The SVI Standards for Social Value Accounting and Impact Management

Including draft Standards for Principle 6, Principle 7 and SVI Reporting Standard for consultation

This document should be read in conjunction with the Consultation Document.

[December 2022]
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Executive Summary

Social Value International (SVI) believes that, in a world facing serious challenges in relation to inequality, climate change and wellbeing, organisations should be responsive to these challenges by making decisions that optimise positive impact on the wellbeing of all materially affected people. This type of decision making increases an organisation’s accountability and its potential to contribute positively to sustainable development through optimising social value.

This document comprises three sections: section one provides an overview of the Principles of Social Value and the SVI Standards; section two sets out the SVI Standards for applying the principles. Section three provides the draft SVI Standard. Appendices provide further reading and the SVI Technical Glossary of Key Terms.

Throughout this document there are links to supporting guidance that can support you to implement these standards. These are aspirational standards of practice that will enable you to optimise positive impacts on wellbeing for all materially affected people. In turn, this will help you achieve your goals and contribute to a more sustainable and equitable world.

Acknowledgements:

Thanks to the contributions of the SVI Methodology Sub-Committee and the Reporting and Assurance Technical Committee in preparing this document. Special acknowledgement to Sara Olsen and Mario Abela who have led on the requirements for Principle 6 and Principle 7 respectively.

Version control:

The Standards for applying principles 1-5 and 8 have been adapted from already published Standards and guidance. The Standards for Principle 6 Be Transparent and Principle 7 Verify the result are new. Although the SVI Reporting Standard is an evolution of the existing Reporting Standard.
Section One: An overview of the Principles of Social Value and the SVI Standards

Social Value International advocates for a principles-based approach to accounting for value and impact management. This section provides an overview of the Principles of Social Value and the purpose of the SVI Standards.

What are the Principles of Social Value?

The Principles of Social Value are a combination of accounting principles (for measurement) and management principles (for transparency and improved decision making).

Each of the Principles of Social Value are borrowed from existing disciplines such as financial accounting, sustainability reporting, evaluation and general social research. When combined, the principles create an accountability and decision making framework for organisations who want to optimise impacts on wellbeing for all materially affected groups.

Principle 1: Involve Stakeholders is a powerful accountability principle that drives through the other principles ensuring that the people who experience the impacts are informing the measurement and management of the impacts on their wellbeing.

Principles 2-5 are primarily accounting principles that inform what information about social value should be collected, and how social value, from the stakeholder’s point of view, should be assessed.

Principles 6-7 are about sharing the information and building confidence in the social value accounts to better manage impact risks.

Principle 8 is a management principle that addresses how information should be used to inform decisions that optimise impacts on wellbeing for all materially affected people. It also ensures that the level of rigour in the accounts is proportionate for the decisions that the account is designed to inform.

The Principles of Social Value
1. Involve Stakeholders
2. Understand what changes
3. Value what matters
4. Only include what is material
5. Do not overclaim
6. Be transparent
7. Verify the result
8. Be responsive

The Principles and Social Return on Investment (SROI)
The Principles of Social Value were first published in The Guide to SROI¹ (2009) produced by The SROI Network (now known as Social Value UK). The Principles were updated in 2014 when Principle 3: Value what matters was adjusted to allow for non-monetary valuations and 2021 when Principle 8: Be Responsive was added.

Producing a Social Return on Investment (SROI) analysis requires the application of all the Principles of Social Value. Specifically, when applying Principle 3, the valuations of inputs and impacts are represented in monetary terms in order to generate an SROI ratio. This also allows for social value to be analysed alongside other types of value such as economic, fiscal or environmental. This becomes an ‘account of value’.

What is the purpose of the Principles of Social Value and the SVI Standards?

The Principles of Social Value have been designed to support the production of ‘social value accounts’ and decision making that optimises impacts on wellbeing for all materially affected stakeholder groups.

The SVI Standards for applying the Principles are designed to achieve the following aims:

1. Accountability to all materially affected stakeholder groups by ensuring that social value accounts include the impacts that matter to them regardless of the social or financial objectives of the activities. This provides a high level of ‘completeness’ to impact data.

2. Impact management decisions are based on ambitious targets for optimising wellbeing across different stakeholder groups. This should be achieved through proportionate levels of ‘accuracy’ in the social value accounts (a useful shorthand is the phrase ‘enough precision for the decision’).

The Standards can be used by any organisation from public, private or civil society sectors. Whilst these different sectors may hold differing approaches to balancing financial returns with impacts on wellbeing, the SVI Standards ensure that impacts on wellbeing are always optimised in relation to a minimum threshold determined by a combination of societal norms and what is accepted by each affected group.

