
- HIV status
- Disability
- Sexual orientation
- Political affiliation/opinion
- Participation in a trade union

**RATIONALE**

Equal access to jobs, promotion and trainings is key to being a responsible organization. The provider should have a non discrimination policy which describes employee rights to fair and equal treatment regardless of the employee's sex, race/ ethnicity, religion, HIV status, disability, sexual orientation, etc.

**EVIDENCE TO PROVIDE**

Comments column: Specify the chapter or page of the HR policy where the information on non-discrimination is provided.

Scoring guidance: If the HR department can share evidences showing that there is no discrimination against some groups (gender balance or ethnic diversity in staff for example), and that field discussions show that it is communicated to staff, in recruitment, etc. but it is not formalized, it can be a 'partially'

**SOURCES OF INFORMATION**

- HR policy, HR Manual, code of conduct/code of ethics



- HR manager and Employees at branches

## TREAT EMPLOYEES RESPONSIBLY

Alinus

## INDICATOR 5A13

**The provider has a system in place to verify compliance with national and international legal requirements regarding forced or compulsory labor and when hiring minors; it operates in accordance with national law on minimum age for employment, but in no case employs workers under 14 years old.**

**RATIONALE**

In compliance with international standards for decent work conditions, the provider should not employ any person against his or her will or any person under the minimum age for work established in law and should not do business with enterprises that benefit from forced labor or child labor.

These are fundamental elements to complying with international good practice.

The auditor should verify that a system is in place to ensure compliance with international standards: formalization in HR policy, verification by HR at recruitment, check by audit team.

**EVIDENCE TO PROVIDE**

Comments column: Give the chapter or page of the HR policy that refers to how requirements regarding forced, compulsory or underage labor is described.

Scoring guidance: The focus here is on “system in place to verify compliance”. A “Yes” means that the system is in place but does not guarantee compliance. Any observation of non compliance however should be scored 'no'.

**EXAMPLES**

- Pay special attention to vulnerable groups, including migrant workers, prison laborers, indigenous or tribal peoples, and workers from groups that are significantly discriminated against in the local culture.
- In countries where the school-leaving age is less than 15, the minimum age for full-time work may be set at 14 as a transitional measure, but it should be raised to 15 as soon as the school-leaving age is raised.

**SOURCES OF INFORMATION**

- HR policy, HR Manual, code of conduct/code of ethics



- HR manager and Executive management

## TREAT EMPLOYEES RESPONSIBLY

Alinus

## INDICATOR 5A21

**The provider has a transparent salary scale and pays salaries based on market rates and the national or sectorial minimum wage.**

**RATIONALE**

A transparent salary scale demonstrates a well-thought out human resource policy, and provides a baseline to assess key indicators (such as raises and salary differences between managers and loan officers) for fair and consistent treatment of employees.

Moreover, the provider should pay employees at a wage that is sufficient to provide minimally satisfactory living conditions for the employee in the location where s/he lives. This means compensation is based on market rates or at least the national or local sector minimum wage.

**EVIDENCE TO PROVIDE**

It is difficult to compare salary levels from one country to the next or establish benchmarks for comparison. The salary scale can be defined internally and should present the wage range by job positions.

Employees should have access to the full salary scale (i.e. all the ranges of salary) regardless of their level of compensation.

Comments column: Specify how salaries are established and revised.

Scoring guidance: If employees get only access to the salary scale for their own level, it is a 'partially'. If the provider has a transparent salary scale but not based on market rates and minimum wage, then the answer is 'partially'.

**SOURCES OF INFORMATION**

- HR policy, HR Manual, Salary scale



- HR manager and Employees

## TREAT EMPLOYEES RESPONSIBLY

INDICATOR **5A22**

**Loan officer base pay is at least a living wage.**

**RATIONALE**

Loan officers are the back bone of a financial service provider, but their salary level is often among the lowest in the organization. Offering decent work conditions implies that the provider pays loan officers either the national minimum wage, or, if the country a) does not have a minimum wage or b) the minimum wage is too low to meet basic needs, then then provider should pay what it has defined as a "living wage" in the local context.

**DEFINITION**

A living wage is sufficient to provide minimally satisfactory living conditions in the location where the employee lives. This means that, based on the basic pay (excluding bonus pay), an employee can afford safe housing, sufficient food, clothing, and transportation necessary to perform their workplace and personal duties.

**EVIDENCE TO PROVIDE**

Scoring guidance: If the "living wage" includes a variable part (bonus, incentives), the answer is 'no'. (because in the event the loan officer does not reach his/her targets, s/he is not paid a living wage).

**SOURCES OF INFORMATION**

- Salary scale, HR policy



- HR manager

## TREAT EMPLOYEES RESPONSIBLY

INDICATOR **5A31**

**The provider has a formal grievance mechanism in place that allows employees to raise workplace concerns (e.g., sexual harassment) in a confidential manner.**

**RATIONALE**

To ensure that any breach in decent working conditions is quickly identified, employees should have a formal channel to voice grievances.

**EVIDENCE TO PROVIDE**

Comments column: Explain the channels available to employees to express greivences, and level of understanding/knowledge about them.

Scoring guidance: If there is no formal means to raise concerns in a confidential manner, the score is 'no'.

**EXAMPLES**

The grievance mechanism can be a dedicated phone number, email address, or note box.

See resource icon in the USSPM [Implementation Guide](#) (page 179) for a link to [VisionFund AzerCredit's Staff Grievance Procedures](#).

**SOURCES OF INFORMATION**

- HR policy



- HR manager,  
Branch  
employees

## TREAT EMPLOYEES RESPONSIBLY

INDICATOR **5A32**

**The mechanism is actively used to collect and resolve employee grievances.**

**RATIONALE**

To actually meet the needs of the employees, the grievances mechanism should not just record grievances but be linked to a formal process for addressing and following up on complaints.

**EVIDENCE TO PROVIDE**

Comments column: Specify the number of complaints received as a % of employees in the last 12 months, and give an example of action taken as a result of an employee complaint. If possible, make note of trends in complaints numbers in the last 2-3 years, as this can show if efforts to publicize the mechanism have been effective and whether actions taken to address complaints have effectively reduced their number.

Scoring guidance: Zero complaints on the last year may be a sign that employees do not know about the mechanism or do not feel comfortable using it, so unless the HR manager and employees demonstrate that the mechanisms is fully understood by employees, the score would be 'no' or 'partially'.

**SOURCES OF INFORMATION**

- HR manager, branch employees

## TREAT EMPLOYEES RESPONSIBLY

Alinus

INDICATOR **5A41**

**The provider assesses, at least annually, the health and safety risks that employees face on the job, and investigates, documents, and reports all occupational accidents, injuries or diseases. The results are disaggregated by gender.**

**RATIONALE**

A workplace risk assessment is one of the key tools for improving occupational safety and health conditions at work. It plays an important role in protecting workers and businesses, as well as complying with the laws in many countries. It helps everyone focus on the risks that really matter in the workplace – the ones with the potential to cause real harm.

A risk assessment should be performed at least annually. This assessment is simply a careful examination of what, in the workplace, could cause harm to people. It should identify the hazard and the required control measures.

In addition to conducting risk assessment, management should investigate and document any accidents, injuries or diseases, and analyze results by gender. Tracking work related accidents, injuries or diseases is important but few provider do it unless the national regulations require it. The focus should be on ensuring safety at work and how the provider takes steps to create a safe work environment.

**EVIDENCE TO PROVIDE**

The key to risk assessments is not to overcomplicate the process. In many organizations, the risks are well known and the necessary control measures are easy to apply. A risk assessment shouldn't take too much time nor take up a lot of staff resources. A risk assessment can be done by anyone in the organization.

Comments column: Specify last risk assessment and/or give examples of health and safety risk reports and actions taken.

**SOURCES OF INFORMATION**

- HR policy, HR Manual, Health and safety risk report



- HR manager, Employees and Exec Mgt

## TREAT EMPLOYEES RESPONSIBLY

INDICATOR **5A42**

**Based on this [health and safety risk] assessment, the provider takes necessary measures to mitigate those risks and provides to all employees, free of charge, training, equipment, adjustments to working hours.**

**RATIONALE**

Health and safety risk assessments should result in actions to mitigate risks identified and ensure a safe workplace for employees. Actions to prevent risks should be free of charge for the employees to ensure full protection for all.

**EVIDENCE TO PROVIDE**

Comments column: Detail the actions taken to prevent major risks identified.

**EXAMPLES**

Actions can be linked to training to raise awareness on the risks and share the ways to prevent them, adapted equipment such as helmet for loan officers using motorcycle to visit clients, adapted working hours to avoid traveling late at night with cash.

See the USSPM [Implementation Guide](#) (page 181) Table 29. Example Health and Safety Risks & Training Topic.

**SOURCES OF INFORMATION**

- Health and safety report



- HR management, branch employees

## TREAT EMPLOYEES RESPONSIBLY

INDICATOR **5A43**

**The provider compensates employees who miss work due to work-related injuries.**

**RATIONALE**

When an employee misses work due to work-related injuries, the employee must be compensated.

**EVIDENCE TO PROVIDE**

Comments column: Provide details on how the provider deals with employees absences due to work-related injuries, for example, number of days paid for medical leave due to work-induced health problems.

**EXAMPLES**

Providing all full time employees with accident insurance that covers their time if they are injured during an accident at work.

Having a policy that if a loan officer becomes disabled due to a work place accident, every effort is made to find a different post for them within the organization, such as changing from loan officer to customer service representative in the branch, so that they can continue to work and accommodate their disability.

**SOURCES OF INFORMATION**

- Human resource policy



- HR manager

## TREAT EMPLOYEES RESPONSIBLY

Alinus

INDICATOR **5B11**

**Each employee has a written employment contract and receives clear documentation concerning:**

- Salary level
- Benefits
- Employment conditions

**RATIONALE**

Employees should understand their rights and responsibilities. The provider should provide a written contract indicating the salary level but also a description of their benefits and employment conditions.

