

Social Performance Management Annual Report 2023



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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.

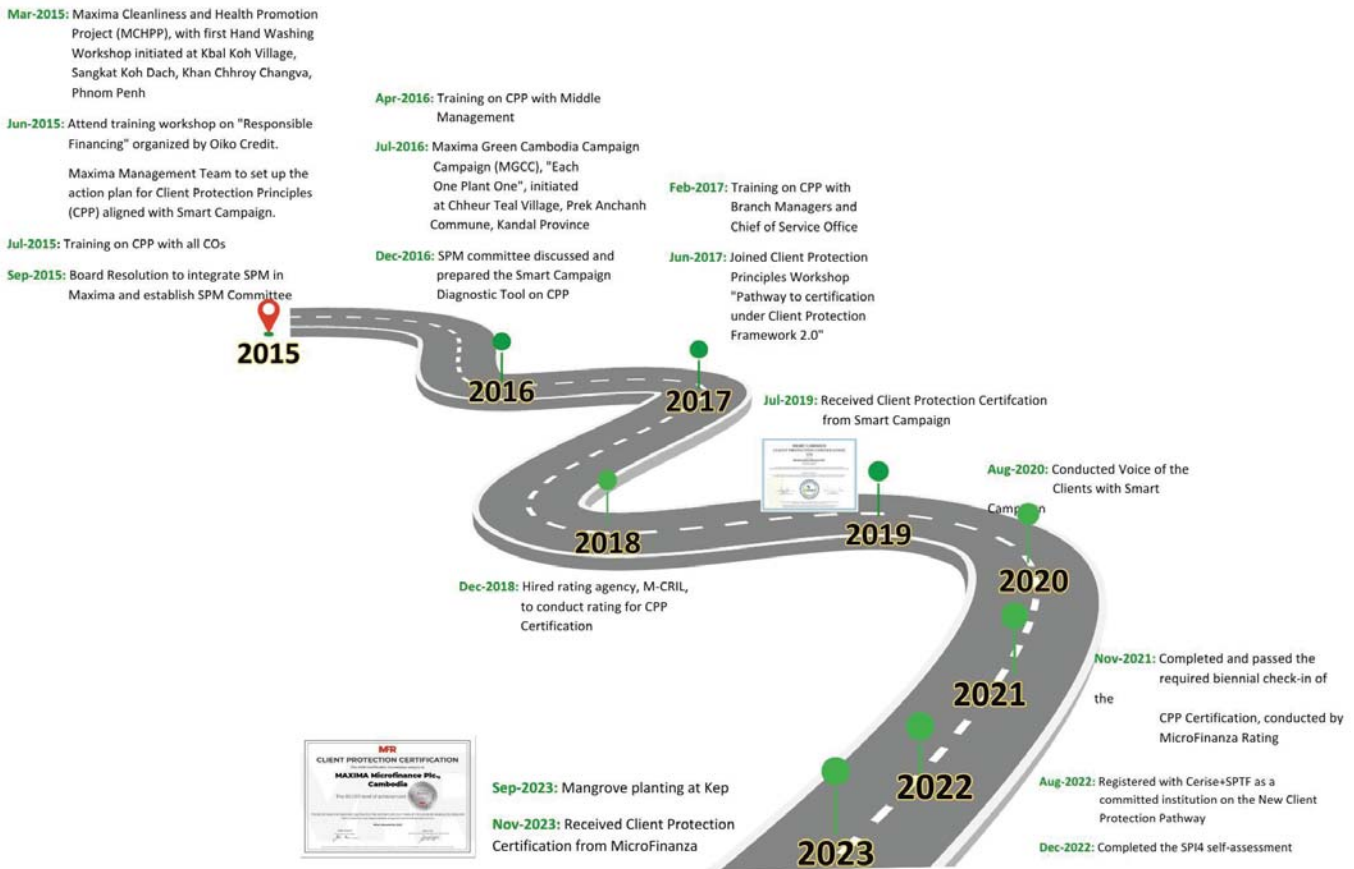
As a strong indication of our deep commitment to provide long-term best microfinance services to our clients, Maxima obtained Smart Campaign Client Protection Certification in July 2019, to implement Client Protection Principles (CPP). In November 2023, the significant achievement was to obtain the Client Protection Certification from MicroFinanza Rating (MFR), which indicates MAXIMA's continuous effort and adherence to the CPP. In addition to this, MAXIMA is listed as a Committed Institution and as a responsible institution towards our clients under the Client Protection Pathway. To fully anticipate and adhere to all the guidelines of the program, MAXIMA continues to mainstream the understanding within instructional level from top to bottom, from our Board of Directors, Management Team, Staff and related stakeholders. The training program under CPP is provided to staff regularly as for new staff and as refresher course for the existing staff to ensure alignment and practices accordingly.

