

Social Performance Management Annual Report 2022



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1. Introduction

Social Performance Management (SPM) is an integral aspect of Maxima's operations, aimed to translate our social mission into practice. We put in place social goals, monitor the achievement of our social performance objectives, and integrate social performance information in our decision making, both operationally and strategically. Maxima balances the social and financial interests of its clients, employees and other stakeholders.

As a strong indication of our deep commitment to provide long-term best microfinance services to our clients, Maxima obtained Smart Campaign Client Protection Certification in July 2019, to implement Client Protection Principles (CPP). In 2021, we worked with MicroFinanza Rating and has successfully completed the required biennial check-in, which validates Maxima's continuous adherence to the CPP. To uphold and fully adhere to all the guidelines of the program, we continue to streamline, internalize and operationalize the CPP at all levels within the institution. We also continue to provide regular discussion and training of the principles to our staffs to ensure institution-wide buy-in and commitment. We believe that it is an ongoing, continuous, and lifelong process.

Regular activities are put in place to ensure proper functioning of an effective social performance management within the institution. These activities include conducting satisfaction surveys (both employee and clients) and exit surveys, implementation of a complaint resolution mechanism, and others. Our SPM team also conducts social audits guided by the Universal Standards on Social and Environmental Performance Management (USSEPM).

2. Key Social Performance Management (SPM) Milestones

Mar-2015: Maxima Cleanliness and Health Promotion Project (MCHPP), with first Hand Washing Workshop initiated at Kbal Koh Village, Sangkat Koh Dach, Khan Chhroy Changva, Phnom Penh

Jun-2015: Attend training workshop on "Responsible Financing" organized by Oiko Credit.

Maxima Management Team to set up the action plan for Client Protection Principles (CPP) aligned with Smart Campaign.

Jul-2015: Training on CPP with all COs

Sep-2015: Board Resolution to integrate SPM in Maxima and establish SPM Committee

Apr-2016: Training on CPP with Middle Management

Jul-2016: Maxima Green Cambodia Campaign Campaign (MGCC), "Each One Plant One", initiated at Chheur Teal Village, Prek Anchanh Commune, Kandal Province

Dec-2016: SPM committee discussed and prepared the Smart Campaign Diagnostic Tool on CPP

Feb-2017: Training on CPP with Branch Managers and Chief of Service Office

Jun-2017: Joined Client Protection Principles Workshop "Pathway to certification under Client Protection Framework 2.0"

2015

2016

2017

Jul-2019: Received Client Protection Certification from Smart Campaign



2018

2019

Dec-2018: Hired rating agency, M-CRIL, to conduct rating for CPP Certification

Aug-2020: Conducted Voice of the Clients with Smart Campaign

2020

2021

Nov-2021: Completed and passed the required biennial check-in of the CPP Certification, conducted by MicroFinanza Rating

2022

Aug-2022: Registered with Cerise+SPTF as a committed institution on the New Client Protection Pathway

Dec-2022: Completed the SPI4 self-assessment

3. Activity for clients

3.1. Client relationship management

3.1.1 Client satisfaction survey

Maxima conducts yearly client satisfaction survey to assess the level of satisfaction of its clients with the suite of products and services offered, and use the feedback obtained from such survey to improve its products and services.

In our 2022 survey, 86% of our clients expressed satisfaction and we received a 52% net promoter score. Clients considered the speed of obtaining the loan and process simplicity as our products' top 2 competitive advantage. Higher percentage of clients also perceived Maxima as better, as compared to the competitors, in terms of staff attitude, trustability and overall relationship with the clients. Improvement points and recommendations noted in the survey are taken for further improvement.



3.1.2 Client exit survey

Client exit survey is an important tool to design and enhance our products and services to meet the client's needs. The survey is conducted for clients who have paid off but have not renewed their loan. The purpose is to obtain information which would serve as reference for Maxima to analyze the level of client drop outs, identify any defects or problems in our products or services which leads to dissatisfaction and distinguish improvement points to improve client retention.

The dropout rate in 2022 is 20%, largely driven by drop-outs in MBela channel. Excluding MBela clients, drop-out rate would only be at 12%, lower than 13% in 2021. Based on the survey, only 13% of the client exits showed dissatisfaction because of various reasons including high interest rates and fees, low ticket size offered by Maxima, and many others.

3.2 Restructuring effort under COVID environment

Cambodia experienced its first widespread outbreak of COVID-19 in February 2021. Since then, the virus' infection rate surged and peaked in around April and May.

Our clients are largely affected by the economic impact of this pandemic. Many experienced temporary declines in income and many lost their jobs. Through these difficult times, we assisted them by reorganizing their repayment schedules, providing repayment deferment, and waiving late payment penalties. We work closely with our clients to understand better their specific situations and agree with them plausible solutions to ease burden heightened by this pandemic. The measures taken were guided by the principles of client protection and instructions as issued by the National Bank of Cambodia (NBC).

As of December 2022, there were 733 active restructured accounts with outstanding balance of US\$2.78 million.

