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LOLC (Cambodia) Plc.

SOCIAL PERFORMANCE MANAGEMENT PROFILE

AS OF DECEMBER 2022



Highlights as of December 2022

Introduction

LOLC (Cambodia) Plc. (“LOLC”) is a rapidly growing, regulated microfinance institution with a focus on serving entrepreneurs and families at the base of the socio-economic pyramid with the economic opportunities to transform the quality of their lives.

LOLC is saving 517,864 clients with its commitment to responsibly serving clients, focus on customer service, innovative products, and fair and transparent pricing, LOLC has become a trusted provider of financial services for Cambodians.

LOLC Outreach



Rural Borrowers
78%



Agriculture Borrowers
34%

Definition of Rural:

- 1. Population density ≤ 200 per kilometer.
- 2. Percentage of male employment in agriculture ≥ 50%.
- 3. Total population of commune ≤ 2,000.

- 1. Crop
- 2. Animal
- 3. Fishing



Female Borrowers
70%

Successful Client Story

Thida, Spirit House's (Prah Phum) maker, Banteay Meanchey, Cambodia



Mrs. Kong Thida,

Thida, 37-year-old, has two children and she is living in Banteay Dek commune in O'ambel Village, O'ambel Commune, Serey Sophorn District, Banteay Meanchey Province, and life has improved enormously. She and her husband have a better standard of living and their business keeps slowly expanding and making more money.

She had been using LOLC Cambodia loans for 4 cycles already to improve her business. She told LOLC Cambodia that "I started using the loan from LOLC since 2016 and I really appreciate their cooperation".

"Thanks to LOLC's loans, I have enough capital to expanse my business, and money for my children to go to school," Thida describes the changes in her family's life since accessing LOLC's loan in 2016.

Contribution to the SDGs

NO POVERTY

The SDGs are a bold commitment to end poverty in all forms and dimensions by 2030. This involves targeting the most vulnerable, increasing basic resources and services, and supporting communities affected by conflict and climate-related disasters.



- 5.30% of clients likely below 2\$ Day 2005 PPP
- 80.21% of clients likely below 5\$/Day 2005 PPP
- Access to Credit: 341K Clients (US\$ 1.25B)
- Access to Saving: 517K Clients (US\$ 767M)



517K
Depositors reached



341K
Borrowers reached

ZERO HUNGER

The SDGs aim to end all forms of hunger and malnutrition by 2030, making sure all people—especially children—have sufficient and nutritious food all year. This involves promoting sustainable agricultural, supporting small-scale farmers and equal access to land, technology and markets. It also requires international cooperation to ensure investment in infrastructure and technology to improve agricultural productivity.



As of December 2022, 194K clients in outstanding amount of US\$ 448M received the loans for agriculture purpose.



194K clients in outstanding amount of **US\$ 448M.**

GOOD HEALTH AND WELL-BEING

Reduce the life expectancies by the maternal or disease. It takes into account widening economic and social inequalities, rapid urbanization, threats to the climate and the environment, the continuing burden of HIV and other infectious diseases, and emerging challenges such as noncommunicable diseases.



The WASH Individual Loan (WIL) is one of the LOLC's committed products provides clients to improve their water, sanitation and hygiene in community by building or renovating latrine, well, pond digging, water storage or buy water filter etc. As of December 2022, there are 5.3K clients (US\$ 4M) are using WIL.



5.3K Clients in outstanding amount of **US\$ 4M**

QUALITY EDUCATION

This goal ensures that all girls and boys complete free primary and secondary schooling by 2030. It also aims to provide equal access to affordable vocational training, to eliminate gender and wealth disparities, and achieve universal access to a quality higher education.



From January to December 2022, LOLC provided 1,949 training courses (including 43 external training) to staffs.



1,906
Internal courses.
43
External courses.

GENDER EQUALITY

It is vital to give women equal rights land and property, sexual and reproductive health, and to technology and the internet. Today there are more women in public office than ever before, but encouraging more women leaders will help achieve greater gender equality.



