

To further strengthen Oikocredit's due diligence, Oikocredit developed the ESG (environment, social governance) scorecard in 2010.

The ESG scorecard:

- helps to select the right partners by identifying strengths and weaknesses of the organisation
- monitors and tracks improvements in social performance management over time
- serves as a starting point for dialogue among partners
- helps to evaluate the needs for capacity building support

A. Outreach and inclusion (15%)

1. Poverty screening

Score 0, 1 or 2	<p>The organisation selects/targets incoming clients according to their poverty levels.</p> <ul style="list-style-type: none"> ● The organisation does not use a poverty profiling tool as a standard practice or any system to determine poverty level of potential clients. (0) ● The organisation has a policy for targeting poor clients and either uses a poverty profiling tool to screen potential clients or assesses incoming clients' poverty level during the loan process. (1) ● The organisation meets criteria (1) above and in addition, its MIS captures and reports regularly on poverty profile of incoming clients. (2)
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2. Rural orientation and agricultural focus

Score 0, 1 or 2	<p>50% or more of clients or portfolio are in rural areas as defined by the national census authority or 50% or more of outstanding portfolio is in agriculture or agri-related activities.</p> <ul style="list-style-type: none"> ● <30% of clients or outstanding portfolio are in rural areas or involved in agriculture agri-related activities. (0) ● ≥30% but <50% of clients or outstanding portfolio are in rural areas or involved in agriculture or agri-related activities. (1) ● ≥50% of clients or outstanding portfolio are in rural areas or involved in agriculture or agri-related activities. (2)
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3. Reaching women and/or disadvantaged groups

Score 0, 1 or 2	<p>The organisation specifically targets women and/or disadvantaged groups (HIV/AIDs infected, internally displaced/refugees, people with disabilities).</p> <ul style="list-style-type: none"> ● Women and/or disadvantaged groups constitute <50% of the organisation's client base. (0) ● Women and/or disadvantaged groups constitute ≥50% but <80% of the organisation's client base. (1) ● Women and/or clients from disadvantaged groups constitute >80% of the organisation's client base. (2)
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4. Reaching unserved areas

Score 0, 1 or 2	<p>Majority of the organisation's operations are in areas which are unserved or underserved by other financial providers.</p> <ul style="list-style-type: none"> ● The organisation allocates 50% or more of its portfolio to areas where 3 or more other financial providers are also operating. (0) ● The organisation allocates 50% or more of its portfolio to areas where at most only 2 other financial providers are also operating. (1) ● The organisation allocates 25% or more of its portfolio to areas where no other financial provider is currently working. (2)
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5. Diversification of financial products

Score 0, 1 or 2	<p>The organisation offers a diversified range of financial products</p> <ul style="list-style-type: none"> ● The organisation offers only standard group or individual loans (same term, same loan amount, same repayment schedule). (0) ● The organisation offers different types of loans for different purposes with differentiation in terms and conditions. (1) ● The organisation offers different types of loans (different purposes, terms) and other financial products such as savings, microinsurance. (2)
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B. Client benefit and welfare (40%)

1. Prevention of client over-indebtedness

Score 0, 1 or 2	<p>The credit application process includes a standardised evaluation of clients' ability to repay the loan including a check on client credit history and existing debt or builds group capacity in assessing clients' ability to repay loans.</p> <ul style="list-style-type: none"> ● The capacity of the client to repay the loan is not assessed as a standard practice. (0) ● The capacity of the client to repay is assessed as a standard practice, the organisation has a formal policy on it. (1) ● The capacity of the client to repay is assessed by either the loan officers or by the group as a standard practice, the organisation has a formal policy on it and has a formal system for regularly coordinating with other organisations (e.g. in a credit bureau). (2)
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2. Client feedback

Score 0, 1 or 2	<p>The organisation collects data systematically through standard client satisfaction forms and/or conducts client exit interviews or focus group discussions and uses the data to improve products and services.</p> <ul style="list-style-type: none"> ● The organisation collects data from clients but only on an irregular basis, e.g. only an idea box at organisation's premises. (0) ● The organisation collects data from clients and has used it to improve programs and services but on an irregular basis. (1) ● The organisation involves clients in products and services development, for example by using standard forms, client exit interviews, focus groups and does that on a regular basis, at least annually. Collected data are available upon request. (2)
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3. Code of ethics and staff compliance

Score 0, 1 or 2	<p>The organisation has an established code of ethics and defined policies to prevent unethical treatment of clients, safeguard privacy of client data, and disseminates policies to staff and verifies compliance through an internal audit process.</p> <ul style="list-style-type: none"> ● The organisation has no established code of ethics/conduct nor policies dealing with treatment of clients. (0) ● The organisation has established code of ethics or policies on treatment of clients, client privacy and these are integrated in staff training and appraisal. (1) ● In addition to meeting the criteria for (1) above, there is a systematic and formal verification that staff comply with the code of ethics. (2)
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4. Transparency about costs to clients

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| Score 0, 1 or 2 | <p>The organisation actively discloses and promotes client understanding of loan terms and all costs in a language that takes into consideration literacy levels of clients.</p> <ul style="list-style-type: none"> ● The organisation does not disclose information on effective interest rates nor of all costs as a standard practice, but clients can be given information if they ask for it. (0) ● Information about interest rates and all charges are publicly displayed in premises and clients are informed about costs during group meetings. (1) ● The organisation actively educates and ensures client understanding of the costs of credit as part of a financial literacy program for clients. (2) |
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5. Annualized Percentage Rate

