



UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT

## Message Manual for Investors



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# overview

Using This Manual | About the Universal Standards for Social Performance Management

# USING THIS MANUAL

This manual is a content guide to help investors in the microfinance industry communicate with a variety of audiences—including microfinance institutions, networks and other investors—about the Universal Standards for Social Performance Management (the Universal Standards) and how they help financial institutions achieve their social goals. The language in this manual can be used as a reference or as a template for preparing materials and presentations.

The approach taken to create this manual draws on well-established models and best practices employed in marketing and communications for persuading and motivating people through language that not only informs, but also inspires. This language is intended to help us explain the Universal Standards to people who may not be familiar with them or who may be skeptical of their benefits. Using this kind of language in all of our communications will help us deliver a consistent and compelling message that will enhance understanding of our work.



## GLOBAL INPUT

The language presented here has been developed through interviews with microfinance investors, networks and practitioners around the world.

# ABOUT THE UNIVERSAL STANDARDS FOR SOCIAL PERFORMANCE MANAGEMENT

**The Universal Standards for Social Performance Management** is a comprehensive manual of best practices created by and for people in microfinance as a resource to help financial institutions achieve their social goals. The Universal Standards can unite the industry behind a common approach to social performance management and enhance its reputation for responsibly serving people's financial needs.

*“There are almost as many tools and processes as there are stakeholders. The Universal Standards are the first and only achieved project that draws on the many processes in the field to create a unified structure and language for social performance management.”*

**Jürgen Hammer**, Grameen Crédit Agricole





### 1. Define and Monitor Social Goals



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



### 3. Treat Clients Responsibly



### 4. Design Products, Services, Delivery Models and Channels That Meet Clients' Needs and Preferences



### 5. Treat Employees Responsibly



### 6. Balance Financial and Social Performance

#### STANDARDS:

- A.** The institution has a strategy to achieve its social goals.
- B.** The institution collects, reports, and ensures the accuracy of client-level data that are specific to the institution's social goals.

#### STANDARDS:

- A.** Members of the board of directors are committed to the institution's social mission.
- B.** Members of the board of directors hold the institution accountable to its social mission and social goals.
- C.** Senior management sets, and oversees implementation of, the institution's strategy for achieving its social goals.
- D.** Employees are recruited, evaluated, and recognized based on both social and financial performance criteria.

#### STANDARDS:

- A.** The institution determines that clients have the capacity to repay without becoming over-indebted and will participate in efforts to improve market level credit risk management.
- B.** The institution communicates clear, sufficient and timely information in a manner and language clients can understand so that clients can make informed decisions.
- C.** The institution and its agents treat their clients fairly and respectfully, and without discrimination. The institution has safeguards to detect and correct corruption as well as aggressive or abusive treatment by their employees and agents, particularly during the loan sales and debt collection processes.
- D.** The institution respects the privacy of individual client data in accordance with the laws and regulations of individual jurisdictions and only uses client data for the purposes specified at the time the information is collected or as permitted by law, unless otherwise agreed with the client.
- E.** The institution has timely and responsive mechanisms for complaints and problem resolution for their clients and uses these mechanisms both to resolve problems and to improve products and services.

#### STANDARDS:

- A.** The institution understands the needs and preferences of different types of clients.
- B.** The institution designs products, services, and delivery channels in such a way that they do not cause clients harm.
- C.** The institution's products, services, delivery models and channels are designed to benefit clients, in line with the institution's social goals.

#### STANDARDS:

- A.** The institution follows a written Human Resources policy that protects employees and creates a supportive working environment.
- B.** The institution communicates to all employees the terms of their employment and provides training for essential job functions.
- C.** The institution monitors employee satisfaction and turn-over.

#### STANDARDS:

- A.** Growth rates are sustainable and appropriate for market conditions, allowing for high service quality.
- B.** The institution's financing structure is appropriate to a double bottom line institution in its mix of sources, terms, and desired returns.
- C.** Pursuit of profits does not undermine the long-term sustainability of the institution or client well-being.
- D.** The institution offers compensation to senior managers that is appropriate to a double bottom line institution.

# research insights

A Unique Formula for Strengthening Social Outcomes | Findings from the Field

# The Universal Standards: A UNIQUE FORMULA FOR STRENGTHENING SOCIAL OUTCOMES

The formula below represents the unique combination of attributes that make the Universal Standards for Social Performance Management distinct among other social performance initiatives, and describes how the Universal Standards strengthen microfinance institutions and the industry as a whole. It is based on research with key microfinance stakeholders.



## **Comprehensive manual of best practices**

The Universal Standards bring together best practices implemented successfully throughout the industry in one comprehensive manual—to clarify and standardize social performance management.

## **By and for people in the field**

The Universal Standards were created by financial service providers, networks, investors and other stakeholders around the world who identified the need for a common resource and worked together to create it.

## **Resource for achieving social goals**

The Universal Standards are a resource for financial institutions seeking to achieve social goals. The Universal Standards do not dictate what an institution's goals should be, but help identify the best way to achieve them.

