

# **GIIRS AND SROI WHAT IS THE RELATIONSHIP?**

This paper discusses how the SROI (Social Return on Investment) method can be used in conjunction with GIIRS Ratings & Analytics (“GIIRS” stands for the Global Impact Investing Ratings System) The SROI method provides a clear process for determining the value drivers within an organisation and helps an organisation determine which outcomes that result from an activity should be managed. GIIRS is a comprehensive, comparable, and transparent system for assessing the social and environmental impact of companies and funds with a ratings and analytics approach analogous to Morningstar investment rankings. In addition, GIIRS provides investors and investment advisors with access to aggregated ratings information through a product called GIIRS Analytics, which is similar to Capital IQ.

Together these tools provide a valuable framework for organizations to use when reporting impact. One focusing on the source of value within an organisation, the other on the ability to assess and benchmark company and fund performance across sectors, geography, and company size.

### **How to Measure Impact**

In order to evaluate its impact, an organization must first decide which things to measure. Although this may seem obvious, determining which performance indicators to measure inputs, outputs and outcomes requires thought about the way an organization’s activities create change, including both the positive change targeted by the organization, and also unintended and negative change.

### **What is SROI?**

The SROI (Social Return on Investment) is the application of a set of principles to map out impact. This provides a consistent approach to understanding and managing impact with the flexibility to respond to different activities in different organizations with different stakeholders.

In brief, it guides the process by which an entity identifies different stakeholders, asks for their perceptions of outcomes, and assesses which outcomes are important by considering the quantity of outcomes occurring, the value of these outcomes to stakeholders and assessing what would have happened in absence of the organization’s work. Indicators are developed for those outcomes which are considered material. The aim of SROI is to reduce inequality and environmental degradation by revealing and accounting for a more complete account of the value of an organization’s social, environmental, and economic outcomes.

### **What is GIIRS Ratings & Analytics?**

GIIRS (pronounced “gears,” stands for Global Impact Investing Rating System) is a comprehensive and transparent system for assessing the social and environmental impact of developed and emerging market companies and funds with a ratings and analytics approach analogous to Morningstar investment rankings and Capital IQ financial analytics. It seeks to spark the impact investment industry by providing a tool that is intended to change investor behavior and unlock sidelined investment capital through comparable and verified social and environmental performance data on high impact funds and companies seeking investment capital. GIIRS Ratings & Analytics has the largest database of social and

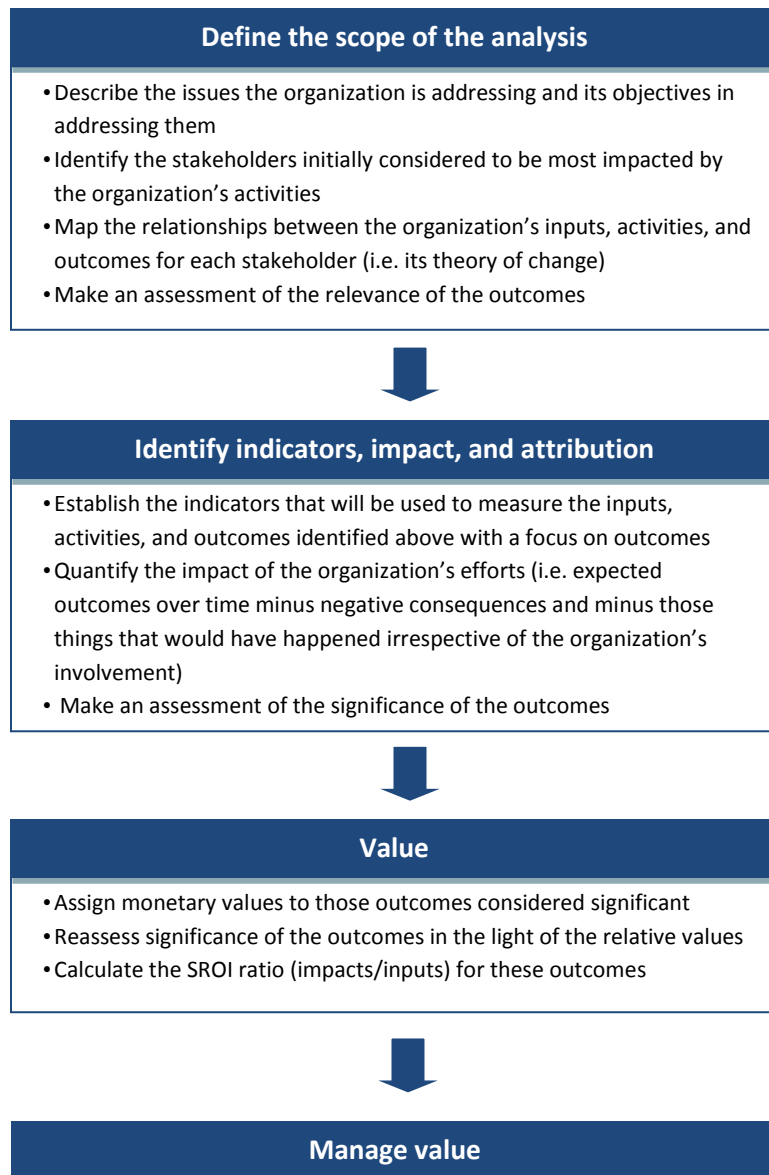
environmental performance data for private companies and funds is the first and only platform that provides ratings, data, research, and analytics for impact investing.

