Universal Standards for Social Performance Management

DIMENSION 1: Define and Monitor Social Goals

Standard	
1a	**The institution has a strategy to achieve its social goals.**
Essential Practices	
1a	**The institution has each of the following, which are described in the strategy:** **1a.1 <u>Social mission</u>: the institution's social purpose, which includes increasing access to financial services for vulnerable or excluded target groups and creating benefits for these clients.** IND 1) The institution's mission includes: ▪ the target group, ▪ how the institution will meet the needs of the target group, ▪ the expected social outcomes. IND 2) The mission statement of the institution: ▪ reflects the current intentions of the institution as determined by its leadership, ▪ reflects the needs of the clients/members, ▪ has been formalized (e.g. written), ▪ has been circulated, explained, and promoted at all levels within the institution.
	1a.2 <u>Target clients</u>: the specific characteristics of its target clients and how serving these client groups supports the social mission. IND 1) The institution's strategy includes the specific characteristics of its target clients including information on their: ▪ demographics and/or socio-economic characteristics (e.g. male/female, urban/rural, level of education), ▪ poverty level, ▪ access to financial products and services, ▪ business activity (e.g. agriculture/trade, new business/existing business). IND 2) The institution's strategy: ▪ includes a clear definition of the target groups of clients, ▪ describes how serving these target clients serves the mission, ▪ describes the steps the institution takes to promote understanding among management and employees on how the target clients are defined.
	1a.3 <u>Social goals</u>: the expected client level outputs and outcomes. IND 1) The institution's strategy formally identifies clear and realistic goals in terms of the products and services offered (i.e. social outputs) and these are consistent with the type of clients targeted. IND 2) The institution's strategy formally identifies clear and realistic goals in terms of the desired results, such as improvements in clients' lives (i.e. social outcomes).
	1a.4 <u>Social targets</u>: the measurable targets for client-level outputs and outcomes. IND 1) The institution's strategy describes social targets that are specific, measurable, attainable, relevant, and time-bound, for each of its specified client outputs (e.g., 70% of all new loans are made to rural farmers) and outcomes (e.g., 80% of

	these farmers report increased assets after 18 months).
	1a.5 <u>Social indicators</u>: the indicators it will use to measure its progress toward achieving each of its social goals. IND 1) The institution has defined measurable social indicators to monitor outreach to different types of clients and the desired changes in those clients' lives (i.e. outcomes), with at least one indicator for each social goal and/or outcome. (Please provide a list of the institution's social indicators.)
	1a.6 <u>How to achieve goals</u>: the products, services, delivery models and channels (detailed in Dimension 3) that the institution will use to achieve these outputs and outcomes. IND 1) The institution's strategy defines how the following aspects of its operations are tailored to the target clients, meet their needs, and help achieve its stated social mission and goals: ▪ products ▪ services ▪ delivery models ▪ channels IND 2) The institution has a clearly defined "theory of change" that establishes how its products and services will help achieve its desired social outcomes.

Standard	
1b	**The institution collects, reports, and ensures the accuracy of client-level data related to the institution's social goals.**
Essential Practices	
1b	**1b.1 The institution collects data using at least one indicator for each of its social goals (defined in 1a), and collects any other data required for the MIX Social Performance indicators.[1]** IND 1) The institution systematically and periodically collects data (for all or a representative sample of clients) on the specific characteristics of its clients that are relevant for its mission, such as: ▪ women/men ▪ youth/adult ▪ urban/rural ▪ client household income level, i.e. poverty level ▪ activities to be financed, including sector and size of business ▪ membership in a marginalized group (e.g. indigenous, disabled) ▪ any other relevant demographic characteristics IND 2) The institution periodically collects data on the changes in its clients' lives that are relevant for its mission, using at least one indicator to track progress toward

[1] In order to develop global benchmarks, all institutions should collect the data required for the MIX Social Performance Indicators, regardless of whether they report these to the MIX (please see the Universal Standards Implementation Guide, Essential Practice 1b.1 for more information).

each of its social goals.

1b.2 The institution has social performance data protocols on: 1) who collects the data; 2) where the data is stored; 3) who analyzes the data; 4) who verifies the accuracy of the data; 5) how the data is reported; and 6) to whom the data is reported.

IND 1) The institution has a data management policy that identifies in writing:

- 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

IND 2) The institution's data collection practices reflect the policies outlined above.

1b.3 The institution ensures the quality of the data it collects by: 1) validating the data collected and entered into the system, and 2) training employees on data collection tools and data entry procedures.

IND 1) The institution validates the social data collected and entered into the system using periodic internal audit or management review, including some field level checks, in order to promote reasonable accuracy and reliability.

IND 2) The institution provides specific training on the processes of data collection and data entry to employees in the relevant positions.

1b.4 The institution's internal system for managing data has the capacity to disaggregate client data by gender and other key client characteristics.

IND 1) The institution's internal system for managing data (e.g. MIS) disaggregates data by client characteristics and branch/region, and generates disaggregated reports in a timely fashion. Client characteristics may include:

- women/men
- youth/adult
- urban/rural
- client household income level, i.e. poverty line
- activities to be financed, including sector and size of business
- membership in a marginalized group (e.g. indigenous, disabled)
- product usage
- Other (please specify those used by your institution)

IND 2) The institution periodically analyzes client level data and presents consolidated data on outputs and outcomes in management reports.

1b.5 If the institution states poverty reduction as one of its social goals, it monitors the poverty levels of its clients using a poverty assessment tool.

IND 1) The institution monitors the poverty status of its clients, which may include non-monetary forms of poverty, such as lack of empowerment or food insecurity:

- not applicable since MFI does not have a poverty reduction goal
- using a poverty assessment tool (e.g., per capita household

	expenditure, food security survey, Participatory Wealth Ranking, Progress out of Poverty Index®, gender audit tools, etc.) ▪ for all products ▪ only for incoming clients ▪ periodically to track client progress over time ▪ in relation to the national/regional poverty line ▪ analyzed at the institution-wide level. ▪ Other, please specify_____ IND 2) The poverty levels of clients can be disaggregated by client characteristic and branch/region.
	1b.6 The institution publicly discloses social performance data, including the MIX Social Performance Indicators. IND 1) The institution discloses social performance data, including the MIX Social Performance Indicators, in a public format, through reporting to one or more of the following channels: ▪ the MIX ▪ national/regional network ▪ global network ▪ the institution's annual report ▪ the national regulator ▪ other - please specify_____ IND 2) The institution updates the information reported in IND 1 above at least annually.

