



## **B Lab Statement on PrincipiaPay's B Corp Certification**

B Lab's independent Standards Advisory Council has rendered the following decision and guidance regarding eligibility for B Corp Certification for debt collection agencies in emerging markets:

*"Companies in the debt collection industry in emerging markets are eligible for B Corp Certification with additional review by the Standards Advisory Council to ensure they are proactively managing and demonstrating leadership on the material sensitive issues in the industry as outlined below, AND, if determined to be eligible, incremental disclosure on their B Corp Profile about how they do so.*

*While determining the eligibility of collections agencies in emerging markets for B Corp Certification, B Lab will utilize the following practices as a reference to assess the company's performance on issues material to the industry as outlined in the IFC report<sup>1</sup> :*

1. **Senior Management Oversight of Collection Practices:** *Involvement of senior management in setting and overseeing collections practices, rather than the collections department alone, helps to ensure that customer relationships and corporate social responsibility are considered in the company's strategy and collection processes.*
2. **Virtual Contact with Debtors:** *Utilization of centralized voice channels in the form of call centers instead of field collection.*
3. **Human Resource Management:** *Hiring of qualified staff with regular training on ethical collection, including a balanced scorecard for performance evaluation that emphasizes adherence to process as much as the amount of collection.*
4. **Monitoring and Complaint Handling Systems:** *Call monitoring with advanced tools such as detection of foul language, random follow up contact with customers, formalized complaint handling systems such as hotlines, and advertising of these mechanisms to borrowers. Also included are effective whistleblowing channels and an independent internal audit team to evaluate processes for their impact on customers.*
5. **Process Innovation:** *Utilization of systematic and analytical tools that help collectors assess borrowers' circumstances and choose approaches aligned to the customers' likely ability and willingness to repay in order to maximize recoveries and minimize the chance of mistreatment."*

PrincipiaPay is required to disclose a summary of its collections policy, process management, employee skill management, and monitoring systems as a part of its B Corp Certification. For

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<sup>1</sup> International Finance Corporation (2012), Responsible Debt Collection in Emerging Markets, Retrieved from <<https://www.ifc.org/wps/wcm/connect/587d25004a9f117795ebfdeec99f439e/Responsible+debt+collection-Final.pdf?MOD=AJPERES>>



more information on the review process, please refer to B Lab's statement on debt collection agencies in emerging markets and B Corp Certification [here](#).

### **Summary of Company**

Principia Educação is the operating system for education, offering an innovative SaaS platform that transforms educational management. The company's business model is primarily monetized through embedded payments and credit solutions, ensuring greater efficiency and accessibility for educational institutions.

Principia provides:

- Software – A complete Academic ERP and LMS platform, fully integrated with Principia's solutions.
- Payments – A comprehensive payment checkout, ensuring a seamless and optimized experience.
- Credit – An educational credit solution that guarantees financial predictability for institutions and facilitates access for students.

Based in Brazil, Principia Educação has 178 employees, offering financing to students and offers services such as credit risk analysis and debt collection. 65% of the company's workforce are with the debt collection department. Debt collection constitutes up to 10% of the company's annual revenue. The company operates its own collection department and carries out its debt collection services solely through electronic means such as chatbots, WhatsApp messages, emails, as well as personalized language for the type of audience (students). They do not conduct any field collection operations. Their mission is "We want to make the credit experience in Brazil more humane, fair and empathic"; and their values are Credit with Purpose and Empathy. The company buys and sells debts.

### **PrincipiaPay's Industry Practices**

#### **Consumer Protection Policies and Practices**

Principia debt collection is focused on collection of the credit provided to their customers. The company abides by the national regulation of LAW nº 15.426 which outlines the acceptable hours in which collections can be carried out.

Principia has the following policies that seek to address the industry risk of unethical treatment of consumers:

- A Collection Policy that has outlined Ethical Considerations for the debtor and they are in the process of creating a Compliance Department to oversee the collections process.
- Principia relies entirely on technology to optimize the process of collection (e.g. no field collection, call recording, etc.)



Following are some specific practices / guardrails, for carrying out the collections process that are stipulated in Principia's collection policy document:

- Employees are prohibited from calling the debtors before 8 am and after 8 pm on weekdays and before 8am and 2.20 pm on Saturdays.
- Employees are to adhere to the following ethical considerations when dealing with debtors:
  - Practice and respect diversity by practicing active listening, referring to people in the way that makes them feel most comfortable, and including reference pronouns. Any type of discriminatory conduct is unacceptable.
  - Treat everyone with respect by ensuring zero tolerance towards any form of harassment or disrespect including “sweet talk”, “pick up lines”, or insinuations, masochistic, homophobic, sexist or any other offensive commentary.
  - Any type of behavior that makes other people feel threatened or intimidated is not acceptable as well as rude or aggressive behavior.
  - The collection team must undergo continuous ethical training every three months, with eight hours of training dedicated to ethical risk and ESG. Training must be reviewed and updated every two months.
  - All calls and conversations must be recorded and a portion of them must be reviewed periodically.
  - Staff have protocols in place to confirm the identity of the debtor and take steps to understand the situation.
  - All communications with customers must follow the telephone etiquette and script outlined in the Collections Manual.

