

# SOCIAL VALUE

INTERNATIONAL



Standard on applying Principle 4:

**ONLY INCLUDE  
WHAT IS  
MATERIAL**



# About Social Value International

## About

Social Value International is the global network for social value and impact management. Our members share a common goal: to change the way society accounts for value.

All too often key decisions about resources and policies are made using a limited economic concept of value, which fails to consider important effects on people and the environment. As the gap between rich and poor increases and the effects of climate change become more apparent, our work has never been more urgent.

Social Value International works with our members to embed core principles for social value measurement and analysis, to refine and share practice, and to build a powerful movement of like-minded people to influence policy. This pioneering community contains members from 45 countries, drawn from a huge range of different sectors and disciplines.

Our goal at Social Value International is to support, connect, and represent our members through training, knowledge-sharing and networking. Social Value International is much more than a professional network.

**Together, we are building a movement for change.**

## Our Vision

A world where decision making, ways of working and resource allocation are based on the principles of accounting for value leading to increased equality and well-being and reduced environmental degradation.

## Our Mission

To change the way society accounts for value through principles, practice, people and power:

**Principles:** Our principles will lead to the inclusion of social, environmental and economic value in decision making.

**People:** We will build and support a network of like-minded individuals who want to work with us to put these principles into practice.

**Practice:** We will develop guidance, tools, and support to help put the principles into practice.

**Power:** By connecting these individuals and supporting their learning, growth and influence we will build a movement to change the way society accounts for value.

## Table of Contents

Introduction .....	2
What is materiality and why is it important? .....	3
Who is the standard for? .....	4
The use of examples .....	4
Challenges in applying the principle of materiality .....	5
Considering materiality at different stages .....	6
1 Who experiences outcomes? .....	6
2 What outcomes do they experience? .....	7
Relevance .....	7
Supporting decisions on excluding outcomes to meet the assurance standard .....	8
3 What is the scale of each relevant outcome? .....	9
Significance .....	10
4 Reconsidering who experiences outcomes - Segmentation and subgroups .....	11
Supporting decisions on excluding outcomes to meet the assurance standard .....	12
Risk .....	12
Step by Step summary .....	12
Useful Resources .....	13

## Introduction

The [Seven Principles of Social Value](#) are intended to guide organisations and individuals from all sectors on best practice in measuring social value and are the framework that underpins the work of Social Value International (SVI). The Principles provide the basis for collecting data that will support decisions to increase the value being created for stakeholders and hold the organisations to account for their impact.

SVI administer the Assurance Standard and Accreditation Scheme upholding the Social Value Principles. The [Assurance Standard](#) is designed to test understanding of the Principles. Going through the Assurance process can give you confidence in your work, and the judgements you have made. It is meant to be a useful learning tool, to assess how you might be able to improve your social value measurement over time and begin to use the information to manage your impact.

This document is SVI's Standard for the application of the Principle *Only include what is material* to meet the requirements as set out in the SVI reporting standard. Materiality is relevant in applying the other Principles of Social Value.

This Standard should be read in conjunction with the [other Standards](#) relating to the Seven Principles. Materiality in Social Value analyses would also be required in calculating Social Return on Investment (SROI), and for people using this guidance as part of SROI, there are references to SVI's *Guide to SROI*.

### The Social Value Principles

1. Involve stakeholders
2. Understand what changes
3. Value the things that matter
4. Only include what is material
5. Do not over-claim
6. Be transparent
7. Verify the result

### Principle 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.*

One of the most important decisions to make is which outcomes to include and exclude from an account. This decision should recognise that there will be many outcomes, and a reporting organisation cannot manage and account for all of them. The basic judgement to make is whether a stakeholder would make a different decision about the activity if a particular piece of information were excluded. An assurance process is important in order to give those using the account comfort that material issues have been included.

## What is materiality and why is it important?

In this context we are concerned with identifying material outcomes. These are the outcomes that are important enough to consider when making decisions about allocating resources. Any activity will result in many different outcomes for different people. Inevitably a way of prioritising the most important outcomes will be necessary. This is referred to as determining the material outcomes. This standard provides guidance on that process.