**EVIDENCE TO PROVIDE**

Verify employee files and contracts.

Comments column: Specify where information is provided to employees.

**DEFINITIONS**

Benefits (social protection): health insurance, pensions, annual leaves, maternity leaves, etc.

Employment conditions: terms and conditions of employment, such as hours of work, minimum wages.

**SOURCES OF INFORMATION**

- Contract



- HR manager,  
Employees at  
branch

## TREAT EMPLOYEES RESPONSIBLY

INDICATOR **5B12**

**Each employee understands how his/her performance will be evaluated and rewarded by the provider.**

**RATIONALE**

In order to foster a culture of commitment and loyalty, employees should know exactly what is expected of them and how their performance will be assessed and rewarded.

**EVIDENCE TO PROVIDE**

Comments column: Explain how the employee is informed of performance evaluation policies (ex., in the HR policy, during orientation training, documentation in a new employees' package, annual meetings with managers, etc.

Scoring guidance: if only some types of employees have access to this information, or if explanations remain very general without a clear guidance of how the performance will be evaluated, the score will be 'partially'. If a policy is in place but the branch staff can't explain how they are evaluated i.e. they don't understand the system, then the score will be 'partially'.

**SOURCES OF INFORMATION**

- HR policy, employees' evaluation forms



- HR manager, employees in branch

## TREAT EMPLOYEES RESPONSIBLY

INDICATOR **5B21**

All new employees receive an orientation and job-specific training.

**RATIONALE**

Inception trainings allow new employees to assimilate the institutional culture and values, get comfortable in their new position and better understand expectations.

**EVIDENCE TO PROVIDE**

Comments column: Specify on-boarding process of new employees

Scoring guidance: If an inception training is provided but all the contents remain very general and not linked to job specificities (for example, same training for loan officers and for managers, or same trainings for audit staff or marketing staff), the answer is 'partially'.

**SOURCES OF INFORMATION**

- Training plans, training manuals



- HR manager

## TREAT EMPLOYEES RESPONSIBLY

Alinus

INDICATOR **5B22**

**The majority of employees receive ongoing skills training and/or skill development related to their essential job functions, at least annually.**

**RATIONALE**

To ensure that staff understand and perform their work efficiently, feel comfortable in their position, committed to their tasks, and capable of evolving in their job, the provide should offer training at least annually. Training employees is important for their qualifications, job performance, and commitment to the organization.

This includes at least two types of training: 1) ongoing skills training (i.e., training that occurs during the course of the employment (not orientation) that builds skills necessary for their current position and 2) skills development training to facilitate employees' professional development opportunities, such as allowing them to respond to the employer's evolving needs by taking on a new role in the organization.

**EVIDENCE TO PROVIDE**

Comments column: Give examples of recent trainings attended by employees, and the connection with their job functions.

Scoring guidance: Training is sometimes provided for select employees only (such as managers) because it is considered too costly. Verify that trainings are provided to the majority of employees. If some type of employees are not trained, the score is 'partially'.

**SOURCES OF INFORMATION**

- HR policy, Training modules, annual training plan



- Employees, HR manager, training manager

**TREAT EMPLOYEES RESPONSIBLY**

**INDICATOR 5B23**

**The provider evaluates whether unjustified discrepancies exist between the opportunities for training and promotion for different categories of employees (e.g., male/female, management/employees, HQ/branches). And if unjustified discrepancies exist, action is taken to correct them.**

**RATIONALE**

Analysis of training and opportunities for advancement may reveal discrepancies for women, certain levels of employees, employees in remote branches, etc. Identifying these differences is the first step to remedying potentially unequal treatment.

**EVIDENCE TO PROVIDE**

Comments column: Provide examples of discrepancies observed and actions taken to correct them.

**SOURCES OF INFORMATION**



- Training reports



- HR manager

## TREAT EMPLOYEES RESPONSIBLY

Alinus

## INDICATOR 5C11

**In the past 12 months, the provider has completed an analysis of employee satisfaction (including disaggregation of results by gender) and shared the results with the employees.**

**RATIONALE**

The level of employees satisfaction can be a proxy for decent work conditions in the organization. Monitoring employee satisfaction can help ensure the smooth functioning of a team and sends a message that the top management values employee feedback.

The provider should conduct satisfaction surveys regularly, at least annually, on at least a representative sample of employees (i.e., the survey should cover all types of employees).

The results should be disaggregated by gender to understand any discrepancies in perception and satisfaction between men and women, but also potentially between managers and employees, new comers and older staff, permanent and interim staff, staff from HQ and staff from branches, etc..

The results should be shared with the employees to ensure transparent communication and appropriation of the actions proposed and to give a weight to the level of satisfaction of staff.

**EVIDENCE TO PROVIDE**

Comments column: Specify when was the last employee satisfaction survey, and what kind of analysis was done on results.

Scoring guidance: If an employee satisfaction survey has been done in the last 12 months and the results were not analyzed by gender or were not shared with employees, the answer is 'partially'.

**SOURCES OF INFORMATION**

- HR policy, Employee satisfaction survey and report



- Employees, HR manager

## TREAT EMPLOYEES RESPONSIBLY

## INDICATOR 5C12

**Formal satisfaction surveys ask employees to comment on topics such as:**

- Workload
- Employee training
- Communication, participation, and leadership from supervisors
- Other relevant topics

**RATIONALE**

Satisfaction surveys should focus on key issues for staff and should go beyond an assessment of “overall satisfaction” in order to address specific problems that may be eroding staff commitment and loyalty.

**EVIDENCE TO PROVIDE**

Comments column: Provide examples of questions asked and reference to survey template or survey report.

Scoring guidance: Score is ‘partially’ if the questions asked are either too broad (ex., “are you satisfied with your job”), not clearly focused on the issue (ex., a focus on salary instead of workload) or only related to one specific aspect (ex., “were you satisfied with induction training” vs. “rank your satisfaction with your most recent training opportunities”).

**EXAMPLES**

Other relevant topics that may be addressed in satisfaction surveys include employment term (including contract duration and remuneration), career advancement opportunities, physical resources/infrastructure/equipment, communication and teamwork from peers, conflict resolution practices, human resources support services, etc.

**SOURCES OF INFORMATION**

- Satisfaction survey template, satisfaction survey report

## TREAT EMPLOYEES RESPONSIBLY

INDICATOR **5C13**

**Employees are given the option to respond anonymously to satisfaction surveys.**

**RATIONALE**

To ensure reliable and honest results, employees should be able to respond anonymously to satisfaction surveys so that they feel comfortable about being open, and so as not to fear any retaliation, pressure, or any other negative consequences as a result of their openness.

**EVIDENCE TO PROVIDE**

Comments column: Explain how anonymity is guaranteed.

Scoring guidance: If name is not shared but the person in charge of analyzing information can easily identify the respondents (hand written form, hours for answering, etc.) the score will be 'partially'.

**SOURCES OF INFORMATION**

- HR policy, satisfaction survey procedure



- HR manager

## TREAT EMPLOYEES RESPONSIBLY

INDICATOR **5C21**

**The provider gives all outgoing employees the opportunity for an exit interview or to complete an exit form.**

**RATIONALE**

The provider can get valuable information on employees satisfaction even when they leave the organization. It can be useful for the provider to understand what is not working but also what departing employees appreciated, whether they are leaving for a new career opportunity or personal reasons. It also sends the message that the top management has consideration for them, even when the leave the organization.

**EVIDENCE TO PROVIDE**

Comments column: Provide example of exit feedback from recent departing staff

Scoring guidance: if exit interviews are done ad-hoc, depending on the employees or reasons for leaving, the score is 'partially'.

**SOURCES OF INFORMATION**

- HR policy, exit form



- HR manager

## TREAT EMPLOYEES RESPONSIBLY

Alinus

## INDICATOR 5C22

**The provider annually analyzes:**

- Rate of employee turnover
- Reasons for employee exit
- Turnover and exit data by employee segment (e.g., position, gender, branch)

**RATIONALE**

Employee turnover rate is an indication of employees' (dis)satisfaction. It is a potential proxy for decent work conditions. The provider should monitor turnover and understand the reasons for employee exit by analyzing employee exit surveys/interview responses.

**EVIDENCE TO PROVIDE**

Comments column: Specify the employee turnover rate, and how employee exit is monitored and analyzed.

**EXAMPLES**

When voluntary departures are due to better opportunities, the provider should define financial or non-financial incentives to maintain staff. Firing staff may indicate internal weaknesses or lack of respect and/or confidence between the provider and personnel. Departure upon the end of contract may indicate the provider does not offer employees stable contracts.

Analysis by position, gender, branch, etc. may help understand reasons for drop-outs and specific actions to be taken (for remote branches and staff lacking information and motivation from HQ, or for women unable to manage their personal obligations with working hours, for example)

**SOURCES OF INFORMATION**

- Staff turnover analysis, exit survey reports



- HR manager

**TREAT EMPLOYEES RESPONSIBLY**INDICATOR **5C31**

**Senior management regularly checks compliance between HR policies and actual working conditions.**

**RATIONALE**

HR policy may be well defined, but as routine sets in, or with staff rotation or work pressure, the policy may not be fully applied. Senior management must show commitment applying HR policy and it should be audited once a year or when discrepancies are reported.

**EVIDENCE TO PROVIDE**

Comments column: Specify how/when application of HR policies is verified and describe any corrective actions taken if discrepancies were observed.

**EXAMPLES**

Internal audit may do a check on a branch in the event of an increased rate of absenteeism; Board minutes may show that application of HR policy is discussed based on staff satisfaction surveys and HR report.

