

SPTF Social Investor Working Group



November 10, 2021

Discussion / Agenda

16:30 – 16:35 Introduction

16:35 – 17:10 Feedback from Geneva – ALINUS factory !

17:10 – 17:25 Financing structure for SPI

17:25 – 17:30 Next steps



Process for ALINUS

- Geneva “ALINUS factory”
- Homework sent before meeting: A file with a pre-selection for ALINUS 3.0 with 103 indicators, selected on the basis of
 - ALINUS 2.0 + new concepts in the USSEPM 3.0
 - A mapping with sustainability frameworks and ESG approaches including the SFDR-PASIs, 2X Challenge, IFC Performance Standards 2, UN Global Compact Principles, and OECD Responsible Business Conduct and the client protection entry-level indicators
- Participants did a review before the meeting
- Then discussed their selection in small groups.
- This gave us 10 in-depth reviews + additional comments

Results

- 99 indicators selected at least by one participant
Which suggests that nearly all were considered relevant.
Sometimes, indicators were not selected as “must have” because the investor covers the practice elsewhere in its investment process.
- 74 selected by 5 people or more
- 32 are « no brainers »
Because they were elected by 9 or 10 participants
These were spread across all dimensions (except D6)
- Among the 40 client protection entry level indicators:
29 were selected as "must haves"
11 appear on the “maybe” list → *this suggests that not all of the client protection entry level indicators are considered absolute must-haves for investors for making a go/no-go decision.*
- Among the 36 indicators + details proposed by CERISE to help report on compliance with SFDR / E&S procedures:
25 were selected as “must haves”

Key takeaways

- **Discussions revealed a relatively harmonized approach to social due diligence assessment**
- The question of whether ALINUS 3.0 should focus more on basic ESG do no harm versus social and environmental practices that suggest doing good was answered: ALINUS should provide a “decent picture” of a FSPs social performance practices. Basic ESG is covered elsewhere in most investors’ processes. -->*CERISE is still planning on a basic ESG module to address the needs of newcomers to the SPM and CP Pathways.*

Sharing the current proposal

- 57 indicators
 - Dim 1 = 4
 - Dim 2 = 8
 - Dim 3 = 5
 - Dim 4 = 17
 - Dim 5 = 11
 - Dim 6 = 4
 - Dim 7 = 11

=> Does it reflect investors priorities, key focus in Due Diligence?

Dimension	Dimension 1: Social Strategy
Standard	The provider has a strategy to achieve its social goals.
EP	The strategy specifies the provider's target clients, social goals, and how the provider will achieve those goals.
Indicator	The strategy defines the demographic and socioeconomic characteristics of target clients.
Indicator	The provider defines a "do no harm" strategy that articulates how it will mitigate the social risks connected to its goals.
EP	The strategy defines indicators and targets to measure the provider's progress toward social goals.
Indicator	The provider has at least one measurable indicator for each social goal.
Standard	The provider collects, analyzes, and reports data that are specific to its social goals.
EP	The provider collects data on outcomes for clients and their households.
Indicator	The provider collects data on an ongoing basis to measure whether it is achieving its social goals.

Dimension	Dimension 2: Committed Leadership
Standard	Members of the board of directors hold management accountable for achieving the provider's social goals.
EP	The board makes strategic decisions based on social and financial data.
Indicator	The board uses the following data, provided by management, to monitor client protection: (with the listed minimum frequency)
Indicator	The board uses the following data, provided by management, to monitor the provider's social strategy (with the listed minimum frequency)
Indicator	The board uses the following data, provided by management, to monitor decent work conditions for employees. (with the listed minimum frequency)
Indicator	The board takes corrective action when it identifies risks to clients or when the provider is not achieving its social goals.
Standard	Executive management is responsible for implementing the provider's strategy for achieving its social goals.
EP	Management includes the provider's social goals in the operational plan and holds senior managers accountable for achieving them.
Indicator	The provider includes its social goals and targets in the business plan or operational plan.
EP	Management makes strategic and operational decisions based on social and financial data.
Indicator	Senior management analyzes the following social performance-related data and assess risks (Minimum frequency: annually)
Indicator	Internal audit and/or risk management integrates monitors employee performance in the following areas:
Indicator	Management takes corrective action when it identifies risks to clients or when the provider is not achieving its social goals

