

**SPTF Social Investor Working Group**  
*November 19, 2020*

**Introduction and Announcements**

- Jurgen welcomed Frank Streppel of Triodos Investment Management and Edouard Sers of Grameen Credit Agricole Foundation, who won the recent SIWG election and will become co-chairs of the working group. Frank, who came in first place, will also join the SPTF Board of Directors.

**Next steps for client protection pathway**

- **Draft concept note on “Commitment to Implement Client Protection” (formerly CP Endorsement)**
  - The SIWG’s client protection (CP) sub-group has developed a draft concept note on the Commitment to Implement, which is [here](#). It highlights that an FSP’s commitment should be complemented by a disclosure on its CP practices, which would be posted on the organization’s website and on CERISE’s SPI Online platform.
  - As next steps, the sub-group will finalize which indicators the disclosure on CP practices will include, as well as ensure alignment with the proposals for the external Client Protection Evaluation.
  - By year end, the sub-group will submit the final proposal to FSPs for feedback. It is planning for the self-assessment to be ready by the end of Q1 2021, pending funding.
  - If you still want to join the sub-group or have feedback on the concept note, contact [Katie Hoffmann](#).
- **Client Protection Evaluation Working Group (CPEWG): Priority indicators, “seal of approval”**
  - The CPEWG, which is composed of the rating agencies and managed by SPTF/CERISE, is focused on:
    - Agreeing on a harmonized evaluation framework. The group is:
      - Developing a methodology in full alignment with the CP subset of the Universal Standards
      - Selecting “priority indicators” that will serve as a minimum level in a tiered grading system.
        - FSPs would need to score 100% in priority indicators to qualify for the next level.
        - Priority indicators would be selected from across the seven Client Protection Principles, prioritize practice over policy/procedures, draw from the CP indicators in ALINUS, and address key concerns in the sector.
        - All CPPs would be represented equally in the priority indicators; if an organization is fully compliant with priority indicators, it would already be 28% compliant with the full set of CP standards.
        - Priority indicators could be used for the disclosure on CP practices of the “Commitment to Implement.”
        - For debate: Should responsible pricing indicators and ratios be assessed at entry level?
      - Developing a tiered scoring system to allow for comparability of the grades. The CPEWG is still determining final scores needed to pass.
      - Proposing that a CP evaluation would have a standard validity of three years.
    - Proposing a SPTF/CERISE “Seal of Approval” for organizations conducting CP evaluations. In line with rater and investor feedback, SPTF/ CERISE will introduce a validation of external evaluations. The name for such a “seal” has not yet been decided.
      - A seal will guarantee that evaluation organizations use the common framework.
      - It is still under discussion whether a seal would also confirm the expertise of the external evaluator, i.e. the quality of the evaluation.
      - In case the second option is agreed upon, receiving a seal would indicate that the evaluation follows the common framework established by SPTF/CERISE and that the evaluating organization:
        - Has strong quality control systems, including internal systems in place to ensure adequate levels of analysis, as well as experienced and independent committees to review each analysis.

- Ensures thorough training of its pool of analysts and has adequate knowledge management systems to mitigate staff turnover.
- Has a proven and significant track record in CP evaluation.

### **Client data during the pandemic**

- **MSME resiliency in Times of Stress.** DWM presented findings from its recent assessment of the pandemic's impact on MSME clients of its portfolio of financial institutions. The survey was conducted in conjunction with BFA Global and reached more than 3,500 customers via computer assisted telephone interviews or web-based interviews. Some of its high-level takeaways include:
  - Microenterprises with emergency funds and access to digital payments suffer less severe revenue decline.
  - SME with larger emergency funding pools suffer less revenue decline. Loan size is a better indicator of declining revenues. Firms with larger loans outstanding have more severe revenue declines.
  - Female-owned SMEs are more likely to use e-commerce.
  - A large proportion of unplugged micro-enterprises are likely to consider a digital loan.
- **Takeaways from investor roundtables on client data.** SPTF recently held two roundtables – one with investors and one with investors and FSPs -- on the use of client data during the pandemic. High-level takeaways include:
  - Stakeholders along the value chain who have invested in good data collection are constrained by competing pressures, such as investors' expectations of returns, government expectations of interest forgiveness, etc.
  - People see need for greater coordination and data sharing vertically and horizontally.
  - There is need for patience / longer term view at all levels of the investment chain.
  - We are facing a challenge throughout the investment chain with balancing risk and financial inclusion.
  - Additional investments in capacity building and infrastructure are needed to adapt to the new reality.