SPTF

Universal Standards for Responsible Inclusive Finance

Version 2.1

Pathway to Improved Practice

The graphic above depicts five steps on the pathway to responsible financial inclusion. The first step is to **learn** about the Universal Standards, using this manual and SPTF's website. Then, you can use the SPI4 social audit tool to **assess** your institution's practices and to identify your strengths and challenges. The Universal Standards Implementation Guide and other online resources can help your FSP to create an **action plan** to address gaps and then to **implement changes**. Finally, there are several ways to **report** to external stakeholders, including conducting a Social Rating or pursuing Client Protection Certification. In this cyclical process, your institution is continually learning and succeeding.

TABLE OF **CONTENTS**

Universal Standards for Responsible Inclusive Finance

1. DEFINE AND MONITOR SOCIAL GOALS

STANDARDS

2. ENSURE BOARD, MANAGEMENT AND EMPLOYEE COMMITMENT TO SOCIAL GOALS

STANDARDS

3. DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

STANDARDS

4. TREAT CLIENTS RESPONSIBLY

STANDARDS

5. TREAT EMPLOYEES RESPONSIBLY

STANDARDS

6. BALANCE FINANCIAL AND SOCIAL PERFORMANCE

STANDARDS


DEFINE AND MONITOR SOCIAL GOALS
ENSURE BOARD, MANAGEMENT, AND EMPLOYEE COMMITMENT TO SOCIAL GOALS
DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES
TREAT CLIENTS RESPONSIBLY
TREAT EMPLOYEES RESPONSIBLY
BALANCE FINANCIAL AND SOCIAL PERFORMANCE
UNIVERSAL STANDARDS FOR
RESPONSIBLE INCLUSIVE FINANCE

INTRODUCTION TO THE UNIVERSAL STANDARDS FOR RESPONSIBLE INCLUSIVE FINANCE

Responsible inclusive finance refers to financial services that are safe and beneficial for low-income and excluded customers. The Universal Standards for Responsible Inclusive Finance ("the Universal Standards") define the management practices that all financial service providers (FSPs) should have in place to create value for employees, customers, and the environment. They are used by FSPs and investors who want to have a positive impact on people and the planet as well as commercial success.

Creating the Universal Standards was a global, collaborative effort. They were created by and for stakeholders in the inclusive finance sector and have been field-tested by hundreds of FSPs. Experts in the field have seen these practices in action and they agree that these are essential for any socially responsible provider.

Since introducing the Universal Standards in 2012, SPTF has collaborated with hundreds of providers to aid in implementation. We also have a continual feedback loop with FSPs, investors, management consultants, regulators, and others, which allows us to periodically revise the standards to fit a changing industry.

SPTF has created extensive guidance for FSPs and has partnered with CERISE to build a Universal Standards assessment tool. We have a community of responsible investors committed to using the Universal Standards with their investees and funding facilities for FSPs who want to improve practice.

HOW TO USE THE
UNIVERSAL STANDARDS

All stakeholders can use the Universal Standards to understand how a socially responsible business should conduct itself.

In addition, **financial service providers** can assess their management practices against the standards, using the SPI4 social audit tool. They can use the Universal Standards Implementation Guide, as well as our Resource Center and the Smart Campaign's online consumer protection tools to aid their progress toward full implementation.

Investors can use the Universal Standards to inform their due diligence and the monitoring of their investees. Members of the SPTF Social Investor Working Group helped create a due diligence and monitoring tool that uses a smaller subset of standards. Because it is used by many investors, this tool reduces the reporting burden on their FSP partners. SPTF also worked with both the Global Impact Investing Network (GIIN) and the Global Impact Investing Rating System (GIIRS) to standardize reporting metrics across social investors in our industry and impact investors active in multiple sectors.

Since the Universal Standards describe the market conduct expected of all responsible FSPs, **regulators and policymakers** can use the Universal Standards as input for policies related to consumer protection, outreach, and social outcomes.