Dimension	Dimension 3: Client-centered Products and Services
Standard	The provider collects and analyzes data to understand clients' needs.
EP	The provider conducts market research and pilot testing.
Indicator	Before introducing new products, services, or delivery channels, the provider conducts market research that includes gathering
EP	The provider collects client feedback on their experiences using the provider's products and services.
Indicator	The provider conducts client satisfaction surveys. Minimum frequency: every other year
Standard	The provider's products, services, and channels benefit clients.
EP	The provider's products, services, and channels protect clients from harm.
Indicator	The provider's collateral and guarantor requirements do not create severe hardship for clients.
Indicator	If the provider lends in hard currency, it informs clients of the foreign exchange risk. The provider can also justify the decision
EP	The provider products and services help clients reduce their vulnerability to shock and smooth consumption.
Indicator	The provider offers products and services that help clients maintain stable levels of expenditure despite income fluctuation

Dimension	Dimension 4: Client Protection
Standard	The provider does not overindebt clients.
EP	The provider makes loan decisions based on a client's repayment capacity.
Indicator	The provider has a policy and documented process for loan approvals.
Indicator	The provider conducts a cash flow analysis to evaluate repayment capacity.
EP	The provider monitors the market and responds to heightened over-indebtedness risk.
Indicator	Management and the board of directors monitor portfolio quality to identify clients with a high risk of over-indebtedness. Mir
Indicator	The provider defines PAR levels that trigger additional internal monitoring and response.
Standard	The provider gives clients clear and timely information to support client decision making.
EP	The provider is transparent on product terms, conditions, and pricing.
Indicator	The provider gives a Key Facts Summary Document to borrowers before they sign a contract. The document contains the fol
Indicator	If the provider offers savings, savings documentation includes the following:- Fees--including closure fees- Interest rate and h
Indicator	If the provider offers insurance, it gives clients the following information at the time of enrollment: - A
EP	The provider communicates with clients at appropriate times and through appropriate channels.
Indicator	The provider gives clients a completed, signed copy of the contract and makes the contract accessible anytime in an online ac
Standard	The provider enforces fair and respectful treatment of clients.
EP	The provider's code of conduct requires fair and respectful treatment of clients.
Indicator	The provider's code of conduct states the organizational values, standards of professional conduct, and treatment of clients t
Indicator	The provider's policies prohibit the following:
Indicator	The provider's incentive structure does not promote aggressive sales.
Indicator	If loan officer salaries are comprised of a fixed and a variable portion, the fixed portion must represent at least 50% of total s
EP	The provider protects clients' rights to respectful treatment during the loan collection process.
Indicator	The provider has documented policies that govern the collections process and include the following:

Standard	The provider secures client data and informs clients about their data rights.
EP	The provider maintains the security and confidentiality of client data.
Indicator	The provider has data security and confidentiality policies that cover the gathering, use, distribution, storage, and retention of
Indicator	The provider maintains physical and electronic files in a secure system.
EP	The provider informs clients about data privacy and data rights.
Indicator	The provider receives clients' consent before sharing client data in the following circumstances:
Standard	The provider receives and resolves client complaints.
EP	The provider has a complaints mechanism that is easily accessible to clients and adapted to their needs.
Indicator	Clients have a way to submit complaints to persons other than their loan officer/product officer and that person's supervisor

