



CLIENT PROTECTION CERTIFICATION

Report for AgrolInvest, Belgrade, Serbia

Certified in February 2016

Mission Conducted by MicroFinanza Rating

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Selected Examples of Practices

“Certified financial institutions have demonstrated their commitment and practice to treat the people they serve fairly. They contribute to a microfinance industry that prioritizes client care.”

- *Isabelle Barrès, Director, the Smart Campaign*

This document was prepared by MicroFinanza Rating, a licensed certifier of the Smart Campaign’s Client Protection Certification Program. It contains excerpts of analysis from a certification mission conducted at AgroInvest. AgroInvest became client protection certified in February 2016.

Certification missions entail a streamlined desk review of institutional policies and procedures followed by an on-site due diligence visit that includes extensive staff interviews and focus group discussions with clients. The certifier looks for evidence of adherence to the [Client Protection Principles](#) as evidenced by meeting [standards](#) associated with each principle in institutional policies, procedures, systems, organizational culture and staff behavior. In order to become certified, an institution must meet all of the client protection standards. Only organizations that pass certification will be made public. Certification status is valid for up to two years, after which an institution must undergo a new certification mission.

This summary presents selected excerpts from the certification mission analysis, which in total covers 30 standards of care. The evidence presented is not exhaustive but rather meant to illustrate what the certification standards of care look like in practice and to highlight specific practices by this institution. We encourage readers to reference the [client protection standards](#) when reading this report. For more information about the certification program and a list of certified organizations please visit the Smart Campaign’s website <http://www.smartcampaign.org/certification>.

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Selected Examples of Practices

Client Protection Principle 1 – Appropriate Product Design and Delivery

- AgrolInvest Serbia is a consultancy firm offering loan products through a local partner bank. Its loan products, disbursed by the partner bank, are adequately designed to meet the target clients' needs and cause no harm.
- The marketing team regularly collects client feedback using standardized instruments such as client satisfaction and dropout surveys. AgrolInvest uses client feedback to revise its product design and make improvements to service quality.
- The sales targets are reasonable and take into account market capacity. AgrolInvest advises staff against the use of aggressive sales techniques and requires staff to inform clients in full about the product terms and conditions during initial consultations.

Client Protection Principle 2 – Prevention of Overindebtedness

- Loan approval is based on borrower repayment capacity analysis at each cycle. The credit analysis requires client visits and takes into account borrower credit history and household finances including existing debt liabilities. A formal cap on repayment capacity is in place.
- AgrolInvest incentivizes portfolio quality through a staff bonus policy. On a monthly basis, the management reviews the quality of loan disbursements (i.e. vintage analysis) and monitors PAR levels by branch, loan officer, and ageing category.
- Internal Audit and Internal Control verify the appropriate implementation of the credit policies and procedures through independent assessments of loan analyses and client visits. The client sample size is set at a minimum 6% per loan officer per year.

Client Protection Principle 3 – Transparency

- AgrolInvest discloses to clients detailed information about loan terms and conditions prior to loan sale. The information is documented in Loan Offers and includes, among other conditions, the loan amount, term, nominal and effective interest rates, fees, privacy policy, and client rights.
- Staff are required to read aloud to clients all aspects of the loan offer to ensure that, in particular, clients with literacy limitations are able to understand them before agreeing to borrow.
- The local regulations prohibit AgrolInvest from advertising loan prices publically due to its status of a non-financial institution. In this connection, AgrolInvest ensures complete client understanding of the loan terms and conditions during individual client consultations.

Client Protection Principle 4 – Responsible Pricing

- Loan pricing is market-oriented and non-discriminatory. Interest rates are higher than the bank rates but comparable to those of peer institutions also operating as consultancies.
- AgrolInvest has reported improvement in operating efficiency. Operating expenses on loan portfolio reduced from 33.0% in December 2013 to 23.9% in April 2015.
- No penalty for early loan repayment is charged as per the regulatory requirement. The bank transaction fees are not excessive and same as standard fees for partner bank clients.

Client Protection Principle 5 - Principle 5 - Fair and Respectful Treatment of Clients

- The Code of Conduct spells out acceptable and unacceptable staff behaviors. Debt collection is regulated by the Loan Recovery Procedure defining actions staff must undertake within recommended timeframes in the event of a loan default.
- Supervisors assess staff adherence to the Code of Conduct as part of the standard performance appraisals. The assessment is informed by client grievances where applicable. Independently, Internal Control and Internal Audit verify with clients staff behavior.

Selected Examples of Practices

- AgrolInvest responds appropriately to staff violations of internal standards of adequate client care. Applicable disciplinary measures, including employment termination, are defined in the Code of Conduct and commensurate with the seriousness of violations.
- AgrolInvest informs clients of the main aspects of the Code of Conduct (e.g. expected staff conduct) through a specially designed poster in branch offices. The poster encourages clients to report any instances of unethical staff behavior through complaint channels.

Client Protection Principle 6 – Privacy of Client Data

- AgrolInvest has adequate procedures and systems in place to safeguard client privacy.
- It informs clients about their right to privacy throughout product delivery and sanctions any unauthorized use, disclosure, or misappropriation of client data by staff.
- Staff are trained in client privacy protection at induction and obliged to go over the terms of confidentiality with clients when reviewing loan offers before contract signature.
- AgrolInvest requires express client consent before sharing their information externally.

Client Protection Principle 7 – Mechanisms for Complaint Resolution

- Internal policies and procedures require staff to inform all clients about their right to complain and how to file complaints. Client posters in branch offices also describe the complaint submission channels: toll-free number, email, and in person.
- AgrolInvest has a dedicated training module for staff on how the complaint system functions.
- Complaint reporting lines are clear and ensure all complaints, including those communicated verbally, are properly documented and handled.
- Internal Audit verifies the effective functioning of the complaint system. During client visits, it assesses client awareness and crosschecks appropriate complaint resolution.