**SOURCES OF INFORMATION**

- HR manager, Executive management

**TREAT EMPLOYEES RESPONSIBLY**INDICATOR **5C32**

**Senior management has taken corrective action to address issues identified in analysis of employee satisfaction for factors over which the provider has control.**

**RATIONALE**

Employee satisfaction surveys should not turn into an annual opportunity for complaining with no impact on working conditions. Employees should feel listened to and top management should make efforts to address issues raised. Of course, these efforts are necessarily limited to factors that management can control. If employees complain about the travel time to reach the office due to traffic jam or irregular public transportation, the provider may not be able to control the traffic jam but can potentially adopt more flexible working hours for staff to avoid rush hours.

**EVIDENCE TO PROVIDE**

Comments column: Specify examples of corrective actions taken to answer to employees complaints.

Scoring guidance:

If the provider considers he has no full control when it would just require Board approval for example, the answer will be 'partially'.

**SOURCES OF INFORMATION**

- HR manager, Executive management

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

Alinus

INDICATOR **6A11****Target growth rates consider the following external factors:**

- Demand by client type based on market research, credit bureau information, network data or other sources
- Penetration rate / market potential / saturation analysis
- Market infrastructure (e.g., capacity of credit bureau)

**RATIONALE**

Growth targets should reflect the realities of the context and demand. Providers should be careful about getting carried away by the euphoria of growth, which could lead them to ignore risks or external threats.

**EVIDENCE TO PROVIDE**

The business plan should be based on a detailed analysis of the context and should draw on expertise of the board or other stakeholders to identify growth opportunities and risks.

Analysis of the context may include:

- market research to identify client demand
- sector analyses done by the professional association/country network or other actors (consultancy companies, supervisory authorities, World Bank)
- analysis of the number of financial service providers in the areas where there are branches
- use of the [MIMOSA Index](#) for saturation analyses by country
- analyses on the capacity of the credit bureau

Comments column: note the specific factors that are taken into account in setting growth rates.

Scoring guidance: In the second detail, only one of the elements is necessary to score 'yes'.

**EXAMPLE**

See the USSPM [Implementation Guide](#) Table 32. Analyze External Factors to Inform Your Growth Policy (page 196).

**SOURCES OF INFORMATION**

- Strategy/ Business plan, market research reports



- CEO / Managing Director, board of directors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

Alinus

## INDICATOR 6A12

**Target growth rates consider the following internal factors:**

- Internal control and internal audit capacity to manage risk
- Human resource capability, including employee numbers, skills, training, turn-over, workload and productivity
- Management information system quality and capacity

**RATIONALE**

Growth targets should reflect the provider's internal capacity. Does the provider have enough auditors to keep up with growing operations? Can HR keep up with hiring needs? Can the MIS absorb increasing amounts of data? Growth targets should consider the quality of control systems such as risk management, employee training, and MIS capacity.

**EVIDENCE TO PROVIDE**

The business plan or interviews should demonstrate that the provider considers internal capacity when setting growth targets.

Comments column: give examples of internal factors that are taken into account in setting growth rates (e.g., "Operations department analyzes LO productivity to establish the number of new hires needed to meet 2020 targets").

**EXAMPLE**

See the USSPM [Implementation Guide](#) Table 33. Analyze Internal Factors to Inform Your Growth Policy (page 198).

**SOURCES OF INFORMATION**

- Strategy/  
Business plan



- CEO / Managing  
Director, board of  
directors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6A21**

**The provider analyzes growth rates by branch/region**

**RATIONALE**

Detailed analysis of growth rates by branch or region allows the provider to adapt growth targets to potentially different realities across the organization or country. This helps avoid setting targets that can create excessive sales pressure on low volume branches or insufficient targets on areas with high potential.

**EVIDENCE TO PROVIDE**

Verify that management reports or the MIS analyzes growth (loan officer productivity, portfolio growth) by branch and/or region.

Comments column: specify the document or report that produces analysis by branch or region.

**SOURCES OF INFORMATION**

- Management reports



- CEO / Managing Director, operations

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6A22**

**The provider monitors whether its internal capacity is keeping pace with institutional growth, including:**

- Number of employees
- Employee training
- Employee turnover
- Clients per loan officer

**RATIONALE**

Part of balanced growth is making sure that internal capacity of human resources keeps up with institutional growth. A rapidly growing portfolio needs to be accompanied by a growing workforce, to sustain quality control systems and good customer service.

When monitoring internal capacity, providers should pay attention to internal audit findings, with a specific focus on new and high growth branches. Monitoring should be done quarterly, and for each branch or region.

**EVIDENCE TO PROVIDE**

This indicator is not just about tracking staff growth, training, turnover and loan officer productivity; it is about analyzing this data in relationship to growth.

Verify consistency with **6A12** which assess how internal capacity is considered in growth rates. It is possible to score a 'yes' here—i.e., the provider monitors these key data points—and a 'no' under **6A12**—i.e., the provider does not necessarily consider them in setting growth targets.

Comments column: Specify frequency and scope of monitoring (by branch? by region?).

Scoring guidance: If the provider monitors these data points but does not analyze them in relationship to growth, the score is 'partially'.

**EXAMPLE**

See the USSPM [Implementation Guide](#) Table 34. Monitor the Institution's Ongoing Capacity to Handle Growth (page 199).

**SOURCES OF INFORMATION**

- Management reports



- Interviews with HR

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6A23**

**The provider modifies internal capacity as needed.**

**RATIONALE**

If internal capacity around risk monitoring, employee training, and MIS capacity prove to be insufficient due to high growth or contextual changes, then the provider should make changes as needed. For example, hire new staff, upgrade systems, reinforce internal controls, etc.

**EVIDENCE TO PROVIDE**

Discuss with the CEO and HR to see how internal capacity has changed over time, and why.

Comments column: Specify any changes to internal capacity as a result of monitoring growth.

Scoring guidance: If the provider monitors growth and internal capacity, but has not identified the need to make changes due to low growth for example, the score can be 'yes'.

**SOURCES OF INFORMATION**

- Interviews with CEO/managing director
- Interviews with HR

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6B11**

**The provider has clearly defined targets or ranges for profitability ratios (e.g., ROA, ROE).**

**RATIONALE**

Having clearly defined targets or ranges for profitability ratios ensures that management and investors have shared expectations (not just focused on high profitability). Even non-profit institutions should think about profitability targets: profits are not distributed as dividends, but they may be used to shore up reserves, to invest in infrastructure, or bonuses for staff for example.

**EVIDENCE TO PROVIDE**

The strategy or business plan should outline desired level of profits (and how net profits will be allocated – see **6B12**).

Comments column: Specify the profit targets or ranges.

Scoring guidance: All institutions should be scored on this, even non-profits. This indicator assesses whether profit targets exist. Whether these are reasonable or not is assessed in **6C33**.

**SOURCES OF INFORMATION**

- Strategy / Business plan, Board minutes



- CEO / managing director, board of directors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

Alinus

INDICATOR **6B12**

**The provider has clearly defined guidelines on profitability and the use of profits that are in line with its social goals.**

**RATIONALE**

The provider should have a clear policy on how profits are to be used. Profits should be used in a way that advances its social goals. There are many ways to do this, including investments in market research/product design so that products fit better with clients' needs; improved client protection practices (e.g., creation of a client complaints mechanism or revision of loan contracts to improve their transparency); improved staff training on customer service; or extension of services into unbanked geographic locations.

**EVIDENCE TO PROVIDE**

Comments column: Give examples of how the provider intends to allocate profits.

For example, guidelines should specify the portion of profits that will be used for dividends, bonuses for staff and/or management, general reserves, investment in infrastructure, etc. Profits may also be used to reduce interest rates, invest in the community (for example, by allocating 15% of profits to develop services in the provider's operation areas), or create special funds (for example, a foundation to finance social protection measures, education, etc.).

Also include what profits have been allocated toward in the last year or two as well as whether these uses coincide with the FSP's social goals.

Scoring guidance: If there is a shared understanding by management and the board of directors on how profits will be used, but there are no defined (written) guidelines, the answer is 'partially.'

**SOURCES OF INFORMATION**

- Strategy / Business plan, Board minutes



- CEO / managing director, board of directors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6B13**

**The provider reviews the actual level of returns and profit allocations annually to ensure they are in line with the policies.**

**RATIONALE**

Level of returns can be variable. Management and board should review actual profits levels against targets, and allocation against policies. They should be able to explain and justify any differences.

**EVIDENCE TO PROVIDE**

Comments column: Specify when the last review was done and, if appropriate, whether profits were allocated in line with policies/guidelines on the use of profits.

Scoring guidance: This indicator assesses how profit allocations match up against the policy on profit allocation referred to in 6B12. If the CEO is evaluated against whether s/he meets profitability targets, but there is no policy in place about how profits should be allocated (i.e., if the answer to 6B12 is 'no'), then the answer here is 'no'.

**SOURCES OF INFORMATION**

- Interviews with CEO / managing director, board of directors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6B21**

**The provider discusses with potential investors to ensure exit strategies are aligned with social goals.**

**RATIONALE**

When a provider is seeking equity investment, it should seek out investors whose expectations for returns, time horizons and exiting are aligned with their own. Even before accepting a new investor, the provider should discuss when, how and to whom the potential investor will decide to sell off their shares. Finding a like-minded buyer when the time comes is important for helping the provider stay true to its social mission.

**EVIDENCE TO PROVIDE**

This indicator is applicable to institutions that are open to equity investments.

Comments column: Give examples of any discussions with potential investors. Several issues can affect the options that investors are likely to face: market context and stage of development; share of ownership being sold; the FSP's ownership structure, governance arrangements, and place in its life cycle. There is no single approach to ensure a responsible exit. However, comments can be provided on strategic decisions taken on when, to whom, how and how much is expected for exit. (See CGAP 2014, [Responsible Exit in Microfinance Equity Sales](#)).