As of December 2022, 70% of LOLC clients are females and 32% of LOLC staffs in management level are females.



70% of clients are FEMALES

32% of staffs in management level are FEMALES

AFFORDABLE AND CLEAN ENERGY

Investing in solar, wind and thermal power, improving energy productivity, and ensuring energy for all is vital if we are to achieve SDG 7 by 2030. Expanding infrastructure and upgrading technology to provide clean and more efficient energy in all countries will encourage growth and help the environment.



14K of LOLC clients (US\$ 58M) are using Energy Efficiency Three-wheelers, car, and motorbike.



14K clients (US\$ 58M)

CLEAN WATER AND SANITATION

Safe and affordable drinking water for all by 2030 requires we invest in adequate infrastructure, provide sanitation facilities, and encourage hygiene. Protecting and restoring water-related ecosystems is essential.



Ensuring universal safe and affordable drinking water involves reaching over 800 million people who lack basic services and improving accessibility and safety of services for over two billion.

As of December 2022, 5.3K clients (US\$ 4M) are using the loans for their better sanitation, clean water, and hygiene.



5.3K clients in outstanding amount of US\$ 4M

DECENT WORK AND ECONOMIC GROWTH

The SDGs promote sustained economic growth, higher levels of productivity and technological innovation. Encouraging entrepreneurship and job creation are key to this, as are effective measures to eradicate forced labour, slavery and human trafficking. With these targets in mind, the goal is to achieve full and productive employment, and decent work, for all women and men by 2030.



As of December 2022, LOLC is offering 379K income generating loans in amount of US\$ 1.13B which include 32K (US\$ 436M) small and medium enterprise loans.



90.65% are income generating loans which 35% are SME loans.



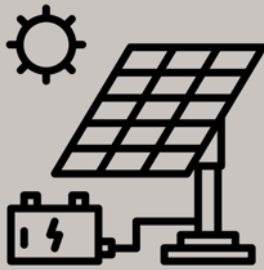
**3,535 Staffs
655 Female staffs
7 Disabilities**

INDUSTRY, INNOVAITON AND INFRASTRUC-TURE

Investment in infrastructure and innovation are crucial drivers of economic growth and development. With over half the world population now living in cities, mass transport and renewable energy are becoming ever more important, as are the growth of new industries and information and communication technologies.



LOLC also serves the client with Sola Loan Product.



SUSTAINABLE CITIRES AND COMMUNITIES

Making cities sustainable means creating career and business opportunities, safe and affordable housing, and building resilient societies and economies. It involves investment in public transport, creating green public spaces, and improving urban planning and management in participatory and inclusive ways.



As of December 2022, LOLC are providing Home Improvement Loan (HIL) and Housing Loan (HL) for clients who want to buy or build a new house to improve their life quality.

As of December 2022, there are 9.8K clients in outstanding amount of US\$ 57M are using HIL and HL.



9.8K Clients (US\$ 57M) are using HIL and HL



REDUCED INEQUALITIES

Income inequality requires global solutions. This involves improving the regulation and monitoring of financial markets and institutions, encouraging development assistance and foreign direct investment to regions where the need is greatest. Facilitating the safe migration and mobility of people is also key to bridging the widening divide.

As of December 2022 LOLC provides 192K group loan clients which most of them are low income families.

192K Group Loan Clients (US\$ 174M)

78% Rural Borrowers



RESPONSIBLE CONSUMPTION AND PRO-DUCTION

The efficient management of our shared natural resources, and the way we dispose of toxic waste and pollutants, are important targets to achieve this goal. Encouraging industries, businesses and consumers to recycle and reduce waste is equally important, as is supporting developing countries to move towards more sustainable patterns of consumption by 2030.



Social and environmental assessment was implemented with all loans in LOLC:

- For loans <USD 30,000, the E&S awareness are discussed with clients on risk areas and give suggestions for improvement
- For SME loans >= USD 30,000, a comprehensive tool is fully integrated into the lending process. From January to December 2022, there are 308 loans were assessed.