An organisation that is not considering materiality risks making decisions without information on material changes that it will or has caused. It therefore cannot be acting in order to maximize the impact it is making with the resources available.

### **Principle four ‘Only Include what is material’ states:**

**‘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.’**

The implicit purpose of drawing a conclusion is to make decisions about how resources are allocated to generate outcomes. Resources refers to any resources that stakeholders contribute to an activity and therefore includes, for example, the time that expected beneficiaries of an activity may contribute as well as any financial resources from investors or customers.

If materiality is not considered there is a risk that the organisation is allocating resources to activities which result in unaccounted for outcomes. These outcomes could be negative, at worst the activity is destroying more value than it is creating. They could also be positive where the risk is that the organisation is missing opportunities to improve design of an activity. Design can often be improved by considering other outcomes experienced by stakeholders that are important to those stakeholders.

An activity will have many different stakeholder groups, each of these groups will experience different outcomes. This principle ensures that outcomes that are material (important) to each stakeholder group are included. It does not take one single perspective or position i.e. it captures what is important to all stakeholder groups - the investors (of the activity) or the organisation delivering the activity and customers/service users/beneficiaries.

### **Applying this principle requires judgement.**

Inevitably this requires judgement. The analogy would be with materiality in financial accounting and reporting. A 1974 study by the Accountant’s International Study group characterised materiality as:

**‘Materiality is essentially a matter for professional judgement.....’**

The principle of ‘verify what matters’ follows on from this judgement. People making decisions to allocate resources will need assurance that the judgements are reasonable and an account of social

value that has not been assured risks material misstatement. An account where materiality judgements have been (perhaps implicitly) limited to positive intended outcomes will be misstated. The assurance process is designed to provide assurance that the judgements result in a reasonable account of outcomes that people both experience and would influence any decisions that they may make even if they are not able to make those decisions.

**The Social Value Assurance Standard is available [here](#).**

Materiality is considered at different points in the process of accounting for social value and is referenced in standards relating to other principles. This standard pulls together the guidance on materiality across the process of accounting for social value in one place.

## Who is the standard for?

The main audience is anyone who wants to produce an account of social value that meets the Social Value Assurance Standard.

The standard will also be useful for anyone who wants to gain a deeper understanding of how to determine the material outcomes of an activity and the risks of not doing so regardless of the framework or methodology being used.

### The use of examples

It is not possible to provide detailed examples to support all the guidance points and it is also not the intention of this document to provide examples of different levels of detail and rigour that are either higher or lower than the level required to meet the Social Value Assurance Standard.

We recognise that preparing an account that meets the Social Value Assurance Standard is only one level of detail and rigour. There are other levels of rigour (often for different purposes or decision making) and in each scenario, the user of social value information will still need assurance that the judgements are reasonable and that the account is materially complete in the context of that purpose; and be able to assess the risk that the account is not materially complete.

Throughout this supplement we will be using an example project called 'Wheels to Meals' to explain the various concepts. This example is more thoroughly explained in the [Guide](#) and the [Supplementary Guidance on Using SROI \(2013\)](#) (currently being updated).

In brief, Wheels to Meals is a luncheon club provided by a charity to eligible older and disabled residents.

The luncheon club is delivered with the same resources as a meals-on-wheels service, except that residents are transported to meals, rather than the other way around. The service includes provision

of hot, nutritious lunches, transport, opportunities to socialise, and to take mild exercise. The service is available for up to 30 residents, 5 days a week and 50 weeks a year.

## Challenges in applying the principle of materiality

There are three main challenges.

Firstly, an account of an organisation's impact cannot include every outcome that each individual stakeholder experiences and considers material to their decisions. This would mean that the outcomes of every single effected person's unique experience would need to be included. An organisation will therefore need to include thresholds below which the quantified impact for a stakeholder is considered immaterial and need not be included, for example if one person were to die as a result of an activity this would normally be considered material. 'Normally' because this decision remains a judgement. An organisation may therefore include outcomes as material, i.e. above a threshold, despite having a low quantified impact. Carbon emissions would be an example, where the quantified emission may not be a large impact relative to other outcomes but may still be included. Another example would be where the performance in relation to the organisation's goal was low is still likely to be included as material.