### What impact measurement roles do SROI and GIIRS fill?

With its focus on the investment community, GIIRS utilizes a comprehensive, standardized, and transparent method of impact assessment. SROI with its focus on organizational improvement and reporting has been found to more closely focus on the impact of the organisation.

The SROI method is a multi-step process. The diagram below summarizes the different steps in the SROI process. The important outcomes are not predetermined but are determined through a process which involves those groups experiencing the outcomes. Negative and unintended outcomes are included.

### SROI



## GIIRS

GIIRS provides a score by assessing performance against a number of impact areas. GIIRS also provides the data related to each impact area to investors through an online platform called GIIRS Analytics.

Category	
<b>Governance</b>	Mission and engagement; governance; transparency and reporting; and anti-corruption
<b>Community</b>	Supply chain, local community, job creation, diversity, civic engagement and charitable giving
<b>Workers</b>	Compensation, training and benefits; worker ownership; and work environment
<b>Environment</b>	Company land, office and plant; inputs; outputs; transportation and distribution; and supply chain.
<b>Socially- and Environmentally-Focused Business Models</b>	Covers models of impact, including consumer-focused models, worker-focused models, supply chain-focused models, ownership-focused models, community-focused models, and environment-focused models.
<b>Composite score based on predetermined relative weightings, which depend on a company's geography, sector and size and are made transparent within ratings system</b>	

### GIIRS Company Ratings Process

- **Step 1: Complete a GIIRS Assessment:** The first step in getting a GIIRS Ratings is for a company to complete an online GIIRS Assessment, which looks at the impact of a company (1) on all of its stakeholders. The standards change depending on the size (number of employees), geography, and type of company (sector).
- **Step 2: Verification:** Next, companies have an assessment review with a GIIRS staff member. On this call, GIIRS staff will make sure all questions are answered accurately. The review also helps GIIRS understand more about the company and the unique circumstances and best practices related to the company. Companies are also asked to upload documents related to the answers for questions deemed material by GIIRS within the ratings system. A desk review of the selected documents, which includes an assessment of whether the supporting documentation meets the criteria established by GIIRS, will be executed with the assistance of a third-party. Finally 10% of all rated companies are selected for an on-site review annually.
- **Step 3: Get GIIRS Ratings Report**

SROI does not preset the stakeholders in order to recognize any subgroups that experience significant outcomes, and does not predetermine relative weightings. This and the judgements required mean that SROI ratios are not designed to be compared although the analysis itself can be. GIIRS ratings are

designed to be compared and the standardized approach limits the need to make judgments when it is being calculated. In the future, GIIRS may develop ratios that compare impact (as determined by a GIIRS Assessment) and financial measures such as revenue or investment made.

### **SROI, GIIRS and Monitoring**

Each GIIRS ratings report is valid for one year; companies and funds must update their assessments annually to receive updated GIIRS rating reports. This will provide the opportunity to track performance over time.

SROI is a learning and planning framework to identify opportunities and strategies for increasing impact. It can help to assess the potential impact of an investment, ensure alignment among stakeholders, and identify what should be measured once the project is up and running. Ongoing monitoring is important to evaluate progress toward desired outcomes and whether there are any unintended consequences.

For more information as well as information on resources and service providers see [www.thesroinetwork.org](http://www.thesroinetwork.org) and [www.giirs.org](http://www.giirs.org)