

Valuation Vote

Review of Issues for Discussion & Voting

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**YOUR COMMUNITY
INVESTMENT RESOURCE**

Agenda

- LBG Canada benchmarking process
- Valuation vote process and principles
- Issues for discussion
- Questions

Vote opens: November 25 – December 9

Principles that Underpin the Audit

- The contribution is **voluntary** (eg. not regulated or part of daily operations)
- The contribution is a **'cost to the company'** (eg cash, in-kind, time, or management costs)
- There is a **clear benefit** to either the community at large or enables the work of a community partner
- The contribution's **benefit goes beyond a company's immediate stakeholders** (eg. customers, clients, suppliers, or employees)
- The contribution supports a **registered not-for-profit, charitable or social enterprise organization, or contributes towards a scholarship or bursary, or supports an established, non-commercial, community organization/initiative; or supports a social business such that there is no associated asset remaining on the investing company's balance sheet**
- The contribution has a **demonstrable value** to the community/community partner in relation to cost/contribution

***** Contributions from employees, franchisees, suppliers, external partners, and others are reported as 'stakeholder contributions'***

The Audit Process

Company submits community investment transactions for audit



Valuation principles applied on a line-by-line basis



Review results with company, for clarifications



Final assessment of cash, in-kind, time, and management costs invested, including stakeholder contributions



Company reports to key internal & external audiences



Data analysis of performance

Why Audit?

Community investment elements we **audit** every year:



employee giving



management approach & structure



in-kind investment



corporate matching programs



volunteer hours



program management costs



cash investment

Why?

So the **value** of community investment, employee volunteering and giving as **business activities** are clearly **understood**.

Valuation Principles

Without	With
Unclear what is defined as 'community investment'	Clear definitions upheld across peers, including exclusions (i.e. professional sport, trade associations, customer-only investments, etc.)
Don't know how to value investments. Risk of overvaluing and/or undervaluing, therefore hard to assess ROI	Clarity in how to value investments (i.e. in-kind, time, program mgt. costs)
Peer-to-peer comparisons unavailable	Able to compare apples-to-apples and therefore benchmark
Less credibility & confidence in reporting	Able to attract the attention of stakeholders interested in comparability and rigour behind your CI data/CSR report <ul style="list-style-type: none">-Auditors (PricewaterhouseCoopers LLP, etc.)-Investors (Jantzi Research, etc.)

LBG Canada Valuation Process

A company innovates in community



A question is raised re: how innovation aligns with current audit principles



All companies discuss and vote on how the innovation should be integrated the audit standard. Each LBG Canada company has one vote



Final valuation decisions require a majority of 65%



If no majority, further consultation is required or the issue is regarded as ineligible

Key Questions

- 1 | Is it voluntary?
- 2 | Is there community benefit?
- 3 | Is it 'cost to company' or did a stakeholder invest?
- 4 | What happens when the beneficiary commits (by contract) to deliver a tangible benefit in return for the donation?
- 5 | Can community investment include something that is still recorded as an asset on a company's balance sheet?

Issue 1 – Business Status

#	Type of Issue	Valuation Consideration	Example(s) Brought Forth	Questions for Consideration	Background Information	LBG Canada Precedents
1	Eligibility	Does business status make an organization ineligible	Riipen & networking innovation programs	<p>Is investor motivation more important than business model?</p> <p>Riipen's clients are universities seeking to give students work experience so that they access meaningful work when they graduate.</p>	<p>Riipen is a business. It offers an online platform to connect students, employers and educators.</p> <p>Riipen is paid a fee by a corporation that allows 20+ universities and non profits to enable their students and clients to access opportunities on the online platform.</p>	None - funding social businesses and/or for social purpose organizations that operate on a for profit model is new territory.