The Principles of Social Value and SVI’s Standards are a framework to support decision making that optimises impacts on wellbeing for all materially affected people.

The distinction between standards of practice and standards for reporting

The Principles of Social Value should be understood as ‘principles of practice’. They are not reporting principles. The standards and guidance for applying Principle 6, 7 and 8 might reference reporting as a requirement however it must be recognised that the act of producing reports is only one aspect of applying the principles.

¹ https://www.socialvalueint.org/guide-to-sroi
Section Two: The SVI Standards for accounting for value and impact management

This section presents the SVI Standards for social value accounting and impact management.

The standards can be applied by a user to any scope of activities, beyond or within the boundaries of one organisation.

These Standards are an aspirational but achievable level of practice. It is a ‘standard of practice’ designed to improve impact management decisions and increase accountability to all materially affected stakeholders.

The Standards are organised in order of the eight principles – they are not presented in a linear sequence. Practitioners will need to implement these requirements in a logical sequence. See Guidance documents for examples of the stages or sequence.

Standard for applying Principle 1: Involve Stakeholders

This principle is central to SVI’s approach and overlaps with all of the other principles.

The SVI Standard for applying this principle has been embedded within the Standards for applying each of the other principles. The requirements that relate explicitly to this principle are underlined and highlighted in yellow.

The standards require “an appropriate sample of people affected”.

Appropriate sample is judged differently depending on whether the account is used internally to support decisions or whether the account is published externally. The former will be reviewed internally and lower sample sizes may be considered appropriate for some decisions. However, for reports published externally the sampling should be appropriate to meet the SVI Assurance Standard.

Guidance on appropriate sampling is found in Supplementary Guidance for applying Principle one: Involve Stakeholders.
1. **Identify WHO is affected**

1.1 **Involve an appropriate sample of affected people** in identifying all groups of people affected, or potentially affected, by the activities being analysed.

1.2 Identify sub-groups (segmentation) of affected people based on correlations between demographic information and impact data.

Guidance available:
- Supplementary Guidance for applying Principle one: Involve stakeholders
- Guide to SROI

2. **Measuring changes in wellbeing**

2.1 **Define WHAT outcomes to measure**

**Involve an appropriate sample of affected people** in defining (relevant) outcomes to then measure for significance. This exercise must include:

- Adequate exploration of unintended and negative outcomes
- Identifying the ‘well-defined outcomes’ (WDOs) within a chain of outcomes.

Guidance available:
- Supplementary Guidance for applying Principle two Part 1: Creating well-defined outcomes
- Guide to SROI

2.2 **Measure HOW MUCH change happens (or might happen)**

2.2.1 For all WDOs identify appropriate indicators or techniques for measuring:
- Depth (amount of change per person)
- Scale (amount of people experiencing a change)
- Duration (length of time the change lasts for)

2.2.2 **Involve an appropriate sample of affected people** in establishing the:
- Depth (amount of change per person)
- Scale (amount of people experiencing a change)
- Duration (length of time the change lasts for)

Guidance available:
- Guide to SROI
3. Valuing the changes

3.1 Identify a suitable approach (techniques) to establishing the value of the changes from the perspective of the people affected.

3.2 Involve an appropriate sample of affected people in establishing the value of each change (incorporating the depth and duration of the change).

Guidance available:
- Supplementary Guidance for applying Principle three: value what matters
- Guide to SROI
Standard for applying Principle 4: Only include what is material

4. Apply the principle of materiality

4.1 Be clear on purpose

Begin a materiality assessment by stating the purpose of your analysis with reference to optimising positive impact on wellbeing for all materially affected people.

4.2 Screen for relevance

Identify all potentially material impacts based on:
- Information collected from people affected (see 2.1)
- Relevant policies
- Targets (see 8.2.1)

4.3 Screen for significance

Identify the significant impacts based on:
- How much change (Depth, scale, duration) (see 3.1)
- Value of the changes (see 4.2)
- Your contribution to the change (see 5.5)

4.4 Analyse data to determine material impact

4.4.1 Complete sensitivity analysis

4.4.2 Determine material impacts based on relevance and significance

Guidance available:
- Supplementary Guidance for applying Principle four: only include what is material
- Guide to SROI
Standard for applying Principle 5: Do not overclaim

5.1 Identify suitable approaches (techniques) to establish your CONTRIBUTION to the changes

5.2 **Involve an appropriate sample of affected people** to establish an amount of 'counterfactual' for each WDO