## **Credibility for institutions and the industry**

By uniting the industry around a common approach to achieving social outcomes, the Universal Standards demonstrate that financial institutions are working consistently toward social goals—helping to enhance the credibility of our institutions and the reputation of our industry.

## **Realistic implementation process**

Implementing the Universal Standards is a process that will be different for each institution. Financial service providers can work with investors, networks and other partners to set realistic social performance management goals and implement the Universal Standards at their own pace.

**More financial institutions better equipped to achieve their social goals—and meet the needs of their clients.**

# FINDINGS FROM THE FIELD



## COMPREHENSIVE MANUAL OF EXISTING BEST PRACTICES

*"They make your job easier..."*

The Universal Standards draw on existing best practices being implemented successfully by financial institutions around the world. The fact that institutions are already putting these standards into practice shows that the Universal Standards are realistic and practical, and came from the institutions themselves.

*"How to apply social performance management varies among MFIs, but the Task Force tried to look at how successful MFIs are applying different standards around the world and compiled this list of recommendations for how you can follow your mission and improve your impact."* -

**Microfinance Practitioner**

*"For me it's kind of a summary of what is the state of good social performance management. It's on one hand a synthesis of everything we know and what should work. On other hand it's inspirational because there is not an organization that does it all."* - **Network Staff Member**

The many social performance initiatives in the industry can be confusing, but the Universal Standards combine the best practices of many of them into one comprehensive manual. Having a common resource can clarify and standardize social performance management for the institutions, and give all microfinance stakeholders a common language with which to evaluate it.

*"The Standards are the piece that was missing to bring together many of the existing initiatives at a global level. The most attractive thing to me is that the Standards do not hold people to use a specific tool since the decision of which tools to use are up to the MFI."* - **Network Staff Member**

*"They make your job easier because for the first time, all the information is consolidated in one common document."* - **Network Staff Member**

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# FINDINGS FROM THE FIELD

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## BY AND FOR PEOPLE IN THE FIELD

*"They are standardized, collaborative and global..."*

**Mentioning the collaborative development of the Universal Standards is critical to building their legitimacy.** Research found that the diverse coalition of stakeholders who called for and helped create the Universal Standards provided legitimacy to the effort.

*"They are standardized, collaborative and global in nature. People want to learn from each other and figure out how people are addressing these same problems."* - **Microfinance Practitioner**

*"It is important that they are global, developed using global actors in microfinance. But yet they are to be used by MFIs in each of the countries."* - **Network Staff Member**

# FINDINGS FROM THE FIELD



## RESOURCE FOR ACHIEVING SOCIAL GOALS

*"It's great to have this tool..."*

The Universal Standards can help financial institutions achieve their social goals by providing a social performance management resource—not a set of regulations. Institutions already have a lot of responsibilities and should not feel mandated to use the Universal Standards. However, the Universal Standards are a useful resource to all institutions who have set social goals.

*"These approaches are really new and really forming, so the Standards help to guide these new practices in a productive way so that you can continue to determine how microfinance can be effective and valuable."* -

**Microfinance Practitioner**

*"The Standards help raise the level of the microfinance institution so that more microfinance institutions will be successful as companies or organizations. My message to my members is not to follow standards because other people think these are good. They should decide for themselves."* -

**Network Staff Member**

*"They are your own tool for your own reflection and evaluation and that's how they should be used. They are a guideline."* -

**Investor (MIV)**

While most financial institutions are united around the goal of helping poor people improve their lives, they approach that goal in many different ways. Some interviewees were hesitant about the Universal Standards' ability to be truly universal because the industry is so diverse. Noting that Standards provide best practices for achieving social goals—without dictating what the social goals should be—can help build broader support.

*"The difficult part is for everyone to be aligned. We have to respect the mission and objectives of every institution. We have to understand and respect that from country to country and institution to institution we have different contexts and goals and different ways to fight poverty and financial exclusion."* -

**Microfinance Practitioner**

The Universal Standards can help institutions identify their strengths, as well as their weaknesses, so they can set their own SPM goals. The Universal Standards can be used to validate strong social performance management and strengthen it further.

*"It's good that it's lengthy, that it's very detailed and you can really find the things that apply to you. It's great to have this tool to find what are the strengths, and weaknesses, and where you want to expand on your strengths in a way that makes sense for your organization."* -

**Microfinance Practitioner**

*"For those that are doing well, maybe they don't have a lot to learn from the Standards, but they can reaffirm that they are doing something good."*

- **Network Staff Member**

# FINDINGS FROM THE FIELD



## CREDIBILITY FOR INSTITUTIONS AND INDUSTRY

*"The Universal Standards are a way to tell everyone where we stand..."*

Financial institutions, networks and investors mentioned the recent crises in the microfinance industry, and thought the Universal Standards could help strengthen the industry's reputation. The Universal Standards demonstrate that the industry is making a global commitment to its social goals—not just its financial goals.