Dimension	Dimension 5: Responsible Human Resource Development
Standard	The provider creates a safe and equitable work environment.
EP	A written Human Resources policy is available to all employees that explains and protects their rights.
Indicator	The provider's Human Resource policy explains employees' rights and responsibilities related to the following:
Indicator	The provider meets or exceeds local regulations in the following areas:
Indicator	The provider's non-discrimination policy towards employees covers all internationally recognized "Protected Categories." [N
Indicator	The provider operates in accordance with national law on minimum age for employment, but in no case employs workers un
EP	Employee compensation is equitable and adequate.
Indicator	The provider pays salaries based on market rates, and never below the sectoral minimum wage.
EP	The provider has a safety and health management system.
Indicator	The provider documents and reports to management all occupational accidents, injuries, and illnesses. The results are disagg
Indicator	Based on these assessments, the provider takes necessary measures to mitigate hazards.
Standard	The provider's Human Resource Development system is designed to attract and maintain a qualified and motivated
EP	The provider gives each employee complete employment documentation and training to understand their job requirements
Indicator	The provider communicates to each employee their individual employment terms:
EP	The provider gives employees formal opportunities to communicate with management.
Indicator	The provider has a formal grievance mechanism that allows employees to raise workplace concerns in a confidential manner
Standard	The provider's Human Resource Development system supports its social strategy.
EP	The provider trains all employees on its social goals and on client protection.
Indicator	The provider trains employees on client protection, in line with their roles and responsibilities. Minimum frequency: annually
EP	The provider evaluates and incentivizes employees based on social and financial criteria.
Indicator	Employee performance appraisals and incentives include social performance criteria, such as:

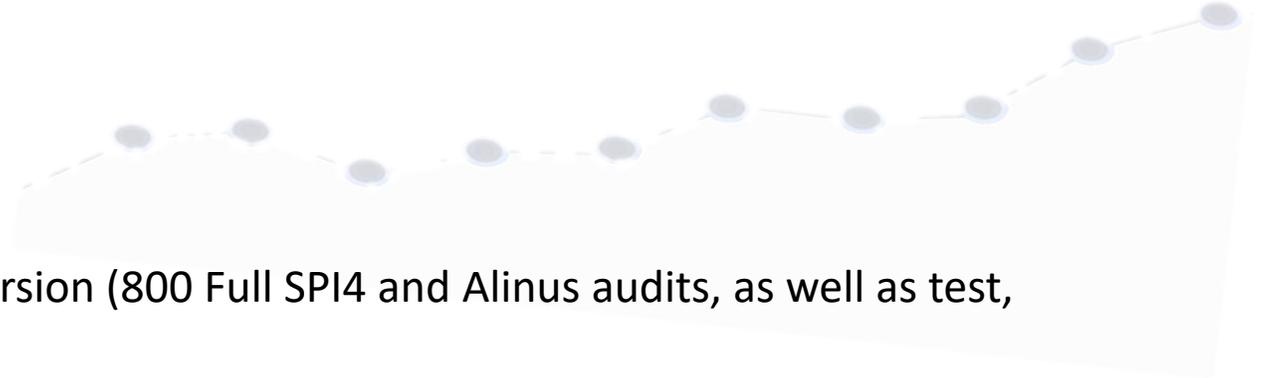
Dimension	Dimension 6: Responsible Growth and Returns
Standard	The provider sets prices responsibly.
EP	The provider charges fair prices.
Indicator	Annual Percentage Rate (APR) for all of the provider's major credit products (> 20% portfolio) is within 15% of
Indicator	Loan interest is calculated on a declining balance and according to the exact date of payment.
Indicator	Loan interest (including arrears interest) does not accrue past 180 days, at maximum.
EP	The provider does not transfer unnecessary costs to clients.
Indicator	Operating expense Ratio (OER Ratio) is within the accepted performance range. If outside of the range, the

