

Advans: Changing the way we think about Social Performance



Our Vision

To build a model group of financial institutions which contribute to strengthening local businesses, creating and sustaining jobs and improving clients' living standards in order to foster private sector-led economic and social development in Africa, the Middle-East and Asia.

Our Mission

Respond to the need for financial services of small businesses and other populations who have ill-adapted, limited or no access to formal financial services through providing tailored financial services in a sustainable and responsible manner.

The importance of social performance for the Advans Group, CEO, Steven Duchatelle




Social Performance Management (SPM) has always been a key focus of the Advans Group: our mission to provide financial services to MSMEs and other populations looking to improve their financial stability is inherently social


as we aim to have a positive impact on the businesses and living conditions of our target clients in the countries where we operate. This is why we focus on providing products tailored to our clients' needs and why we have developed a set of model policies and procedures across the group to ensure that we deliver our services responsibly, especially when it comes to avoiding over indebtedness, promoting transparency and fair and respectful treatment of our clients. At Advans, we also believe that staff are a key part of our impact and that through creating a positive working environment and providing them

with training, career development opportunities and mobility between affiliates, we can help staff not only provide quality products and services to clients, but also accompany them on their way to fulfilling their professional ambitions and goals. Since 2015 Advans has been focusing on improving its SPM policy, through clearly defining and communicating on its social mission and goals, nominating dedicated staff and Board members to focus on SPM in each affiliate, implementing social indicators and quarterly social dashboards, and also using industry standards and tools to assess our practices. Although it is a permanent effort, this short report aims to give an overview of some of the SPM initiatives and projects that have been put in place over the past year both at group and affiliate level and give an overall sense of what Advans' vision of social performance is. We believe that in continually trying to improve our SPM practices and monitoring, we can ensure that we remain a responsible player, true to our mission, and also have an increased impact on our clients.


So as to put our vision and mission into practice, Advans has defined 5 social goals for the group and its affiliates:

 **1) Have a positive impact on clients' revenues and savings through supporting their activities and building their financial stability:**

Through offering appropriate financial services such as loans, deposits and insurance Advans aims to help clients grow and streamline their businesses so as to create and sustain jobs and improve profitability. Via these products we also strive to help reduce clients' financial vulnerability and improve household living standards.


 **2) Reach out to underserved populations with appropriate products and channels:**

Advans endeavours to create tailored products and use innovative distribution channels to serve clients in urban and rural areas who have ill- adapted, limited or no access to formal financial services due to their economic activity, gender, social status, level of education or location.


 **3) Provide clients with quality services in a transparent, respectful and conscientious manner:**

Advans commits to give clients full and clear information on its products and to raise awareness of good financial management, while maintaining

high standards of customer service and ensuring the respectful treatment of clients. We promise to lend responsibly through conducting individual risk assessments and follow up and supporting the prevention of over- indebtedness in the market.

 **4) Create a fair, healthy and dynamic working environment for our staff:**

Advans upholds high and progressive HR standards, building a working environment based on equal opportunity, fair remuneration, social protection and open communication. We focus on the professional development of employees through providing adapted training and opportunities for career progression based on merit as well as offering assignments across different affiliates.

 **5) Be accountable and build awareness of social and environmental issues amongst employees and clients:**

Advans aspires to set an example to its clients, staff and partners through raising awareness of the importance of environmental and social questions, finding pragmatic solutions and in defining and implementing a list of activities unsuitable for financing due to non-respect of human rights or working standards or their potential negative impact on society or the environment.

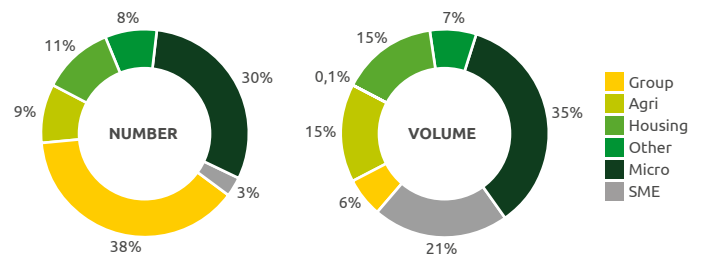
Advans Social Indicators: September 2017



Advans has defined some key social indicators which are produced on a quarterly basis by all affiliates and presented to the Board. Here are the consolidated group figures for selected indicators in our dashboard.