*"Two things that are visceral with the general public: One is the sense that you are exploiting poor people if you have excessive profits. The second is the idea that you are harming people, and that comes from over-indebtedness of the customers. These two issues are really what we are trying to protect against in the Universal Standards." - Investor (Commercial Bank)*

*"Social performance management is a core component of the microfinance sector. The sector can't just depend on the financial numbers, but also on the social performance. The Standards are a way to tell everyone where we stand related to the social performance management on a global level—not only on a country level or an MFI level." - Network Staff Member*

*"In microfinance nowadays there is a lot of suspicion around the idea that microfinance is exploiting poor people. We had all dreamt it was a solution to poverty or could at least contribute to improving people's lives. But it can sometimes be exploitive and harmful and seek to just make a profit. The Standards are important because they are an attempt to distinguish microfinance that has positive social impact from microfinance that can be exploitive and damaging." - Microfinance Practitioner*

Financial institutions see the Universal Standards as a way to bring international credibility to their practices—and to be transparent with their clients and other stakeholders.

*"They are basics that we should all live up to and work on as the pillars of our businesses in order to help our clients living in our community understand how we operate, so the loans and other services can be understood by them in a very open way. In order to be socially responsible, we need to be sure we implement the Standards in the DNA of our business." - Microfinance Practitioner*

*"If I was talking with a manager of an MFI, I would talk about the benefits that the Standards provide, particularly regarding being able to "prove" that microfinance works. The Standards can provide some sort of credential for institutions with government agencies, clients, and others—particularly now with all the criticism that exists towards the sector." - Network Staff Member*

# FINDINGS FROM THE FIELD



## REALISTIC IMPLEMENTATION PROCESS

*"In a process, they can be adapted to the institution and context of every country."*

Implementing the Universal Standards should be presented as a "process" that takes place at an institution's own pace. It takes time, effort and resources to implement the Universal Standards, and it may be easier for some institutions than others. Being realistic about the process of implementation can relieve concerns about the capacity of busy staff to adopt new practices.

*"It's a good thing that they are considered a process. In a process, they can be adapted to the institution and context of every country."* -

**Microfinance Practitioner**

*"Social performance management is a lot more work than to just offer regular financial services, but it is very much worthwhile."* -

**Microfinance Practitioner**

*"I don't think it's just a little more effort. Depending on the MFIs, the type of investors, the motivations—it's going to be a lot of effort."* -

**Institutional Investor**

# FINDINGS FROM THE FIELD



## MORE FINANCIAL INSTITUTIONS BETTER EQUIPPED TO ACHIEVE THEIR SOCIAL GOALS— AND MEET THE NEEDS OF THEIR CLIENTS

*"Our goal is to give poor people  
a chance to improve their lives."*

The key goal of microfinance stakeholders is to improve the lives of poor people by giving them opportunities to help themselves. It is important to show that the Universal Standards help the industry achieve this goal by ensuring that financial institutions treat their clients responsibly and are deliberate about fulfilling their social mission.

*"The promotion or development of financially sound financial institutions, and financial institutions that continue targeting financially excluded people by providing them diversified products at an affordable price in the hope that this will allow them to get out of financial exclusion and increase living standards. That is why we do what we do." - Investor (MIV)*

*"Our goal is to give poor people a chance to improve their lives."  
- Microfinance Practitioner*

Despite its ambitious goals, microfinance should not be advertised as a "silver bullet" to solve global poverty—but as part of the solution. Research suggested that many people believe the reputational crises of the last few years arose because people's expectations for microfinance's social impact were too high.

*"To say that microfinance is going to be the silver bullet to end poverty is the worst thing we could say. Microfinance is one of the tools to fight poverty, but not the silver bullet. It has been oversold for many years with that argument. The main risk is we oversell the impact. It is a tool, but not the only one." - Microfinance Practitioner*

*"When microfinance was first addressed, it was promised as the be all end all of poverty alleviation. SPTF can't over promise. Manage expectations." - Investor (Commercial Bank)*

# narrative and winning words

Narrative | Winning Words | Annotated Narrative

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# USSPM NARRATIVE

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This narrative about the Universal Standards for Social Performance Management conveys the key ideas that set the Universal Standards apart and motivate our audiences—using words and phrases strategically selected for their motivating power with critical stakeholders in the microfinance industry.

*The Universal Standards for Social Performance Management is a comprehensive manual of best practices created by and for people in microfinance as a resource to help financial institutions achieve their social goals. The Universal Standards can unite the industry behind a common approach to social performance management and enhance its reputation for responsibly serving people’s financial needs.*

All of us who work in microfinance—from financial service providers to large-scale investors—are committed to offering quality financial services that meet the needs of microfinance clients and create opportunities to improve their lives.

The Universal Standards can unite the industry around a common approach to achieving social goals, so we can be as rigorous about social performance as we are about financial returns.

Until now, our industry has lacked a set of global best practices that financial institutions can use to guide their work. A number of initiatives have identified useful practices, but we have lacked a universally recognized structure and language for consistently evaluating and reporting on all the essential aspects of social performance management.

In order to clarify and standardize management practices and evaluation, leaders from financial service providers, investment institutions, networks and other stakeholder groups worked together to create the Universal Standards for Social Performance Management.

The Universal Standards offer a comprehensive resource for institutions that draws on existing best practices from leading industry initiatives and institutions in the field. The Universal Standards are a recommended resource—not a rating, regulatory or certification system. Implementing the Universal Standards is a process that institutions choose to undertake at their own pace.