Dimension 1.

DEFINE AND MONITOR SOCIAL GOALS

1A. The provider has a strategy to achieve its social goals.

1B. The provider collects and discloses accurate client data specific to its social goals.

STANDARD

1A. THE PROVIDER HAS A STRATEGY TO ACHIEVE ITS SOCIAL GOALS

Essential Practices

1. The provider's strategy includes a formal mission statement, which specifies increasing access to financial services for vulnerable or excluded target groups and creating benefits for these clients.
2. The provider's strategy defines the specific characteristics of its target clients.
3. The provider's strategy defines social goals, targets, and indicators to measure progress.
4. The provider's strategy articulates how its products, services and delivery channels will achieve its social goals.

STANDARD

1B. THE PROVIDER COLLECTS AND DISCLOSES ACCURATE CLIENT DATA SPECIFIC TO ITS SOCIAL GOALS

Essential Practices

1. The provider has a management information system and protocols for social performance data.
2. If the provider states poverty reduction as one of its social goals, it monitors the poverty levels of its clients using a poverty assessment tool.
3. If the provider states responsibility to the environment as one of its social goals, it defines and implements an environmental strategy.
4. The provider analyzes and reports social performance data internally and externally.

Dimension 2.

ENSURE BOARD, MANAGEMENT, AND EMPLOYEE COMMITMENT TO SOCIAL GOALS

2A. Members of the board of directors hold the provider accountable to its mission and social goals.

2B. Senior management oversees implementation of the provider's strategy for achieving its social goals.

2C. Employee recruitment and evaluation is based on both social and financial performance criteria.

STANDARD

2A. MEMBERS OF THE BOARD OF DIRECTORS HOLD THE PROVIDER ACCOUNTABLE TO ITS MISSION AND SOCIAL GOALS

Essential Practices

1. The provider orients board members on the social mission and goals, and the board's social performance management responsibilities.
2. The board uses social performance data to provide strategic direction, taking into account both social and financial goals.
3. The board holds the CEO/managing director accountable for making progress toward the provider's social goals.
4. The board is responsible for preserving the provider's social mission during times of institutional change.

STANDARD

2B. SENIOR MANAGEMENT OVERSEES IMPLEMENTATION OF THE PROVIDER'S STRATEGY FOR ACHIEVING ITS SOCIAL GOALS

Essential Practices

1. Senior management operationalizes the provider's social strategy.
2. Senior management analyzes and addresses social performance-related risks.
3. The CEO/Managing Director holds senior managers accountable for making progress toward the provider's social goals.

STANDARD

2C. EMPLOYEE RECRUITMENT AND EVALUATION IS BASED ON BOTH SOCIAL AND FINANCIAL PERFORMANCE CRITERIA

Essential Practices

1. Employee job candidates are screened and hired for their commitment to the provider's social goals, and their ability to carry out social performance related job responsibilities.

2. The provider trains and evaluates employees on both social and financial performance responsibilities related to their position.

3. Employee incentives promote progress toward the provider's social goals.

4. The provider incentivizes staff to approve quality loans. (Client Protection standard 2.5)

Dimension 3.

DESIGN PRODUCTS, SERVICES AND DELIVERY CHANNELS THAT MEET CLIENTS' NEEDS AND PREFERENCES

3A. The provider understands the needs and preferences of different types of clients.

3B. The provider's products, services and delivery channels are designed to benefit clients, in line with the provider's social goals.

STANDARD

3A. THE PROVIDER UNDERSTANDS THE NEEDS AND PREFERENCES OF DIFFERENT TYPES OF CLIENTS

Essential Practices

1. The provider seeks information on clients' needs, preferences, and experiences for product design and delivery.

2. The provider monitors the suitability of products, services and delivery channels. (Client Protection standard 1.2)

STANDARD

3B. THE PROVIDER'S PRODUCTS, SERVICES AND DELIVERY CHANNELS ARE DESIGNED TO BENEFIT CLIENTS, IN LINE WITH THE PROVIDER'S SOCIAL GOALS

Essential Practices

1. The provider offers products and services that are suited to clients' needs. (Client Protection standard 1.1)

2. The provider's products and services are designed to reduce barriers to financial inclusion for target clients.

3. The provider's products and services are designed to reduce client risks.

4. The provider creates benefits for clients by enabling them to invest in economic opportunities and address anticipated household needs.

