

Guidelines to Minimum Actions on Client Protection for investments in the inclusive finance sector

 Client Protection
Pathway

Final proposal from the Social Investor Working Group of Cerise+SPTF

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Acknowledgment

These guidelines were developed in close cooperation over many months by asset managers and investors in the financial inclusion industry.

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Transparency

Investors agree to report, on a yearly basis, the concrete actions taken with their clients/investees along the following categories:

- ◇ Type of assessments of client protection risks conducted
 - in-house or aligned with Cerise+SPTF CP standards
- ◇ Level of formal engagement with investees
 - binding or non-binding
- ◇ Support in improvements related to client protection
 - financial or non-financial
- ◇ Other reporting carried out on client protection topics to other existing initiatives

The SIWG will suggest a simple reporting format at a later stage for a first reporting in October 2023.

Implementing minimum requirements on client protection in the investment process

A. Before an investment | Screening, Eligibility criteria, Due diligence

*At this step, the investor verifies that the investee/prospect has the systems and practices in place to **ensure no harm is done to its clients**, and **raises the awareness** around client protection and international standards*

- ◇ **Train investment staff on client protection.** This is an on-going process.
- ◇ **Promote client protection (CP).** If the FSP is not already active on the CP Pathway list of committed FSPs, the investor raises awareness around the CP Pathway during the due diligence
- ◇ **Include CP in due diligence.** The investor systematically conducts a CP assessment of the FSP's practices (in line with the CP Commit indicators at a minimum) and uses it in its decision-making

B. At signature | Contract, Disbursement

*At this step, the investor brings the investee to **join the CP Pathway**, and to **commit on improvement**.*

- ◇ **Request the investee to sign the commitment to implement.** The investor requires, through a contractual undertaking, that the FSP signs-up to the CP Pathway, representing its formal "commitment to implement"
- ◇ **Improve practices.** In case of major gaps detected during due diligence (defined at the investor's own discretion), the investor and the FSP formally agree on an action plan and milestones for improvement

C. During the investment term | Monitoring - By the end of the contract

*At this step, the investor encourages the investee to **improve its CP practices**.*

- ◇ **Monitor activity on the CP Pathway.** The investor verifies regularly throughout the investment term that the FSP qualifies as committed on the CP Pathway; if not, the investor engages in constructive discussion with the investee to find a remediation plan.
- ◇ **Monitor improvements.** If applicable, the investor monitors whether the FSP implemented the actions defined previously to address critical gaps in CP; if not, the investor engages in constructive discussion with the investee to find a remediation plan.

Annex 1: Detailed Guidelines with examples of implementation

Annex 2: CP Brief for investors - The CP Pathway and the assessment tools