By adopting the Universal Standards in our work, we can demonstrate that our industry is working with common purpose to achieve social goals, through responsible practices that serve the best interests of microfinance clients.

**If you work at a financial institution, the Universal Standards can better equip you to achieve your mission by making it easier to identify what you are already doing well, and what you can improve. They also can help set more consistent expectations among your board, staff, investors and other stakeholders, and streamline how you report to your donors and investors. And working from a globally recognized set of standards can increase the credibility of your institution among all of your stakeholders. Investors who adopt the Universal Standards as part of their due diligence have more rigorous information than stories and anecdotes to make a more credible case for their microfinance investments.**

# WINNING WORDS

Using these key words and phrases consistently will ensure your message has maximum motivating power and word-of-mouth potential.

## Wining Words

## Benefit

**COMPREHENSIVE  
MANUAL, RESOURCE**

The Universal Standards draw upon a variety of best practices from the field and compile them into a single, “comprehensive” manual. Describing the Universal Standards as a “resource” suggests they empower financial institutions to achieve their goals, rather than imposing a mandate.

**BY AND FOR PEOPLE  
IN THE FIELD**

The Universal Standards were created by people in the field—financial service providers, networks, investors and other stakeholders around the world—to help us perform at our best and strengthen our industry.

**REPUTATION**

Enhancing the reputation of microfinance is a goal shared by all microfinance stakeholders. If the industry has a stronger reputation, our individual institutions likely will, as well.

**EXISTING BEST  
PRACTICES**

“Existing best practices” reminds audiences that these are effective practices that have already been proven to work in the field. As one microfinance practitioner said: “People always want to hear ‘best practices.’”

**CREDIBLE**

Credibility for social performance is particularly important to investors who need more rigorous evidence that financial institutions are managing their investments responsibly.

**RESPONSIBLE**

Research showed that “responsible” was a key word that people use to describe social performance management that ensures the industry’s most vulnerable clients are protected.

# THE NARRATIVE EXPLAINED

**Giving examples of how the Universal Standards benefit specific audiences helps people picture their value more vividly—which is more motivating.**

## Financial Institution

If you work at a financial institution, the Universal Standards can better equip you to achieve your mission by making it easier to identify what you are already doing well, and what you can improve. They also can help set more consistent expectations among your board, staff, investors and other stakeholders, and streamline how you report to your donors and investors. And working from a globally recognized set of standards can increase the credibility of your institution among all of your stakeholders.

## Investors:

Investors who adopt the Universal Standards as part of their due diligence have more rigorous information than stories and anecdotes to make a more **credible** case for their microfinance investments.

*The Universal Standards for Social Performance Management is a comprehensive manual of best practices created by and for people in microfinance as a resource to help financial institutions achieve their social goals. The Universal Standards can unite the industry behind a common approach to social performance management and enhance its reputation for responsibly serving people's financial needs.*

The people who work in microfinance—from financial institutions to large-scale investors—are driven by our missions. We are committed to offering quality financial services that meet the needs of microfinance clients and create opportunities to improve their lives.

The Universal Standards can unite the industry around a common approach to achieving social goals, so we can be as rigorous about social performance as we are about financial returns.

Until now, our industry has lacked a set of global best practices that financial institutions can use to guide their work. A number of initiatives have identified useful practices, but we have lacked a universally recognized structure and language for consistently evaluating and reporting on all the essential aspects of social performance management.

In order to clarify and standardize management practices, evaluation **and reporting**, leaders from financial service providers, investment institutions, networks and other stakeholder groups worked together to create the Universal Standards for Social Performance Management.

The Universal Standards offer a comprehensive resource for institutions that draws on existing best practices from leading industry initiatives and institutions in the field. The Universal Standards are a recommended resource—not a rating, regulatory or certification system. Implementing the Universal Standards is a process that institutions choose to undertake at their own pace.

By adopting the Universal Standards in our work, we can demonstrate that our industry is working with common purpose to achieve common goals, through **responsible** practices that serve the best interests of microfinance clients.

This is a concise way to summarize the key themes and benefits that motivate support for the Universal Standards. It highlights the most important ideas identified in research.

Pointing out shared emotional motivations—being mission-driven—is a good way to reinforce that your audiences are all united by a common vision to do good. We can build on this sense of shared social goals by positioning the Universal Standards as a resource to help people across the industry achieve their vision of improving opportunities for others.

This introduces the need for the Universal Standards and differentiates them from existing initiatives in the industry. Research revealed that it is important to explain how the Universal Standards are distinct from other initiatives to avoid confusion.

To build legitimacy for the Universal Standards, introduce the diverse stakeholders who played a role in their development. This language demonstrates that people in the field recognized the need for a common resource to clarify SPM, and collaborated to create one.

Emphasizing that the Universal Standards are based on existing best practices addresses key concerns that financial institution might see these as unrealistic. Talking about implementation as a “process” can deflect concerns about capacity and help financial institution and others see implementing the Universal Standards as a goal they can work towards over time.

The call to action ties together the many benefits the Universal Standards offer clients, individual institutions and the industry.