There are some more implementation activities that have been adopted in place to properly manage our social performance management within the institution. As for that, MAXIMA has established and defined the social goal target, conducted satisfaction surveys to our clients and our staff, conducted exit surveys, implemented the client complaint mechanism and complaint resolution.

As a significant event, MAXIMA completed one event of Mangrove Planting in Kep Province, one event under Financial Literacy for clients, and as well as activities for staff and team building.

MAXIMA's social performance management aspects are driven by the Client Protection Principles and as well as adopted the Universal Standard for Social and Environment Performance Management (USSEPM).

2. Key Social Performance Management (SPM) Milestones



3. Activity for clients

3.1. Client relationship management

3.1.1. Client satisfaction survey

MAXIMA conducted the client satisfaction survey on an annual basis to understand and assess the level of satisfaction of its clients with the product and services offered to the clients. The feedback from the client satisfaction survey is used for improvement on the product and services.

In the client satisfaction survey report, 93% of our clients expressed satisfaction. The net promoter score for MAXIMA to receive in this survey is that clients prioritize the top two things, and consider “Process Simplicity”, and “Speed of Obtaining the loan” as perceived high satisfaction from our clients. The clients expressed high percentage satisfaction on parts of:

- The experience of getting the loan was easy, timely, and convenient
- The MAXIMA staff always treat me fairly and respectfully
- The channel for transaction is convenient for client
- The transparency and how MAXIMA informs about the fees, interest, and penalties is clear to understand for 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 2023 is 32%, largely driven by drop-outs in the MBela channel. 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.

Based on the survey and with respondents of 1,032 clients, 56% of the clients did not renew the loan because they have enough money, while 9% of clients moved to other MFIs. The main reasons for a competitive advantage and that clients decide to renew loan with other MFIs are: ticket size, interest rate, and speed to obtain the loan, and the process simplicity.

3.2. Restructuring effort

MAXIMA has also made efforts in loan restructure and to support clients which are mainly due to the economic downturn, losing jobs, and business instability. During this difficult time, MAXIMA assists clients by reorganizing the repayment schedule. This is part of MAXIMA tasks to review the client's situation and the repayment capacity and provide them with solutions to ease the burden. As of December 2023, there were 920 active restructured accounts with outstanding balance of USD 2,332,164.86

3.3. CPP activity

During 2023 within July to November 2023, MAXIMA contacted Microfinanza Rating for conducting the Client Protection Assessment. As a result and effort MAXIMA is able to obtain its practice and policy in alignment and adhere to the Client Protection Principles. MAXIMA received the Client Protection Certification from Microfinanza in November 2023, and was able to be listed as a committed institution and as a responsible institution towards our clients. There are also small gaps after the assessment that MAXIMA will put more commitment towards client protection and also continuous improvement.