Scoring guidance/N/A: If the provider is a non-profit, then score can be 'N/A'. If there have been no new investors in the institution in recent years, the score can be 'N/A'.

**SOURCES OF INFORMATION**

- Strategy / Business plan; shareholder agreement



- CEO / managing director, board of directors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6B22**

**The provider and its funders (e.g., investors, lenders, shareholders, donors) have a written document that specifies a common view on:**

- The provider's mission and social goals
- Expectations for financial returns
- Timeframe for the investment/support

**RATIONALE**

Having like-minded stakeholders—whether investors, lenders, shareholders or donors—is important for helping the provider stay true to its social mission. The provider should have a written document that clarifies the mission, detailed objectives and timeframe, in order to align expectations. If terms such as expected social outcomes and use of profits are left unarticulated in pre-investment/pre-funding negotiations, management will be forced to reconcile these inconsistencies once funding is already in place, which often leads to tension between the provider and funders.

**EVIDENCE TO PROVIDE**

This indicator is applicable to all providers, whether profit or non-profit, and all legal statutes.

Comments column: Specify which document specifies the common expectations.

**EXAMPLES/RESOURCES**

See Table 36. Aligning Social and Financial Expectations in USSPM [Implementation Guide](#) (page 204) for a list of terms and discussion questions to guide conversations between financial service provider and investors.

**SOURCES OF INFORMATION**

- Shareholder agreement, ethical charter, or business plan



- CEO / managing director, board of directors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6B31**

**The risk policies protect the liabilities the provider has to its clients (e.g., savings, cash collateral, and insurance claims)**

**RATIONALE**

The provider has an obligation to its clients who may be vulnerable and who trust the provider, for safeguarding the funds entrusted to it, such as savings and cash collateral. It must have solid treasury risk management policies and procedures, and robust internal controls in order to protect clients' interests. The board must reinforce these prudent measures by defining and closely managing financial risks.

**EVIDENCE TO PROVIDE**

The risk policy should establish liabilities to clients as a higher priority than the provider's obligations to its other debtors and shareholders, if not mandated by local regulation.

Comments column: Specify the document that addresses how client obligations are protected.

Scoring guidance/N/A: If the provider does not collect voluntary savings, compulsory savings (i.e., cash collateral), or insurance, then score can be 'N/A'.

**SOURCES OF INFORMATION**

- Risk policy



- Finance, legal, CEO/ managing director, board of directors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

### INDICATOR 6B41

**In keeping with the International financial Reporting Standards (IFRS), the provider discloses in its financial statements the following information:**

- All risks related to assets or liabilities (foreign exchange risk, interest rate risk, maturity risk).
- Contingent liability
- Off-balance sheet sources of funding
- All details of its shareholder structure and participations in other companies.

#### RATIONALE

A provider should be transparent on all the risks it bears, notably financial risks. Serving vulnerable clients and operating in unstable environments with unreliable or non-existent deposit insurance means that the provider has a responsibility to be transparent and closely manage risk.

IFRS Standards bring transparency, accountability and efficiency to financial markets and are aimed at fostering trust, growth and long-term financial stability in the global economy.

#### EVIDENCE TO PROVIDE

The provider should disclose all elements of risks related to assets or liabilities (foreign exchange risk, interest rate risk, maturity risk, etc.), delineate contingent liabilities, disclose off balance sheet items, count them in leverage ratios, and provide all details of the shareholding structure and participations in other companies.

#### DEFINITION

Contingent liabilities are possible obligations, and they present obligations that are not probable or not reliably measurable. An example of such liabilities is a restricted grant that has been disbursed but not yet earned by completing the required deliverables.

Off balance sheet items are those that are not included on the provider's balance sheet, because it does not have legal claim or responsibility for them. However, these may become liabilities for the provider. Examples include operating lease agreements and joint ventures.

#### SOURCES OF INFORMATION



- Financial statements



- Finance

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

Alinus

INDICATOR **6B42**

**The provider's annual audited accounts are publicly available.**

**RATIONALE**

Maintaining a transparent financial structure, disclosing the financial statements and making public the annual audited accounts creates transparency and trust and can lead to a full alignment between funders and the provider, clarifying social objectives and return expectations.

**EVIDENCE TO PROVIDE**

Comments column: Link with the website where the audited financial accounts are available.

Scoring guidance: If the provider makes statements available upon request, but not publicly accessible, the score can be 'partially'. If the accounts are not audited, the score is 'no'.

**SOURCES OF INFORMATION**

- Audited financial statement from public source (website, etc.)



- Finance, CEO/ managing director, board of directors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

## INDICATOR 6C11



The provider is covering its costs or rapidly approaching break-even. Its financial results allows it to maintain its capital base.

**RATIONALE**

A **responsible price** is one that is sustainable for the provider and is affordable for the client. This indicator assess the sustainability of the provider based on an analysis of Operational Self-Sufficiency, a ratio that expresses if the provider can cover its operating costs with its financial revenues.

**DEFINITION**

**operational self-sufficiency:** Financial revenue / Financial expense+impairment losses on loans + operating expenses

**EVIDENCE TO PROVIDE**

OSS should be > 100% or approaching 100% with a positive trend over the last three years. If the OSS is above 100% but shows a declining trend, the data should be analyzed in combination with other ratios, to understand if the declining trend reflects an eroding capital base or can be explained by something else. There are many reasons that can explain a declining trend in OSS, but some examples include higher cost of funds; a decline in efficiency (translated by a decrease in productivity--# of active clients per LO--or in an increase of the operation expense ratio); a saturated market (difficulty in reaching more borrowers) a highly inflationary market; the opening of many new branches; a hiring all at once many new staff who are less productive than the more senior ones; natural disaster or market/national/international economic crisis that affects the investment behavior of borrowers.

Comments column: Specify the OSS ratio.

**SOURCES OF INFORMATION**

- Financial statements



- Finance

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

## INDICATOR 6C21



**There is evidence that the board of directors monitors the provider's performance against policy. (For example, topics of board deliberation may include opportunities to reduce interest rates and fees, dividend policy, and application of profits for client benefit.)**

**RATIONALE**

The provider should have a formal (internal) pricing policy that balances its interests with those of the client. The pricing policy should take into account:

- Cost of providing the product—the cost of funding, operations, and loan losses;
- Affordability for the client;
- Desired profit, including returns to capital (see **6B1**); and
- Social goals for the product, such as reaching remote locations or providing access to very poor people.

**EVIDENCE TO PROVIDE**

The provider has a formal (internal) pricing policy. Review board minutes to verify discussion (at least annually) regarding the pricing policy, for example willingness to reduce interest rates and fee, if the market conditions allows.

Comments column: Specify document where policy is stated; specify board discussions.

Scoring guidance: If board minutes reflect deliberation around pricing but there is no formal policy in place, then score 'partially'.

**SOURCES OF INFORMATION**

- Pricing policy



- Finance, CEO/ managing director, board of directors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

Alinus

INDICATOR 6C22



**The provider's pricing practices are responsible.**

- Interest is calculated in a straightforward manner (on a declining balance; according to the exact date of payment; for deposits-- based on daily balances)
- Loan interest (including arrears interest) stops accruing after 180 days of arrears.

**RATIONALE**

Interest should be calculated in a straightforward manner, to be more transparent. Flat balance pricing is unfair to clients. The borrower pays interest on the full loan amount, even though the amount they have over the loan term decreases as they repay the loan. Stating nominal interest rates using the flat calculation appears much cheaper than declining balance rates, but they are in fact nearly twice as expensive as stated.

Loans in arrears should stop accruing interest after maximum 180 days so as not to excessively over indebt the delinquent client.

**EVIDENCE TO PROVIDE**

Comments column: Specify interest rate calculation method.

Scoring guidance: If interest is calculated on a flat balance method, the score is 'no'.

If the regulation allows loan interest to stop accruing after more than 180 days of arrears, the provider should still follow the 180 days indication, considered more fair to clients. In this case, the answer would be 'no' because the provider does not stop interest accrual after 180 days. In other cases, the provider may stop accruing after less than 180 days, in this case the score is 'yes'.

**SOURCES OF INFORMATION**



- Credit policy



- Operations, CEO/ managing director

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

Alinus

INDICATOR **6C23**

**The interest rate is set to be affordable, taking into account the costs required to deliver credit (considering cost of funding, operations, loan losses and returns to capital).**

- Annual Percentage Rate (APR) for all of the provider's major products (> 20% portfolio) is within the accepted performance range. If it is outside the range, the provider can provide a valid justification.
- Portfolio Yield is within the accepted performance range. If it is outside the range, the provider can provide a valid justification.

**RATIONALE**

The Smart Campaign's pricing assessment methodology uses a "red flag" approach to evaluate responsible pricing: if performance exceeds certain benchmarks, it signals that further analysis is needed. The methodology uses the following benchmarks:

- If the Annualized Percentage Rate (APR) for each of the main products is 15%+ higher than the peer average, this is a warning sign. If such is the case, you should be able to justify why your APR is high for your market.
- If portfolio yield is higher than the usually observed rate for peers by 0.5 standard deviation or more, this is a warning sign. If such is the case, the provider should be able to justify why the portfolio yield is high for the market.
- Loan Loss Expense Ratio (LLER) should be below 5% (analyzed in indicator **6C31**)
- Return on Assets (ROA) should not exceed 7.5% at the very upper limit, with limited exceptions (see **6C33**)

The Smart Campaign's Pricing Diagnostic Tool is an Excel-based assessment tool that can be used to evaluate these data points. The Smart Diagnostic Tool is not publicly available. However, if auditors would like to use the tool to assess prices, please contact the Smart Campaign to request the tool: [comments@smartcampaign.org](mailto:comments@smartcampaign.org).