5.3 **Involve an appropriate sample of affected people** to establish who else contributes to the change and how much of the change could be attributed to your activities

5.4 **Involve an appropriate sample of affected people** to establish any displacement and ensure this is being accounted for (revert to 1.1, 2.1 etc)

5.5 Impacts are determined by calculating the amount of change (outcome depth) that can be claimed to be your contribution

Guidance available:

- Supplementary Guidance for applying Principle five: do not overclaim
- Guide to SROI
6.1 External reporting for accountability

6.1.1 Regularly publish an evaluative Social Value Report using the SVI Reporting Standard.

6.1.2 Implement other reporting mechanisms to meet the needs of people affected by the activities (and the civil society organizations that act on their behalf), including considering additional non-public, tailored reporting or changes to existing public reporting to make disclosures more relevant and accessible to a broader range of stakeholder groups.

6.2 Internal reporting for impact management decisions

Regularly produce forecast Social Value Reports, using the SVI Reporting Standard, that compare options for optimising positive impact on wellbeing (See 8.2.2)

See pages 15-17 for the Draft SVI Reporting Standard

Guidance available:

- Draft Guidance available here
- Guide to SROI
Standard for applying Principle 7: Verify the result

7.1 External assurance

Receive external assurance of a published evaluative Social Value Report using the SVI Reporting Standard

7.2 Internal review

7.2.1 Receive an internal ‘peer review’ of the forecast Social Value Reports before sharing with decision makers

7.2.2 **Involve an appropriate sample of affected people** in reviewing the forecast Social Value Reports

Guidance available:

- Draft Guidance coming soon
- Guide to SROI
8.1 Embedding a management approach

Organisations must design, implement, and continuously improve a ‘management approach’ for optimising impacts on wellbeing of all materially affected stakeholder groups.

The ‘impact management approach’ must include the following:

8.1.1 Systematic scheduling of decision making that:

- Is timely and regular
- Supports all three levels of decision making (strategic, tactical and operational)

8.1.2 Create mechanisms for responding to the impact data by assigning responsibility to individuals, departments or committees.

8.1.3 Social value accounts are prepared to support internal decision making considering appropriate levels of rigour and impact risk (see 6.2)

- The accounts are prepared through the application of Social Value Principles 1-7.
- The rigour (completeness and accuracy) of the accounts are appropriate for the type of decision they are intended to inform and justified with a risk management statement.

8.1.4 Annual social value reports are published externally for transparency and accountability to all stakeholders (see 6.1)

- The reports are produced in accordance with the SVI Reporting Standard
- The reports undergo appropriate verification before publication

8.1.5 Continuous improvement of the impact management approach including:

- Regular review of the systems and processes
- Planning and implementation of improvements to systems and processes

8.2 Making decisions to optimise impacts on wellbeing

Organisations must regularly respond to data by making strategic, tactical, and operational decisions that optimise impacts on wellbeing for all materially affected stakeholder groups.

8.2.1 Strategic decisions are made that set impact goals, targets and thresholds for all materially affected (or potentially affected) stakeholder groups.

8.2.1.1 Impact goals are set based on a combination of:

- meaningful stakeholder engagement to establish what impacts on wellbeing are important to all materially affected stakeholders
- local context in terms of sustainable development or other societally agreed goals

8.2.1.2 Impact thresholds and targets are based on a combination of:

- Level of impact considered acceptable by the stakeholders who experience the impact
- Societal or science-based targets and thresholds

8.2.2 Tactical decisions are made about different options (activities) that could be deployed to optimise impacts on wellbeing of all materially affected stakeholders.
Forecast impact data should be used for comparing between different options (activities). The data sets should be comparable in terms of:

- Appropriate levels of rigour (completeness and accuracy)
- Levels of stakeholder engagement

8.2.3 Operational decisions are made about how to improve the existing products or services to optimise impacts on wellbeing.

Adjustments to existing products and services are informed by regular analysis of:

- Impact performance data and;
- Stakeholder feedback

Guidance available:

- Standard and Guidance for applying Principle 8: Be responsive
- Guide to SROI
Section Three: The SVI Reporting Standard

This is a draft ‘SVI Reporting Standard’ for consultation. It should be read in conjunction with the consultation document.

This Standard has been written to build upon the current SVI Reporting Standard (2017) and incorporate the requirements of the latest SVI publications including the purpose of the SVI Standards and the new Standard for Principle 8: Be Responsive.

