

## **AFISAR<sup>©</sup>**

**Agents for Impact Sustainability Alignment Rating  
based on the Sustainable Development Goals (SDGs)  
and Environmental, Social & Governance (ESG) criteria**

### **RATING REPORT**

**Dhosa Chandaneswar Bratyajana Samity (DCBS), India**

**Industry: Microfinance**

**Rating Period: FY 2022**

## COMPANY NAME

**Dhosa Chandaneswar Bratyajana Samity (DCBS)**

## INDUSTRY

**Microfinance**

## COUNTRY

**India**



## SUMMARY

AFISAR® RATING	SDG SCORE	YEAR
<b>B+</b>	<b>67%</b>	<b>FY 2022</b>

## ALIGNMENT TO THE SUSTAINABLE DEVELOPMENT GOALS

NOT SUSTAINABLE			SUSTAINABLE			
0% - 8%	9% - 25%	26% - 42%	43% - 58%	<b>59% - 76%</b>	77% - 92%	93% - 100%
NO ALIGNMENT	VERY LOW	LOW	MODERATE	<b>GOOD</b>	VERY GOOD	EXCELLENT
<b>D</b>	<b>C</b>	<b>C+</b>	<b>B</b>	<b>B+</b>	<b>A</b>	<b>A+</b>

## INSTITUTIONAL DATA

	Number of borrowers	Number of employees	GLP (outstanding)
Jul-22	8,558	77	USD 2.4m

## OVERALL RESULT

Overall **B+** Rating (**67%**), hence the institution's overall SDG alignment & sustainability performance at institutional & portfolio level is above our acceptability threshold (43%).

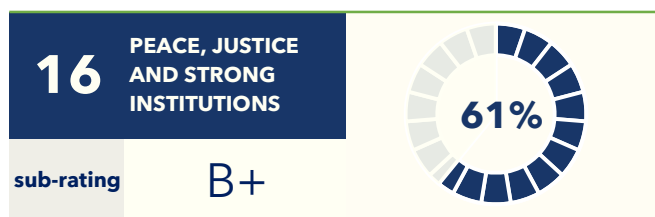
## OVERVIEW

Dhosa Chandaneswar Bratyajana Samity ("DCBS") showed a good collaboration during the first AFISAR © rating process, which was offered under special promotion package. It figures among the top-3 MFIs even after being rated on the more nuanced version of the AFISAR© questionnaire (V 3.0, introduced as of Jan 2022) which, in addition to the SDGs, offers new features and more distinctive insights into environmental, social and governance ("ESG") dimensions. DCBS, was founded as a society (non-profit organisation) in 2003, aims to help rural poor by promoting sustainable development. Its mission statement is "Transform the lives and livelihoods of rural poor by eradicating poverty through effective financial services and promote socio-economic development with participatory, sustainable and transparent manner."

DCBS performs extremely well on SDG 1 and SDG 8 with significantly low staff attrition (5%) and at the same time, 40% new jobs creation. It also achieves a good score in social aspects (77%) with several products catering to the social needs of the clientele (Solar lights/ WASH, Housing Finance, promotion of organic/natural farming, pisciculture and goat rearing, etc.) as well as business development and entrepreneurship training. It also performs commendably in environmental aspects (above industry-average). Environmental awareness raising trainings are conducted for staff, clients and community members. Risk management through tracking of extreme weather events but no concrete targets defined for reducing ecological footprint.

# AFISAR<sup>©</sup> RESULTS

## RESULTS PER SDGs WITH HIGH RELEVANCE TO MICROFINANCE



### SNAPSHOTS: SDGs WITH HIGH RELEVANCE

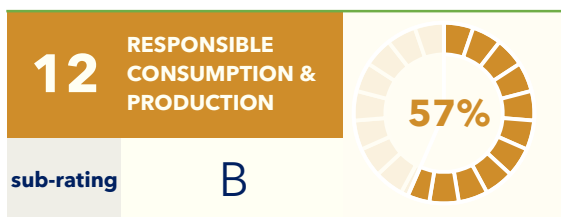
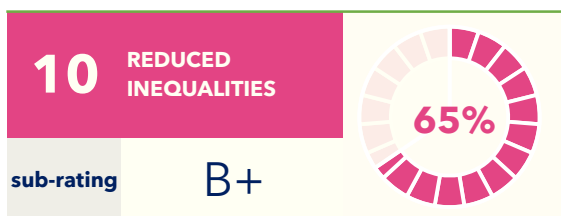
**SDG 1 (NO POVERTY)** Clear vision with 100% focus on people below the organization's defined poverty threshold (INR 11,500 per family per month), 100% outreach to rural population to address rural poverty, focus on low-income women and microenterprises; needs based affordability mechanisms (reduction of interest during COVID-19); no preferential loan conditions; initiatives for financial literacy, no access points other than branches (pilot for CSPs underway)