**DEFINITION PORTFOLIO YIELD**

Portfolio yield measures how much earned income the financial institution receives.  
financial revenue from loan portfolio / GLP

**DEFINITION ANNUALIZED PERCENTAGE RATE**

Method for communicating annualized effective interest rates, taking into account all additional charges and fees, loan term, compulsory savings and other loan requirements. APR and EIR (Effective Interest Rate) are both annualized effective interest rates; the difference is that APR does not take into account the effect of compounding, as does EIR.

**EVIDENCE TO PROVIDE**

Comments column: Specify the APR and portfolio yield, and those of peers.

Scoring guidance: If the provider's APR for any loan products is >15% higher than peers, the answer may still be 'yes' if there is a valid justification. If the provider's portfolio yield is higher than the usually observed rate for peers, the answer may still be 'yes' if there is a valid justification.

**SOURCES OF INFORMATION**

- Analysis of the APR for the providers' main products (products >20% of the portfolio): use the APR Estimation Tool on the Organization Information page of the SPI4, or MicroFinance Transparency [Calculating Transparent Pricing Tool – v3.0](#)
- Analysis of APR data for the providers' peers. Potential sources for peer interest rate data:
  - the provider itself (if they've conducted from market research or a mystery shopping exercise)
  - the national professional association
  - the provider's international network, if applicable (e.g., FINCA, MicroCred, Opportunity International, World Vision, etc.)
  - the providers' investors
- The provider's portfolio yield – from the MIS
- Peers' portfolio yields. Potential sources:
  - the national professional association
  - the provider's international network, if applicable
  - the providers' investors
  - MIX Market (for subscription holders only)

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

### INDICATOR 6C24

#### The provider's fees are reasonable.

- The provider does not charge clients for confirmation of transactions and balance inquiries. Fees are acceptable for repeated balance or receipt requests over a stated frequency.
- Any prepayment penalty does not include interest that would be accrued between time of pre-payment and the end of the loan term.
- Arrears interest and penalties do not compound debt; they are calculated based on the principal amount only.
- Fees on deposit accounts are not disproportionately high relative to small deposit balances.

#### RATIONALE

The pricing policy entails not just interest rates, but also the fee structure. Fees should be set reasonably, keeping in mind client affordability and the actual cost incurred to the provider.

#### EVIDENCE TO PROVIDE

To assess whether fees are 'reasonable', try to collect data on peers in the market, or ask the provider if they have done a competitor analysis.

If there is no information on competitors' fees, verify if fees are a significant source of revenue. If the provider's late payment fees generate more for the company than the interest income then it may indicate that the fees are excessive.

#### SOURCES OF INFORMATION



- Pricing policy



- Interviews with finance, operations

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6C25**

**The board takes corrective action if it finds that pricing levels are not consistent with the provider's policy on returns.**

**RATIONALE**

It is the board's responsibility to take action in the event pricing levels are not consistent with the provider's policy on returns (i.e., its profitability targets).

If pricing levels are generating profits that exceed targets, then the board may want to consider lowering pricing to the benefit of clients. If the provider is not reaching profitability targets, the board may want to examine productivity levels and operational expenses as a way to improve profitability.

**EVIDENCE TO PROVIDE**

Comments column: Specify any actions taken by the board regarding pricing.

Scoring guidance: Verify consistency with 6B12. If there are no guidelines on returns in place, but there are examples of corrective actions (e.g., lowering interest rates on loan products; increasing remuneration on savings) then score 'partially'.

**SOURCES OF INFORMATION**

- Board minutes



- CEO/ managing director, board of directors

**BALANCE FINANCIAL AND SOCIAL PERFORMANCE**

Alinus

INDICATOR **6C31**



**Loan Loss Expense Ratio (LLER Ratio) is within the accepted performance range. If it is outside the range, the provider can provide a valid justification.**

**RATIONALE**

Loan losses affect pricing. Institutions with high losses may compensate for lost income with higher interest rates, passing the cost of credit risk onto clients.

**DEFINITION**

The loan loss expense ratio is calculated by taking provision for loan impairment / assets.

**EVIDENCE TO PROVIDE**

The Smart Campaign defines acceptable performance range as lower than 5%.

The 5% threshold is considered a high threshold, and Smart Campaign expects performance to be below that threshold, except in exceptional circumstances, which will need to be significantly substantiated.

**SOURCES OF INFORMATION**



- Interviews with CEO and Finance
- Financial ratios (Loan loss expense ratio) from the MIS

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

Alinus

INDICATOR 6C32



**The provider is not transferring unnecessary costs to clients: *Operating Expense Ratio (OER)* is within the accepted performance range. If outside of the range, the provider can provide a valid justification.**

**RATIONALE**

Operating expenses are one of the main factors influencing pricing—and one that the provider has control over. This indicator verifies that operational inefficiency is not being passed along to clients in the form of high interest rates.

**EVIDENCE TO PROVIDE**

Smart Campaign has a model to assess if OER is within accepted performance range, included in its Pricing Diagnostic Tool. The Smart Diagnostic Tool is not publicly available. However, if auditors would like to use the tool to assess prices, please contact the Smart Campaign to request the tool: [comments@smartcampaign.org](mailto:comments@smartcampaign.org).

For more information on the OER model, refer to page 210 of the USSPM [Implementation Guide](#).

To analyze this indicator, compare the OER ratio to peers. If the ratio is higher than that typically observed by similar peers, then the provider must provide valid justification.

A high OER may be explained by:

- FSP operating in a low-security environment, requiring significant spending on non-standard security costs
- FSP is serving particularly difficult-to-reach clients
- FSP serving an exceptionally under-privileged population, requiring add-on services (youth, disabled, etc.)
- FSP is operating non-financial programs that are useful to clients

Comments column: Specify the provider's OER and those of peers, if available.

Scoring guidance: If the OER is higher than peers, but there is a valid justification, then score can be 'yes'. If the OER is higher than those of its peers, and the provider does not have one of the above mentioned challenges that increase operating costs, then the score will be 'no', unless the provider can offer a valid justification for their higher operating expenses.

**SOURCES OF INFORMATION**

- Interviews with CEO and Finance
- Financial ratios (OER) from the MIS, OER for peers. Potential sources include:
  - the national professional association
  - the provider's international network, if applicable
  - the providers' investors
  - MIX Market (for subscription holders only)

BALANCE FINANCIAL AND SOCIAL PERFORMANCE

Alinus

INDICATOR 6C33



**Return on Assets (ROA) is within the accepted performance range. If outside of the range, the provider can provide a valid justification.**

**RATIONALE**

Return on assets is an indicator of profitability. Profits are a factor that influence pricing, over which the financial service provider has control. High interest rates associated with high returns is a red flag, indicating the provider might be making profits off of high-priced loans to vulnerable populations. A high ROA does not necessarily constitute excessive profit, but a credible explanation will need to be provided for high ROA in order for it to be justified.

**EVIDENCE TO PROVIDE**

To determine the acceptable performance range, ROA is calculated based on a 3-year average ROA (use ROA adjusted for compulsory deposits for each of the years). The following test is then applied:

| if ROA    | Assessment action:                  |
|-----------|-------------------------------------|
| <1%       | Assess institutional sustainability |
| 1% - 3%   | Normal range                        |
| 3% - 7.5% | Elevated range                      |
| >7.5%     | High range                          |

If the ROA is beyond 3%, FSP must provide a valid justification which may include:

- Profits diverted to external entity (ex: affiliate NGO) that provides services that are important for clients (ex: non-financial services)
- Profits shared with clients
- High inflationary environment
- Grow client base with limited access to outside equity
- Build up equity and strengthen FI
- Early stage institutions
- Subject to regulation that increases earnings requirements (e.g. high reserve requirements, etc.)
- Profitability inflated by donations, subsidies or other temporary or short-term events
- High country risk necessitates an additional cushion to protect against adverse events

If high profits mainly benefit shareholders above the levels justified by the operating context (e.g., after accounting for inflation, country risk, etc.), then profit/profit targets are most likely inconsistent with the social goals.

Comments column: Specify the provider’s ROA and those of peers, if available.

Scoring guidance: If the ROA is higher than peers, or <1% but there is a valid justification, then score can be 'yes'. If profitability is <1% or negative and there is no valid justification, the answer will be 'partially' (if the trend is not consistent) or 'no', as low profitability may raise questions about sustainability.

**SOURCES OF INFORMATION**



- Interviews with CEO and Finance
- Financial ratios (ROA) from the MIS, peer data. Potential sources include:
  - the national professional association
  - the provider’s international network, if applicable
  - the providers’ investors
  - MIX Market (for subscription holders only)

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6D11**

**The CEO/Managing Director's compensation takes into account the results of his/her performance evaluation (see Essential Practice 2A.3).**

**RATIONALE**

Basing compensation on performance criteria sends a strong message about the importance of achieving those criteria. The CEO/managing director's compensation should take into account the results of his/her evaluation, **including social performance criteria**. Guidance for standard 2A3 discusses how to evaluate CEO performance based on social performance criteria.

**EVIDENCE TO PROVIDE**

Comments column: Give examples of what the CEO/managing director is evaluated on.

Scoring guidance: If the CEO/managing director is not evaluated against performance, the answer is 'no'. This indicator cannot be answered N/A. Verify consistency with **2A31**. If the answer there is 'no' then it is 'no' for **6D11**.

**SOURCES OF INFORMATION**

- Board minutes, evaluation form



- Interviews with board, CEO/ managing director

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

Alinus

INDICATOR **6D12**

**When determining compensation levels of senior managers, the CEO/Managing Director incorporates any social performance results.**

**RATIONALE**

Basing compensation on performance criteria sends a strong message about the importance of achieving those criteria. Senior managers should be evaluated against both financial and social performance targets, to motivate them, build corporate values linked to social objectives, and ensure commitment to the social mission.