Dimension	Dimension 7: Environmental Performance Management DRAFT VERSION FROM OCTOBER 6TH
Standard	The provider has an environmental strategy and systems in place to implement it
EP	The provider has a strategy to achieve its environmental goals
Indicator	The provider has a documented strategy that specifies its intention to achieve [at least one of] the following environmental g
Standard	The provider identifies and manages environmental risks and opportunities.
EP	The provider identifies and manages its own environmental risks at headquarters and branch level
Indicator	The provider avoids, minimizes and/or offsets the adverse impacts of its internal activities on the environment linked to- Ene
Indicator	The provider identifies clients' vulnerability to climate change and environmental degradation related to the following:- clima
Indicator	The provider identifies clients' adverse impacts on the environment, related to the following:- Greenhouse gas emission- Air,
Indicator	The provider categorizes loan applications according to their level of environmental risks and implements at least one of the
Standard	The provider offers financial and non-financial products and services to achieve its environmental goals.
EP	The provider offers financial products and services to achieve its environmental goals.
Indicator	The provider offers financial products or services to help clients cope with climate shocks:
Indicator	The provider offers loans that allow its clients to implement or maintain green practices and technologies, including:
EP	The provider offers non-financial services to achieve its environmental goals.
Indicator	The provider raises awareness of its clients on their vulnerability to climate change and environmental degradation, on their

Building on the experience of SPI V1

The current SPI online (V1) version:

- Launched in May 2020
- Over 1500 registered users
- Over 900 organizations or consultants
- More than 1300 audits on the current SPI online version (800 Full SPI4 and Alinus audits, as well as test, qualification and training audits)



Basic functionalities:

- Online and offline auditing: Full and Alinus, a Green index module and partner-specific modules and dashboards
- Collaborative functionalities and audit sharing possibilities
- Automatic basic benchmarking (Region and Profit / non profit filters)
- Downloadable dashboards (global social dashboard, USSPM, Client protection, Green index, Transparency index)

Positive aspects of SPI v1

For the users:

- Real time collaborative work
- Working offline and uploading
- A reduced reporting burden thanks to sharing and increasing number of users
- Dashboards and reports to drive decision-making

For CERISE

- Real time vision of the auditing and training going on
- Some content management done directly by CERISE without going through the developers
- A valuable database for benchmarking and analysis
- Opportunity to build the organizational capacities associated with managing an online platform

The screenshot shows a user interface for 'SPI v1' with a navigation bar at the top. The main content area is titled 'TRAINING_SUMMER FINANCE'. It features a dashboard with several cards representing different assessment categories, each with a score and progress percentage. Below the dashboard, there is a detailed view of a specific assessment item, including a description and a 'Target clients' field with a dropdown menu and an 'Add' button.

The screenshot shows the 'Spi Admin v.0.9.9' interface. On the left, there is a sidebar with navigation options like 'Home page', 'Users', 'Organizations', 'Audits', 'Questions', 'Question help', 'Version', 'LISTS', 'Assessment', and 'REPORT/EXPORT'. The main content area displays a table of audits with the following columns: Id, Name of audit, Type of assessment, Methodology, Focal point at FSP, Start, End, Owner, Status, and FSP. The table contains 14 rows of audit data.

