The seven principles of SROI
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Social Return on Investment (SROI) is a framework for measuring and accounting for the value created or destroyed by our activities – where the concept of value is much broader than that which can be captured by market prices. SROI seeks to reduce inequality and environmental degradation and improve wellbeing by taking account of this broader value.

SROI was developed from social accounting and cost-benefit analysis and is based on seven principles, which underpin how SROI should be applied. These principles are summarised below. The application of these principles will require judgements – and more guidance on making judgements can be found on the SROI Network website, www.thesroinetwork.org, as well as in the publication, *A Guide to Social Return on Investment*, which can be downloaded in full from the website.

1 Involve stakeholders:
Inform what gets measured and how this is measured and valued by involving stakeholders. Stakeholders are those people or organisations that experience change as a result of the activity and they will be best placed to describe the change. This principle means that stakeholders need to be identified and then involved in consultation throughout the analysis, in order that the value, and the way that it is measured, is informed by those affected by or who affect the activity.

2 Understand what changes:
Articulate how change is created and evaluate this through evidence gathered, recognising positive and negative changes as well as those that are intended and unintended. Value is created for or by different stakeholders as a result of different types of change; changes that the stakeholders intend and do not intend, as well as changes that are positive and negative. This principle requires the theory of how these changes are created to be stated and supported by evidence. These changes are the outcomes of the activity, made possible by the contributions of stakeholders, and often thought of as social, economic or environmental outcomes. It is these outcomes that should be measured in order to provide evidence that the change has taken place.

3 Value the things that matter:
Use financial proxies in order that the value of the outcomes can be recognised. Many outcomes are not traded in markets and as a result their value is not recognised. Financial proxies should be used in order to recognise the value of these outcomes and to give a voice to those excluded from markets but who are affected by activities. This will influence the existing balance of power between different stakeholders.

4 Only include what is material:
Determine what information and evidence must be included in the accounts to give a true and fair picture, such that stakeholders can draw reasonable conclusions about impact. This principle requires an assessment of whether a person would make a different decision about the activity if a particular piece of information were excluded. This covers decisions about which stakeholders experience significant change, as well as the information about the outcomes. Deciding what is material requires reference to the organisation’s own policies, its peers, societal norms, and short-term financial impacts. External assurance becomes important in order to give those using the account comfort that material issues have been included.

5 Do not over-claim:
Only claim the value that organisations are responsible for creating. This principle requires reference to trends and benchmarks to help assess the change caused by the activity, as opposed to other factors, and to take account of what would have happened anyway. It also requires consideration of the contribution of other people or organisations to the reported outcomes in order to match the contributions to the outcomes.

6 Be transparent:
Demonstrate the basis on which the analysis may be considered accurate and honest, and show that it will be reported to and discussed with stakeholders. This principle requires that each decision relating to stakeholders, outcomes, indicators and benchmarks; the sources and methods of information collection; the different scenarios considered and the communication of the results to stakeholders, should be explained and documented. This will include an account of how those responsible for the activity will change the activity as a result of the analysis. The analysis will be more credible when the reasons for the decisions are transparent.

7 Verify the result:
Ensure appropriate independent assurance. Although an SROI analysis provides the opportunity for a more complete understanding of the value being created by an activity, it inevitably involves subjectivity. Appropriate independent assurance is required to help stakeholders assess whether or not the decisions made by those responsible for the analysis were reasonable.