1. HAVE A POSITIVE IMPACT ON REVENUES AND SAVINGS:

Breakdown of consolidated group loan portfolio

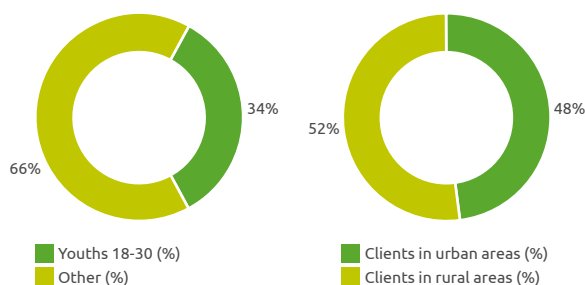


Other loans include staff loans and consumption loans (only in Amret). School loans have only recently been launched in Advans Cameroun, Ghana and Tunisie, so represent a very small amount of the portfolio. It should be noted that in Advans greenfield affiliates Micro and SME loans represent 86%-100% of the portfolio in terms of volume.

8% of clients with insurance from Advans

2. REACH OUT TO UNDERSERVED POPULATIONS

Client statistics



66% Female borrowers

51% Female depositors

5% New clients acquired through Alternative Delivery Channels

57% Loans under €1,000

3. PROVIDE QUALITY SERVICE

1.4% PAR 30

131 Borrowers per CO
(Range 54-180) Amret has a much higher number of borrowers per loan officer because of village banking

10 Calendar days on average
Loan decision time (from 3 days for Amret where village banking remains a large part of activity, to 14 days in Cote d'Ivoire where there are more SME clients – so a more thorough assessment is required.)

5. BE ACCOUNTABLE

100% of loans in line with the Environmental and Social Exclusion list rules

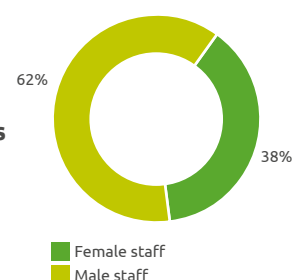
4. CREATE A FAIR, HEALTHY AND DYNAMIC WORKING ENVIRONMENT

2.4 Days of training per employee
(over 9 months)

29.3 Average age of staff

14.2% Average turnover for the group

Staff statistics



Growing small businesses and building financial stability:

AN IMPACT STUDY WHICH SHOWS THE POSITIVE EFFECT OF ADVANS COTE D'IVOIRE (ADVANS CI)

FINANCIAL SERVICES



In December 2016, three students from the organisation Micro Mega evaluated the impact of Advans CI's services on its long standing clients. 180 client files were studied with each client being interviewed, the sample was chosen according to the distribution of the portfolio and clients on their third cycle or more were selected so that results could be compared from their first and last loans. Some of the key results of the study are presented below:

FOCUS ON GOAL # 1: HAVE A POSITIVE IMPACT ON REVENUES AND SAVINGS:

Clients saw their revenues increasing

- 89% of clients saw their revenues increase between their first and last loan
- Clients revenues grew on average by 34% per year, with a higher increase for younger clients (48% for those under 30 years old)

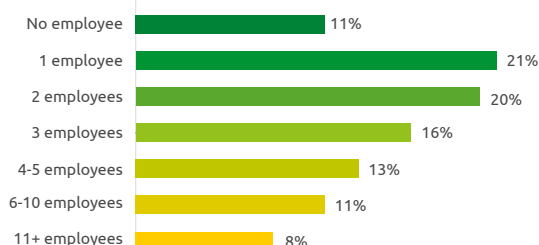
...as well as their equity

- 95% of clients increased their equity with an increase in their business' equity on average of 53% per year

Most clients create jobs for others

- On average, clients had hired 2 additional employees since their first loan cycle
- 89% of clients interviewed had at least one employee

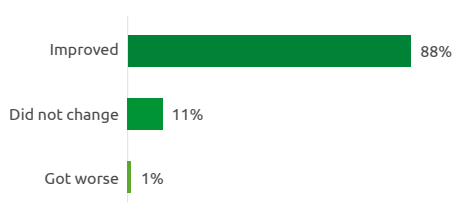
Number of employees per client on current cycle



Most clients felt their living standards had improved

- 88% of clients claimed that their standard of living had improved since they joined Advans

QUESTION: Has your level of living standards changed since joining Advans?



