

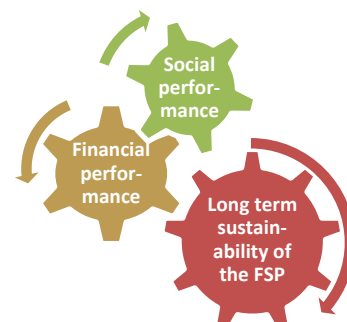
Social Rating

Extensive rating experience in Asia, Africa and EECA



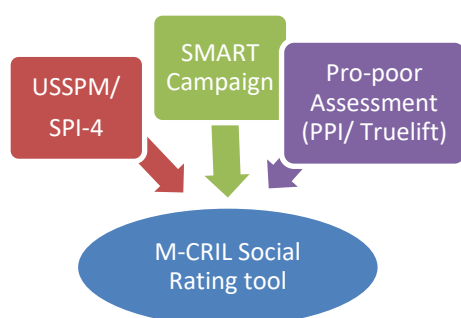
...contributing to social reporting & social performance management in microfinance

For effective financial inclusion, financial service providers (FSPs) aim to include underserved, low-income market segments, women, men, youth for financial service (credit, savings, insurance, remittance) or the application of technology. This concerns the policy makers and investors. Responsible financial inclusion requires systematic understanding of client markets with appropriate product design and delivery systems, and a focus on delivering value. This requires clarity on social goals, a balancing of social and financial objectives with focused reporting, with enabling conditions for staff so as to build institutional sustainability over the long-term.



Social rating – a tool for development assessment

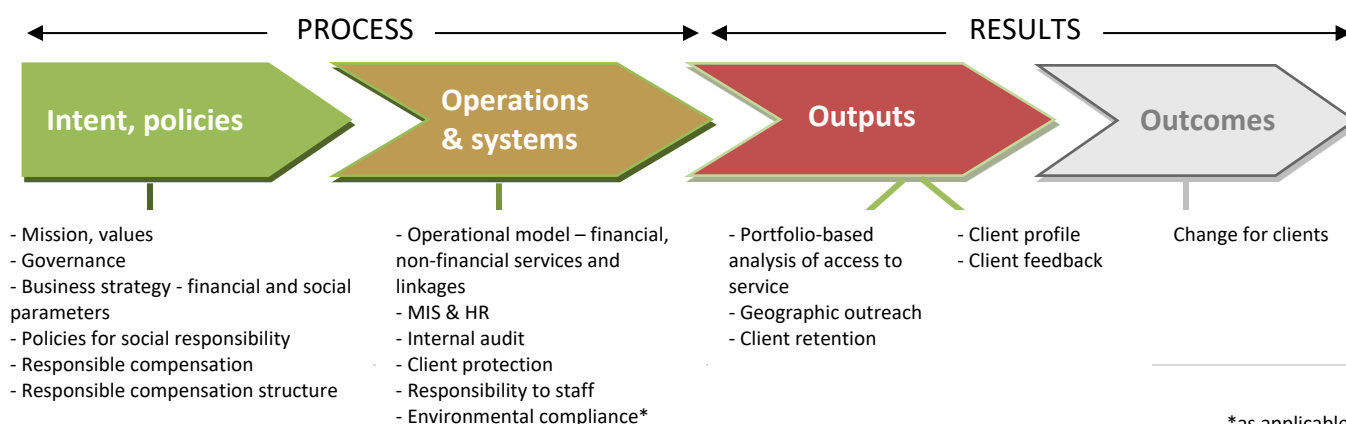
The social rating tool evolved to provide a strategic analysis of the governance, management, operating and reporting systems in line with values of inclusion for development. **M-CRIL's Social Rating tool** draws on the standards in social performance, as defined by global initiatives to provide an FSP with a comprehensive assessment of its social performance, systems and results to meet social goals in line with accepted social values.



The rating includes stand-alone audit of the Universal Standards for Social Performance Management (USSPM) applying the global SPI-4 tool (for benchmarking). The SPI-4 findings are integrated in the rating report, including key indicators of Client Protection Principles. For FSPs with the mission to serve the poor effectively, the Truelift option within SPI-4 is added, with a summary analytical report.

Social performance covers governance, management systems, and client outputs through the lens of inclusion, gender equality and social and environmental responsibility. The concept is applicable to institutions with varying business models and development focus. The social rating tool can be adapted for institutions and programmes in other development sectors, apart from financial services.

The following exhibit sets out the analytical framework and outline of indicators covered in the rating. The scope for coverage of results is linked to data collected by/available with the FSP.



*as applicable

Why Social Rating?

Social rating is useful both as an **internal management** tool and as a **reporting** tool for FSPs, funders and discerning social investors.

It serves to:

- 1) Promote **awareness and transparency** on social performance issues, including reputation risk
- 2) **Diagnose** gaps in social performance and indicate measures for FSPs to improve
- 3) Provide a basis for **benchmarking** and comparing social performance
- 4) **Decrease risk of deviation from social mission** by identifying early warning signals
- 5) **Promote investment** in FSPs with a double bottom line orientation, and strong social performance

Types of Social Rating

Standard-Comprehensive – covers context, mission clarity, alignment of systems, social responsibility to clients, portfolio analysis + client profiling and client feedback regarding FSPs' products and services. The process uses the FSP's internal reports, internal and external studies, as well as field level data available with the FSP.

Enhanced-Comprehensive – covers all the topics in Standard-Comprehensive. In addition, field level data is collected during the Social Rating visit (through a comprehensive Client Survey and Focus Group Discussions)

Why M-CRIL?

- **First microfinance agency** to develop a social rating product. **76 social ratings in 19 countries** across Asia, Africa and EECA.
- Comprehensive assessment framework updated regularly to incorporate latest tools and methods - **relevant across** institutional form and operational methodology.
- **Qualified and experienced team** – rating is conducted by a specialist team (SPI-4 qualified auditors) to ensure rigour and focus.
- **Field-based appraisal** – Branch visits and interaction with clients are integral part of M-CRIL's social rating methodology.
- **Sector expertise** – M-CRIL has contributed to frameworks for best practices and global sector benchmarks.
- Independent **Rating Committee** comprising international experts finalises the grades.

Rating Criteria



The social rating is fully integrated with SPI-4 for global reporting.

M-CRIL is accredited with **CERISE** for SPI-4 reporting.

The social rating can provide an external verification of self assessments using the SPI-4 reporting tool. The rating adds data based evidence.

Social Rating description	Grade
Strong social commitment, excellent systems, evidence for strong and comprehensive adherence to social mission and values.	$\Sigma\alpha_{+}$
Strong social commitment, very good systems, evidence for good adherence to social mission and values.	$\Sigma\alpha$
Strong social commitment, good systems, evidence for good adherence to social mission and values.	$\Sigma\alpha_{-}$
Good social commitment, reasonable systems, evidence for reasonable adherence to social mission and values.	$\Sigma\beta_{+}$
Good social commitment, moderate systems, evidence of partial adherence to social mission and values. Many aspects of social performance need to be institutionalized.	$\Sigma\beta$
Weak social commitment, weak systems, evidence of partial adherence to social mission and values.	$\Sigma\beta_{-}$
Weak social commitment, weak systems, no evidence reflecting social mission or values.	$\Sigma\gamma_{+}$
Very weak social commitment, very weak systems, no evidence reflecting social mission or values.	$\Sigma\gamma$

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