**SDG 5 (GENDER EQUALITY)** 100% female clients; low female representation at staff level (22%), top, senior and middle management (15%), BoD (2/7), defined target of reaching 40% female staff by 2025, 100% female clients are accessing credit-linked life insurance products

**SDG 8 (DECENT WORK AND ECONOMIC GROWTH)** Significantly low (5%) staff attrition; comprehensive staff training programmes; opportunities to strengthen prevention/detection against discrimination, violence & harassment via audit checks, performance review/career development for 100% staff (100% female staff); average loan size (disb.) 328 USD; client retention rate 100%

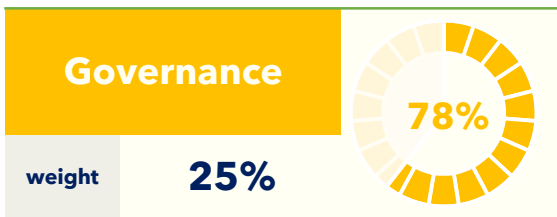
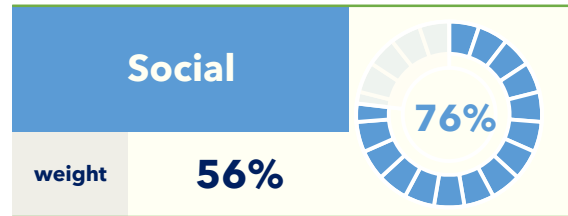
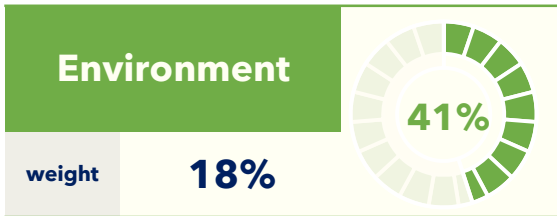
**SDG 16 (PEACE, JUSTICE AND STRONG INSTITUTIONS)** Decent corporate governance and internal controls, whistleblower policy exists, opportunity to formulate independent audit committee, and strengthen anti-fraud and anti-corruption policies, 4/7 directors are considered independent

## RESULTS PER SDGs WITH MEDIUM RELEVANCE TO MICROFINANCE

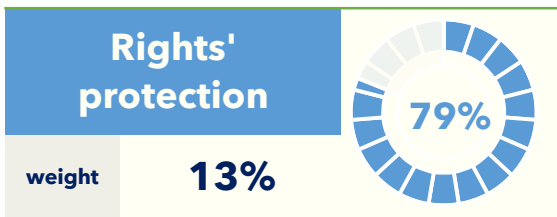
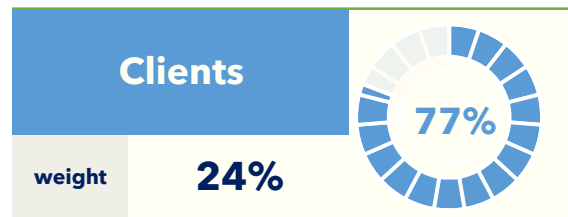
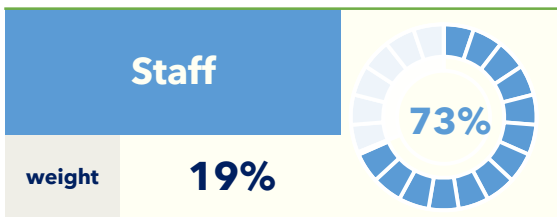


# AFISAR<sup>®</sup> RESULTS

## RESULTS PER KEY CATEGORY (ESG)



## BREAKDOWN: KEY CATEGORY "SOCIAL"



## REMARKS OF THE RATING COMMITTEE PER KEY CATEGORY (1/4)

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### Staff aspects:

