

**SOCIAL PERFORMANCE MANAGEMENT BOARD COMMITTEE
TERMS OF REFERENCE (TOR) - FINANCE FIRST, LTD**

1. INTRODUCTION

Social Performance Management (SPM) refers to the systems that financial service providers use to achieve their stated social goals and put customers at the center of strategy and operations. Social performance (SP) refers to a providers effectiveness in achieving its stated social goals and creating value for clients. SPM constitutes the need to define and monitor a set of social goals, develop client-centric products and services, treat clients and staff responsibly, and pursue balanced financial performance. SPM includes client protection (which is the effort to provide fair and safe services for clients) but is also explicitly concerned with how to generate benefits for poor clients. As a double bottom-line financial institution, FINANCE FIRST, LTD (FFL) has a mission to maintain financial sustainability in order to *“provide a range of financial services responsibly to people at the bottom of the pyramid focusing on women living in poverty in rural and hard to reach areas to create self-employment opportunities, build financial resilience, and harness women’s entrepreneurial spirit by empowering them economically”*. While implementing SPM will increase FFL’s capacity to achieve its mission and create measurable positive impact for the target clients, outcome and impact measurement will help FF: to set targets and define strategies to reach more people living in poverty, and achieve positive long-term impact.

2. PURPOSE

A Social Performance Management (SPM) Board Committee is established as a permanent Committee of the Board. It has an advisory role to the Board. The primary function of the SPM Board Committee is to assist the Board in protecting the institution’s social mission and achieving the defined social impact targets, while ensuring financial sustainability. The creation of the SPM Board Committee aims at formalizing the supervision of the achievement of the Bank’s social mission and impact objectives into governance.

3. SIZE, MEMBERSHIP AND MEETINGS

- a. The SPM Board Committee shall have not less than three (3) non-executive directors. The Chairperson of the Committee shall be a non-executive director appointed by the Board of Directors. The Committee will also have permanent observers from FINANCE FIRST International Holdings.
- b. Meetings of this Committee shall be held twice every financial year in Q1 and Q3, before, but within one week of the associated Board Meeting. Special or extra – ordinary meetings may be convened as and when required.
- c. Persons who shall attend these committee meetings shall include; the COO, the Head of Credit, the Social Performance Management Coordinator, and the Company Secretary. The Committee may invite the attendance of Senior Management or persons to provide information and respond to questions as the Board may deem fit or as the

law may require. The Board Chairperson may also attend the meetings of the Committee as an Observer.

- d. Quorum for the Committee meeting shall be two (2) members.

4. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The roles and responsibilities of the SPM Board Committee shall include the following:

1. Mission: The Committee shall ensure that FFL's mission statement is regularly reviewed by the board to ensure that there is a clear understanding and consensus on the mission at all levels. It is also the committee's responsibility to make sure that the FFL's mission is translated into the strategy with clear indicators defined and targets set for SPM, and Social Outcome and Impact measurement, according to the mission and impact framework (see 4.2 and 4.3).
2. Strategic Projects: The SPM Board Committee shall review and monitor the implementation of strategic projects (ie new product pilots) and transformations (ie digital) to ensure the mission and the social objectives of FFL are tracked and achieved as part of the project/transformation to eliminate the risk of mission drift and maintain focus on target clientele.
3. Social performance monitoring: The Committee ensures that social performance is adequately addressed and measured through the governance process. The Committee will regularly review, analyze and discuss the progress on social indicators, including those in the SPI4 audit tool to ensure compliance with Universal Standards of Social and Environmental Performance Management (USSEPM) and Client Protection Principles (CPPs) and report its findings to the board. Specifically, the Committee will mitigate risks through deliberate measurement of the following indicators within the SPI5: transparency and fair pricing, non-aggressive collection practices, and political and community reputation, and that growth objectives and the delivery of services are not creating incidences of: over-indebtedness, fraud, exclusion of target clients, increasing drop-outs or idle clients, organisational inefficiencies, and staff dissatisfaction and desertion.
4. Social Output, Outcome and Impact monitoring: The Committee will regularly review, analyze and discuss the performance and results of the following mission-linked indicators and the targeted achievement: output level (%women, %living in poverty %rural, number of products that have been designed and piloted/scaled to meet clients needs), outcome level (financial resilience, increased self-employment opportunities, economic empowerment for women) and impact level (increased household welfare and quality of life), as measured in the annual impact survey. The Committee will report on these items to the board.
5. Promotion of good practices: The Committee shall on an annual basis review the key developments in the market and the major developments and recommend for adoption by the board on good practices to further enhance the Bank's social performance. It will provide the Board with updated information on the main initiatives worldwide in the field of social performance management.
6. KPIs and Compliance: Annually, the SPM Board Committee shall recommend to the board social targets to be included in the KPIs of the Executive Directors and shall evaluate the Executive Directors performance on social KPIs.
7. Monitor the Bank's relevant policies and procedures to comply with the social performance parameters.
8. To undertake such other matters and functions as may be approved or delegated by the Board of Directors of the company.

5. REVIEW OF TERMS OF REFERENCE

The Committee may review its terms of reference annually and recommend any changes