**EVIDENCE TO PROVIDE**

Comments column: Give examples of the social performance targets that are taken into account in the evaluation of senior managers and how it influences their compensation.

Scoring guidance: Verify consistency with **2B31**. If the answer there is 'no' then it is 'no' for **6D12**. This indicator cannot be answered N/A.

**EXAMPLE**

See Example 60. Cashpor includes SPM in Managing Director's Incentives in USSPM [Implementation Guide](#) (page 216) for an example from Cashpor.

**SOURCES OF INFORMATION**

- Interviews with HR, CEO/ managing director

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6D13**

**If senior management compensation is in part incentive-based, managers are incentivized on both social and financial performance criteria.**

**RATIONALE**

Basing incentives on performance criteria sends a strong message about the importance of achieving those criteria. Incentive-based compensation including social performance criteria will help motivate management and ensure commitment to the social mission.

**EVIDENCE TO PROVIDE**

Comments column: Give examples of criteria used for incentives and what share of the salary is based on incentives.

Scoring guidance: If incentives are only based on financial performance, the answer is 'no' as this indicator is looking at social criteria. Verify consistency with **2B31**, if the answer there is 'no' then the answer here cannot be 'yes'.

**SOURCES OF INFORMATION**

- Incentives policy



- Interviews with HR

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

## INDICATOR 6D14

**The board periodically reviews the compensation of the CEO/Managing Director and senior managers to ensure that it is comparable to providers with similar social commitment.**

**RATIONALE**

Reviewing the compensation to ensure that it is comparable to institutions with similar socially-driven organizations comes as a reality check and verification of local alignment with social objectives. If there are large differences (e.g., high salary required to attract someone with a rare talent that is critical to the provider at the time), the board should determine if the discrepancy is justified.

**EVIDENCE TO PROVIDE**

Possible sources for data on compensation levels for similar institutions: salary survey done by local consultants, data obtained through the national microfinance network, data obtained through an organization that evaluates HR practices such as Great Place to Work.

Comments column: Specify when last review was done and source of information, as information may be complex to obtain.

Scoring guidance: The review of compensation levels must have been carried out in the last 2 years to count for this indicator.

**SOURCES OF INFORMATION**

- Board minutes



- Interviews with board, CEO/ managing directors
- Interviews with HR

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6D21**

**In keeping with the International Financial Reporting Standards (IFRS), the provider transparently discloses compensation to regulators, donors, raters, and investors, upon request.**

**RATIONALE**

Disclosure of compensation holds the provider accountable for establishing salary levels that are on par with industry norms and that reflect its social goals.

[IFRS Standards](#) bring transparency, accountability and efficiency to financial markets and are aimed at fostering trust, growth and long-term financial stability in the global economy.

**EVIDENCE TO PROVIDE**

Comments column: Specify to whom compensation has been disclosed.

**SOURCES OF INFORMATION**

- Interviews with HR, board members/ investors

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

Alinus

INDICATOR **6D31**

**The provider calculates the difference between the average annual compensation of its top level executives and its field employees.**

**RATIONALE**

The provider should make sure that the spread between annual compensation of its top level executives and its field employees is appropriate, and in line with the social objectives of the institution. A provider might find that the average salary of the five highest paid managers is 100 times that of the five lowest paid field officers, raising questions as to whether the salary spread reflects institutional values of fairness and equity.

**EVIDENCE TO PROVIDE**

Comments column: Specify how the calculation is done, for example *“HR regularly calculates the difference between the average annual compensation of its top three management positions and its bottom three field staff and has set a limit of 20”*.

**SOURCES OF INFORMATION**

- Interviews: HR, board

## BALANCE FINANCIAL AND SOCIAL PERFORMANCE

INDICATOR **6D32**

**The board evaluates whether the spread in compensation is consistent with the provider's social goals and commitment to treat employees responsibly.**

**RATIONALE**

The provider should determine what it deems to be an appropriate spread in compensation given its social goals.

Experience shows that a Management-to-Worker salary ratio over 1:20 should raise concerns and prompt further discussion.

**EVIDENCE TO PROVIDE**

Comments column: Specify if the board has determined what is an appropriate ratio, and state what the established ratio is for the FSP.

Scoring guidance: If the board has discussed the actual salary spread without defining a ratio, the answer is 'partially'.

If the board has evaluated the spread and it is greater than 1:20, the FSP must justify how this is consistent with social goals. If there is no valid justification, the answer is 'no'.

**SOURCES OF INFORMATION**

- Interview with HR, board

# Green Index

The guidance for the Green Index was developed in coordination with the e-MFP Green Inclusive and Climate Smart Finance Action Group, under the Group co-heads: Davide Forcella (YAPU Solutions), Geert Jan Schuite (ENCLUDE-Palladium) and Giulia Corso (MicroEnergy International) and is based on the Action Group's [Green Index publication](#).



## GREEN

INDICATOR **7A11**

**The provider formalizes environmental protection in its mission and values.**

**RATIONALE**

Formalizing environmental protection in the vision, mission, social goals or values statement holds the provider accountable to this commitment and it fosters strategic planning. This is an important signal to internal and external stakeholders, and it provides a framework of action for the organization itself.

**EVIDENCE TO PROVIDE**

Specify how and where (which documents) a commitment to environmental protection is stated. The term "environment" should be mentioned directly and not indirectly.

Scoring guidance/N/A: The question should be answered as YES if environment is stated at least in one item among: mission, vision, and value. Not all three are needed.

The question may be answered as PARTIALLY if the provider can justify, with written documents and in interviews, that environment considerations are embedded in the concept of "social", and the term "social" is present in the mission, vision and values.

**EXAMPLE**

XAC Bank's (Mongolia) mission statement is "To be a lifelong partner for our customers in providing value-added financial solutions embracing the highest standards of triple bottom line mission: People, Planet, and Prosperity."

**SOURCES OF INFORMATION**

- Strategy/business plan
- Website

INDICATOR **7A12**

**The provider has a formal environmental policy which specifies its environmental goals, targets, and indicators.**

**RATIONALE**

Clearly defining goals, targets and indicators makes it possible to measure whether the environmental strategy is being achieved. The existence of a formal environmental policy shows the strategic commitment of an institution.

**EVIDENCE TO PROVIDE**

The formal written document where the policy is defined. Specify the goals, targets and indicators used.

Scoring guidance/N/A: To answer YES, the institution should have a formal written policy, rather than an informal or oral one. If the policy is informal but it possible to verify that indicators, goals, targets exist and are known in the institution, then answer can be PARTIALLY.

**EXAMPLE**

See Table 12. Example Green Goals, Targets, and Indicators in USSPM [Implementation Guide](#) (page 75).

Cambodian FSP Amret has a formal social and environmental policy and procedures that can identify social and environmental risks/impacts associated with its operations and clients' business activities. The policy and procedures are intended to offer guidelines and training to implement so as to minimize negative impacts regarding social and environmental sustainability. To ensure they perform effectively, the policy and procedures have been integrated into the existing loan appraisal system and standard operating procedures (application, appraisal, loan contracting and disbursement, and recovery and monitoring). See <https://amret.com.kh/index.php/homeen/spm3>

**SOURCES OF INFORMATION**

- Strategy/business plan
- MIS reports

## GREEN

INDICATOR **7A21**

**The provider has a person or a committee appointed to manage environmental issues.**

**RATIONALE**

Having a dedicated person or committee tasked with managing the environmental issues improves chances of achieving progress. It shows that there is someone in the institution who is accountable for managing the environmental dimension. While senior management should be ultimately responsible for achieving environmental objectives, they may lack the expertise or the tools to do so. Many providers have found it useful to assign a dedicated function to supporting the management in making decisions—for example, an environmental manager dedicated to defining and monitoring environmental goals.

**EVIDENCE TO PROVIDE**

Specify the person or committee and what that person or committee's role is in the oversight of the environmental strategy.

Environmental performance activities might include:

- Working with management to create an environmental strategy for the organization, including green goals, targets, and indicators. Monitoring progress toward these goals.
- Developing an environmental exclusion list—a list of businesses that the institution will not finance, based on their harmful impact on the environment.
- Supporting field officers to apply the institution's exclusion list (e.g., training on how to evaluate client businesses for their impact on the environment).
- Monitoring and evaluation of the institution's own environmental impact.
- Bringing green products to the institution's portfolio (e.g., clean energy loan products).
- Reporting to external stakeholders on the institution's progress toward its green goals.
- Monitor that the environmental value is considered in activities, processes, risks management, decisions of the institution.

Scoring guidance/N/A: To answer YES, at least one person should have part of his/her time dedicated to managing environmental topics. If there is an informal commitment and evidence can be provided to demonstrate, then can be answered PARTIALLY.

**SOURCES OF INFORMATION**

- Interviews with CEO/managing director

## GREEN

INDICATOR **7A22****The provider reports on its environmental performance and practices through:**

- Internal reports (to the board, to investors)
- Public reports (annual reports)

**RATIONALE**

Regular reporting allows the provider to track progress and monitor the environmental strategy. Moreover it makes the institution accountable to its environmental activities and achievements internally and externally.

It also shows that the institution is actually willing to show its environmental brand.

**EVIDENCE TO PROVIDE**

Comments column: Specify the kind of reporting done and frequency.

Scoring guidance/N/A: To answer YES to the question, the provider must provide documents that report on environmental performance, climate resiliencies, or climate/green products and services of the provider. If the reporting is not done on a regular basis, or if it has been produced only once, the question should be answered PARTIALLY.

**EXAMPLE**

See Field Example 14. ACLEDA Bank Reports on Environmental Performance Indicators in [USSPM Implementation Guide](#) (page 76).