DIMENSION 2: Ensure Board, Management, and Employee Commitment to Social Goals

Standard	
2a	**Members of the Board of Directors are committed to the institution's social mission.**
Essential Practices	
2a	**2a.1 The institution provides Board members with an in-depth orientation on its social mission and goals, and the Board's responsibilities related to the social performance management of the institution, and confirms that each member agrees.** IND 1) During the orientation, Board members are provided with: ▪ an explanation of (or training on) the institution's social mission and goals, ▪ documentation on their responsibilities regarding SPM, ▪ updates about recent developments on relevant national and international SPM initiatives, such as SPTF, Smart Campaign, SP related regulation etc. IND 2) All board members have confirmed that they agree with the social performance responsibilities for Board members, as explained in the orientation and commit

	to helping the institution put its mission into practice. IND 3) The Board has at least one member who has education and/or work experience related to social performance.
	2a.2 The institution requires Board members to adhere to the institution's code of ethics (see the indicators for Essential Practice 2c.2). IND 1) All board members have signed the institution's code of ethics. IND 2) Adherence to the code of ethics is verified periodically by an internal audit or external review.

Standard	
2b	**Members of the Board of Directors hold the institution accountable to its social mission and social goals.**
Essential Practices	
2b	**2b.1 The Board reviews social performance data, including: mission compliance, performance results, human resource policy, social performance related risks, client protection practices, growth, and profit allocation.** IND 1) The Board reviews each of these topics, at least annually, in order to determine whether the institution is meeting its social mission and social goals: ▪ Progress of the social indicators towards their established goals ▪ Human resource policy (e.g. benefits, incentives, turnover, gender, etc.) including its alignment with the mission ▪ Client protection practices ▪ Growth targets vs. actual growth ▪ Profit allocation ▪ Product range ▪ Client feedback data or satisfaction surveys ▪ Client rotation and exit survey data ▪ Employee turnover and employee satisfaction data ▪ Independent information on the above (e.g. from internal audit or independent external assessments, such as audit/rating) ▪ Reputational risk ▪ Other social performance results compared to the established social targets
	2b.2 Based on its review of the above information (discussed in Essential Practice 2b.1), the Board provides direction for and oversight of the institution's strategy (detailed in Standard 1a), taking into account both social and financial goals. IND 1) The discussions and decision making reflected in the minutes of Board meetings show that social indicators and reputational issues are regularly presented, analyzed, and used to inform decision making. IND 2) The Board approves balanced social and financial guidelines for management to use in the strategic planning process. IND 3 The Board regularly checks social results against social targets, and takes corrective action when social targets are not being met. IND 4) A SPM champion has been designated or a SPM committee has been formally

set up within the Board.

2b.3 The Board incorporates social performance management criteria into its performance evaluation of the CEO/Managing Director.

IND) The Board annually conducts a formal evaluation of the CEO/Managing Director using written social performance management criteria relevant to the institution's social goals (e.g., achievement of outreach targets, client retention).

2b.4 The Board has a documented strategy to prevent institutional mission drift during changes in ownership structure and/or legal form.

IND 1) When preparing for periods of institutional growth and change (e.g., ownership structure, geographic expansion, outreach to new target clients, addition of new products, changes in equity structure, changes in legal form), the Board has a documented strategy to ensure the institution sustains its social mission, and this strategy is reflected in its shareholder agreements.

Standard	
2c	**Senior management sets, and oversees implementation of, the institution's strategy for achieving its social goals.**
Essential Practices	
2c	**2c.1 Senior management integrates the institution's social performance goals into business planning, making strategic and operational decisions based on both their social and financial performance implications.** IND 1) Senior management receives reports at least quarterly, which: ▪ contain social performance data, including data on client level outcomes, ▪ compare social performance data to stated targets. IND 2) Documentation exists that demonstrates that social performance is integrated into business planning and operational decision making, such as: ▪ Board meeting minutes ▪ management team meeting minutes ▪ business plan ▪ operational plan IND 3) The institution's social goals and targets (please refer to 1a.3 and 1a.5) are included in the business plan or operational plan.
	2c.2 The institutional culture raises awareness and concern about fair and responsible treatment of clients. (Client Protection standard 5.1) IND 1) The institution clearly spells out in a Code of Conduct (i.e., in Code of Conduct, Code of Ethics, Book of Employee Rules) the organizational values and standards of professional conduct that are expected of all employees. IND 2) The institution's Code of Conduct has been reviewed and approved by the Board. IND 3) The institution's employees sign a document by which they acknowledge that they will abide by these standards of professional conduct and not engage in any behaviors prohibited by the Code of Conduct.

2c.3 Senior management analyzes social performance data, including data on client-level outcomes (see Dimension 1), to compare the institution's actual performance against its stated social targets.

IND 1) Management receives reports at least annually, which contain social performance data, including data on the profile of clients reached (i.e. output) and the changes in their lives (i.e. outcomes).

IND 2) The social performance results are compared to stated targets in the business plan at least annually.

IND 3) Provide examples of how management makes decisions based on timely information about social indicators and results.

2c.4 Senior managers consider and take action to avoid social performance related risks.

IND 1) At least annually, senior managers assess and take action to mitigate social performance related risks, such as:

- Mission drift
- Reputational risk
- Incidents resulting in harm to clients
- Client exit
- Employee dissatisfaction and exit
- Incentives that can lead to negative behaviors among employees
- Lack of transparency
- Negative environmental impacts
- Gender inequalities and/or discrimination
- Lack of implementation of policies

IND 2) In assessing the social performance related risks, the management uses internal information sources, such as management reports and internal audit as well as independent external assessments (audits and ratings), if available.

IND 3) The institution incorporates a review of social performance criteria into the regular activities of the internal audit department and the risk management area.

2c.5 The CEO/Managing Director holds senior managers accountable for making progress toward the institution's social goals.

IND 1) Senior managers are responsible for achieving specific social performance targets.

IND 2) The CEO/Managing Director formally assesses and rewards senior managers on their achievement of social performance targets annually.

Standard	
2d	**Employees are recruited, evaluated, and recognized based on both social and financial performance criteria.**
Essential Practices	
2d	**2d.1. Employee job candidates are screened and hired for their commitment to the institution's social goals, and their ability to carry out social performance related job responsibilities.** IND 1) The institution's hiring process (e.g. review of CVs, candidate interviews,

reference checks, etc.) ensures a good fit between a candidate's competencies and values and those required by the position, and assesses a candidate's ability and willingness to meet social performance-related job requirements.

IND 2) Employees sign a Commitment Contract, which states the candidate will do his/her best to carry out the institution's social performance goals and mission.

2d.2. The institution provides training, and evaluates employees, on how they perform both the social performance and financial performance responsibilities related to their position.

IND 1) Sufficient social performance training is provided to ensure a good dissemination of the mission among all employees, appropriate to the institution's branch network and rate of employee turn-over.

IND 2) Field officers are trained to communicate client feedback to management.