**Gender equality /equal opportunities (+)** Human Resources Policy underlines non-discrimination and thus, supports equal pay and fair opportunities for recruitment, performance reviews (100% female staff receive performance reviews); tracking of gender equal pay using an HR software; concrete targets of reaching 40% female staff by 2025 **(SDG 5, 8, 10)**  
(-) 22% female employees; 15% (in top/senior/middle) management **(SDG 5, 8, 10)**

**Comprehensive benefits for all employees (+)** Mandatory staff benefits are covered under pension scheme and employee state insurance (health care for family members, disability and invalidity coverage, paid parental leave; pension fund to cover retirement benefits); accidental insurance for work-related accidents **(SDG 1, 3, 8, 10)**

**Staff base, trainings & career development (+)** Comprehensive staff training (avg. 30 hrs/employee) covering internal procedures & policies, code of conduct, credit and repayment methodologies, management of groups, risk identification and mitigation (are these the topics of the training) **(SDG 4, 8, 10)**  
(-) no trainings oriented towards career development; opportunity to enhance strategic training programmes directed towards skill enhancement such as leadership and conflict management **(SDG 4, 8)**

### Client aspects:

**Client base (+)** 20,515 members, 8,558 borrowers (100% female clients), client retention rate is 100%; 100% rural client base; the institution addresses 100% clients from below organization's defined poverty threshold of INR 11,500 (USD 142) per family per month; DCBS also allows for reduction of interest at the time of disasters or pandemic situations like in case of COVID-19 but preferential loan conditions for low/lowest-income segment is considered only in partnerships with nationalised banks **(SDG 1, 5, 8, 10)**

**Products & Services (+)** Disbursement is done via account transfer and collection via mobile banking, cash or Unified Payment Interface (mobile based payments); 13 branches located (100%) in economically disadvantaged areas; Provision of WASH loans, housing loans, and energy loans; mandatory insurance as per regulatory guidelines, voluntary insurance products such as hospicash and telehealth; **opportunity to** formulate a detailed social strategy (including social exclusion criteria) and define social targets to be achieved within a specific timeframe, formation of Social Performance Committee to regularly monitor the achievement of targets **(SDG 1, 5, 8,10)**

Note: The indicated SDGs serve to demonstrate the main linkages and are not exhaustive.

## REMARKS OF THE RATING COMMITTEE PER KEY CATEGORY (2/4)

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### Client aspects (continued):

**Client protection** (+) DCBS adheres to the Client Protection Principles as prescribed by industry code of conduct of Self Regulatory Organizations (SROs) but no official certification has been undertaken **(SDG 12)**

**Non-financial services, training & Loan conditions** (+) 12,780 members (borrowers + savers) which included 77% female members received financial literacy training covering the need for savings, utilization of funds, opening procedures of bank accounts, need of insurance, and financial review of families; 2,620 members (91% female) received business development trainings covering business identification, procurement, inventory management, market survey, pricing, packaging and basic accounting

(•) Skill development training offered to only 1,070 members due to lack of infrastructure; only 22% of these received financial support after the skill development training **(SDG 1, 4, 8, 10)**

**Client segmentation & sectors** (+) 99.90% group lending model, 0.10% individual lending, focus on low-income women/microenterprises; major focus on agriculture (48%) followed by services/trade (27%), and others (15%); 100% client (member) retention; client growth rate 3%; portfolio share for women 100% **(SDG 1, 5, 8, 9)**

**Portfolio** Effective annual interest rate 26.0%, GLP 2,40 Mio. USD (outstanding); average loan size (disbursed) 328 USD **(SDG 1, 8, 9)**

### Rights protection (customers and staff):

**Support systems for staff/clients** (+) The Human Resources policy addresses discrimination against staff members, whereas code of conduct and operational manual ensures fair treatment towards all clients; Grievance redressal mechanism in place both for clients and employees and ensures confidentiality of the processes; induction training covers the aspects related to code of conduct & anti-violence related issues **(SDG 5, 8, 16)**

(+) No reported incident of violence or discrimination during the reporting period

(-) No proactive detection of discrimination/violence against staff/clients by Internal Audit **(SDG 5, 8, 16)**

Note: The indicated SDGs serve to demonstrate the main linkages and are not exhaustive.