To support the implementation of these policies and procedures, Principia has supervisors that are responsible for conducting internal audits to check compliance with those policies. The company is in the process of creating a Compliance Department outside of the Collections Team. All the calls and messages are scripted and have termination protocols. Call recordings are used to train employees in the collection team on good and bad practices. Employees are trained during induction and thereafter every week the call quality is monitored and in the event of any non-compliance or an opportunity for improvement, specific training is conducted with the pertinent employee based on their evaluation. Principia also has outlined sanctions for digressions from good practices including dismissal of employees depending on the circumstances. Principia utilizes a balanced scorecard approach by evaluating employees on five key aspects: Proactivity, Negotiation, Persuasion, Courtesy and Attention with points being subtracted for Irony/Rudeness and failure to return calls.



Principia uses a multi-channel approach for contacting debtors consisting of text messages, whatsapp messages, and calls, which reduces the risks of embarrassment, misunderstandings, intrusion and other problems resulting from a high reliance on person-to-person interaction.<sup>2</sup>

Debtors that would like to lodge a complaint about any unethical behavior by Principia's employees can reach out to the company through their company email. In the event of such a complaint, Principia reviews the same and defines a severity for it and then decides appropriate next steps. Any lessons learnt are formally documented to prevent future occurrences.

Principia's collection management policies and activities are overseen by the CEO, the highest level of fiduciary responsibility at the company. Principia does not currently have a management office that is responsible for the policies and audits that operate independently from its collections team.

#### **Data privacy and security policies and practices**

Principia has a data traceability and security policy which emphasizes the protection of data availability, confidentiality and integrity while outlining specific practices and expectations including those in the event of any lapses.

Principia does not have any certified information security management systems and they conduct both internal and external audits in alignment with the norms of the certification. As Principia is both the provider of the Credit and the Debt collector, they use the following criteria to assess potential clients: percentage of maximum allowable debt, experience in the area in which the course is requested and the sector and industry and market segment of the chosen course.

The following table describes Principia's control practices for the collection process against some of the areas outlined in the IFC report<sup>3</sup> on Responsible Debt Collection in Emerging Markets .

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<sup>2</sup> CGI (2017), Customer Satisfaction, Cost Savings, Performance Improvement: A Clear Case for Moving to Multi-Channel Collections, Retrieved from

<<https://www.cgi.com/sites/default/files/white-papers/multi-channel-collection.pdf> >

<sup>3</sup> International Finance Corporation (2012), *Responsible Debt Collection in Emerging Markets*, Retrieved from

<<https://www.ifc.org/wps/wcm/connect/587d25004a9f117795ebfdeec99f439e/Responsible+debt+collection-Final.pdf?MOD=AJPERES>>



PrincipiaPay's practices	
COLLECTIONS POLICY - Policy coverage	Corporate social responsibility, reputational risks and customer relationship are viewed on par with collections efficiency
COLLECTIONS POLICY - Top management involvement	Executive committee approves policy (Company does not have a Board of Directors and is in the process of creating an independent Compliance Team)
PROCESS MANAGEMENT - Field collections	<ul style="list-style-type: none"> <li>• No reliance on field</li> <li>• No cash handling</li> </ul>
PROCESS MANAGEMENT - Phone collections	<ul style="list-style-type: none"> <li>• High reliance on phone</li> <li>• All calls scripted, call termination protocol</li> <li>• Training using call records</li> </ul>
EMPLOYEE SKILL MANAGEMENT - Hours of training a year	80 Hours
EMPLOYEE SKILL MANAGEMENT - Training on ethical collections	8 Hours every 3 months
EMPLOYEE SKILL MANAGEMENT - Performance evaluation	<ul style="list-style-type: none"> <li>• Balanced scorecards with financial and process elements</li> <li>• Severe penalties for transgressions</li> </ul>
MONITORING SYSTEMS - Phone Collection	<ul style="list-style-type: none"> <li>• Calls are recorded and monitored</li> </ul>
PROCESS INNOVATION	Credit analysis to assess viability of future pathways for students. Utilization of systematic and analytical tools that help collectors assess borrowers' circumstances and choose approaches aligned to the customers' ability and willingness to repay in order to maximize recoveries while minimizing the chances of mistreatment.

### B Lab's Public Complaints Process

Any party may submit a complaint about a current B Corp through [B Lab's Public Complaint Process](#). Grounds for complaint include:



1. Intentional misrepresentation of practices, policies, and/or claimed outcomes during the [certification process](#), or
2. Breach of the core values articulated in our [Declaration of Interdependence](#) within the B Corp Community.