5. A policy and documented process are in place to prevent aggressive sales techniques and forced signing of contracts. (Client Protection Standard 1.3)

6. The provider monitors the risks associated with agents and networks and addresses problems.

Dimension 4.

TREAT CLIENTS RESPONSIBLY

4A. Prevention of Over-indebtedness

4B. Transparency

4C. Fair and Respectful Treatment of Clients

4D. Privacy of Client Data

4E. Mechanisms for Complaints Resolution

STANDARD 4A. PREVENTION OF OVER-INDEBTEDNESS

Essential Practices

1. The provider has a sound policy and well-documented process for loan approvals and makes decisions using appropriate information and criteria. (Client Protection standard 2.1)

2. The provider uses credit reporting information, when feasible in the local context. (Client Protection standard 2.2)

3. The provider's senior management and board monitor the market and respond to heightened over-indebtedness risk. (Client Protection standard 2.3)

4. The provider maintains sound portfolio quality. (Client Protection standard 2.4)

STANDARD

4B. TRANSPARENCY

Essential Practices

1. Policy and documented process are in place to require transparency on product terms, conditions and pricing. (Client Protection standard 3.1)

2. The provider communicates with clients at an appropriate time and through appropriate channels. (Client Protection standard 3.2)

3. The provider takes adequate steps to ensure client understanding and support client decision making. (Client Protection standard 3.3)

STANDARD 4C. FAIR AND RESPECTFUL TREATMENT OF CLIENTS

Essential Practice

1. The provider promotes and enforces fair and respectful treatment of clients in line with a code of conduct. (Client Protection standard 5.1)

2. The provider has policy and documented processes to avoid discriminating against Protected Categories in selecting clients and setting terms and conditions. (Client Protection standard 5.2)

3. Loans are collected by staff and collection agents in an appropriate manner. (Client Protection standard 5.3)

4. The provider has effective systems to prevent and detect fraud. (Client Protection standard 5.4)

5. The provider management and oversight support fair and respectful treatment of clients. (Client Protection standard 5.6)

6. Insurance claims are processed in a fair and timely manner. (Client Protection standard 5.5)

STANDARD 4D. PRIVACY OF CLIENT DATA

Essential Practices

1. Client data is kept secure and confidential. (Client Protection standard 6.1)

2. Clients are informed about data privacy and consent to the use of their data. (Client Protection standard 6.2)

STANDARD 4E. MECHANISMS FOR COMPLAINTS RESOLUTION

Essential Practices

1. The provider has an effective system in place to receive and resolve client complaints. (Client Protection standard 7.1)

2. The provider informs clients about their right to complain and how to submit a complaint. (Client Protection standard 7.2)

3. The provider uses information from complaints to manage operations and improve product and service quality. (Client Protection standard 7.3)

5A. The provider follows a written Human Resources policy that protects employees and creates a supportive working environment.

5B. The provider communicates to all employees the terms of their employment and provides training for essential job functions.

5C. The provider monitors employee satisfaction and turnover.

Dimension 5.
TREAT EMPLOYEES RESPONSIBLY

STANDARD

5A. THE PROVIDER FOLLOWS A WRITTEN HUMAN RESOURCES POLICY THAT PROTECTS EMPLOYEES AND CREATES A SUPPORTIVE WORKING ENVIRONMENT

Essential Practices

1. A written Human Resources policy compliant with national law is available to all employees and explains their rights.

2. Employee compensation levels reflect competitive market rates, or at least the national or local sector minimum wage.

3. The provider accepts and responds to employee grievances through a formal and confidential grievance system.

4. The provider assesses employees' health and safety risks and takes steps to mitigate them before they occur. The provider investigates, documents, and reports all occupational incidents (i.e., accidents, injuries, and diseases) that occur.