Secondly, an understanding of what is material will change over time as the organisation repeats the process of accounting for value. At the start of an activity there is less information about what the outcomes are going to be than after several years. An initial assessment of outcomes could therefore miss outcomes that are only identified in subsequent accounting periods. It could also include outcomes where subsequent data collection supports the judgement that the outcome is not material. In future years it would not be necessary to account for these outcomes. An organisation often has less resources available at the start of an activity and may decide not to collect the information necessary to make this judgement. In this case the risk that material outcomes caused by the activity are excluded increases as does the risk that impact is therefore materially misstated.

This will also affect an organisations ability to make changes to an activity if those responsible for making a change are concerned about any missing information. At the start of an activity, once a goal has been determined, this is the judgment that the activity chosen to meet the goal has the highest net impact taking into account material outcomes. For subsequent changes to an activity it means that a new way of doing something has a higher net impact than the existing approach.

Thirdly the nature of social and environmental impacts is that the people experiencing them may not have had a choice to be affected and may not be able to make different decisions to avoid the outcome/effect. People down river from an industrial plant may want to choose not to fish if they know the water had been polluted but they may not have other food sources and have no choice. This means that inclusion of information about outcomes has to include information relevant to decisions that would be made as if those effected were able to make that decision, regardless of whether they do.

The social value materiality standard is designed to help organisations address these challenges. Applying the other principles will provide the basis for making judgements about materiality.

## Considering materiality at different stages

The process that is followed in order to account for the value created by an activity considers:

1. Who are the stakeholder groups that affect, or are affected by, the activity?
2. What are the outcomes (changes) they experience?
3. What is the scale of each outcome?
4. Are there different sub-groups or segments of each stakeholder group that have a significantly different experience of the outcomes?

As above the information available to make these judgements will be different at the start and in subsequent accounting periods.

Materiality judgements for the first two are based on qualitative data and are described as judgements about **relevance**.

Materiality judgements for the third and fourth are based on quantitative data and are described as judgements about **significance**.

An outcome can be relevant but not significant or relevant and significant. Either could be included as material depending on the organisations thresholds.

### 1 Who experiences outcomes?

In drawing up a list of people that experience outcomes there is a risk that:

- a decision is made to exclude people without any information about the scale of the effect on them
- the list is not complete
- the stakeholder group includes subgroups which either experience different outcomes or the same outcomes but to a different extent or value

The [Social Value Stakeholder Involvement standard](#) is designed to reduce this risk.

Before you can identify relevant stakeholders, you need to be clear on the activity. The stakeholders relating to that activity then need to be identified before they can be involved. Whoever is responsible

for collecting data from stakeholders will need to start by drawing up a list of those groups of people or organisations that they consider:

- have affected the activity (or will affect the activity)
- have been affected by the activity (or will be affected by the activity)

There is always a risk that this list is incomplete, insufficiently detailed or includes stakeholders that are not relevant. You may need to revise your list of stakeholders as you progress with your analysis to account for:

- other stakeholders that should be included;
- segments (or sub groups) within your stakeholder group, where shared characteristics may relate to shared outcomes or shared perceptions of the relative importance of those outcomes;
- groups that do not experience material outcomes and can be excluded.

## 2 What outcomes do they experience?

In determining the outcomes that they experience there is a risk that outcomes experienced, positive or negative are not included. This risk increases if the outcomes are not well defined.

The social value standards are designed to reduce this risk. Social Value Standards on [Involving Stakeholders](#) and [Well-Defined Outcomes](#) reduce the risk that outcomes are missed out.

## Relevance

Exclusion of outcomes as not being material in the first two questions is based on qualitative data.

Outcomes are included if they are relevant and are relevant if the activity contributes to the outcome and:

- stakeholders perceive an outcome as important to them;
- peers are already managing the outcome and have demonstrated its value;
- the organisation has a policy to include the outcome;
- there are existing social norms that demand it; or
- there are financial consequences to the organisation for not including this outcome in the analysis.

Stakeholders views are therefore an important consideration but are not the only driver of decisions on relevance.

## Wheels to Meals

For the first question, who experiences the outcomes, it was decided to include and collect data on outcomes from all the stakeholders that were initially identified.