# audience-specific insights and messages

Introducing the Universal Standards to Investors | Introducing the Universal Standards to Commercial Banks  
Introducing the Universal Standards to Microfinance Investment Vehicles | Introducing the Universal  
Standards to Institutional Investors | Introducing the Universal Standards to Financial Institutions

This narrative about the Universal Standards is based on research with a variety of microfinance investors—and can be used to introduce the Universal Standards to investors from different types of investment institutions.

## INTRODUCING THE UNIVERSAL STANDARDS TO MICROFINANCE INVESTORS

**Microfinance investors are skilled financial professionals dedicated to providing quality, affordable and diverse financial services to those excluded from mainstream markets.**

The Universal Standards can unite the industry around a common approach to achieving social goals, so we can be as rigorous about social performance as we are about financial returns—and **work consistently toward our common goal of greater financial inclusion.**

**Until now, our industry has lacked a common structure and language for consistently evaluating and reporting on social performance management.** A number of initiatives have identified useful practices, but financial institutions have lacked a set of universally recognized standards.

In order to clarify and standardize management practices, evaluation **and reporting**, leaders from financial service providers, investment institutions, **academia** and other stakeholder groups worked together to create the Universal Standards for Social Performance Management. The Universal Standards offer a comprehensive resource for financial institutions that draws on best practices from leading industry initiatives.

The Universal Standards are based on practices implemented successfully by financial institutions. They are a recommended resource—not a rating, regulatory or certification system. Financial institutions choose to implement them, and do so at their own pace.

Describing investors as skilled experts committed to financial inclusion bridges their interests in social goals and financial activities.

This positions the Universal Standards as a tool to help all stakeholders achieve their common goal—which investors labeled “financial inclusion.”

Investors felt that the key need was for a common approach to evaluating and reporting on SPM—while financial service providers really wanted a resource about how to practice strong SPM.

Investors were more interested in hearing about the rigorous thinking that went into the Universal Standards’ creation—and mentioned “academia” more than “networks.”

Emphasizing that the Universal Standards are a resource is essential to addressing investors’ key concerns that financial institutions might see these as unrealistic, too time consuming, or mandatory.

If you work at a financial institution, the Universal Standards can make your job easier by helping set more consistent expectations among your board, staff, investors and other stakeholders, and streamlining how you report to your donors and investors. Investors who adopt the Universal Standards as part of their due diligence have more rigorous information than stories and anecdotes to make a more credible case for their microfinance investments. **This kind of information also will help enhance the reputation of microfinance as a means to achieve both financial returns and social goals.**

By adopting the Universal Standards in our work, we can demonstrate that our industry is working with common purpose to achieve our common goals through practices that serve the best interests of our clients and our institutions.

This positions microfinance as a means to achieve both financial and social returns—which is critical for investors.

Investors agreed that adopting good SPM practices was in the best interests of both clients and institutions.

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# INTRODUCING THE UNIVERSAL STANDARDS TO COMMERCIAL BANKS

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This message is based on findings from interviews with a range of investors from commercial banks—and is useful for speaking with this specific audience.

*The research found that we should highlight how the Universal Standards help achieve their goals by clarifying SPM across the field. Commercial banks did not believe that the Universal Standards would improve financial performance, so did not find a financial argument to be motivating. In order to be supportive, commercial banks needed to hear how these tools would benefit the financial institutions they work with and also see the Universal Standards as a tool to mitigate reputational risk.*

**Microfinance investors are skilled financial professionals dedicated to providing quality, affordable and diverse financial services to those excluded from mainstream markets.**

The Universal Standards can unite the industry around a common approach to achieving social goals, so we can be as rigorous about social performance as we are about financial returns. **They help us work consistently toward our common goal of greater financial inclusion—while strengthening our industry and our reputation.**

**Until now, our industry has lacked a common structure and language for consistently evaluating and reporting on social performance management.** A number of initiatives have identified useful practices, but financial institutions have lacked a set of universally recognized standards.

In order to clarify and standardize management practices, evaluation **and reporting**, leaders from investment institutions, financial service providers, **academia** and other stakeholder groups worked together to create the Universal Standards for Social Performance Management. The Universal Standards offer a comprehensive resource for financial institutions that draws on best practices from leading industry initiatives.

The Universal Standards are based on practices implemented successfully by financial institutions. They are a recommended resource—not a rating, regulatory or certification system. Financial institutions choose to implement them, and do so at their own pace—**as every institution starts from a different place.**

The Universal Standards can make a financial institution's job easier by helping set more consistent expectations among its board, staff, investors and other stakeholders, and streamlining how it reports to donors and investors. And adopting the Universal Standards as part of our due diligence can give us more rigorous information than stories and anecdotes to make the case for our microfinance investments.

Commercial banks want to hear about social benefits first, but also need to understand how the Universal Standards will enhance the industry's reputation.

Commercial banks and MIVs care about how the financial institutions they work with respond to the Universal Standards, and want to recognize that each institution has different capacity or willingness to act on the Universal Standards.

With the Universal Standards, we can report on both of our bottom lines to our shareholders with greater credibility. This kind of information is critical to enhancing the industry's reputation with shareholders and the general public.