This Reporting Standard is part of the Standard for Principle 6: Be Transparent

Section A: General Disclosures

1 Disclose the audience and purpose of the report with reference to:
   1.1 Optimising impact on wellbeing of all materially affected people
   1.2 Any specific decisions the report is specifically designed to inform

2 Disclose the level of assurance gained for the Social Value Report.
   2.1 Include assurance statements from SVI certified 3rd party; or if none is obtained, explanation of why.
   2.2 Describe how a sample of affected people have verified the results

3 Scope: be clear on the
   3.1 Activities that are being analysed
   3.2 Evaluative timeframe (for published Reports) or Forecasted timeframe (for internal decision making)
   3.3 Any groups of affected people that have been deliberately excluded and therefore highlighting areas of incompleteness

4 Disclose a summary of social value performance. Include:
   4.1 A total amount of social value with reference to previously set thresholds and targets.
   4.2 A level of disaggregation that shows material positive and negative impacts (instead of total net changes in wellbeing) for each group of affected people.
   4.3 Where an SROI ratio is used, ensure that a range is published.
   4.4 Where impacts are valued in monetary terms provide a disclosure on the type of value being reported and how this can be integrated with other types of value or capital assessments.
   4.5 Updated targets and thresholds for future performance with reference to the stakeholder risk appetite.

5 Disclose a summary of the risks with using the data. Include
   5.1 Discussion on whether the rigour (completeness and accuracy) is appropriate for the intended decisions
      ▪ Discussion on the overall completeness of the account
      ▪ Discussion on the overall accuracy of the account
   5.2 Summary of actions to improve the account in the future and reduce the risks
6 Disclose management approach including:
   6.1 Description of how optimising positive impact on wellbeing and contributing positively to the SDGs is integrated into decision-making
   6.2 Key decisions made in the previous period that were designed to optimise impact on wellbeing. Identifying
      - Strategic decisions
      - Tactical decisions
      - Operational decisions

Section B: Accounting Notes

7 Identifying WHO is affected
   7.1 A description of the process for identifying all potentially affected groups of people including a statement on how affected people were involved
   7.2 An analysis of how sub-groups or segments have been identified
   7.3 All other data sources, assumptions and professional judgements made
   7.4 A statement of the risks to the completeness and accuracy of the account

8 Defining WHAT outcomes to measure – the changes experienced by people
   8.1 A description of the process for identifying relevant outcomes including a statement on how affected people were involved
   8.2 An explanation of how open questioning was used and the chosen well defined outcomes within a 'chain of outcomes'
   8.3 All other data sources, assumptions and professional judgements made
   8.4 A statement of the risks to the completeness and accuracy of the account

9 Measuring HOW MUCH change occurs
   9.1 A description of the process for measuring the amount of change in each outcome including a statement on how affected people were involved
   9.2 An explanation of the indicators used to measure how much change in each outcome occurs including scale, depth and duration
   9.3 All other data sources, assumptions and professional judgements made
   9.4 A statement of the risks to the completeness and accuracy of the account

10 Setting THRESHOLDS and TARGETS for each outcome
   10.1 A description of the process for setting thresholds and targets for each outcome including a statement on how affected people were involved in the process for setting thresholds and targets
   10.2 An explanation of the thresholds and targets with reference to societal norms, previous performance or science based targets
   10.3 All other data sources, assumptions and professional judgements made
   10.4 A statement of the risks to the completeness and accuracy of the account

11 Valuing the changes for each outcome
11.1 An explanation of the approach (techniques) taken to establish the value of each change and how they are suitable for the audience and purpose of the report
11.2 A description of the process applied for valuing each outcome including a statement on how affected people were involved and how the valuations reflect their preferences
11.3 An explanation of how the valuations have been adapted from other valuations
11.4 All other data sources used, assumptions and professional judgements made
11.5 A statement of the risks to the completeness and accuracy of the account

12 Calculating the impacts for each outcome
12.1 An explanation of the approach (techniques) taken to establish the impacts and how they are suitable for the audience and purpose of the report
12.2 A description of the process for calculating levels of attribution and counterfactual for each outcome including a statement on how people impacted were involved
12.3 All other data sources used, assumptions and professional judgements made including checks for displacement
12.4 A statement of the risks to the completeness and accuracy of the account

13 Calculating an SROI Ratio (optional)
13.1 A summary of the sensitivity analysis and rationale for the ratio ‘range’
13.2 All assumptions and professional judgements made to produce the SROI ratio
13.3 Where the impacts have been monetised, provide a summary of how this can be integrated alongside other types of value such as economic, fiscal and environmental capital assessments