IND 3) Employee performance appraisals include social performance factors, and evaluation of the employee's ability and willingness to carry out the social performance responsibilities related to his/her position's support of the mission, such as:

- Customer service
- Ability to recruit target clients
- Sensitivity to gender and other potential types of discrimination
- Quality of social data collection
- Client retention
- Portfolio quality
- Level of intensive versus extensive growth (i.e. recruitment of clients new to microfinance)
- Quality of non-financial services provided (if applicable)

2d.3 The institution implements policies to promote ethics and prevent fraud. (Client Protection standard 5.4)

IND 1) The institution's managers and supervisors review ethical behavior, professional conduct, and the quality of interaction with customers as part of employee performance evaluations.

IND 2) The institution's procedures describe the sanctions that will be taken in case of violation of the Code of Conduct or collections policies (e.g. harassment, discrimination, theft, corruption, kickbacks etc.), that can result in the termination of employment.

IND 3) The institution's employees are informed of penalties for non-compliance with Code of Conduct or collections policies.

IND 4) There is sufficient monitoring of the practices (by operations department, internal audits, etc.) to provide education or sanctions as necessary.

IND 5) The institution sanctions cases of violations of the Code of Conduct or collections policies (identified by management, internal audit or an efficient complaint mechanism) according to set rules.

IND 6) The loan officer base pay is at least a living wage.

2d.4 The institution incentivizes quality loans.[2] (Client Protection standard 2.2)

IND 1) Regular reports on PAR and write-offs are produced and reviewed by institution's management.

IND 2) Reasonable portfolio quality is maintained over time. If there is poor long term quality of loan portfolio, and linked to over-indebtedness, corrective measures have been put in place.

IND 3) The institution's productivity targets and incentive systems value portfolio quality at least as highly as other factors, such as disbursement or client growth.

IND 4) The institution's productivity targets and incentive schemes are reasonable as compared to the industry benchmark (parameters and proportion of fixed/variable remuneration).

IND 5) If PAR is over 10% at the level of the MFI, bonuses are offered to loan officers able to decrease PAR below 10%.

DIMENSION 3: Design Products, Services, Delivery Models and Channels That Meet Clients' Needs and Preferences

Standard	
3a	**The institution understands the needs and preferences of different types of clients.**
Essential Practices	
3a	**The institution seeks client feedback for product design and delivery. (Client Protection standard 1.2) The institution regularly uses the data it collects (process described in standard 1b) to:** **3a.1 Understand how clients use products and services, by client characteristic. The institution uses client feedback to inform product development and improve existing products (client feedback can be informal). (Client Protection indicator 1.2.2)** IND 1) The institution conducts market research at least annually or conducts ongoing market research on the characteristics, needs, and product uptake/preferences of the target population and analyses the results. IND 2) For institutions with insurance products, the institution tracks not only coverage but claims by client characteristics. IND 3) Please provide a full list of products/services and their usage, segmented by client characteristics (e.g., men and women, income level, business type), if available.
	3a.2 Understand client satisfaction by client characteristic; IND 1) The institution at least annually employs a mechanism to collect feedback from clients, such as a formal client satisfaction survey, focus group discussions, or participatory meetings, that:

[2] "Quality loans" includes proactive consideration of appropriate loan products that prevent over-indebtedness and provide benefits to clients.

- allows for segmentation by the characteristics of the target population,
- covers a representative sample of clients (i.e. sample composition is similar to the population and of reasonable size),
- minimizes the risk of bias (e.g. avoids involving employees who are directly responsible for client satisfaction).

IND 2) The institution analyzes, by client characteristic, the feedback it receives on client satisfaction, at least twice a year.

IND 3) Clients' feedback is solicited on the ability of the financial and non-financial services offered to meet their needs (especially those needs that are part of the institution's theory of change, such as: reducing risks and coping with common emergencies, investing in economic opportunities, and addressing anticipated household needs). To do so, the client feedback addresses topics such as:

- Overall satisfaction with the client experience and value of the products offered,
- Who actually uses the product (e.g. client, spouse, other household member), and what is the end use of the service (e.g. business working capital, consumption smoothing, lump sums for asset building or life events),
- Satisfaction with the convenience, safety, and reliability of service delivery channels,
- Satisfaction with the timeliness, ease of use, and conditions/guarantees necessary to obtain the services,
- Satisfaction with the relationship with loan officer,
- Satisfaction with savings/loan/insurance services (amounts, costs, schedule flexibility),
- Suggestions for product improvement,
- Level of trust in the institution.

3a.3 Monitor the client retention rate[3] and understand the reasons clients exit the institution.

IND 1) **The institution investigates reasons for client drop out. (Client Protection indicator 1.2.1)** For client retention monitoring, the institution :

- Calculates the retention rate on an ongoing basis,
- Monitors the trend in this rate over time using a consistent formula, and analyzes the results across client segments, products, and branches/areas,
- Conducts exit interviews to understand the causes of client exit, by client segment and branch/region.

IND 2) Does your institution have a particular level of client retention that you consider 'acceptable/unacceptable'?

[3] The MIX social performance indicator for client retention uses the following formula to calculate client retention: Client retention rate = Active clients at the end of the period / (active clients at beginning of the period + new clients during the period).

Standard	
3b	**The institution's products, services, delivery models and channels are designed to benefit clients, in line with the institution's social goals.**
Essential Practices	
3b	**The institution designs products that are appropriate to client needs and do no harm. (Client Protection standard 1.1) The institution uses its understanding of client needs and preferences to design or modify products and services, delivery models and channels that create benefits to clients. This includes:** **3b.1 Reducing the barriers to financial inclusion faced by target clients;** IND 1) Based on the target population's needs and preferences, the institution's products and services, delivery models, and channels are designed or modified so that the following features do not represent barriers to the target population's access: ▪ 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, etc.), ▪ Loan repayment schedules, savings withdrawal conditions (e.g. compatible with the cash-flows of the target populations), ▪ Loan/saving/insurance product use (e.g. compatible with the target clients' activities), ▪ Delivery channels (e.g. mobile banking, smart cards/prepaid cards, points of sale, ATMs or agents for remote areas if necessary), ▪ Delivery models (e.g. adaptation to cultural/social barriers such as language, literacy level, women's role), ▪ Limited financial literacy of clients, ▪ Other (please specify). IND 2) The institution has a policy describing acceptable pledges of collateral and has clear guidelines for how collateral is registered and valued.
	3b.2 Providing timely access to sufficient money and services that allow clients to reduce their risk and cope with common emergencies; IND 1) The institution has conducted a strategic analysis on how its products, services and delivery models help clients to reduce risks and cope with common emergencies. IND 2) The institution offers (directly or indirectly through partners) a diverse or flexible set of products/services which can be conveniently and timely used by clients to reduce risks and cope with common emergencies, such as: ▪ Loans to cope with emergencies and reduce risks, including but not limited to emergency loans, ▪ Rescheduling or restructuring of loans when appropriate, ▪ Savings to cope with emergencies and reduce risks, including but not limited to products with the possibility to withdraw money easily, mandatory saving can be withdrawn for emergencies, etc., ▪ Voluntary insurance, including but not limited to credit, life, health, assets, agriculture, other,

- Payments/remittances services to cope with emergencies and reduce risks,
- Training services to reduce risks, including women's empowerment, business, and other educational services.