3.3 CPP activity

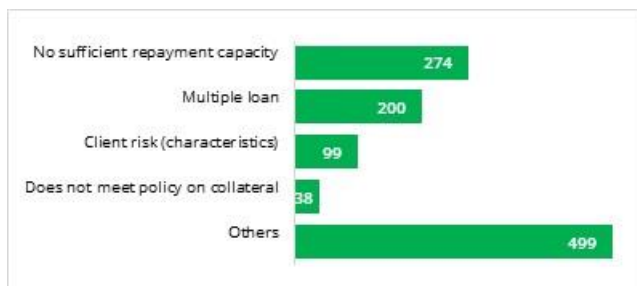
3.3.1 Appropriate product design and delivery

MAXIMA has designed various products, including agricultural loans, construction loans, business loans, small loans, etc., to better serve the clients based on their needs and preferences. In addition, we offer several repayment options matched with the client's repayment capacity. Maxima continuously innovates solutions, leveraging technology, to provide quality and efficient services.

3.3.2 Prevention of over-indebtedness

Maxima conducts strict loan assessment which includes evaluation of the client's repayment capacity. The repayment capacity considers the client's various sources of income and does not take into account the value of pledged collateral. Maxima also implemented and monitored internal systems that support the prevention of over-indebtedness such as information sharing with the Credit Bureau of Cambodia.

In 2022, 1,110 loan applications were rejected for various reasons as shown in the below graph:



Moreover, Portfolio at Risk (PAR) is constantly monitored, root causes of delinquencies are identified, and appropriate actions are taken. In 2022, PAR is continuously rising, reflecting deterioration of loan quality sector-wide as temporary impact of the economic downturn. As at end of 2022, Maxima's PAR 30 is at 2.99%, lower than most of its peers.

3.3.3 Transparency

MAXIMA has designed a transparency form which is aligned with the requirements from the NBC. The form includes details such as pricing, terms, conditions and other information necessary for clients to make an informed and right decision. Prior to signing of loan contract, our loan officers explain thoroughly to clients the contents of the transparency form, and the client acknowledges by signing the form. The pricing of the product is also displayed in MAXIMA's branch offices, website, social media pages and other promotional materials.

3.3.4 Responsible pricing

Maxima sets prices competitively, taking into consideration the interest rate ceiling of 18% as required in Prakas B7-017-109-P.K issued by the National Bank of Cambodia on 13 March 2017. On the other hand, Maxima also analyzes components of its interest rate including funding costs, credit costs and operational costs. We continuously sophisticate our operation to reduce the costs, which enables us to discount the prices for the clients.

3.3.5 Fair and respectful treatment of client

MAXIMA has developed an internal Code of Conduct (included in the HR policy) which promotes good and fair practices in dealing with clients, co-employees and other stakeholders. Upon hiring, each of our staff signs an acknowledgement form confirming that the Code of Conduct has been thoroughly explained and he/she commits compliance to such defined guidelines. In addition, the Code of Conduct is included in the onboarding and refresher trainings of all our staffs. Finally, the Code of Conduct is also displayed on banners at all branches for information to clients.

3.3.6 Privacy of client data

Maxima collects client data for various operational purposes. These client data is kept in secured locations and access are limited to authorized personnel. In instances where sharing of client's data to external parties are required, Maxima requests permission through obtaining consent forms signed by clients.

3.3.7 Mechanism for client complaint resolution

Maxima gives utmost value to client complaints as it reflects our client's trust and confidence in us to address their concerns and requests in a timely manner. These complaints also assist us in effecting the needed changes to improve and bring about the highest quality of service.

Maxima strives to promptly address all received client complaints, including client feedback, through a proper and efficient receiving, handling and resolution mechanism. The process includes the filing and turnaround time for complaint investigation, resolution, and response to the client.

In 2022, Maxima received a total of 5 complaints – all of which were resolved within one (1) day turnaround time.



3.4 Water and Sanitation Hygiene (WASH) loan

A lack of safe drinking water and sanitation are major health risks affecting Cambodian people especially children across Cambodia, and particularly those who live in rural areas. Too many children are still denied the most basic rights to safe water, the dignity of using a toilet, and the simple practice of washing hands with soap. The consequences for children are severe, as high occurrences of diarrhea, skin disease, respiratory illnesses such as pneumonia, intestinal and other diseases. The main objectives of this program are to support access to financial services for WASH purposes. This is especially needed for poor households to reduce the risk of disease and to improve the livelihoods of existing MAXIMA clients and the community.

MAXIMA continues to collaborate with Water.org, a global nonprofit organization to enhance social welfare to provide WASH loan to its valued clients who want to build or renovate latrine, digging/pumping-well, water storage or buy other water and sanitation materials to improve their living conditions and contributing to social-economic standard. As of December 2022, we provided WASH loans to 504 existing clients.

4. Figures

4.1 Social Goal

Maxima has not set targets for 2022 but continued to monitor the actual achievement of the following social goals indicators. As of 31 December 2022, the no. of active borrowers for each indicator as well as the percentage as compared to Maxima's total active borrowers are as follows:

	Active Borrowers	As % of Total Active Borrowers
1) Provide loans to build/improve latrines/ clean water facilities	504	4%
2) Provide loans less than USD 1,501 to rural people	5,536	46%
3) Provide loans to women who run their own business	3,803	31%

In December 2022, Maxima has set-up a more comprehensive social goals and indicators for 2023 to align with its updated strategy and the Universal Standards for Social and Environmental Performance Management (USSEPM).

4.2 Employee Statistics

Total staff is 311 as of 31 December 2022, of which 71 are female. Staff turnover rate for 2022 is 22%.

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