CLIMATE ACTION

The goal aims to mobilize US\$100 billion annually by 2020 to address the needs of developing countries to both adapt to climate change and invest in low-carbon development. Supporting vulnerable regions will directly contribute not only to Goal 13 but also to the other SDGs. These actions must also go hand in hand with efforts to integrate disaster risk measures, sustainable natural resource management, and human security into national development strategies. It is still possible, with strong political will, increased investment, and using existing technology, to limit the increase in global mean temperature to two degrees Celsius above pre-industrial levels, aiming at 1.5°C, but this requires urgent and ambitious collective action.



LOLC offers green lending, focusing on solar, energy efficiency three-wheelers, car, and motor-bike which contributes significantly to CO2 emission and energy saving. As of December 2022, there are 14,042 Loans support are disbursed to decrease the CO2 emission, 74,989 Ton (as of December 2022).

**CO2 Emission Serving
74,989 Ton**



LIFE ON LAND

Every year, 13 million hectares of forests are lost, while the persistent degradation of drylands has led to the desertification of 3.6 billion hectares, disproportionately affecting poor communities. While 15 percent of land is protected, biodiversity is still at risk. Nearly 7,000 species of animals and plants have been illegally traded. Wildlife trafficking not only erodes biodiversity, but creates insecurity, fuels conflict, and feeds corruption.



Urgent action must be taken to reduce the loss of natural habitats and biodiversity which are part of our common heritage and support global food and water security, climate change mitigation and adaptation, and peace and security.

LOLC has the ENVIRONMENTAL LOAN GRANTING ACTIVITIES AND ENVIRONMENTAL LAW which mention that:

- Clearing or burning the forest, prohibited by law.
- Illegal logging of wetland forest.
- Any act of illegal logging of immature tree, prohibited by law.
- Cutting tree of tearing off tree, Prohibited by law.
- Commercial logging operation or purchase of logging equipment for using in the forest area with high bio-diversity.
- Trade in all kind of wildlife or wildlife product, regulated under law.
- Poaching or trapping or using other means to destroy wild animals, regulated under law.
- Destroy wildlife's inhabited, nest or eggs, regulated under law.



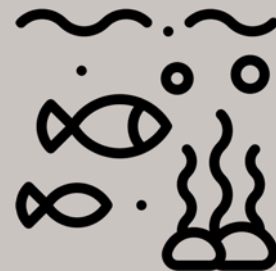
LIFE BELOW WATER

The SDGs aim to sustainably manage and protect marine and coastal ecosystems from pollution, as well as address the impacts of ocean acidification. Enhancing conservation and the sustainable use of ocean-based resources through international law will also help mitigate some of the challenges facing our oceans.



LOLC has the ENVIRONMENTAL LOAN GRANTING ACTIVITIES AND ENVIRONMENTAL LAW which mention that:

- Fishing in banned season.
- Fish farming activities engaged in channa micropeltes (Trey chhdor) and channa striatus (Trey ros).
- Using illegal fishing equipment.
- Other activities harmful to forest and wildlife.



PEACE, JUSTICE AND STRONG INSTITUTION

The SDGs aim to significantly reduce all forms of violence, and work with governments and communities to end conflict and insecurity. Promoting the rule of law and human rights are key to this process, as is reducing the flow of illicit arms and strengthening the participation of developing countries in the institutions of global governance.



Staffs are not allowed to use physical violence such as physical hitting, pushing, biting, punching, limit physical freedom, and throwing things at someone, etc.



PARTNERSHIPS FOR THE GOALS

The goals aim to enhance North-South and South-South cooperation by supporting national plans to achieve all the targets. Promoting international trade, and helping developing countries increase their exports is all part of achieving a universal rules-based and equitable trading system that is fair and open and benefits all.



