



SPTF

Universal Standards for
Social Performance
Management

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Pathway to Improved Practice



The graphic above depicts five steps on the pathway to responsible inclusive finance. The first step is to **learn** about the Universal Standards for SPM, using this manual and the [SPTF's website](#). Then, you can use the [SPI4 social audit tool](#) to **assess** your FSP's practices against the full set of Universal Standards. 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** on SPM to external stakeholders, including conducting a Social Rating, pursuing [Smart Certification](#) or [reporting SP data to MIX Market](#). As shown in the graphic, this is a cyclical process so that your institution never stops learning and improving.

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INTRODUCTION TO THE UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT



WHAT ARE THE UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT?

The Universal Standards for Social Performance Management (“the Universal Standards”) clarify and standardize social performance management (SPM) practices and bring together good practices implemented successfully in the field into one comprehensive manual. They were created by and for stakeholders in the inclusive finance sector people in microfinance as a resource to help financial service providers (FSPs) achieve their social goals.

The Universal Standards respond to demand from the sector. Stakeholders around the world expressed interest in aggregating the learning from all leading social performance initiatives into a single set of international standards. Creating the Universal Standards was a global, collaborative effort. SPTF coordinated this process and received input from hundreds of members representing every major stakeholder group: FSPs, networks, investors, raters and auditors, support organizations, and others.

The Universal Standards manual contains “standards,” which are simple statements of what the provider

should achieve, and “essential practices,” which are the management practices the provider should implement in order to meet the standards. The practices contained in the Universal Standards are field-tested. These describe policies and operational practices that experts working in the field have seen in action and agree are essential for any provider seeking to achieve its social goals.

The Universal Standards apply to any FSP with one or more social goals. They do not dictate what specific social goals a provider should have, but rather identify the *management practices* that help a provider make progress toward its chosen goals.

The Universal Standards also demonstrate a significant, voluntary effort by the inclusive finance sector to self-regulate. As FSPs take steps to implement the Universal Standards, and other stakeholder groups align their work to the Universal Standards, the industry demonstrates its commitment to improving outcomes for clients. This enhances the credibility of our institutions and the reputation of our industry.

HOW IS THE MANUAL ORGANIZED?

This Universal Standards manual organizes SPM practices into the following six dimensions:

▶ **1. Define and Monitor Social Goals**

The provider knows who it is targeting, what its goals are, and how its products and services help to achieve those goals.

▶ **2. Ensure Board, Management, and Employee Commitment to Social Goals**

Managers actively monitor the institution's social goals and employees understand the institution's strategy and how their own work contributes to achieving both social and financial goals.

▶ **3. Design Products, Services, and Delivery Channels That Meet Clients' Needs and Preferences**

The provider gathers direct input from clients and develops products and services that create benefits

for clients by 1) reducing barriers to financial inclusion, 2) strengthening their ability to cope with common emergencies, and 3) enabling investment in economic opportunities and household needs.

▶ **Treat Clients Responsibly**

The provider incorporates client protection mechanisms in every aspect of its work—from the goals it sets, to how it interacts with clients and trains employees, to the products and services it offers.

▶ **Treat Employees Responsibly**

The provider creates a favorable work environment and ensures that employees are protected, trained, and motivated to achieve the institution's social goals.

▶ **Balance Financial and Social Performance**

The provider balances its pursuit of financial sustainability and social performance.

HOW WERE THE UNIVERSAL STANDARDS CREATED?

In 2010, the SPTF invited all of its members to help develop the Universal Standards. Ultimately, about 400 people from all stakeholder groups provided input, including representatives from the Smart Campaign, the Imp-Act Consortium, MF*Transparency*, MicroSave, CERISE, the Progress out of Poverty Index, MIX, and the International Labor Organization. The SPTF published the initial version of the Universal Standards in 2012. Subsequently, SPTF members field tested the Universal Standards and shared feedback. This feedback, combined with innovation and new learning, has informed two revisions thus far. Going forward, the SPTF Secretariat plans to review the Universal Standards and update them as needed so they continue to reflect the latest understanding of industry best practice. Though the SPTF Secretariat will manage the updates, the content of the updates will be based on the experience and ideas of our fast-growing worldwide community of practice.

HOW DO THE UNIVERSAL STANDARDS, THE SMART CAMPAIGN'S CLIENT PROTECTION CERTIFICATION STANDARDS, AND CERISE'S SPI4 SOCIAL AUDIT TOOL FIT TOGETHER?