IND 3) The institution monitors product usage to understand how products are actually used by clients in order to discover any gaps between design and implementation (e.g. monitor insurance settlements to track prompt settlement of claims and claims rejection ratio etc.).

3b.3 Creating other benefits for clients by enabling them to invest in economic opportunities and address anticipated household needs.

IND 1) The institution has conducted a strategic analysis on how its products, services and delivery models enable clients to invest in economic opportunities and address anticipated household needs.

IND 2) The institution 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:

- Loan products including but not limited to start-up business loans, loans for established businesses (working capital or investment), loans for life events such as weddings/funerals, home improvement loans or housing loans,
- Saving services including but not limited to youth savings, saving plans for life events such as weddings/funerals, housing savings,
- Leasing options,
- Pension services.

3b.4 The institution does not use aggressive sales techniques. (Client Protection standard 1.3)

IND 1) The institution does not use high pressure/aggressive sales techniques and does not force clients to sign contracts (for credit, no forced signing of any individual borrower or group member, or of any guarantor).

DIMENSION 4: Treat Clients Responsibly

The Universal Standards contains all 30 of the Smart Campaign's client protection standards. These 30 standards describe adequate practice for each of the seven Client Protection Principles. Twenty one of the client protection standards are found in Dimension 4, below. The remaining nine standards apply more directly to Dimensions 2, 3, and 6, and are located in those sections. To view all of the client protection standards in one place, please visit the Smart Campaign's website: http://www.smartcampaign.org/certification/certification-standards

Standard	
4a	**Prevention of Over-indebtedness—Client Protection Principle 2** **Providers will take adequate care in all phases of their credit processes to**

determine that clients have the capacity to repay without becoming over-indebted. In addition, providers will implement and monitor internal systems that support prevention of over-indebtedness and will foster efforts to improve market level credit risk management (such as credit information sharing). [4]

Essential Practices

4a

4a.1 The institution conducts appropriate client repayment capacity analysis before disbursing a loan. (Client Protection standard 2.1)

IND 1) The institution's policies support good repayment capacity analysis. The loan approval does not rely solely on guarantees (whether peer guarantees, co-signers or collateral) as a substitute for good capacity analysis.

- [individual lending] Repayment capacity analysis is done for every loan.
- [group lending] The group formation and loan approval process ensure the prudent self-selection of members, with emphasis on the concept of solidarity payment.

IND 2) The institution's repayment capacity policy is adequately disseminated among employees, considering the employee growth and turn-over.

IND 3) The institution's repayment capacity policy is uniformly used in practice.

IND 4) The institution performs a repayment capacity analysis at each loan cycle, even if simplified for secondary aspects at loan renewal.

IND 5) For clients with informal revenues and/or non-consumption loans (most cases), the repayment capacity analysis is based on a client visit (performed by a loan officer or delegated to group/village members). The institution verifies the information consistency through cross-checks. For clients with a salary asking for a consumption loan, a client visit is not required.

4a.2 The institution uses credit bureau and competitor data, as feasible in local context. (Client Protection standard 2.3)

IND 1) [credit bureau] The institution's policies include clear consultation and sharing of client data (for all loan cycles).

IND 2) [credit bureau] The institution systematically reviews client data from the credit bureau (for borrowers' current debt levels and repayment history) to assess the client repayment capacity prior to disbursement at each loan cycle. The institution also systematically reports client data to the credit bureau.

IND 3) [credit bureau] [group lending] Groups access up-to-date data from the credit bureau regarding borrower credit history: group members are provided with the credit bureau credit checks done on other members.

IND 4) [no credit bureau] Policies include clear consultation and sharing of client data (for all loan cycles), with competitors, as feasible in local context.

IND 5) [no credit bureau] The institution regularly consults with and reports client data to competitors (informal data exchanges consistent with legal limitations, as feasible in local context).

IND 6) The institution has a supervisory system in place to ensure that the credit bureau or competitor data is effectively used to inform credit analysis and decisions.

[4] The Client Protection Principle "Prevention of Over-indebtedness" contains six Client Protection standards; five are listed under Universal standard 4a, and one is found under Universal Standards 2d..

	4a.3 The Management and Board is aware of and concerned about the risk of over-indebtedness. (Client Protection standard 2.4) IND 1) The institution's management and Board of Directors show awareness and concern about the risk of client over-indebtedness, and monitor it. IND 2) In high risk markets, stronger efforts are required. Management and Board of Directors define what is high-risk. They review relevant market level information (relevant to the current or planned operational area of the financial institution).
	4a.4 The institution's internal audit department monitors that policies to prevent over-indebtedness are applied. (Client Protection standard 2.5). IND 1) The institution's internal audit and/or internal controls department verifies the compliance with the policies and systems used to prevent the risk of client over-indebtedness. IND 2) The institution's internal audit and/or other departments (except for credit and/or collections departments) visit a representative sample of clients each year. IND 3) The institution's MIS regularly provides information on rescheduled loans.
	4a.5 The institution avoids dangerous commercial practices (i.e., avoids combining loan products to meet the same need, or restricting the loan use; sets prudent limits to allow for the renewal of a loan in case of early repayment; sets guidelines for appropriate rescheduling policies). (Client Protection standard 2.6) IND 1) The institution has a policy that avoids parallel loans within the MFI (i.e., combining loan products to meet the same need, or restricting the loan). IND 2) The institution has prudent limits to allow for the renewal of a loan in case of early repayment. IND 3) The institution has specific procedures to actively work out solutions (i.e., through workout plan) for rescheduling loans/refinancing/writing off on an exceptional basis for late clients who have the "willingness" to repay but not the capacity to repay, prior to seizing assets.

Standard	
4b	**Transparency—Client Protection Principle 3** **Providers will communicate clear, sufficient and timely information in a manner and language that clients can understand, so that clients can make informed decisions. The need for transparent information on pricing, terms and conditions of products is highlighted.**[5]
Essential Practices	

[5] The Client Protection Principle "Transparency" contains five Client Protection standards, all of which are listed under Universal Standard 4b.