Id	Name of audit	Type of assessment	Methodology	Focal point at FSP	Start	End	Owner	Status	FSP
1361	Test	SPI4 Full	ASA	Test Testers	03/08/2021	Null	ngarhi banua	pending	Test
1360	MFI 2	SPI4 Alnus	ASAQ	Cerise Training	03/08/2021	Null	Training User 25	pending	Training Cerise
1359	Audit SPI4 Niger	SPI4 Full	ASAQ	Fadimata Moumouri	02/08/2021	Null	Fadimata Moumouri	pending	ACEP NIGER
1358	Mock qualif_2021_Jana Vandoren	SPI4 Full	ASA	Jana Vandoren	30/07/2021	Null	Jana Vandoren	pending	Mock FSP
1357	ressources humaines	SPI4 Alnus	ASA	ali soubelga	29/07/2021	Null	ali soubelga	pending	ACEP BURKINA
1356	Garba Yacouba	SPI4 Alnus	ASA	Fadimata Moumouri	29/07/2021	Null	Abdoul aziz Garba Yacouba	pending	ACEP NIGER
1355	Garba Yacouba	SPI4 Alnus	ASA	Fadimata Moumouri	29/07/2021	Null	Abdoul aziz Garba Yacouba	pending	ACEP NIGER
1354	Social Performance	SPI4 Full	SA	Nabwami Yudaya	29/07/2021	Null	Nabwami Yudaya	pending	Umga Microfinance SMC Limited
1353	Coop TLM Indonesia SPI4 Q2 2021	SPI4 Full	SA	Elien Loa	02/08/2021	Null	Elien Loa	pending	KSP TLM (Kooperasi Simpan Pinjam Tanaoba Laki Manek)
1346	SEJARA MICRO CREDIT LIMITED DAYAN EDIRINGHE	SPI4 Full	SA	Dayan Edirringhe	22/07/2021	Null	Dayan Edirringhe	pending	SEJARA MICRO CREDIT LIMITED
1345	ONG VAHATSA-SILLET 2021-CharlotRasakharivelo	SPI4 Full	ASAQ	Null	21/07/2021	Null	Charlot Rasakharivelo	pending	ONG VAHATSA
1344	Try	SPI4 Full	ASAQ	Null	20/07/2021	Null	Alienor Dupont	pending	Null
1342	BRAC UGANDA BANK LIMITED Q2 2021	SPI4 Full	ASA	DENIS KISEKA	20/07/2021	Null	DENIS KISEKA	pending	BRAC Uganda Bank Limited
1341	1st try	SPI4 Alnus	SA	Null	20/07/2021	Null	Alienor Dupont	pending	Null
1340	COAC 4 de Octobre - 2021 - Javier Vaca - Ecuador	SPI4 Full	ASAQ	Ivonne Arevalo	19/07/2021	Null	Javier Vaca	pending	COAC 4 de Octobre

Based on the current experience, a more powerful SPI platform

With the revision of the Universal Standards, CERISE will bring changes to the platform.

It is a real opportunity for a new strategic vision that will guide the development of the platform in years to come.

SPIv2 : An opportunity for a renewed visions for SPI

The new vision must be built by CERISE and SPTF, for CERISE, SPTF and SPI stakeholders (FSPs, investors, SPM pros, regulators) and driven by the following principles

1. Create positive impact for CERISE and SPTF: broader audience, stronger support to USSEPM implementation
2. Aim for the high standards of what digital platforms users expect: modularity, easy sharing, aggregation, link to technical resources, benchmarks, etc.
3. Focus on the users of the platform: guide efficient implementation of USSEPM
4. Consolidate data and allow for ESG reporting, reducing reporting burden

Budget SPI online v1 2019-2020

Expenses	Euros	Resources	Euros
IT development + trad	132 500	Sponsor	85 000
CERISE time	90000	Donor (AFD, SIDA)	81 800
		Own resources Cerise	55 700
Total	222 500		222 500

Sponsors:

ADA, BNP Paribas, GCAMF, Gojo, Opportunity, Proparco, SIDI, Smart, Triple Jump, Verdant

Budget SPI online v2 – a SPM platform for 2022

Expenses	Euros	Resources	Euros
User eXperience and Interaction (UX/UI)	40 000	Sponsor (co-financing confirmed by investors)	20 000
IT development (modularity, new dashboards - ESG, SDG, etc., link with resources, sharing rules, aggregation, etc.) + translation	150 000	Donor (SDC, BIO, AFD-OSC)	130 000
CERISE time	60 000	<i>Donor and sponsor (still under discussion)</i>	<i>100 000</i>
Total	250 000		250 000

ALINUS 3.0

- Few other investors expected to provide their « homework »: Triple Jump, Kiva, Agents for Impact, rA, etc.
- CERISE to look into detail to the selection and propose a first draft of ALINUS 3.0 (by November 17)
 - A proposal with about 60 indicators. We are on good track!
 - A proposal for OrgInfo :
 - with focus on Portfolio segmentation: NACE?
 - Financial indicators?

FUNDING

- Contact with CERISE or SPTF
- MOU can be signed for co-financing (as it was done for ALINUS v1, and SPI online v1)