## REMARKS OF THE RATING COMMITTEE PER KEY CATEGORY(3/4)

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### Rights protection (customers and staff):

**Employees'/Workers Rights (+)** Workers' rights are covered by the Human Resources Policy and Code of Conduct; Staff grievance redressal mechanism and whistleblower policy exists for employees to express their concerns; workers' rights are partially discussed at the Board level (e.g. hiring women staff at branches and issues associated) **(SDG 8)**

(-) No concrete measures to facilitate workers rights and freedom of association **(SDG 8)**

### Governance:

(+) **Directors** Board & Audit Committee in place; 85% attendance rate; (4/7) Directors are independent; sustainability matters in the dimensions of ESG are discussed by the executive management team and addressed through collective decision and actions;

(-) 2/7 Board of Directors are women; **opportunity** to formulate an independent Audit Committee, improve gender representation at the board level, define strategic objectives and targets towards sustainability and link executive management's performance on it to their variable remuneration **(SDG 16)**

### Corporate governance

(+) Defined control mechanisms (conflict of interest policy, procurement policy) - included as a part of staff training; Staff trainings organised on risk identification, risk management and Prevention of violence and harrasment; no instances of fraud were reported; no instances of non-compliance were reported

(-) HR Manual only mentions fraud and corruption but there is **opportunity** to formulate detailed policy on this with effective prevention and detection mechanisms; **opportunity** to publicly state (website/branch displays) that underlines that DCBS will work against corruption in all its forms including bribery and extortion;

Two cases of corruption were identified by internal audit where one branch manager and one loan officer submitted false bills for procurement of office furniture but were not found during physical verification **(SDG 16)**

Note: The indicated SDGs serve to demonstrate the main linkages and are not exhaustive.

## REMARKS OF THE RATING COMMITTEE PER KEY CATEGORY (4/4)

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### Environment:

#### Environment - Resources

(+) tracking of water (estimated) and energy (measured) consumption and paper and residual waste produced at the HQ and branches; usage of compost pits for waste segregation and use of organic waste converter to convert biodegradable wastes into compost **(SDG 6, 7, 12)**

(-) tracking of environmental resources is a good start but **opportunity** to measure paper waste and water consumption and track plastic, glass, and food waste **(SDG 6, 7, 12)**

#### Environment - Strategy

(+) Well-documented Environment Policy which highlights broader areas of intervention for DCBS' internal and external stakeholders - resource conservation and waste management, strategic environmental assessments, environmental information systems, sustainable agriculture, stakeholder awareness (environmental awareness training/campaigns started for staffs/clients/community), rain water harvesting, health and sanitation, solar products and collective advocacy; 15% portfolio dedicated for solar energy and environmental protection measure **(SDG 12)**

(-) the policy is a significant step but not yet mature, hence it requires specific strategies and implementation plan to achieve the targets (not yet defined); **opportunity** to define targets for reducing DCBS' ecological footprint, better integration of climate and environmental aspects at company and portfolio level and to conduct environmental audits **(SDG 6, 12, 13)**