4b	**4b.1 The institution fully discloses cost and non-cost information. (Client Protection standard 3.1)** IND 1) The institution fully discloses to the clients all prices, installments, terms and conditions of all financial products, including all charges and fees, associated prices, penalties, linked products, 3rd-party fees, and whether those can change over time. IND 2) The institution clearly presents to clients the total amount that the client pays for the product, regardless of local regulations (including in the absence of industry-wide requirements). IND 3) The institution participates in the MFTransparency project (or similar industry project, if applicable).
	4b.2 The institution communicates proactively with clients in a way that clients can easily understand. (Client protection standard 3.2). IND 1) The institution has effective communication. Employees communicate in such a manner that clients can understand the terms of the contract, their rights, and obligations. IND 2) The institution contracts contain simple language and no fine print (figuratively or literally). A clear fact summary page is given if the legally necessary contract is deemed too technical for the clients. IND 3) The institution avoids using pricing mechanisms that create confusion on the total costs.
	4b.3 The institution uses a variety of disclosure mechanisms. (Client Protection standard 3.3) IND 1) The institution uses at least two different communication channels for disclosing clear and accurate information about the product: written and verbal (to address literacy limitations). IND 2) The institution discloses pricing information in the public domain.
	4b.4 The institution leaves adequate time for client review and discloses at multiple times. (Client Protection standard 3.4) IND 1) The institution communicates all information related to the product (terms, conditions etc.) to clients before signing. IND 2) The institution gives clients adequate time to review the terms and conditions of the product, ask questions, and receive additional information prior to signing contracts. IND 3) The institution is available to answer questions.
	4b.5 The FI provides accurate and timely account information (Client Protection standard 3.5) IND 1) The institution regularly gives clients clear and accurate information regarding their accounts (e.g. account statements, receipts, balance inquiries, proof of payment for loans). IND 2) The institution provides clients with updated balances on request. IND 3) The institution gives clients a hard copy of all documents signed by clients (including, but not limited to the contract) with all terms and conditions. The institution ensures that there are no blank terms in all documents signed by clients (including, but not limited to, contracts) - they must be completely filled

	out. IND 4) [group lending] Each client receives a contract, and/or an individual passbook or payment book with contract terms and signature (even if the contract is between the group and the financial institution).

Standard	
4c	**Fair and Respectful Treatment of Clients—Client Protection Principle 5[6] Financial service providers and their agents will treat their clients fairly and respectfully. They will not discriminate. Providers will ensure adequate safeguards to detect and correct corruption as well as aggressive or abusive treatment by their employees and agents, particularly during the loan sales and debt collection processes.**
Essential Practices	
4c	**4c.1 The institution has defined in specific detail what it considers to be appropriate debt collection practices. (Client Protection standard 5.2)** IND 1) The institution clearly spells out in a Code of Conduct (i.e., in Code of Conduct, Code of Ethics, Book of Employee Rules) the specific standards of professional conduct that are expected of all employees involved in collections (including third party staff). IND 2) The institution does not endorse a policy of zero tolerance for PAR. IND 3) The institution's policy guarantees that clients receive a fair price for any confiscated assets; has procedures to ensure that collateral seizing is respectful of clients' rights; and offers an explanation of the role of guarantors. In case collateral is kept on the financial institution premises, procedures are in place to ensure its security.
	4c.2 The institution's HR policies (recruitment, training) are aligned around fair and responsible treatment of clients. (Client Protection standard 5.3) IND 1) Employees are recruited and trained in line with the Code of Ethics. IND 2) The institution's employees are trained in line with the Code of Ethics: initial training includes a review of the Code of Conduct and a discussion with new employees on the situations where the compliance with the Code might be a challenge. IND 3) The institution's collection practices are covered during the initial training of all employees involved in collections (loan officers, collections staff, and branch managers). In particular, collections staff receives training in acceptable debt collections practices and loan recovery procedures.
	4c.3 In selection and treatment of clients, the institution does not discriminate inappropriately against certain categories of clients. (Client Protection standard 5.5) IND 1) The institution has a non-discrimination policy.

[6] The Client Protection Principle "Fair and Respectful Treatment of Clients" contains eight Client Protection standards; five are listed under Universal Standard 4c, while the other three are found under Universal Standards 2c and 2d, according to their relevance for those standards.

	IND 2) The institution's rescheduling policies are applied in a consistent and fair way across the financial institution.
	4c.4 In-house and 3rd party collections staff are expected to follow the same practices as the institution's staff. (Client Protection standard 5.6) IND) The same training is provided to third party collections staff, in case collection is subcontracted, and they are held to the same standards as the institution's employees.
	4c.5 The institution informs clients of their rights. (Client Protection standard 5.7) IND 1) The institution informs clients of the main aspects of the Code of Conduct. Information includes clients' right to complain and how to submit a complaint. IND 2) The institution informs clients about procedures on collateral seizing. IND 3) The institution documents and communicates to clients about loan policies and procedures for rescheduling credit.

Standard	
4d	**Privacy of Client Data—Client Protection Principle 6**[7] **The privacy of individual client data will be respected in accordance with the laws and regulations of individual jurisdictions. Such data will only be used for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed with the client.**
Essential Practices	
4d	**4d.1 The institution has a privacy policy and appropriate technology systems (Client Protection standard 6.1).** IND 1) The institution has a written privacy policy that governs the gathering, processing, use, distribution, and storage of client information. The policy covers current employees as well as those who leave the organization and information leakage. IND 2) The institution's privacy clause is in plain language and not hidden in or the contract. The privacy clause stands out and is not in small print. IND3) The institution's employee Book of Rules and/or Code of Conduct penalize misuse or misappropriation of data. IND 4) The institution has penalties for exposing or revealing client data to third parties without prior client consent. IND 5) The institution has systems in place (including secure IT systems) to protect the confidentiality, security, accuracy and integrity of customers' personal and financial information. IND 6) The institution's IT systems in place have different password protection systems that are changed periodically with different access levels according to the position of the employees accessing the data. IND 7) If files are stored in physical format, the institution stores the client files in a secure location, within the branch or headquarters that has a) restricted access only to selected persons; b) is kept in a facility secure from arson or theft.

[7] The Client Protection Principle "Privacy of Client Data" contains two standards, both of which are listed under Standard 4d.

	4d.2 The institution informs clients about when and how their data is shared and gets their consent (Client Protection standard 6.2). IND 1) The institution has a policy (included in the training manual) to describe how to talk to clients about this topic. Requires that the institution present clearly to clients how it will use and share their client data. IND 2) The institution communicates well the privacy policy to employees. IND 3) The institution trains its employees to protect the confidentiality, security, accuracy and integrity of customers' personal and financial information. IND 4) The institution informs customers how their information will be used internally and, when applicable, when it will be shared externally. IND 5) Prior to loan disbursement, the institution's employees read the privacy portion of the contract to the client. IND 6) The institution's contracts include a data privacy clause, describing how and when data can be shared (in addition to credit bureau information). IND 7) The institution requires written client consent to use information or photos in promotions, marketing materials and other public information. IND 8) The institution requires written client consent to share personal information with any external audiences, including credit bureaus, insurance agents, collection companies and others. IND 9) [group lending] the institution trains group leaders to safeguard group member information, particularly saving account balances, dates of loan disbursement, and information on repayment problems.

