

Board Statement on Recent Media Coverage of Microfinance Practices in Cambodia

June 18, 2024

To Our Valued Stakeholders,

We are writing to address recent media coverage that has brought to light critical issues within the microfinance sector in Cambodia, as highlighted in the article published by The Telegraph on June 17, 2024, titled "They suggested I sell my daughter": The dark side of global microfinance." This article highlights severe allegations of over-indebtedness and other detrimental practices affecting borrowers in Cambodia. We wish to state at the outset that there are no such complaints filed against any of our officers.

Commitment to Client Protection Principles

Since 2015, LOLC Cambodia has been certified for maintaining the highest standards of Client Protection Principles (CPP). This certification underscores our unwavering commitment to ethical lending practices, transparency, and the prevention of over-indebtedness. We ensure that our borrowers are treated with dignity and respect in every aspect of our operations.

Adherence to UN Global Compact

In 2023, we signed up for the UN Global Compact, reinforcing our dedication to aligning our strategies and operations with universal principles on human rights, labor, environment, and anti-corruption. This commitment is integral to our mission of fostering sustainable and responsible financial inclusion.

Addressing the Concerns Raised

While the article raises important issues, we believe it is essential to clarify our position and the steps we have taken to uphold these principles:

- Responsible Lending Practices:** We rigorously assess each borrower's ability to repay loans to prevent over-indebtedness. Our policies are designed to ensure that loans are provided based on realistic assessments of clients' financial situations.
- Transparency and Fair Treatment:** We are committed to maintaining clear communication with our clients regarding loan terms and conditions. We provide comprehensive financial education to empower our clients to make informed decisions.
- Support for Clients in Distress:** We have established support systems for clients facing financial difficulties. This includes flexible repayment plans and access to financial counseling to help them manage their debts effectively.
- Continuous Monitoring and Improvement:** We regularly review and refine our policies and practices to align with global best practices in microfinance. Our certification by the Smart Campaign and ongoing collaboration with the Social Performance Task Force (SPTF) are testaments to our dedication to continuous improvement.
- Annual Client Satisfaction Surveys:** We conduct annual Client Satisfaction Surveys, which serves as a critical tool to gauge client contentment with products and services, pinpoint areas for enhancement, and ensure client retention through continuous innovation. The last survey conducted in November 2023 disclosed a commendable overall satisfaction rate but did not indicate any issues as highlighted in the referenced article.

Engagement with Stakeholders

We value the feedback and concerns raised by our stakeholders, including clients, regulators, and advocacy groups. We are committed to engaging in open dialogue to address any issues and enhance our practices further.

Conclusion

Our mission has always been to provide financial services that empower individuals and communities. We take the issues highlighted in the recent article seriously and are dedicated to addressing them while maintaining the integrity and trust of our clients.

We invite stakeholders to reach out with any questions or concerns and welcome an ongoing conversation about how we can continue to serve our communities responsibly.