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| Score 0, 1 or 2 | <p>Based on loan size the full Annualized Percentage Rate (APR including all fees and deposits) charged to clients is within the range of interest rates offered in the country.</p> <ul style="list-style-type: none"> ● Based on loan size the APR is above the average charged by Oikocredit MFI partners in the country. (0) ● Based on loan size the APR is the same as the average charged by Oikocredit MFI partners in the country. (1) ● Based on loan size the APR is lower than the average APR of Oikocredit MFI partners in the country. (2) |
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6. Non-financial products and services

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| Score 0, 1 or 2 | <p>The organisation provides non-financial products and/or services to clients on a regular basis in response to identified needs.</p> <ul style="list-style-type: none"> ● The organisation provides only financial services to its clients. (0) ● The organisation not only provides financial services but also facilitates links with other organisations providing non-financial services that clients need. (1) ● The organisation provides at least 30% of its clients with non-financial services addressing and responding to their needs. (2) |
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C. Social performance & governance (30%)

1. Vision/mission and strategic plan

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| Score 0, 1 or 2 | <p>The organisation's vision/mission statement sets out clear social goals and objectives and the strategic or operations plan sets clear targets.</p> <ul style="list-style-type: none"> ● The vision/mission statement is not explicit in terms of social goals and objectives. (0) ● The vision/mission clearly defines social goals and objectives (explicit, specific). (1) ● Social goals and objectives are clear and specific targets and action to be taken to achieve these are clearly presented in a strategic or operations plan. (2) |
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2. Responsible, sustainable growth

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| Score 0, 1 or 2 | <p>Strategy for growth ensures that quality of services for clients is maintained.</p> <ul style="list-style-type: none"> ● There is no explicit attention to building organisational capacity to deal with planned growth. (0) ● There are clear plans to develop the organisation's capacity to deal with expansion (training of staff, improvement of MIS, internal audit, etc). (1) ● The organisation has already started implementing changes/improvements to develop organisational capacity to deal with planned growth. (2) |
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3. Monitoring results

Score 0, 1 or 2

The organisation systematically monitors changes in lives of clients and reports on this.

- The organisation has not identified indicators to be used in measuring change in clients' lives. (0)
- The organisation has identified indicators to be used in measuring change in people's lives and reports on this occasionally. (1)
- The indicators for measuring change in clients' lives are integrated into the organisation's MIS and the information is processed and reported regularly. (2)

4. Salaries/remuneration and incentives

Score 0, 1 or 2

The organisation's pay scale reflects no disproportionate gaps in salary levels between top management and lowest paid program staff and is not more than 80% of remuneration for comparable positions in commercial financial institutions.

- The total remuneration package of top management exceeds that of the lowest paid program staff by over 40x or is more than 80% of remuneration for a similar position in a comparable commercial financial institution. (0)
- The total remuneration package of top management is more than 20x but less than 40x the remuneration of the lowest paid program staff within the organisation and is not more than 80% of remuneration for a similar position in a comparable commercial financial institution. (1)
- The total remuneration package of top management is less than 20x the remuneration of the lowest paid program staff within the organisation. (2)

5. Women representation

Score 0, 1 or 2

Women are well represented at both senior management and Board level.

- <50% of both the Board and senior management positions are filled by women. (0)
- ≥50% of Board or senior management positions are filled by women. (1)
- ≥50% of both the Board and senior management positions are filled by women. (2)

6. Diversified ownership base

Score 0 or 2

The organisation has a diversified ownership base with clients included where possible.

- There are single interests (individuals or family groups) with a stake of ≥20%. (0)
- Legal charter does not allow for ownership, or where it does, no single interest (other than NGO owners or the clients as a group) has a stake of ≥20%. (2)

D. Environment (5%)

1. Organisational exclusion policy

Score 0 or 2

Organisational exclusion of harmful enterprises from financing.

- The organisation has no explicit policy excluding enterprises harmful to the environment from financing. (0)
- The organisation prohibits activities or the financing of activities with adverse environmental effects and monitors compliance with these policies. (2)

2. Environmental education and promotion

Score 0 or 2

Organisational promotion of environmental awareness.

- The organisation does not address environmental issues as a component in clients' compulsory training/orientation or through a specific program. (0)
- The organisation has a special program for environmental education. Orientation and training of clients includes sensitisation on environmental issues and possible negative impacts of client enterprises on the environment; or, the organisation has a special program for environmental education. (2)

3. Active focus on environmental-friendly techniques

Score 0 or 2

The organisation has a focus on environment-friendly techniques.

- The organisation does not actively focus on using, encouraging or initiating projects applying environment-friendly techniques either at the level of the organisation or its clients. (0)
- The organisation actively encourages, supports and initiates projects applying environment-friendly techniques e.g. recycling, composting, renewable energy use, organic certified farming, sustainable use of biodiversity, etc. (2)

E. Responsibility to community & staff (10%)

1. Staff feedback and grievance procedures

Score 0 or 2

The organisation has an established system to solicit staff feedback and redress staff grievances.

- The organisation has no formal system to regularly solicit staff feedback and address grievances. (0)
- The organisation regularly solicits staff feedback and has an established procedure (including at the moment of annual staff appraisal) and/or committee to deal with staff feedback and grievances. (2)

2. Staff appraisal and incentives

Score 0 or 2

The organisation appraises and rewards social performance.

- Performance appraisal and incentives focuses only on financial performance. (0)
- Performance appraisal looks at both financial and social performance and incentives if any, are related to both. (2)

3. Community projects

Score 0, 1 or 2

The organisation allocates profits to community projects or initiatives.

- The organisation allocated <5% of profits to support any community project or initiative in any of the past 3 years. (0)
- The organisation has allocated ≥5%-10% of profits to community projects or initiatives in any one of the past 3 years. (1)
- The organisation has allocated ≥10% of profits to community projects or initiatives in any one of the past 3 years. (2)