LOLC current partners: WATER.ORG, Global Climate Partnership Fund (GCPF), CERISE, Impact Investment Exchange Pte. Ltd. (IIX), SME Bank, Credit Guarantee Corporation of Cambodia (CGCC), and Cambodian Agricultural Cooperative Alliance (CACA).



LOLC fisherman client, Kampong Trach, Kampot, Cambodia



Client Protection and Social Performance

Client Protection Principle (CPP)

- First certified CPP certificate from SMART Campaign which assessed by M-CRIL in July 2015.
- In 2018, underwent check-in review by M-cril as the result that next validity was till 2020.
- In February 2022, LOLC received the Gold Level of Client Protection Certificate from Cerise and SPTF.



Universal Standard of Social Performance Management (USSPM)

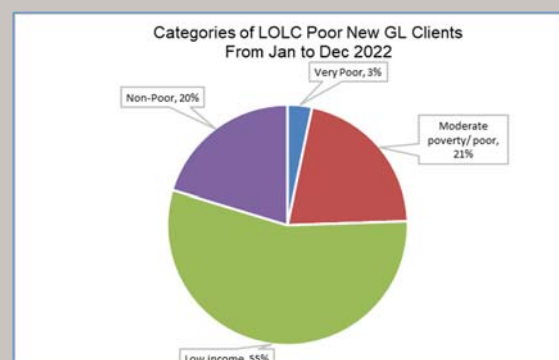
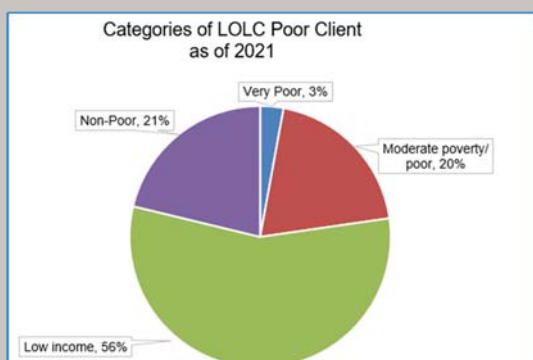
LOLC has done SPI4 self-assessment and defines the plan to fully integrate the standard in the business operation. LOLC has completed social rating (SPI4) by Microfinanza and upgraded from grade BB in 2014 to BB+ in 2023.



Poverty Probability Index(PPI)

PPI is used to measure LOLC Cambodia outreach to the poor clients. LOLC uses two approaches to measure, (1) using a simplified formula to calculate sample size (Yamane, 1967) from existing clients (2) survey to all new group loan clients. Moreover, using PPI LOLC can determine its categories of client:

- Very poor
- Poor
- Low income
- Non-poor.



Financial Education Awareness

Past Achievements

- Finlit in-class training: 58,579 (76% or 43,435 females) of clients, non-clients, university students and kids were trained.
- Finlit awareness banner: 75 banners were designed and produced that mentioned about financial education key messages and installed at potential places.
- Radio program named "Idea for growth": the program aims to deliver the financial literacy message, consumer protection, and self-motivation to rural people.
- Finlit awareness video: videos were produced to deliver the financial literacy messages to public/clients.

In 2020, due to Covid 19, financial literacy awareness in-class training and other related activities were postponed and 24 short financial literacy videos were produced and posted in the popular mass-media Facebook page and LOLC Facebook page. As the result, as of December 2022, the videos were reached by 16.08 million people.



Other Social Activities



Portfolio Quality

Portfolio at risk (PAR) measures whether customer loans have been repaid on time. When loans are not repaid on time it is because customers are unable to pay—this could be because they do not have the capacity and are over-indebted or, in some instances, unwillingness to repay.

- PAR 30 shows loans where the customer is more than 30 days behind on payments
- Write-off shows how much of the loan the financial institution expects not to recover
- Restructured Loan means any loan that has been rescheduled or refinanced in accordance with an agreement setting forth a new repayment schedule on a periodic basis occasioned by weaknesses in the borrower's financial condition and/or inability to repay the loan as originally agreed.



Financial Inclusion Institution