Standard	
4e	**Mechanisms for Complaint Resolution—Client Protection Principle 7[8]** **Providers will have in place timely and responsive mechanisms for complaints and problem resolution for their clients and will use these mechanisms both to resolve individual problems and to improve their products and services.**
Essential Practices	
4e	**4e.1 The institution's clients are aware of how to submit complaints (Client Protection standard 7.1).** IND 1) The institution informs clients about: 1) their right to complain; and 2) how to submit a complaint to the appropriate person (or where they could find that information if they don't know it first-hand).
	4e.2 The institution's staff are trained to handle complaints Client Protection standard 7.2). IND 1) The institution's dedicated employee induction training includes a session on how the complaints mechanism works, the loan officer's role in the process and how to appropriately manage complaints until they are completely resolved (how to handle complaints and refer them to the appropriate person for investigation and resolution).

[8] The Client Protection Principle "Mechanisms for Complaint Resolution" contains four standards, all of which are listed under Standard 4e.

	4e.3 The institution's complaints resolution system is active and effective (Client Protection standard 7.3). IND 1) The institution's policies include how to handle complaints. They include how to inform clients about the complaint mechanism. IND 2) The institution has an effective, appropriate system in place to resolve complaints in a timely way. IND 3) The institution has assigned someone to handle complaints and refer them to the appropriate person for resolution, at least on a part-time basis. IND 4) The institution has a clear reporting system in place to ensure that complaints from branches/POS reach complaints-handling employees. IND 5) The complaints mechanism is actively used by clients. IND 6) The institution's clients receive a timely response to their issues, within a month of complaint submission. IND 7) The institution's internal audit or other monitoring system checks that complaints are resolved satisfactorily.
	4e.4 The institution uses client feedback to improve practices and products (Client Protection standard 7.4). IND 1) The institution uses information (from client feedback) to correct mistakes, omissions and activities that may be harmful to the client. IND 2) The institution uses complaints information to improve the organization's operations/products/communications.

DIMENSION 5: Treat Employees Responsibly[9]

Standard	
5a	**The institution follows a written Human Resources policy that protects employees and creates a supportive working environment.**
Essential Practices	
5a	**5a.1 A written Human Resources policy is available to all employees; is compliant with any existing national law; and explains employees' rights related to all of the following: wages, benefits, working conditions, safety at work, non-discrimination, freedom of association, and grievance resolution.** IND 1) All employees have access to an up-to-date copy of the HR policy. IND 2) The policy is compliant with any existing national labor laws. IND 3) The written HR policy is clear and covers employees' rights related to the following: ▪ Wages, ▪ Benefits i.e. social protection,

[9] The standards and the indicators in this section were contributed directly by the International Labor Organization (ILO) and are in keeping with the latest knowledge and best practices derived from the ILO's extensive experience with creating and monitoring international labor standards. These standards and indicators do not represent an exhaustive list of their findings, but rather summarize their learning on these topics as it relates to microfinance and the standards defined by the SPTF members.

- Working conditions, including rights concerning overtime pay, rest periods, holidays, number of expected work hours per week, etc.,
- Safety at work,
- Non-discrimination,
- Freedom of association,
- Grievance resolution,
- Anti-harassment safeguards
- Disciplinary procedures and possible sanctions, and
- Provision of any collective bargaining agreements,
- Exit formalities.

IND 4) The following categories are covered by the financial institution's non-discrimination policy:

- sex
- race/ethnicity
- religion
- HIV status
- disability
- sexual orientation
- participation in any collective bargaining agreement

5a.2 Employee compensation levels constitute a living wage[10] for employees.

IND 1) The institution has a transparent salary scale and pays salaries based on market rates and the national or sectorial minimum wage.

IND 2) The institution evaluates whether discrepancies exist between the salaries of comparable male and female employees at each level/department of the organization. And if discrepancies exist, action is taken to remedy this situation.

IND 3) The institution has a policy to promote the professional development of its current employees, such that employees with good performance evaluations can achieve promotions and raises.

5a.3 The institution accepts and responds to employee grievances through a formal and confidential grievance system that protects employees from retaliation for submitting their complaints.

IND 1) The institution has a formal grievance mechanism in place that allows employees to raise workplace concerns (e.g. sexual harassment) in a confidential manner and this mechanism is actively used by employees.

IND 2) The institution has a whistle blower policy that allows employees to disclose information to management or the Board when they reasonably believe that a criminal offense, miscarriage of justice, or damage to the environment etc. has occurred, without fear of retaliation.

IND 3) The institution's policies include how to handle complaints and how to raise awareness among employees about the complaints mechanism.

IND 4) The institution has an Ethics Committee that can facilitate the just resolution of grievances from employees.

[10]A living wage is a wage sufficient to provide minimally satisfactory living conditions for the employee in the location where s/he works.

	5a.4 The institution neither employs nor benefits from forced or compulsory labor.[11] If national law allows employment of minors, the institution complies with the national and international legal requirements and norms when hiring minors.[12] IND 1) The institution does not use or benefit from forced or compulsory labor in any area of its operations. IND 2) The institution complies with the national and international legal requirements and norms when hiring minors and operates in accordance with national law on minimum age for employment, but in no case employs workers under 14 years old.
	5a.5 The institution assesses the health and safety risks that employees face on the job and provides to employees, free of charge, the training and equipment necessary to mitigate those risks. IND 1) The institution performs, at least annually, an assessment of the health and safety risks that employees face on the job, and these results are disaggregated by gender. ▪ What percentage of employees received health and safety training over the past 12 months? (Results should be disaggregated by gender). IND 2) Based on this assessment, the institution provides to employees, free of charge, all necessary training to mitigate those risks. IND 3) Based on this assessment, the institution provides to employees, free of charge, all necessary equipment to mitigate those risks and that equipment is equally distributed to male and female employees. IND 4) The institution has established a joint management-worker safety committee to identify risks, develop solutions, and build a safety culture.
	5a.6 The institution documents, reports, and investigates all occupational accidents, injuries or diseases. IND 1) The institution documents, reports, and investigates all occupational accidents, injuries or diseases. IND 2) The HR Manager has reviewed, within the last year, the report on occupational accidents, injuries or diseases. IND 3) The institution compensates employees who miss work due to work-related injuries.

Standard	
5b	**The institution communicates to all employees the terms of their**

[11]Any work done under the threat of penalty or involuntarily is considered forced or compulsory labour.