**SOURCES OF INFORMATION**

- Management reports
- Annual report

INDICATOR **7B11**

**The provider implements several actions to increase energy efficiency, use renewable energy sources, recycle waste produced, and/or reduce energy usage, water usage, paper usage, fuel consumption, waste production and/or greenhouse gas emissions at headquarters and branches**

**RATIONALE**

Part of defining and implementing an environmental strategy is to manage environmental risks—both internally and externally. This indicator refers to internal environmental risks, and assesses what the FSP is doing to reduce its ecological footprint: paper, water and energy use, wastes, carbon emissions, etc.

This is important to show that the FSP is actually directly engaged and it does not simply ask to their clients to engage. It also helps the FSP to raise awareness among staff.

**EVIDENCE TO PROVIDE**

Verify if there are internal processes and/or mechanisms in place to reduce paper, water and energy consumption, reduce/treat waste, and/or reduce carbon emissions. Other than formalized processes or mechanisms, other actions may include raising employees' awareness of good practices in paper, water and energy consumption, waste management, etc.

Scoring guidance: The answer should be YES if more than one action is implemented, PARTIALLY if only one action is implemented. If nothing formalized is in place, then the answer is NO.

This indicator assesses efforts to reduce the ecological footprint and 7B12 assesses whether there are targets to monitor progress against those efforts. If processes or mechanisms are in place but no monitoring system, this can still score 'YES'.

**EXAMPLE**

Acleda Bank, Cambodia, see [https://www.acledabank.com.kh/kh/eng/bp\\_sustainabilityreport](https://www.acledabank.com.kh/kh/eng/bp_sustainabilityreport)

**SOURCES OF INFORMATION**

- Interviews with all employees

## GREEN

INDICATOR **7B21**

**The provider tracks the achievement of several quantitative targets set for energy usage, water usage, paper usage, fuel consumption, waste production, and/or greenhouse gas emissions at headquarters and branches.**

**RATIONALE**

Part of defining and implementing an environmental strategy is to manage environmental risks—both internally and externally. This indicator refers to internal environmental risks, and assesses what the FSP is doing to monitor efforts to reduce its ecological footprint.

It reveals if the FSP actually verifies and checks if its internal environmental commitments are achieved.

**EVIDENCE TO PROVIDE**

Verify management reports that track quantitative targets, with what frequency and how the information is used.

Scoring guidance: Must track two or more targets to score 'YES'. If only one target is tracked, then score 'PARTIALLY'. If progress is tracked, but only at qualitative level (the provider is not able to provide detailed numbers), score PARTIALLY and specify in the comments column.

**EXAMPLE**

See [https://www.acledabank.com.kh/kh/eng/bp\\_sustainabilityreport](https://www.acledabank.com.kh/kh/eng/bp_sustainabilityreport)

**SOURCES OF INFORMATION**

- Management reports on ecological footprint

The provider uses specific tools to evaluate the environmental risks of clients' activities.

**RATIONALE**

Part of defining and implementing an environmental strategy is to manage environmental risks—both internally and externally. This indicator refers to external environmental risks, i.e., the negative environmental impact of clients' activities. For example:

| Activity  | Associated risk  |
|---|--|
| Using charcoal for productive activities  | Risk of respiration diseases, in-house pollution, deforestation              |
| Cutting or burning trees for agriculture  | Unsustainable use of natural resources, lower yields at medium term, erosion |
| Using dry batteries, kerosene or diesel for their energy needs                        | Pollution, vulnerability to fuel price fluctuation, higher cost              |
| Using chemical pesticide  | Intoxication, water stream pollution, exposure to energy price fluctuation   |
| Throwing waste/garbage in the environment, or have activities polluting river streams | Local pollution, spread pests diseases                                       |

**EVIDENCE TO PROVIDE**

Verify the type of tool used to evaluate the level of environmental risks of its clients' activities. Various tools may be used, for example:

- **Exclusion list** - list of activities that the MFI refuses to finance because they are harmful to the environment)
- **Environmental risk categorization list** - classify activities according to level of environmental risks (high, medium or low risk). See example in indicator **7C21**.
- **Environmental risk checklist** – a questionnaire enabling loan officers to assess key environmental risks for each client
- **Environmental risk sector fact sheet**- tool presenting key environmental risks and mitigation solutions per sector of activity

Scoring guidance: If the FSP only assesses the environmental risk of some of its portfolio (ex., individual loans, or loans above a certain amount), make note of this in the comments section.

If, for example, the individual loans are risk assessed and group loans are subject to awareness-raising efforts, the score may be 'YES'. If nothing is done to raise awareness among group loans, the score is 'PARTIALLY'.

**SOURCES OF INFORMATION**



- Interviews with loan officers, branch managers



- Loan appraisal format
- Credit manual

**GREEN**

If the FSP only assesses the environmental risk of some of its portfolio (ex., individual loans, or loans above a certain amount), make note of this in the comments section. If, for example, only a portion of the portfolio is evaluated for environmental risks, make sure the loans officers dealing with these types of loans are trained.

**EXAMPLES****Exclusion list**

A sound exclusion list should include: (a) activities which are regulated or prohibited under international agreements and by national laws; (b) activities which may give rise to significant environmental/ social problems, or that lead to significantly adverse public reaction.

Sonata Finance Pvt. Ltd (India) applies an [Environmental Exclusion List](#) to client businesses

**Environmental risk checklist**

Partner, Bosnia & Herzegovina In addition to their regular loan application form, loan officers have to fill an environmental risk checklist for each client applying for a loan. This form consists in a list of 20 multiple-answer questions. Its objective is to assess whether clients' activities entail environmental risks related, in particular, to chemical use and waste management.

According to the answers provided, an environmental score is given to each client. When the score is too low, clients may be considered not eligible. Clients who do not comply fully with the environmental standards but are still eligible for a loan have a period to change their business processes, procedures or methodology in order to respect the environmental criteria. Three month after the loan disbursement, loan officers monitor the progress of the client by applying the same environmental form again.

**Environmental risk sector fact sheet**

FMO has published a methodology for Social and Environmental Management Guidance for MFIs. Part B Field Guide includes sample sector fact sheets: <http://www.fmo.nl/esg-tools>

INDICATOR **7C12**

**The provider trains loan officers on how to evaluate the environmental risks of their clients' activities.**

**RATIONALE**

Loan officers do not necessarily have experience evaluating environmental risks and should be trained to identify and assess environmental risks using the tools adopted by the FSP, such as exclusion lists, risk categorization lists, checklists, etc. (see 7C11) for a list of examples.

**EVIDENCE TO PROVIDE**

Specify how and when employees are trained. Verify how environmental checkpoints are integrated into application and contracting forms and procedures. Verify that environmental risk is clearly distinguished from social risk.

Scoring guidance: If environmental risks are not clearly distinguished from social risks, but the provider can show evidence that environmental risks are part of training on the social responsibility of loan officers, score PARTIALLY.

**SOURCES OF INFORMATION**

- Training materials for employees



- Interviews with HR, field employees

INDICATOR **7C21**

**The provider categorizes loan applications according to the level of environmental risk and applies specific procedures according to each risk category.**

**RATIONALE**

Evaluating the level of environmental risk (indicator 7C11) is important, but to truly manage these risks, the results of the evaluation should be taken into account in loan decisions. There should be consequences for borrowers whose activities present high levels of environmental risk.

**EVIDENCE TO PROVIDE**

Verify the measures implemented by the MFI to manage external risks identified through the risk evaluation. Measures may include the following:

- excluding environmentally harmful loan applications.
- limiting portfolio exposure, by allowing only a certain percentage of the total portfolio to go to environmentally risky activities;
- including environmental clauses in the loan contract requiring clients to improve environmental practices / mitigate risks;
- raising awareness / training clients on environmental risk mitigation and good practices

Scoring guidance: If the FSP only assesses the environmental risk of some of its portfolio (ex., individual loans, or loans above a certain amount), make note of this in the comments section. For example, if it is policy to only risk assess and categorize individual loans applications and this is effectively done, the score may be 'YES'. If the FSP only categorizes loan applications according to the level of environmental risk but it does not apply specific procedures according to each risk category score PARTIALLY.

**EXAMPLE****Environmental risk categorization list:**

- Baobab Group classifies clients' activities according to their level of environmental risks, as follows:
  - › Category A: activities causing harm to the environment in a direct way, with loose security and working conditions (e.g. leather tanning, textile dyeing, metal working, brick-making, charcoal making, etc.)
  - › Category B: activities causing indirect harm to the environment, with indirect impact on the security and working conditions (e.g. agriculture, fisheries, transportation, etc.)
  - › Category C: activities with minimal impact (e.g. small trade, etc.).

The financing of Category A activities is prohibited.

The ceiling for financing Category B activities ranges from 10 to 30% of the total portfolio (depending on the affiliate).

**SOURCES OF INFORMATION**

- Credit policy
- Loan application



- Interviews with branch managers, loan officers

**The provider conducts activities to raise clients' awareness on environmental risks linked to clients' activities and on possible mitigation strategies.**

### RATIONALE

FSPs may decide to promote green practices through awareness raising efforts with clients on the environmental risks. This may include talking about the most common risks associated with the most common types of activities financed, and how to mitigate them. Awareness raising may take the form of a formal training or may be integrated into the existing touch points with clients.

### EVIDENCE TO PROVIDE

Verify when and how awareness raising takes place. Verify any training materials or documents that may be used. Staff involved in the awareness raising efforts should be clear on the key messages to communicate to clients, even if these efforts are carried out in an informal way.

Verify that the environmental topic is actually discussed and not only mentioned as one of the many topics to be discussed.

Please note this indicator assesses awareness raising on **risks**. Indicator **7D33** assesses whether the provider offers formal trainings to its clients, directly or in partnership with other organizations on **environmentally-friendly practices or businesses**. The indicator **7D33** has to do instead with support to establish and implement financial and non-financial environmental products.