For the second question, what outcomes do they experience, an example of how relevance was assessed is provided in the table below. The relevance assessment criteria are laid out for two changes that stakeholders identified, 'not being disturbed' and 'fewer hospital visits'. One of which was judged relevant and the other irrelevant.

Relevance Test	Outcome A: Avoiding neighbours	Outcome B: Fewer Hospital visits leading to increased independence
<b>Stakeholder perception</b>	In discussion with stakeholders, this was not seen as relevant to the Wheels to Meals service	Stakeholders confirmed that this was a result of being fitter which was something they associated with the wheels to meals service so it was considered relevant.
<b>Societal norms</b>	The societal norm is that not everyone gets on with everyone	Societal norm is to reduce time in hospitals
<b>Direct short term financial impacts to the organisation</b>	None	None
<b>Peer based norms</b>	Whilst there are organisations seeking to maintain good relations between neighbours, these mainly focus on disputes	Other similar organisations also monitor this information
<b>Conclusion</b>	Not relevant	Relevant

At the stage in the process there will be a list of stakeholders and **relevant** outcomes.

## Supporting decisions on excluding outcomes to meet the assurance standard

Justification should be provided to support decisions to exclude stakeholders or outcomes where judged not to be relevant by reference to guidance in this standard. Justification relates to the risk that decisions to choose one way of delivering the activity over another to increase value would not be reversed if data on the scale of these outcomes had been included.

The key requirements of the Assurance Standard are:

*Is the rationale and ultimate decision to include or exclude outcomes based upon any of the following;*

*The relevance of outcomes (emerging from the qualitative stage of stakeholder)*

*The significance of outcomes (emerging from the quantitative stage) based upon the quantity, duration, value and causality.*

*Is there any reason, in the experience of the assessor, that the activity would have other material outcomes that have not been included in the report?*

### 3 What is the scale of each relevant outcome?

The scale of the outcomes is a means of quantifying outcomes taking into account a number of dimensions that include:

- how many people were (or will be) changed;
- how much change happens (or is expected to happen) for each person and for how long;
- how much of the change is caused by the activity as opposed to other factors; and
- the relative value of the change.

This quantification will be used to establish the scale or 'significance' of each outcome which will:

- inform decisions around resource allocation by allowing comparison of different options; and
- inform judgements about significance of outcomes.

Quantitative data on each of these dimensions provides a comparable weighting of the different outcomes.

Separate standards for these are planned for the principles of 'Understand Change - part 2 quantities', 'Value what matters' and 'Do not overclaim'. There are several ways of quantifying the relative importance of outcomes which are recognised by the Assurance Standard and include weighting and financial proxies. Guidance on these approaches will be included in the Standard on Value what matters. Current published guidance is limited to the [Guide to SROI](#) which uses financial proxies but includes guidance for measuring other dimensions of scale (quantities, duration and causality) which meets the Assurance Standard for Social Value. There are examples of Social Value accounts that meet this Standard on Social Value UK website in the Reports Database tagged as "Assured Reports".

## Significance

Significance is then assessed by reference to the scale of the outcomes.

### Wheels to Meals

The table below summarises the quantification of another two of the outcomes from the supplement. The first was judged to be significant and the second not.

	<b>The sessions by the nurse helped residents manage their health and symptoms better and residents were slightly healthier</b>	<b>Resident went to luncheon club instead of staying at home, neighbour called round less and so neighbour felt displaced/ rejected</b>
<b>Number of people experiencing the outcome</b>	27	42
<b>Amount of change per person<sup>1</sup></b>	20 (average amount of change per person)	11 (average movement)
<b>Duration (years)</b>	2	3
<b>Causation</b>	25% deadweight	20% deadweight
<b>Value (approach to weighting) Financial Proxy</b>	£300	-£220
<b>Impact (taking no of people, average change, duration, unit value of change and causation into account.</b>	£4,050	-£1,936
	Significant	Not significant

This means that:

- a small change effecting a large number of people can be compared with a large change effecting a small number of people.
- a positive change for one group can be compared with a negative change for another.