...they increased their income* and spent more on their households

- 79% of clients saw their income increase with the Average Annual Growth Rate at 33%
- Additional income enabled clients to increase the amount they spent on basic expenses (rent, water, electricity, food)

FOCUS ON GOAL # 2: REACH OUT TO UNDERSERVED POPULATIONS

Clients are close to their branches and use SMS services

- 79 % of clients go to the branch just more than once a month
- 72% take less than a quarter of an hour to get to their closest branch and 95% less than half an hour
- 46% check their balance through SMS services

FOCUS ON GOAL #3: PROVIDE QUALITY SERVICE

Clients are generally very satisfied with Advans

- 94% feel that they have improved their management of their money since joining Advans
- 69% are very satisfied with Advans services, with 18% satisfied

* Income = revenues - repayments



Interview with Marie-Christine Gballou: SPM Coordinator Advans CI

When did you become SPM Coordinator and what are your responsibilities in this role?

I first began at Advans CI in 2012 as a client officer, then I became internal trainer and finally Marketing Officer which is my current role. When I took on the role of Marketing Officer in December 2015, I also became SPM Coordinator. As SPM Coordinator, my main responsibilities are: i) training new staff on the Advans Environmental & Social Policy; ii) raising awareness on SPM amongst staff; iii) organising the annual community action with the HR team; iv) monitoring the SPM of the institution and the proper application of the SPM Policy; v) reporting to the group, shareholders and partners on the social performance of the institution and; vi) working in collaboration with the group on improving SPM Policy.

Why do you think that social performance is important for Advans CI and its evolution?

Like any Financial Service Provider, Advans CI aims to be financially sustainable, but it aims to find a balance between financial, social and environmental performance, so as to ensure that its services have a positive impact on its clients and on the community which surrounds it.

Why is it important to have social goals and objectives and social indicators?

Our social goals are integrated into the global strategy of the institution. The indicators enable us to see if we are performing in line with our goals and to identify areas for improvement. This enables us to develop an action plan to improve on our performance, and means that we are continually looking to better our social management systems over time.

What did you learn from the results of the impact study done at Advans CI?

First of all, this was the first time such a study had been carried out at Advans CI and we are very pleased to see that the large majority of clients saw progressive growth of their activities and improvement of their financial and personal situation, which also has a positive impact on the community (job creation for example). The study was carried out by an independent team which also enabled us to have an outside view of our activities. The study showed that our efforts over the years have been worth it, that we have positively impacted on the lives of our clients, and play an important role in financial inclusion. However, we still have areas which we can improve, and the study helped us to identify these, for example helping clients develop better savings habits.

Do you have any suggestions on how the Advans CI or the group can improve their SPM practices?

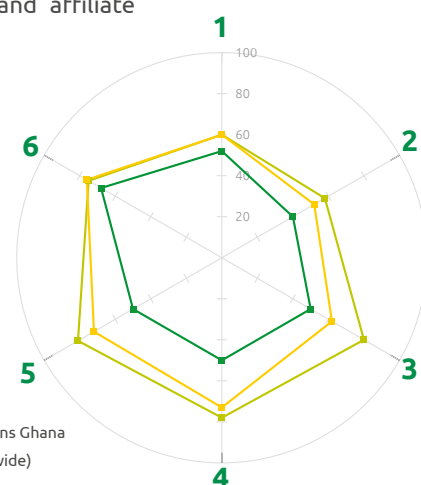
Here at Advans CI I think it would be useful to have an SPM referent in each branch to raise staff awareness on a daily basis and also suggest areas for improvement for each branch, as well as a dedicated channel for SPM communications such as an email address. We also think it could be useful to provide social and environmental awareness training for our large SME clients. On the group side, I think it would be good to have a platform for SPM coordinators to share practices and ideas.

ADVANS GHANA GOES THROUGH THE SPI4 AUDIT PROCESS

As part of the Advans Group's strategy to align its SPM system with industry standards and to build SPM capacity in the group and within affiliates, in 2017 Advans began using the SPI4 Audit tool with support from CERISE, a technical assistance provider specialised in SPM in microfinance and the creator of the SPI4 tool. CERISE's support was funded by the Responsible Microfinance Facility. The decision to have an auditor from the group carry out the audit, with the help of CERISE was taken to ensure that the expertise gained from the audit stays within the Advans Group and can help to improve Social Performance Management Practices within the group and across affiliates. Advans Ghana was chosen as the first affiliate to undergo the process, in an audit which aimed to assess its current Social Performance Management practices and identify potential areas for improvement. SPI4 is a comprehensive social audit tool that allows MFIs to evaluate their level of implementation of the Universal Standards of Social Performance (Universal Standards). The SPI4 assesses a MFI's strengths and weaknesses on both Social Performance Management (SPM) and on client protection in line with the SMART standards, with the goal of using this information to help the MFI improve

its management systems and practices over time. The mission entailed an entry meeting with members of the management committee, interviews with the management committee and heads of department including HR, Operations, Credit, Deposits and Sales, Marketing, Finance, Audit, Risk, Compliance and IT. Additionally, interviews were carried out with branch staff and two focus groups were held with Micro and SME clients. The audit also included the review of policies, procedures, manuals, and training materials as well as loan appraisal forms and product contracts. The SPI4 auditor worked closely with the SPM Coordinator in the affiliate, to share ideas and discuss priorities. An exit meeting was carried out with the CEO and other members of management to discuss the results and possible priority areas for the action plan. The results of the audit have been shared with other affiliates in the group and will be used to improve group policies and practices, defining both an action plan at group and affiliate level.