#### Environment - Portfolio & Risk

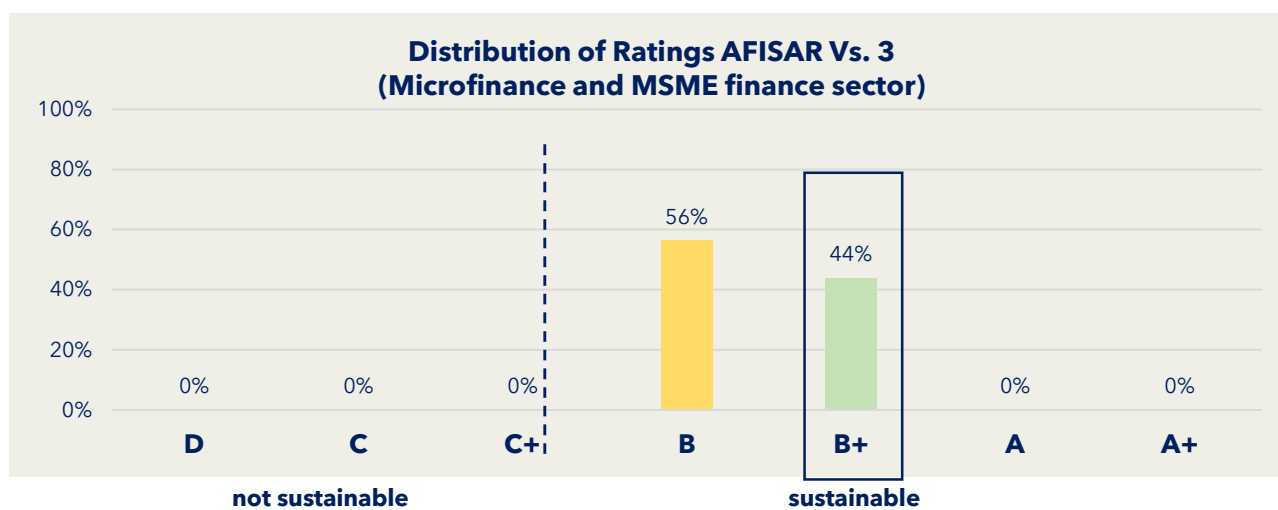
(+) Provision of WASH loans, Solar based home lighting system as products contributing to environmental objectives; tracking of natural disasters like cyclones (prevalent in areas of operations) for risk management and monitoring portfolio losses due to such events, scenario analysis/stress tests for portfolio risks due to such events, categorisation of customers based on their exposure to extreme weather events ( based on sectors, and regions) **(SDG 13)**

(-) no activity exclusion list adopted to define businesses which will not be considered for lending, **opportunity** to integrate extreme weather related risks under loan appraisal, strengthen/develop risk policies and monitoring frameworks to include climate related and environmental risks **(SDG 13,16)**

Note: The indicated SDGs serve to demonstrate the main linkages and are not exhaustive.



## BENCHMARKING



NOT SUSTAINABLE			SUSTAINABLE			
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NO ALIGNMENT	VERY LOW	LOW	MODERATE	<b>GOOD</b>	VERY GOOD	EXCELLENT
D	C	C+	B	<b>B+</b>	A	A+

## RELEVANCE OF SDGs TO MICROFINANCE

#	SDG	Relevance
1	SDG 1: No Poverty	High Relevance
2	SDG 2: Zero Hunger	Lower Relevance
3	SDG 3: Good Health & Well-Being	Lower Relevance
4	SDG 4: Quality Education	Lower Relevance
5	SDG 5: Gender Equality	High Relevance
6	SDG 6: Clean Water & Sanitation	Lower Relevance
7	SDG 7: Affordable & Clean Energy	Lower Relevance
8	SDG 8: Decent Work & Economic Growth	High Relevance
9	SDG 9: Industry, Innovation and Infrastructure	Lower Relevance
10	SDG 10: Reduced Inequalities	Medium Relevance
11	SDG 11: Sustainable Cities & Communities	Low Relevance
12	SDG 12: Responsible Consumption & Production	Medium Relevance
13	SDG 13: Climate Action	Medium Relevance
14	SDG 14: Life below Water	Low Relevance
15	SDG 15: Life on Land	Low Relevance
16	SDG 16: Peace, Justice and Strong Institutions	High Relevance
17	SDG 17: Partnership for the Goals	Low Relevance

## METHODOLOGY

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The assessment of a company's sustainability performance is based on an integrated set of indicators, selected specifically for the rated company's industry, based on the Sustainable Development Goals (SDGs). A holistic approach is applied to identify positive and negative contributions to the SDGs. The indicators cover qualitative and quantitative information at institutional and portfolio level in the dimensions environmental, social and governance (ESG). Whereas the four SDGs identified as most crucial for the microfinance sector are: SDG 1 "No poverty", SDG 5 "Gender equality", SDG 8 "Economic growth" and SDG 16 "Peace, justice & strong institutions", the majority of the SDGs is covered under the AFISAR® Tool.

Based on the organisational structure and business model, the five key categories assessed are staff, clients, rights' protection (both staff and clients), governance and environment. The weight of each SDG, ESG dimension and key category may differ to a minor extent in case an indicator cannot be fully assessed.

The rating is largely based on information provided by the rated company (questionnaire and additional data provided by rated company via email, and, to a limited extent, publicly available information). An unanswered question results in the lowest score for that question.

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