<sup>1</sup> Averages may hide risk of different experiences for subgroups

This comparison should not be mistaken with making a decision based on the comparison. Decisions which compare, for example small changes affecting a lot of people against big changes affecting a few, and/or make trade-offs between experiences of different groups are being made all the time. The purpose is to make these more transparent and informed by the experiences and values of those affected.

In *Wheels to Meals*, the discussion on which of the included outcomes are significant is set out in the supplement to the Guide on using SROI. The account of all the relevant outcomes is followed by a decision on which are significant and followed by an account which excludes those judged not to be material. In this example the judgements were not made by reference to thresholds.

### Thresholds

It is recommended that the organization has a policy which sets thresholds for materiality. This needs to consider thresholds for weightings/value assigned for different outcomes, for example an organization may decide that the threshold for carbon emissions (see guidance note on environmental outcomes) or serious physical injury is zero so that any level is always considered relevant and therefore material to the account.

## 4 Reconsidering who experiences outcomes - Segmentation and subgroups

Analysis of the relationship between the characteristics of the different stakeholders and the information now available may identify subgroups or segments where there is a notable difference in the dimensions that results in different scale of impact for each segment or subgroup. These subgroups will be separately identified where the organisation decides that this difference is useful and provides opportunities for creating additional value for a subgroup. Consequently, this is information that is material to the decisions of the managers of the resources seeking to create additional value. However, the test is not the scale of the outcome but the size of the difference between scale of outcomes.

The materiality judgement for excluding outcomes is made at the level of the stakeholder group and not at the level of any segmentation. If a group had been segmented into a large number of subgroups it would be possible for the weighted outcomes for each smaller group to fall below a threshold.

The materiality judgement for including outcomes is made at the level of the subgroup. This means that a situation where the outcome for a single person could still be considered material.

At this stage in the process there will be a list of stakeholders and **relevant and significant** outcomes.

## Supporting decisions on excluding outcomes to meet the assurance standard

Justification should be provided to support decisions to exclude stakeholders or outcomes where judged not to be relevant by reference to guidance in this standard. Justification relates to the risk that decisions to choose one way of delivering the activity over another to increase value would not be reversed if data on the scale of these outcomes had been included.

## Risk

The aim of this principle is to reduce the risk that material outcomes are excluded, the analysis is not complete, and therefore not able to inform resource allocation decisions.

## Step by Step summary

1. Determine outcomes and possible stakeholder segments
2. Determine relevance
3. Highlight outcomes not considered relevant
4. If this means that there are stakeholders with no outcomes, highlight these stakeholders
5. Determine number of stakeholders experiencing each outcome, the quantity, value duration and causation of outcomes
6. Reconsider segments and recalculate if necessary
7. Determine thresholds for significance
8. Finalise decisions on significance of outcomes arising from the activity
9. Highlight those outcomes no longer considered significant
10. If there are stakeholder groups with no material outcomes highlight these stakeholders
11. Summarise decisions on relevance and significance

## Useful Resources

Some sources of additional useful information include:

- AccountAbility, Redefining Materiality, Practice and public policy for effective corporate reporting, available [here](#).
- AccountAbility, Redefining Materiality II: Why it Matters, Who's Involved, and What It Means for Corporate Leaders and Boards, available [here](#).
- Integrated Reporting, Training and Resources, available [here](#).

# SOCIAL VALUE

---

## INTERNATIONAL

### About

Social Value International is the global network focused on social impact and social value. Our members share a common goal: to change the way society accounts for value.

This pioneering community contains members from 45 countries, drawn from a huge range of different sectors and disciplines. Our goal at Social Value International is to support, connect, and represent our members through training, knowledge-sharing and networking. Social Value International is much more than a professional network. Together, we are building a movement for change.

These documents are downloaded thousands of times by users all over the world. If you would like to sponsor this document and help accelerate the work of the methodology sub-committee, please contact us ([hello@socialvalueint.org](mailto:hello@socialvalueint.org)).



### Social Value International

[www.socialvalueinternational.org](http://www.socialvalueinternational.org)  
[hello@socialvalueint.org](mailto:hello@socialvalueint.org)

Social Value International is a Charity registered in England & Wales no. 1142874 and a Company Limited by Guarantee, registered in England & Wales no. 7568122.