CERISE SPI4 website:
www.cerise-spi4.org



Average score by dimension compared to peer group (SSA region and worldwide)

- Average of Most recent audit in SSA
- Average of Most recent audit at Advans Ghana
- Average of Most recent audit (worldwide)

SPI4 audit Advans Ghana and SPI4 benchmarks
(nb: SSA N=64, Worldwide N=193)

The results:

Advans Ghana obtained results which are on the whole higher than the average results of peers in Sub-Saharan Africa and worldwide. It scored especially well on product design, treating clients responsibly and treating employees responsibly with room for improvement on the first two dimensions, defining and monitoring social goals and commitment to social goals.

Some results per dimension:

1. DEFINE AND MONITOR SOCIAL GOALS

- + Social mission is embedded in culture of the institution
- + Clearly defined target clients and recently articulated its key social goals
- Social goals need to be broken down into specific social objectives
- Social indicator reporting should be improved
- Improve general communication on social performance

2. COMMITMENT TO SOCIAL GOALS

- + Board members, management and staff are committed to the social mission
- + Company strategy takes into account some SPM objectives
- + Staff are well trained with a clear focus on preventing over indebtedness
- Procedures and documentation could be better adapted to include social performance objectives
- SPM could be more of a focus in defining strategy at all levels

3. DESIGN PRODUCTS THAT MEET CLIENT'S NEEDS

- + Product design takes into account client needs and preferences
- + Strong emphasis on clients' needs and eligibility for loans: commitment to being a responsible lender
- Some product features and procedures could be modified, simplified or improved in order to increase outreach and ensure that products remain attractive

4. TREAT CLIENTS RESPONSIBLY

- + Thorough loan appraisal process and portfolio monitoring mechanisms as well as a clear loan recovery policy
- + Staff are well trained on the importance of communicating with clients and this clearly comes out in client feedback
- + A call centre is in place to deal with client complaints and enquiries
- Room for improvement in terms of centralising and analysing complaints

5. TREAT EMPLOYEES RESPONSIBLY

- + Comprehensive HR policies and procedures in place: a training programme for new and current staff, an annual appraisal process to assess performance and regular staff satisfaction surveys
- More formalised practices could be introduced in order to ensure that equality and fairness remain at the heart of the working environment



Interview with Veronika Tscharf:

SPM Champion Board Member
Advans Ghana (KfW)

Since when have you been on the Board of Directors of Advans Ghana and when did you become SPM Champion?

I have been a member of the Board of Directors of Advans Ghana since 2014. In 2016 I was appointed SPM champion.

Why do you think social performance is important for Advans Ghana?

By systematically monitoring and managing its social performance, Advans Ghana is making sure that its business activities are aligned with the institution's vision and objectives. Moreover, Advans Ghana can position itself as a leading player in regard to social performance and social responsibility and thus contribute to setting best practices and standards in the industry. By offering quality services that meet client needs and thus create benefits for customers, Advans Ghana can build strong relationships with its clients and also attain larger customer groups, which will also enable it to improve its financial performance, the basis for carrying out the social mission in the long term.

How can the SPM Champion contribute to ensuring that social performance is a key focus for the board and the institution?

The SPM Champion can contribute by highlighting the importance of social performance management as

6. BALANCE FINANCIAL AND SOCIAL PERFORMANCE

- + Advans Ghana currently in the process of consolidating its sustainability
- + Some linking of financial and social objectives and growth rates and strategies are designed to ensure that it continues to reach out to its target clients
- + The BOD and shareholders review financial performance regularly
- More formalised methods could be put in place to ensure a balance remains between financial and social performance

well as ensuring that there is continuous monitoring of social performance at Board level. High-level support of social performance management is necessary to make sure that the social mission remains an inherent part of the institution's governance and culture. The SPM Champion should also give feedback on improvements as well as identify and communicate potential areas for further development, thereby helping the institution to constantly improve its services and its performance.