The SPTF, Smart Campaign, and CERISE work very closely together. The Universal Standards manual contains all of the [Smart Campaign Client Protection Certification Standards](#) (“Smart standards”), which describe adequate practice for each of the seven [Client Protection Principles](#), and are integrated verbatim into the Universal Standards as essential practices. Dimension 4—Treat Clients Responsibly—contains most of the client protection standards, and the others are found in the dimensions where they are most relevant.

The CERISE SPI4 audit tool includes both the standards on client protection and social performance. CERISE maintains a confidential database of self-reported SPI4

data. Using this data, CERISE publishes [benchmarking reports](#) that allow users to understand the social performance of the inclusive finance industry. The SPTF encourages all users of the SPI4 to report their results to CERISE for inclusion in the database.

There are no inconsistencies in the tools offered by the Smart Campaign, the SPTF and CERISE. In addition, all three organizations are committed to maintaining the same timeline for future updates of these standards and tools. Updates will occur no more frequently than every three years.

HOW DO THE UNIVERSAL STANDARDS RELATE TO THE WORK OF SOCIAL INVESTORS?

Social investors can use the Universal Standards to inform their due diligence and the monitoring of their investees. A group of SPTF social investor members created the [ALINUS Working Group](#) (Aligning Investors Due Diligence with the Universal Standards) to achieve consensus on a common

subset of [SPI4](#) indicators that all member investors would use for social data collection and due diligence. This aligns their work with the Universal Standards and reduces the reporting burden on their FSP partners.

In a further effort to reduce the reporting burden on FSPs and social investors, the SPTF worked with the Global Impact Investing Network (GIIN) to increase alignment between the indicators in the GIIN's [IRIS catalogue](#) and the SPI4 tool. Likewise, the SPTF worked with the [Global Impact Investing Rating System](#) (GIIRS) to increase the alignment of its [B Impact Assessment](#) tool with the indicators in SPI4 ALINUS. This has helped to standardize reporting metrics across social investors in our industry and impact investors active in multiple sectors.

The Universal Standards and the [Principles for Investors in Inclusive Finance \(PIIF\)](#) are aligned, but apply to different stakeholders. The Universal Standards are management practices for FSPs to implement, while the PIIF are for investors to use for self-auditing and public reporting of their own performance.

HOW CAN I ASSESS WHETHER MY INSTITUTION IS IMPLEMENTING THE UNIVERSAL STANDARDS?

An FSP can use the [SPI4 tool](#) to assess its social performance management and identify its strengths and weaknesses. Developed by CERISE in collaboration with the SPTF and the Smart Campaign, the SPI4 social audit tool is free, publicly available, and fully aligned to the Universal Standards. The SPI4 tool contains indicators for each of the essential practices in the Universal Standards manual. These indicators are metrics that assess whether, or to what degree, each essential practice is being implemented by the provider. An FSP may conduct a self-assessment, or it may choose an “accompanied assessment,” in which a trained external consultant assists with the use of the SPI4 tool. More information about SPI4 is available [online](#) including a list of [certified auditors](#).

IS COMPLIANCE WITH THE UNIVERSAL STANDARDS MANDATORY?

No. SPTF does not require or monitor compliance with the Universal Standards. It does, however, encourage all financial service providers to make their best efforts to implement and/or promote implementation of the Universal Standards and encourages other stakeholders to promote implementation of the Universal Standards among their partners. Those who wish to demonstrate their level of adherence to the Universal Standards may do so by using the [SPI4 tool](#). Other options for demonstrating implementation of the Universal Standards include a Smart Certification or a social rating. The social ratings of the specialized microfinance rating agencies are aligned with the framework of the Universal Standards.

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.



Dimension 1.

DEFINE AND

MONITOR

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.

- 4A. Prevention of Over-indebtedness
- 4B. Transparency
- 4C. Fair and Respectful Treatment of Clients
- 4D. Privacy of Client Data
- 4E. Mechanisms for Complaints Resolution



Dimension 4.

TREAT CLIENTS RESPONSIBLY

 **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.

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.



Dimension 6.

BALANCE FINANCIAL AND SOCIAL PERFORMANCE

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.

The Social Performance Task Force (SPTF) is a non-profit organization that consists of both organizational and individual members from across the world and every stakeholder group in the inclusive finance sector. SPTF engages with these stakeholders to develop, disseminate, and promote standards and good practices for social performance management and reporting. The vision of SPTF is that social performance management (SPM) is standard business practice and considered fundamental to achieving the social promise of responsible and inclusive finance.

For more information, please visit:

www.sptf.info