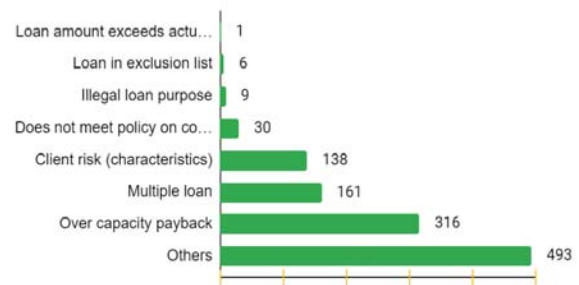
3.3.1. Appropriate product design and delivery

MAXIMA designed products include agricultural loans, construction loans, business loans, small loans, et., for offering to our clients based on their needs and preferences. MAXIMA strives to provide products and services as an answer to the clients' request, based on real situations and that MAXIMA ensures not to do the aggressive sales technique. MAXIMA also thinks and innovates new concepts of product, and ensures reaching out to clients, providing better solutions, input of technology, and as well as proper services and quality for our clients. For instance, MBELA Loan product, or Village Banking concept that aims to small loan size and reach out more to clients.

3.3.2. Prevention of over-indebtedness

MAXIMA conducts loan assessment carefully and follows the policy as stated. Main focus for the loan assessment is on the clients' repayment capacity based on various sources of income that clients have. In 2023, MAXIMA took initiative for separation of the Branch Operations and the Underwriting functions, and also implemented more focus on portfolio quality monitoring. The consideration on capacity to repay, the loan monitoring and the loan quality focus are the internal systems that support MAXIMA for prevention of the over-indebtedness situation of the clients.

In 2023, 1,154 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 2023, PAR is continuously rising, reflecting deterioration of loan quality sector-wide as a temporary impact of the economic downturn. At the end of 2023, Maxima's PAR 30 is at 8.13%.

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 the 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. MAXIMA continuously sophisticated 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 training of all our staff. Finally, the Code of Conduct is also displayed on banners at all branches for information to clients. MAXIMA observed the fair and respectful treatment to clients by using client satisfaction surveys to reflect that also.

3.3.6. Privacy of client data

Maxima collects clients' data for various operational purposes. These client data are kept in secured locations and access is 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. As stated also in the Code of Conduct, MAXIMA values privacy of client's data and staff needs to be aware and careful when handling clients' data.

3.3.7. Mechanism for client complaint resolution

MAXIMA values clients' complaints as the reflection and as well as how MAXIMA can build trust and confidence for our clients in terms of resolving the concerns in a timely manner. Based on experiences so far, the survey on client satisfaction, MAXIMA aims to further improve the

client complaint mechanism and also put effort into increasing awareness to staff and clients on complaints. As a result, in 2023 MAXIMA updated the Client Complaint Resolution Policy, and settled to arrange an internal process to manage complaints. 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 2023, Maxima received a total of 6 complaints – all of which were resolved within two (2) days 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 2023, we provided WASH loans to 417 existing clients.

4. Environmental activity

In 2023, Mangrove Planting Activity in Kep province was attended by 94 staff in September 2023 with an estimated 500 Mangrove plants planted. As part of consideration for the environment, mangrove plays a crucial role in maintaining coastal areas and the ecosystems by absorbing carbon dioxide, protecting the shorelines from flood and soil erosion.

At Maxima Microfinance Institution, we believe in growth – not only financially, but also in our commitment to the environment. After a pause due to COVID-19, MAXIMA started the resumption of our “Maxima Green Cambodia Campaign”. In Kep province, MAXIMA embarked on the second mangrove planting initiative, reaffirming the dedication to sustainable development.



Photo: staff participated in the event in September 2023



5. Financial literacy activity



MAXIMA has also made a commitment to providing financial literacy training to our clients. On 26 December 2023, MAXIMA arranged one event on Financial Literacy with 25 clients participating. In the session, the videos were presented to clients under part of financial literacy mainly on “Let’s Talk Money” which is the campaign from National Bank of Cambodia and also the Succession Story as the clients as part of financial literacy campaign with the Cambodian Microfinance Association.

More than the loan provided, MAXIMA strives to build good quality client relationships and as well as to share knowledge on saving, and loans to generate income or for business purposes.



6. Figures

6.1. Employee Statistics

Total staff is 286 as of 31 December 2023, of which 66 are female. Staff turnover rate for 2023 is 22.17%.