[12]The minimum age for admission to "regular work" is at least 14 years (developed countries: 15 years). Exceptions may be made from 12 years (developed countries: 13 years) for "light work" that does not interfere with the child's schooling and does not harm the child in any other way. The minimum age for "hazardous work" that is likely to harm the health, safety or morals of a child is 18 years.

	employment and provides training for essential job functions.
Essential Practices	
5b	**5b.1 Each employee receives a written job description and a written or verbal employment contract that includes his/her salary, benefits, and employment conditions.** IND 1) Each employee has a written employment contract that includes his/her salary, benefits, and employment conditions. IND 2) Each employee receives a written job description for his/her position. The employee's scope of work is defined during their orientation and revised as needed in a timely manner. IND 3) The institution provides employees a written copy of the work rules and possible sanctions.
	5b.2 Each employee receives job-specific training and/or skill development necessary to perform his/her essential job functions. IND 1) Over the last 12 months, the majority of employees has received ongoing skills training and/or skill development necessary to perform his/her essential job functions. IND 2) Each employee receives an orientation and specific job training at the beginning of his/her employment and whenever s/he receives a promotion. IND 3) The institution 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.
	5b.3 Each employee understands how his/her performance will be evaluated and rewarded by the institution. IND 1) Each employee receives the up-to-date performance metrics that the institution will use to evaluate the employee's performance. IND 2) Each employee receives an up-to-date written explanation of the institution's incentive/reward system (if applicable), and the incentive/reward system is clear enough to allow a generally good understanding by employees. IND 3) The institution's evaluation and reward system is reviewed periodically to ensure that is appropriate and is applied fairly. IND 4) Employees are included in the development and review of the metrics and rewards system.

Standard	
5c	**The institution monitors employee satisfaction and turnover.**
Essential Practices	
5c	**5c.1 The organization gathers, documents, and analyzes employee satisfaction data.** IND 1) In the past 12 months, the institution has completed an analysis of employee satisfaction (including disaggregation of results by gender) and shared the results with the employees. IND 2) Formal satisfaction surveys ask employees to comment on topics such as: ▪ Satisfaction with employment terms, including contract

	duration and remuneration, ▪ Satisfaction with the workload, ▪ Satisfaction with employee training, ▪ Satisfaction with career advancement opportunities, ▪ Satisfaction with physical resources/infrastructure/equipment, ▪ Satisfaction with communication, participation, and leadership from supervisors, ▪ Satisfaction with communication and teamwork from peers, ▪ Satisfaction with conflict resolution practices, or ▪ Satisfaction with Human Resources support services. IND 3) Employees satisfaction surveys are conducted anonymously.
	5c.2 The institution monitors the rate of employee turnover[13] and understands the reasons for employee exit. IND 1) The institution annually calculates the employee retention rate and monitors its trend over time as well as its concentration in relevant categories, such as employee level and gender. IND 2) The institution provides all outgoing employees the opportunity for an exit interview or to complete an Exit Form. IND 3) The institution annually analyzes data on the reasons for employee exit and monitors its trend over time as well as its concentration in relevant categories, including employee level, gender, and reason for departure e.g. voluntary vs. involuntary.
	5c.3 The institution takes action to correct institutional problems leading to employee turnover and dissatisfaction. IND 1) Senior management annually analyzes employee satisfaction survey results, the employee turnover rate, and reasons for employee exit. IND 2) Senior management has taken corrective action, to address the issues identified during the analysis conducted in IND 1, for those factors over which the institution has control.

DIMENSION 6: Balance Financial and Social Performance

Standard	
6a	**Growth rates are sustainable and appropriate for market conditions, allowing for high service quality, and do not jeopardize either financial sustainability or client well-being.**
Essential Practices	
6a	**6a.1 The institution establishes a policy on sustainable target growth rates, approved by the board, for all branches/regions and all product types,**

[13] The MIX calculates employee rotation rate in the following way: Employee rotation rate = Exit during the period / average (Number of employees at the end of the reporting period + Staff employed for one year or more).

considering the institution's growth capacity and the markets being targeted.

IND 1) The institution sets sustainable target growth rates by branch and region over a 3-5 year time horizon considering the following external factors:

- Demand: understand demand by client type based on market research, credit bureau information, network data or other sources.
- Penetration: use competitors' current and projected growth rates if available, or use projections of competitors' growth rates to allow the institution to estimate where and how fast growth is proceeding in its local market and plan accordingly.
- Market potential and saturation analysis: identify areas with unmet demand and pockets of market saturation based on the estimated current and projected indebtedness of the target population's demand (incidence of multiple loans and loan amounts compared to the income level).
- Market infrastructure: level of participation in credit bureau and/or other client information exchange systems, and estimated level of use of informal credit providers.

IND 2) The institution sets sustainable target growth rates by branch and region over a 3-5 year time horizon considering the following internal factors:

- Management team workload and skills,
- Internal control and internal audit capabilities related to risk management,
- Key operational procedures, including credit management policies, have been documented,
- Human resource capability, including employee number, skills, training, turn-over and productivity,
- Management information system quality and capacity,
- Financing sources and terms.

IND 3) The institution has set guidelines/thresholds for sustainable growth targets. If yes, what are they?

6a.2 The institution analyzes indicators on growth and market saturation for all branches/regions on a quarterly basis, to assess compliance with the institution's growth policies.

IND 1) The institution assesses quarterly (not just annually, which may not capture high growth followed by contraction) the evolution of market conditions in all branches and regions to ensure that the current growth is compatible with maintaining client well-being and institutional sustainability.*

IND 2) If growth-related risks due to the external conditions are detected, the management takes corrective measures.

IND 3) The institution examines each of the following on a quarterly basis for each branch/region to compare strategic targets to actual accomplishments:

- Growth in number of loans,
- Growth in outstanding portfolio,
- Growth in savings balance,
- Growth in new client recruitment,
- Analysis of growth rate compared to changes in PAR 30, and
- Average productivity per loan officer (e.g. number of clients,

portfolio size).

IND 4) If actual growth exceeds growth-related targets, the management reviews the causes and outcomes for that, and puts corrective measures in place as necessary.

* Please see 6a.1 for guidelines on how to assess market conditions and 3a.2 for how to evaluate client wellbeing.

6a.3 The institution monitors whether its internal capacity is keeping pace with institutional growth in number of clients and amount of loans and deposits, and enhances that capacity as needed.

IND 1) Senior management reviews on a quarterly basis whether its internal capacity is keeping pace with institutional growth targets, by monitoring information such as:

- Business plan and financial projections for growth rates,
- Internal audit findings on the implementation of the policies by all branches/regional offices, with a specific focus on new and high growth branches
- Staff capacity including: number of employees and employee training, employee productivity, employee turnover, clients per loan officer, employees per manager,
- Management information system—quality and capacity,
- Internal controls—quality and capacity,
- Service quality—as evaluated by management, internal audit, and clients.

IND 2) If growth-related risks due to the internal conditions are detected, the management takes corrective measures.