STANDARD

5B. THE PROVIDER COMMUNICATES TO ALL EMPLOYEES THE TERMS OF THEIR EMPLOYMENT AND PROVIDES TRAINING FOR ESSENTIAL JOB FUNCTIONS

Essential Practices

1. Employees receive clear documentation related to their job responsibilities and performance evaluation.

2. Employees receive job-specific training and/or skill development.

STANDARD

5C. THE PROVIDER MONITORS EMPLOYEE SATISFACTION AND TURNOVER

Essential Practices

1. The provider analyzes employee satisfaction.

2. The provider monitors the rate of employee turnover and understands the reasons for employee exit.

3. The provider takes action to correct institutional problems leading to employee turnover and dissatisfaction.

Dimension 6.

BALANCE FINANCIAL AND SOCIAL PERFORMANCE

6A. The provider sets and monitors growth rates that promote both institutional sustainability and social goals.

6B. Equity investors, lenders, board and management are aligned on the provider's social goals and implement an appropriate financial structure in its mix of sources, terms, and desired returns.

6C. The provider sets prices responsibly.

6D. The provider compensates senior managers in a way that is appropriate to a provider with stated social goals.

STANDARD

6A. THE PROVIDER SETS AND MONITORS GROWTH RATES THAT PROMOTE BOTH INSTITUTIONAL SUSTAINABILITY AND SOCIAL GOALS

Essential Practices

1. The provider has a policy on sustainable target growth rates that considers the provider's growth capacity, institutional sustainability, and social goals.

2. The provider monitors growth and enhances internal capacity as needed.

STANDARD

6B. EQUITY INVESTORS, LENDERS, BOARD AND MANAGEMENT ARE ALIGNED ON THE PROVIDER'S SOCIAL GOALS AND IMPLEMENT AN APPROPRIATE FINANCIAL STRUCTURE IN ITS MIX OF SOURCES, TERMS, AND DESIRED RETURNS

Essential Practices

1. The provider has clear policies, consistent with its social goals, on its desired level of returns and on how profits will be used.

2. The provider engages with funders whose expectations for financial returns, timeframe and exit strategies are aligned with the provider's social goals and stage of development.

3. The provider protects the liabilities it has to clients.

4. The provider has a transparent financial structure, as reflected in its annual audited financial statements.

STANDARD

6C. THE PROVIDER SETS PRICES RESPONSIBLY

Essential Practices

1. The provider is managed sustainably to provide services in the long term. (Client Protection standard 4.1)

2. The provider's pricing policy is aligned with the interest of clients. (Client Protection standard 4.2)

3. The provider's financial ratios do not signal pricing issues. (Client Protection standard 4.3)

STANDARD

6D. THE PROVIDER COMPENSATES SENIOR MANAGERS IN A WAY THAT IS APPROPRIATE TO A PROVIDER WITH STATED SOCIAL GOALS

Essential Practices

1. The provider ensures that compensation of the CEO/Managing Director and other senior staff is in line with the provider's social goals.

2. Upon request, the provider transparently discloses compensation to regulators, auditors, raters, donors, lenders, and investors.

3. The provider calculates the difference between the average compensation of its top level executives and its field employees, and analyzes whether this spread is consistent with the provider's mission.

SPTF is a non-profit membership organization with more than 3,000 members from all over the world. Our members come from every stakeholder group in inclusive finance. SPTF engages with these stakeholders to develop and promote standards and good practices for responsible inclusive finance, in an effort to make financial services safer and more beneficial for clients.

www.sptf.info

@SPTaskForce

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Promoting standards & practices
for responsible inclusive finance