We can talk to the financial institutions we work with about how they can begin to implement the Universal Standards. This will ensure that our investments are consistently and responsibly being managed to achieve our social goals.

And, we can help align the industry around best practices for social performance management by adopting the Universal Standards in our due diligence. This will demonstrate that our industry is working with common purpose to achieve our common goal of financial inclusion through practices that serve the best interests of our clients and our institutions.

Commercial banks wanted to report to shareholders with credibility and see the industry's reputation improve.

Call to action is tailored to commercial banks' role in the investment structure, highlights their important relationship with financial institutions, and is linked to their goals for their work.

# INTRODUCING THE UNIVERSAL STANDARDS TO MICROFINANCE INVESTMENT VEHICLES

This message is helpful for speaking with investors from microfinance investment vehicles. Research found that MIVs had very similar challenges and motivations to commercial banks.

*MIVs, too, are motivated to be in microfinance because of social goals. They are skeptical that the Universal Standards would help them achieve more than that, and don't think that an argument based on financial returns is credible. MIVs are not as motivated by mitigating reputational risk, but very much want to know how the Universal Standards will be beneficial to the financial institutions they work with.*

**Microfinance investors are skilled financial professionals dedicated to providing quality, affordable and diverse financial services to those excluded from mainstream markets.**

The Universal Standards can unite the industry around a common approach to achieving social goals, so we can be as rigorous about social performance as we are about financial returns—and **work consistently toward our common goal of greater financial inclusion.**

**Until now, our industry has lacked a common structure and language for consistently evaluating and reporting on social performance management.** A number of initiatives have identified useful practices, but financial institutions have lacked a set of universally recognized standards.

In order to clarify and standardize management practices, evaluation and reporting, leaders from investment institutions, financial service providers, **academia** and other stakeholder groups worked together to create the Universal Standards for Social Performance Management. The Universal Standards offer a comprehensive resource for financial institutions that draws on best practices from leading industry initiatives.

The Universal Standards are based on practices implemented successfully by financial institutions. They are a recommended resource—not a rating, regulatory or certification system. financial institutions choose to implement them, and do so at their own pace—**as every institutions starts from a different place.**

The Universal Standards can make an financial institution's job easier by helping set more consistent expectations among its board, staff, investors and other stakeholders, and streamlining how it reports to donors. And adopting the Universal Standards as part of our due diligence can give us more rigorous information than stories and anecdotes to make the case for our microfinance investments.

Identifying MIVs by shared values helps motivate them to participate.

Commercial banks and MIVs care about how the financial institutions they work with respond to the Universal Standards, and want to recognize that each institution has different capacity or willingness to act on the Universal Standards.

**With the Universal Standards, we can report on both of our bottom lines to our shareholders with greater credibility. This kind of information will also help enhance the industry's reputation with shareholders and the general public.**

**We can talk to the financial institutions we work with about how they can begin to implement the Universal Standards. This will ensure that our investments are consistently and responsibly being managed to achieve our social goals.**

**And, we can help align the industry around best social performance management practices by adopting the Universal Standards in our due diligence.** This will demonstrate that our industry is working with common purpose to achieve our common goal of financial inclusion through practices that serve the best interests of our clients and our institutions.

MIVs wanted to report to shareholders about SPM with credibility and thought mitigating reputational risk was a positive side effect of good SPM.

Call to action is tailored to MIVs' role in the investment structure, highlights their important relationships with financial institutions, and is linked to their goals for their work.

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# INTRODUCING THE UNIVERSAL STANDARDS TO INSTITUTIONAL INVESTORS

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This message is helpful for talking about the Universal Standards with institutional investors. Research with institutional investors revealed that mitigating reputational risk is a leading benefit of the Universal Standards to them.

*While institutional investors are motivated by social performance, financial returns are most critical to them—so the Universal Standards must be linked to both bottom lines. They also saw the Universal Standards as a useful tool to ensure that their social values were being transferred through fund managers to the financial institutions they work with because they provide a common structure and language for evaluating SPM.*

**Microfinance investors are skilled financial professionals dedicated to providing quality, affordable and diverse financial services to those excluded from mainstream markets.**

The Universal Standards can unite the industry around a common approach to achieving social goals, so we can be as rigorous about social performance as we are about financial returns. They help us work consistently toward our common goal of greater financial inclusion—**while strengthening our industry and our reputation.**

**Until now, our industry has lacked a common structure and language for consistently evaluating and reporting on social performance management.** A number of initiatives have identified useful practices, but financial institutions have lacked a set of universally recognized standards. **And, while many financial institutions are already responsibly serving financially vulnerable clients, the media has revealed that some institution do not have the practices in place to ensure that clients don't get over their heads in debt.**

In order to clarify and standardize management practices, evaluation and reporting, leaders from investment institutions, financial service providers, **academia** and other stakeholder groups worked together to create the Universal Standards for Social Performance Management. The Universal Standards offer a comprehensive resource for financial institutions that draws on best practices from leading industry initiatives.

