Due to the smaller scale of operations of underlying Microfinance Financial Institutions (MFIs) and borrowers (i.e. MFI's clients), microfinance funds should ensure that their approach to engaging and managing ESG aspects is commensurate to the capacity and scale of the micro-businesses/borrowers in question and the associated ESG risks (e.g. child labour in agribusiness). These funds should implement management systems that limit their exposure to clients involved in activities covered in any applicable Exclusion List (e.g. CDC's Exclusion List, refer to Schedule six of CDC's Code of Responsible Investing) and operate in alignment with the Smart Campaign Client Protection Principles. Since end-client businesses are small and MFIs focus on bottom of the pyramid clients, who are usually vulnerable to ESG risks, managing client protection risks should be the highest E&S priority.

For further information, consult:

- The Smart Campaign
- FMO MFI and SME Sustainability Guidance e-learning tool
- Social Performance Task Force