Standard	
6b	**Equity investors, lenders, board and management are aligned on the institution's double bottom line and implement an appropriate financial structure in its mix of sources, terms, and desired returns.**
Essential Practices	
6b	**6b.1 The institution has clear policies, consistent with its social goals, on its desired level of returns and on how those returns will be used.** IND 1) The institution has clearly defined targets or ranges for profitability ratios such as: ▪ Return on Assets (ROA), ▪ Return on Equity (ROE), ▪ Margin caps, ▪ Reinvestment of profits. IND 2) The institution has articulated the rationale for these ranges or targets—specifically, how these target ranges balance the institution's financial and social goals. IND 3) The institution has clearly defined guidelines on profitability and the use of profits (e.g., how much of the current year's profit will be allocated to dividends, to lower interest rates for clients, to product improvements, to bonuses to employees, etc.), which are in line with its social goals.

	IND 4) The Board of Directors reviews the actual profit allocations annually to ensure they are in line with the guidelines.
	6b.2 The institution engages with funders whose expectations for financial returns, time horizons and exit strategies are aligned with the institution's social goals and stage of development. IND 1) The institution and its funders (e.g. investors, lenders, shareholders, donors) create a written document that states the expectations of both parties with respect to profitability. IND 2) The Board has agreed with its current investors about the time frame for their investment in the institution and the planned exit strategy, such that these factors are aligned with the social goals of the MFI and its level of development. IND 3) The institution's shareholders engage in deep discussion with potential new investors prior to accepting any investment to ensure the planned time frames for investment and their exit strategies are aligned with the social goals of the MFI and its level of development. IND 4) Each new investor signs a written agreement accepting the mission and social goals of the institution and its strategy for achieving them.
	6b.3 The institution considers its overall cost structure when deciding on a financial structure in order to understand what costs would be passed on to the client. IND 1) The institution compares potential investors and lenders considering the cost of capital and its consequences for social performance management. IND 2) When setting its interest rates, the institution ensures that cost of capital is appropriate to its clients, market conditions, and other operational expenses as well as aligned with its social objectives.
	6b.4 The institution minimizes financial risk as it relates to its obligations to clients, such as savings and cash collateral. IND 1) The institution's risk policies protect the liabilities the institution has to customers (including savings, cash collateral, and insurance claims etc.). IND 2) The institution's investor and shareholder agreements include a policy on liabilities to clients that establishes them as a higher priority than the institution's returns to its shareholders, if allowed by local regulation.
	6b.5 The institution has a transparent financial structure, as reflected in annual audits that disclose and incorporate any off-balance sheet sources of funding into reported leverage ratios. IND 1) The institution discloses and incorporates any off-balance sheet sources of funding into reported leverage ratios in line with the local regulation, including: ▪ Non-local currency ▪ maturity schedule ▪ foreign exchange ▪ savings ▪ margin caps ▪ contingent liability detailed shareholding patterns

Standard	
6c	**Pursuit of profits and setting of prices serve both the long-term sustainability of the institution and client well-being.**
Essential Practices	
6c	*Prices of products and services and their contribution to profitability, are responsible, meaning that:* **6c.1 Products and services offer value to the client for the price.** IND) The institution ensures that it offers clients value for the price of its products by carrying out an analysis of relevant factors, such as: ▪ operating costs, ▪ peers/competitors' prices, ▪ client feedback on affordability of products, ▪ transparency - client understanding of product features, ▪ consideration of what is an appropriate amount of mark up, ▪ client satisfaction.
	6c.2 The institution offers market-based, non-discriminatory pricing. (Client Protection standard 4.1) Any product contributing more than 25% of portfolio is evaluated on these criteria (both APR and EIR must be considered). IND) The institution offers market-based, non-discriminatory pricing. (CPP certification indicator)
	6c.3 The institution efficiency is aligned with its peers. (Client Protection standard 4.2) IND 1) The institution has efficiency ratios aligned with peers. IND 2) The institution identifies areas of inefficiency and takes steps to improve continuously on efficiency, while taking client and employee well-being into account. IND 3) The institution assesses the difference between the Annual Percentage Rate (APR) on its main product(s) and its cost of funds, to ensure that the margin is sufficient but not excessive.
	6c.4 The institution does not charge excessive fees. (Client Protection standard 4.3) IND 1) The institution's pre-payment penalties, account closure fees, transaction fees or other penalties are not excessive.
	6c. 5 The Board monitors whether the institution's profitability levels are consistent with the institution's policies on returns (see 6b). IND 1) The Board monitors the institution's pricing levels and, if necessary, takes corrective action after reviewing the following topics: ▪ the institution's prices and APR per product, ▪ whether pricing levels are consistent with the institution's policies on returns, ▪ whether pricing levels are consistent with the target population's payment capacity,

	▪ whether pricing is aligned with market rates for comparable products.
	6c.6 The institution establishes a field-officer-to-client ratio that promotes high service quality for clients. IND 1A) (for individual lending) The institution defines a threshold for the number of clients per loan officer based on maintaining strong client satisfaction and accurate analysis of the client's repayment capacity. IND 1B) (for group lending) The institution defines a threshold for the number of groups per loan officer as well as the total number of clients per loan officer based on maintaining strong client satisfaction and high quality educational sessions during group meetings (if applicable). IND 2) Management monitors data on client outreach and compliance with established thresholds for the optimal number of clients or groups per loan officer on a quarterly basis.

Standard	
6d	**The institution offers compensation to senior managers that is appropriate to a double bottom line institution.**
Essential Practices	
6d	**6d.1 The Board ensures that compensation of the CEO and other senior managers is in line with the institution's social goals.** IND 1) The CEO's compensation (defined as salary, benefits, bonuses, stock options, and cash value of perquisites) is set/reviewed by independent Board directors and not by the CEO him/herself, and takes into account the results of the evaluation of the CEO's performance (see Essential Practice 2b.3). IND 2) The Board, including independent (non-management) members, periodically reviews the compensation of the CEO and other senior managers to ensure that it is comparable to institutions with a similar double bottom-line commitment.
	6d.2 If senior management compensation is in part incentive-based, the incentives include the employees' social performance evaluation. IND 1) When determining compensation levels of the CEO/Managing Director, the Board incorporates the social performance evaluation noted in the indicator under Essential Practice 2b.3. IND 2) When determining compensation levels of senior managers, the CEO incorporates the social performance criteria noted in the Indicators under Essential Practice 2c.5.
	6d.3 Upon request, the institution transparently discloses compensation to regulators, raters, donors, investors, etc. IND) In keeping with International Financial Reporting Standards (IFRS), the institution transparently discloses compensation (defined as salary, benefits, bonuses, stock options, and cash value of perquisites) to regulators, donors, raters, and investors, upon request.
	6d.4 The board calculates the difference between the average compensation of

	its senior managers and its lowest paid employees, and agrees this spread is consistent with the institution's mission, social goals, and commitment to treat employees responsibly. IND 1) The institution calculates the difference between the average annual compensation (defined as salary, benefits, bonuses, stock options, and cash value of perquisites) of its senior managers (e.g., CEO, CFO) and its field employees (loan officers). IND 2) The Board and senior management review the above calculation and evaluate whether this spread is consistent with the institution's mission, social goals, and commitment to treat employees responsibly.