Adopting the Universal Standards as part of our due diligence can give us more rigorous information than stories and anecdotes to make the case for our microfinance investments—**so we can report on both of our bottom lines to our shareholders with greater credibility. And standardizing our approach to social performance management will help ensure that our values get translated down the investment chain.**

Institutional investors are motivated by social outcomes, but are deeply concerned about reputational risk.

Acknowledging the challenge they are most concerned about shows that you share their concern.

Mentioning the benefits for institutional investors helps them understand how a resource for financial service providers is relevant to them.

The Universal Standards can make a financial institution's job easier by helping set more consistent expectations among its board, staff, investors and other stakeholders, and streamlining how it reports to donors. The Universal Standards are based on practices implemented successfully by financial institutions. They are a recommended resource—not a rating, regulatory or certification system. Institutions choose to implement them, and do so at their own pace.

**And the Universal Standards can help our industry better serve its clients—leading to more stable institutions with more sustainable financial returns.**

**We can help align the industry around best social performance management practices by talking about the importance of the Universal Standards with our MIVs and encouraging other investors to use them in their due diligence. This will ensure that our investments are consistently and responsibly being managed to mitigate reputational risk.**

By adopting the Universal Standards in our work, we can demonstrate that our industry is working with common purpose to achieve our common goal of financial inclusion through practices that serve the best interests of our clients and our institutions.

Institutional investors care about financial returns and want to know how the Universal Standards can contribute to them.

Call to action is specific and clear and is linked to the critical outcome of mitigated reputational risk.

This message is based on research with investors, financial service providers and networks—and will be useful to investors who want to discuss the Universal Standards with their financial service providers. Research revealed that both investors and financial service providers are driven by social goals, but that financial service providers rarely hear from investors about the importance of strong social performance.

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# INTRODUCING THE UNIVERSAL STANDARDS TO FINANCIAL INSTITUTIONS

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*Investors can introduce the Universal Standards to the financial institutions they work with by explaining their shared commitment to social goals—as part of a balance of social and financial returns—and how the Universal Standards can help them make the case for their investments to their shareholders.*

**We all work in microfinance because we are committed to creating opportunities for microfinance clients to improve their lives. As microfinance practitioners, you strive to treat your clients responsibly by offering them quality financial services that meet their needs.**

**As investors in microfinance, we want to ensure that the institutions we invest in stay on track to fulfilling their mission—but we know that social performance management can be time-consuming, and it can be hard to determine which practices will equip your institution to best serve your clients.**

The Universal Standards can unite the industry around a common approach to achieving social outcomes, so we can be as rigorous about social performance as we are about financial returns.

Until now, our industry has lacked a set of global best practices that financial institutions can use as a guide for their work. A number of initiatives have identified useful practices, but we have lacked a universally recognized structure and language for consistently evaluating and reporting on all the essential aspects of social performance management. **Even in a single region, financial institutions may be approaching social performance management in different ways—and investors may be evaluating it in different ways.**

In order to clarify and standardize management practices and evaluation, leaders from financial service providers, investment institutions, networks and other stakeholder groups worked together to create the Universal Standards for Social Performance Management.

Financial service providers and investors are all driven by social goals, but there is a disconnect: financial service providers fear that investors worry only about financial returns. Starting conversations about why social performance matters to investors will encourage financial service providers to adopt the Universal Standards. (NOTE: If an investor is a signatory of the PIIF, it is useful to introduce that commitment—and what it means—early in the conversation.)

This speaks to the need for a uniform approach without placing blame on any single group.

The Universal Standards offer a comprehensive resource for financial institutions that draws on existing best practices from leading industry initiatives and institutions in the field. They are a recommended resource—not a rating, regulatory or certification system. **Implementing the Universal Standards is a process—not something that you should expect to do all at once.**

**The Universal Standards were designed to give financial institutions throughout the industry a consistent approach to social performance management. Every institution is unique—each faces different regulations and has different social goals. The Universal Standards can help you stay focused on fulfilling your mission by making it easier to identify what you are already doing well and what you can improve. They also can help set more consistent expectations among your board, staff, investors and other stakeholders—and give us more rigorous information than stories and anecdotes to make the case for our microfinance investments to our shareholders. And the Universal Standards can help our industry better serve its clients—leading to more stable institutions with more sustainable financial returns.**

**Working from a globally recognized set of standards can increase the credibility of our institutions among all of our stakeholders and improve the reputation of our industry. Talk to your investors—or to other partners, such as your network or fellow financial institutions—about how to set realistic goals that are right for your institution.**

Emphasizing that institutions in the field are already implementing the practices in the Universal Standards makes them more realistic.

Giving tangible examples of how institutions can use the Universal Standards helps institutions understand the benefits.

Investors care about balanced returns—not just financial returns. This demonstrates to financial institutions they work with that they see the Universal Standards as good business practice that leads to sustainable financial returns as well as social goals.

The call to action highlights the benefits to both the financial institutions and investor, and offers a simple first step: start a conversation.

# case studies

Sample Case Study | Case Study Template



# SAMPLE CASE STUDY



[Placeholder]

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# CASE STUDY TEMPLATE

## HOW TO TELL A STORY

### ABOUT USING THE UNIVERSAL STANDARDS AS AN INVESTOR

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#### Describe your investment institution

Where do you work? What is the goal of your investments?