Scoring guidance: If the FSP deems it conducts awareness raising efforts but there is no formalization of the key messages or training of FSP staff to communicate in a consistent way, then the score may be 'PARTIALLY'. If the awareness raising focuses on environmentally friendly practices but not on risks, the score is 'NO'.

### SOURCES OF INFORMATION



- Training materials



- Interviews with branch managers, loan officers

**The provider offers specific loan products to finance renewable energy (RE) and/or energy efficiency (EE) technologies.**

### RATIONALE

Loan products that finance renewable energy (RE) and/or energy efficient (EE) technologies help address an important environmental and social risk in contexts where energy sources are expensive, unreliable, polluting and sometimes dangerous for people's health (ex., wood-burning cook stoves). Because RE and EE technologies often involve a significant upfront cost (especially for poor households), financing such technologies offers an opportunity for FSPs to diversify their product line while promoting green energy solutions.

### EVIDENCE TO PROVIDE

Verify product descriptions. Products may include financing RE and EE devices such as solar photovoltaic solutions, biogas digesters, solar dryers, solar water heaters, improved cook stoves, insulation, energy efficient refrigerators or air conditions, large-scale mini-grids.

Verify whether the FSP has a **specific** loan product to finance RE or EE, or if it finances RE or EE with NON-dedicated/specific loan products: working capital, consumption loans etc.

Scoring guidance: To score YES it is enough that the FSP has a specific loan product for at least one technology: RE or EE, both are not required.

If the FSP finances RE or EE with non-dedicated/specific loans the score should be PARTIALLY, if it can sufficiently demonstrate examples of RE and EE devices being financed with non-dedicated loan products.

### EXAMPLES

ESAF, India provides rural clients with solar energy solutions, efficient cook stoves, and water filters. XacBank LLC, Mongolia runs an Eco Product Program, for more information see [http://www.e-mfp.eu/sites/default/files/resources/2015/01/5th European Microfinance Award brochure\\_final.pdf](http://www.e-mfp.eu/sites/default/files/resources/2015/01/5th%20European%20Microfinance%20Award%20brochure_final.pdf)

See [e-MFP Product Catalogues](#) for a list of RE and EE devices that FSPs may consider financing in view of improving quality of life and generating economic savings for households or micro entrepreneurs.

### SOURCES OF INFORMATION



- Product descriptions



- Interviews with head of operations, branch managers, loan officers

INDICATOR **7D21**

**The provider offers specific loan products or other financial products dedicated to promoting sustainable or climate-smart agriculture.**

**RATIONALE**

Small farmers are particularly vulnerable when it comes to dealing with the effects of climate change. Moreover their practices can negatively impact the environment: cut of trees, use of chemicals, etc that can also have negative impacts on health. Rising temperatures and erratic weather like flooding and drought, can lead to loss of production, reduced productivity, loss of infrastructure, soil erosion and diminished food security. Offering financial products that promote sustainable or climate-smart agriculture offers an opportunity for FSPs to help clients be more resilient to environmental shocks and climate change, and to support soil production, conservation of natural resources, and better yields.

**DEFINITION**

**Climate-smart agriculture** is an approach for transforming and reorienting agricultural systems to effectively support development and ensure food security in a changing climate (FAO definition). Sustainable and / or climate-smart agriculture includes practices like organic farming, conservation agriculture, agroforestry, natural pest control management, crop associations, etc. Climate smart agriculture should achieve the three objectives: improve in productivity, improve in climate resiliency, decrease impact on ecosystem.

Note that climate-smart agriculture may be unsustainable, for example it may reduce CO2 emissions, but affect the environment in term of biodiversity loss.

Also note that sustainable agriculture can have a positive impact on the environment, but may not necessarily increase climate resiliency (and not be climate-smart): for example, the promotion of organic productions based on crops that are all vulnerable to temperature fluctuations.

**EVIDENCE TO PROVIDE**

Verify product descriptions. Products may include loans for diversification, for adapted seeds, for ecosystem-based adaptation, greenhouses, water reservoirs, organic fertilizers, agroforestry, silvopasture, drip irrigation etc. Please note, this indicator assesses loan or other financial products, but does not include micro-insurance which is assessed in **7D32**.

Make sure to verify if the FSP has **specific** loan products to finance sustainable or climate-smart agriculture, or rather if it addresses sustainable or climate-smart agriculture with NON-dedicated/specific loan products: working capital, investment loans. etc

**SOURCES OF INFORMATION**

- Product descriptions



- Interviews with head of operations, branch managers, loan officers

**GREEN**

Scoring guidance: Financial products should have the **explicit** objective of promoting sustainable or climate-smart agriculture to score 'YES'.

To score YES it is enough that the FSP has a specific loan product for at least one activity: sustainable or climate-smart agriculture, and not both.

If the FSP offers agricultural micro-insurance but no other climate-smart agriculture related products, then the answer here is 'NO' and the microinsurance product is assessed in **7D32**.

If the FSP addresses sustainable or climate-smart agriculture with non-dedicated/specific loans the score should be PARTIALLY.

If the FSP does not address sustainable or climate-smart agriculture with specific products or its standard products, but consistently measures the risk of climate or ecosystem degradation\* on clients activities, score PARTIALLY. (Being able to measure climate and ecosystem risks for agriculture practices is the starting point for developing adapted products to off-set these risks.)

\*This refers to the risks that climate change or degraded ecosystem could affect clients' activities and hence become a credit risk for the FSP. This does NOT refer to the environmental risks of a client's activity (addressed in indicator **7C11**).

**EXAMPLES**

[FDL Nicaragua](#) promotes sustainable agriculture with a range of green loan products for establishing or renovating plantations, biodiversity conservation, climate change adaptation, agroforestry, silvopasture.

[Kompanion](#), Kyrgyzstan provides loans linked to a training program for livestock farmers on grazing land management and preservation.

**The provider offers specific loan products dedicated to promoting other environmentally-friendly practices and activities (e.g: recycling, waste management, clean water, etc.).**

### RATIONALE

Offering financial products that promote environmentally-friendly practices offers an opportunity for FSPs to diversify their product range and expand into new markets while contributing to environmental conservation. Here we consider loans that are NOT dedicated to RE or EE or sustainable or climate-smart agriculture: i.e. green loans that are not linked to energy or to agriculture.

They are activities complementary to the ones considered in: **7D21** and **7D11**.

### EVIDENCE TO PROVIDE

Verify product descriptions. Environmentally-friendly activities include recycling, waste management, ecotourism, etc.

Scoring guidance: Verify if the FSP has a specific loan product to finance environmentally-friendly practices or if it finances such practices with non-specific loan products, like working capital or investment loans.

If non-specific products are used but the FSP can demonstrate that they are used to finance environmentally friendly practices, then PARTIALLY.

### EXAMPLES

How green microfinance works: a Zimbabwean panel beating workshop benefits from a triple bottom line solution: better for the environment, better for health and better for the company's financial performance. <https://youtu.be/55jZwWsyIfw>

How green microfinance works: a Zimbabwean peanut butter factory benefits from a triple bottom line solution: better for the environment, better for health and better for the company's financial performance. <https://youtu.be/glyn76W3u5U>

### SOURCES OF INFORMATION



- Product descriptions



- Interviews with head of operations, branch managers, loan officers

INDICATOR **7D32**

**The provider offers, directly or via a third-party insurer, agricultural or climatic micro-insurance products that contribute to help clients become more resilient to environmental shocks or climate change.**

**RATIONALE**

Microinsurance products can play a critical role in offsetting part of the impact of climate threats like excessive temperatures, excessive or erratic precipitation levels and resulting effects (on crops, soil, pest-control, etc.). Offering microinsurance directly or through a third-party insurer offers an opportunity for FSPs to diversify their product range and expand into new markets while helping clients mitigate the risks of environmental shocks and climate change.

**EVIDENCE TO PROVIDE**

Verify product description for microinsurance. Verify the contract with the insurance or reinsurance company and the roles of each party.

Verify that the existence of the insurance does not encourage financing of unsustainable practices at the level of environmental impact or climate change risk.

Scoring guidance: It is important that the insurance product specifically covers climate and / or agriculture risks and not only other general risks such as: death, health, etc. If the insurance does not specifically cover climate or agriculture risks, score NO.

If the FSP can provide evidence (documents, past events etc.) that an insurance product that is not specific for climate or agriculture risks has been able to cover losses from an agriculture or climate event, score PARTIALLY.

**SOURCES OF INFORMATION**

- Product descriptions



- Interviews with head of operations, branch managers, loan officers

## GREEN

INDICATOR **7D33**

**The provider offers trainings to its clients, directly or in partnership with environmental organizations, on environmentally-friendly practices or businesses.**

**RATIONALE**

FSPs may decide to promote green practices and environmentally-friendly business models through formal trainings in order to increase understanding and prepare the market for new opportunities.

Encouraging clients to engage in environmentally sustainable practices or technologies may require training or reinforcing the capacities of the FSP itself.

Training on how to measure environmental or climatic risks should be transferred to clients. In particular, clients should be trained on how to use new green technologies, and engage with new/improved green practices. Clients are often new to such practices and technologies and training should be provided to assure the correct implementation and use, and hence increase the probability of positive outcomes.

**EVIDENCE TO PROVIDE**

Training materials, training plan, description of any partner relationships. The FSP should provide evidence that the training specifically addresses environmentally friendly practices or businesses.

Scoring guidance: If the FSP does not have specific training on environmentally friendly practices or businesses, but can provide evidence that the topics are included in some depth (NOT awareness raising) in more general trainings, then score PARTIALLY.

**SOURCES OF INFORMATION**

- Training materials



- Clients Interview