6.2. Social Goal

In 2023, MAXIMA has defined the social goal target and has started to monitor the actual achievement of the social goal indicators. The new social goals are more comprehensive and align with the updated strategy and the Universal Standards for Social and Environmental Performance Management (USSEPM) as per mentioned in Appendix 1 of this report.

Reviewed and Approved by

Handwritten signature of Mr. Tomohiro Isozaki in Japanese characters.

Mr. Tomohiro Isozaki
Chief Executive Director

Phnom Penh, 22 January 2024

Prepared by

Handwritten signature of Ms. Sim Soupheakna.

Ms. Sim Soupheakna
Head of Corporate Secretary and SPM

APPENDIX 1 - MAXIMA Social Goal and Indicators Achievement for 2023

Social Goals	Indicator	Frequency	FY22 Actuals	FY 2023			Q1 2023 (Accumulated)			Q2 2023 (Accumulated)			Q3 2023 (Accumulated)			Q4 2023 (Accumulated)		
				Annual Target	Target	Actual	Achieved %	Target	Actual	Achieved %	Target	Actual	Achieved %	Target	Actual	Achieved %		
1 Provide financial services to unserved / underserved people	1-1. # of loan clients at end of period	Monthly	12,136	11,793	11,027	12,203	111%	10,828	11,505	106%	11,386	11,503	101%	11,793	11,285	96%		
	1-2. Number of MBela/Village Banking clients at end of period	Monthly	5,085	4,391	4,279	4,802	112%	4,031	3,779	94%	4,240	3,486	82%	4,391	3,326	76%		
2 Provide high quality service to clients in line with CPP	2-1. % of satisfied clients	Annual	86%	90%										90%	93%	103%		
	2-2. % of clients who will recommend our service (NPS)	Annual	52%	75%										75%	8%	10%		
	2-3. SPI5 Audit Score	Annual	81%	85%										85%				
	2-4. % of clients who drop out	Quarterly	16%	12%	3%	7%	230%	6%	16%	264%	9%	19%	214%	12%	32%	267%		
	2-5. Debt to Income ratio of clients' household	Annual	15x	13x										13x				
3 Provide positive impact on client's lives	3-1. % of clients who are in control of their money management	Annual	5%	5%										5%				
	3-2. Number of client financial literacy initiatives/projects	Annual	-	1										1	1	100%		
4 Assure diversified and enjoyable workplace for staff	4-1. % of female management at Maxima	Monthly	45%	40%	40%	45%	114%	40%	42%	104%	40%	36%	91%	40%	38%	96%		
	4-2. % of female staff at Maxima	Monthly	23%	25%	25%	24%	95%	25%	23%	93%	25%	23%	93%	25%	23%	92%		
	4-3 (a). Employee turn-over - Field Staffs	Monthly	22%	19%	5%	6%	135%	10%	11%	117%	14%	23%	161%	19%	23%	118%		
	4-3 (b). Employee turn-over - HO	Monthly		24%	6%	9%	148%	12%	13%	109%	18%	14%	77%	24%	17%	71%		
	4-4. % of satisfied staff	Bi-Annual	79%	85%				85%	72%	85%				85%	76%	89%		
4-5. Training Test Score	Annual	n/a	90%										90%					
5 Minimize harm and create positive impact on the environment	5-1. GHG emission [Gasoline consumption at HQ (L / FTE) and Electricity usage at HQ / Branch (kWh / FTE)]	Annual	n/a	Gasoline: Branches - ~1,800L/mo. Electricity: HQ - 35.8K kWh /yr; Branches - ~35.7K kWh / yr										Gasoline: Branches - ~1,800L/mo. Electricity: HQ - 35.8K kWh /yr; Branches - ~35.7K kWh / yr				
	5-2. GLP of WASH Loan	Annual	212.9 K	260.0 K				260.0 K	196.695	76%	260.0 K	176.659	68%			0%		
	5-3. Number of environmental initiatives / projects	Annual	-	1							100%	100%	100%	1	1	100%		
6 Strong corporate governance foundation with high level of integrity / business ethics	6-1. # of fraud cases	Annual	10	5	5	4	80%	5	6	120%	5	7	140%	5	7	140%		