What do you think the key areas for improvement are in terms of social performance management at Advans Ghana/ in the Advans Group?

A lot has been achieved since the introduction of a social performance management system at Advans Ghana. For example, with the development of the dashboard (overview of key social indicators), Advans Ghana is in a position to systematically collect and monitor relevant key social data thus helping to measure social performance and its impact internally and to communicate reliably on its social performance to its investors and stakeholders. However, there is still room for further improvement. Measuring and monitoring social performance is one thing; the next step is to translate social goals into measurable targets with KPIs. Moreover, although social performance is already inherent in Advans Ghana's business philosophy, it could be even more rooted in the institution's culture by further building awareness on all levels.

Advans Ghana recently conducted an accompanied SPI4 audit. How do you think that industry tools and initiatives can help Financial Service Providers (FSPs) to align their social performance management standards with best practices?

By setting standards and providing a reference for institutions, industry tools and initiatives definitely play an important role in regards to further developing FSP industry practice. In addition, these industry tools and standards help impact investors to better evaluate and compare the social orientation and performance of different institutions.

(2) The Universal Standards for Social Performance Management - a comprehensive manual of best practices created by and for people in microfinance as a resource to help financial institutions achieve their social goals.

(3) Smart Campaign Client Protection Certification Standards - the minimum standards that clients should expect to receive when doing business with a financial institution. All of the Smart certification standards and their associated indicators are incorporated into the USSPM.



AMRET AND SMART CERTIFICATION

In June 2016 Amret, Cambodia, was awarded the Client Protection Certification from the SMART campaign. Amret was very proud of this milestone achievement, and is the first institution of the Advans Group to be SMART certified. The certificate confirms Amret's dedication to treating its clients responsibly and protecting them from harm and its respect of the seven client protection principles (CPP), namely: appropriate product design and delivery, prevention of over indebtedness, transparency, responsible pricing, fair and respectful treatment of clients, privacy of client data and mechanisms for complaint resolution. As the certificate is valid for two years, in 2018 Amret will be working on reinforcing the implementation of the 7 CPP to ensure that its practices are in line with the new SMART campaign assessment standards published in October 2016, and identify any gaps. Amret will work with the Cambodian Microfinance Association and a SMART assessor to complete the certification process.

The expertise built up in Amret in terms of the SMART certification process will be shared with the group so that other affiliates can look at certification in the future.

A GROUP SOCIAL AND ENVIRONMENTAL COMMITMENT CHALLENGE TO RAISE AWARENESS

This year the Advans Group internal challenge had a new focus: raising awareness of the importance of environmental and social issues in the community. Advans affiliates were asked to organise a socially or environmentally focused activity of their choice, to bring together staff and communicate on Advans' commitment to having a positive impact on society and the environment in its countries of operation. Seven affiliates participated in the competition, with several different activities taking place such as a beach clean-up at Advans Pakistan, medical screening for people in the local market at Advans Ghana and the renovation of a maternity hospital at Advans Côte d'Ivoire. Amret arranged clean-up activities and a group dance class to encourage people to exercise,

Advans Cameroun organised a cleaning activity in the local market for its tenth anniversary and Advans International spent a day with students from the 'Ecole de la deuxième chance' in Paris (a school for young adults with few qualifications). The winner of the €1,000 prize to give to a charity of their choice was Advans Myanmar, the group's newest affiliate, who sent 40 staff to a local monastic school providing education to low income students free of charge. Staff were organised into a cleaning team which collected plastic bags and rubbish in the school compound, a teaching team which told stories and wrote letters with the students, and the planting team which planted 18 plants in the school compound. They also donated books, pens and pencils and distributed bread to the students.

RAISING FUNDS FOR THE FRENCH CHARITY PREMIÈRE URGENGE INTERNATIONALE

In July 2017, teams from the Advans Group came together to donate funds to the French NGO Première Urgence Internationale. Première Urgence Internationale helps civilians who are marginalised or excluded as a result of natural disasters, war or economic collapse. The NGO is present in several of Advans operating countries, in Africa (Nigeria and DRC) and in Asia (Myanmar). Staff from Advans International were concerned about the critical humanitarian situations in these countries and therefore wanted to support the emergency missions of Première Urgence Internationale, which are complementary to Advans mission. During the month of July, Advans collected 4,500 Euros in donations from its staff, and Advans International matched this amount, for a total of 9,000 Euros donated to the NGO. Following this, in mid-October, a breakfast meeting was organised with Première Urgence Internationale and Advans staff so that the NGO could present its missions and the different stages of intervention, the activities carried out and the results achieved.