#### Describe the financial institutions you work with

What kinds of microfinance institutions do you invest in? What are their social goals? How do they tell you about their progress in achieving their goals? Is there a consistent reporting system? How does their reporting on social returns compare to their reporting on financial returns?

#### Tell why you chose to adopt the Universal Standards

What first made you interested in the Universal Standards for Social Performance Management? What were you most excited about after you read them? What did you think would be most challenging for your institution? What would be most challenging for the financial institutions you work with?

#### Explain how you took the first step

When you decided to begin adopting the Universal Standards, what was the first step you took? Why? How did you explain the Universal Standards to the financial institutions you work with? If you were starting again, would you do anything differently? What?

#### Describe the lessons you learned

What was successful about how you adopted the Universal Standards? What was most difficult? How did you overcome that challenge? What recommendations would you give to other investors seeking to adopt the Universal Standards as part of their due diligence?

#### Tell us about the outcomes

What did you learn from using the Universal Standards? How have the Universal Standards improved your work?

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# CASE STUDY TEMPLATE

## HOW TO TELL A STORY ABOUT IMPLEMENTING THE UNIVERSAL STANDARDS AS A FINANCIAL INSTITUTION

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### Describe your institution

Where do you work? How many people work at your institution? What is your social mission? What financial products and services do you offer?

### Describe your clients

What kinds of people do you serve? What do you help your clients achieve?

### Tell why you chose to adopt the Universal Standards

What first made you interested in the Universal Standards? What were you most excited about after you read them? What did you think would be most challenging?

### Explain how you took the first step

When you decided to begin implementing the Universal Standards, what was the first step you took? Why? Did you focus on one specific section of the Universal Standards, or several? Which ones? Why?

### Describe the lessons you learned

What was successful about your implementation process? If you were starting again, would you do anything differently? What? What was most difficult? How did you overcome that challenge? What recommendations would you give to other financial institutions beginning to implement the Universal Standards?

### Tell us about the outcomes

How have the Universal Standards strengthened your institution? Have the Universal Standards helped you better serve your clients? How?

**Q&A**

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# Q&A

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These are answers to frequently asked questions about the Universal Standards for Social Performance Management and how they affect the work of financial institutions.

## *How can financial service providers afford to implement the Universal Standards?*

The Universal Standards are a resource to help all financial institutions clarify and standardize social performance management (SPM)—and help the industry have a common understanding of strong SPM. But every institution starts in a different place, has different capacity to make changes within its organization, and faces regulations unique to the region in which it works. Implementing the Universal Standards is a process—not something that institutions should expect to do all at once. Talking with networks and investors about setting realistic goals can help institutions adopt the Universal Standards at the pace that is right for them, so that each step in the implementation process is affordable and manageable.

## *Is compliance mandatory?*

No. The Universal Standards are a comprehensive resource, not a rating, regulatory or certification system. The Social Performance Task Force (SPTF) does not require compliance with the Universal Standards as a condition of membership, though it does ask members to take action to implement them at their own pace. SPTF does not offer a grade or certification, though these may become available in the future via social raters and auditors, several of whom are already aligning their products with the Universal Standards.

### ***Will my institution be regulated against the Universal Standards?***

The Social Performance Task Force does not require or monitor compliance with the Universal Standards. The Universal Standards are a voluntary resource that can help institutions self-regulate their social performance management, and improve their practices voluntarily and at their own pace.

However, it is possible that, in the future, some countries will incorporate the Universal Standards into their regulatory policy. Those decisions are made by individual governments—not by SPTF.

### ***How are the Universal Standards different from other social performance management initiatives?***

The Universal Standards are the only resource to compile all of the essential practices of strong social performance management in a single, comprehensive document. Other social performance management initiatives (e.g., Smart Campaign, MIX, CERISE) focus deeply on particular areas of social performance. A diverse group of microfinance stakeholders incorporated the research and expertise from each of these initiatives—including all of the Smart Campaign Client Protection Principles—and compiled them into a single manual that serves as a comprehensive resource on social performance management for the field.

### *How can investors most easily include the Universal Standards in their due diligence?*

A working group of investors called Aligning Investor Due Diligence to the Universal Standards (ALINUS) has formed with the specific purpose of developing a single set of due diligence indicators that is fully aligned with the Universal Standards. These indicators will be the foundation for the development of harmonized and agreed upon tools for both due diligence and financial institution monitoring. Implementation of these tools will simplify and streamline due diligence, monitoring, controlling and auditing of financial institutions in the area of social performance management.

ALINUS is developing these indicators based on feedback from financial institutions—through a 2011 survey and many individual exchanges—and in response to the large number of uncoordinated approaches, tools and processes used by investors for social performance assessment.

This streamlined set of indicators will be available to all investment institutions—and will not only help investors deepen their understanding of their investees' social performance management, but also help financial institutions reduce their reporting burden, as financial institutions are often asked to report to each of their investors in a different way.

The ALINUS tool is not designed to be mandatory. It can offer a resource for investors, who would tailor the indicators in the tool according to their own needs.

For more information, please visit

[www.sptf.info](http://www.sptf.info)