Issue 2 – Using Estimates

#	Type of Issue	Valuation Consideration	Example(s) Brought Forth	Questions for Consideration	Background Information	LBG Canada Precedents
2	Eligibility	Are estimates of the value of investments acceptable?	Applying estimates of management costs across an organizational footprint, when only corporate management costs can be tracked	<p>A company has a prominent international presence, with a footprint that includes many countries outside of Canada, where its head office is located.</p> <p>Corporate program management costs average 6% of the total portfolio. Is it reasonable to apply that percentage to represent a similar amount to the value of management efforts across the global footprint?</p>	<p>The corporate management costs are auditable.</p> <p>Community investment expenditures are tracked and audited across its footprint, however there are no equivalent local teams outside of Canada.</p> <p>The management of community investment activities are managed as part of multiple responsibilities of each local contact.</p>	<p>Typically, the LBG Canada audit results in a value that represents cost to the company, across a wide variety of circumstances and industries.</p> <p>When reporting cost to the company would reveal competitive information, a reasonable wholesale value based upon external research, applicable to the industry as a whole, is proposed as a universal alternative.</p>

Issue 3 – Valuing an Equipment Loan

#	Type of Issue	Valuation Consideration	Example(s) Brought Forth	Questions for Consideration	Background Information	LBG Canada Precedents
3	Valuation	How to value a new piece of equipment that is loaned out for 2 years, then returned and either sold or used for research.	loan of new vehicle that would otherwise have been sold	If i) a vehicle has an established market value, and ii) would definitely have otherwise been sold iii) has a book value upon return iv) is either used by the company for R & D or sold to a employee at a reduced rate	the returned in-kind gift still has value to the company (either for research or sold 2 years on)	Generally, the valuation of in-kind gifts is considered at 'cost to company' value when 'cost to company' is not known, wholesale value is used, or a reasonable approximation

Issue 4 – Using Estimates

A	B	C	D	E	F	G
#	Type of Issue	Valuation Consideration	Example(s) Brought Forth	Questions for Consideration	Background Information	LBG Canada Precedents
1						
4	Eligibility	Event, Theatre, Art and Music Sponsorships	Concert & music sponsorships - do we always assume tickets are received?	<p>If a company is sponsoring an event, theatre production, art exhibition or music event, should participation always be assumed?</p> <p>If yes, this would trigger a tickets & tables-like review whereby a percentage would be deducted because the investor receives a benefit associated with participation.</p>	<p>Following the same philosophy, if a table is purchased then it is assumed that the company enjoys the benefits of the food & entertainment. If the table is given away (the purchasing company does not given away, we mark it at 100%</p>	<p>Generally speaking, activities where a company is receiving an entertainment benefit in exchange for sponsorship (i.e. events with food and drive, gold tournaments) result in a tickets and tables valuation.</p>
5						

Issue 5 – Memberships of Think Tanks

#	Type of Issue	Valuation Consideration	Example(s) Brought Forth	Questions for Consideration	Background Information	LBG Canada Precedents
5	Eligibility	<p>Are membership dues to business and public policy think tanks community investment?</p> <p>Are the events they organize community investment, particularly when organized on behalf of industry.</p>	<p>Public Policy Forum Membership and events</p> <p>Fraser Institute Membership and events</p> <p>America Society</p> <p>CD Howe Institute</p>	<p>PPF membership includes:</p> <ul style="list-style-type: none"> • Exclusive access to networking opportunities with other senior-level decision makers. • Significant input over programs and research. • Privileged opportunities to participate in public policy dialogue processes that help develop and improve policies that are important to Canadians. • Access to a neutral, independent forum for open dialogue on public service and governance that makes collective decision making possible. 	<p>Members also:</p> <ul style="list-style-type: none"> • Obtain access to Forum events at a reduced rate. • Receive the President's Letter, distributed twice annually to members. • Are asked to nominate honourees for signature awards: <ul style="list-style-type: none"> o Emerging Leaders Award o Hyman Solomon Award for Excellence in Public Policy Journalism o Peter Lougheed Award 	<p>Chamber of Commerce is a non-profit association but is not considered eligible as a community investment because of its focus upon business needs.</p> <p>https://www.as-coa.org/</p>

Issue 6 – SMEs as Community Investment

#	Type of Issue	Valuation Consideration	Example(s) Brought Forth	Questions for Consideration	Background Information	LBG Canada Precedents
6	Eligibility	Support of small business as community investment	Contribution to small business First West TD's US file	<p>https://www.calgarychamber.com/enmax-amplifier-fund</p> <p>from the website - the 2022 winner</p> <p>'BRITT RADIUS is a ridiculously talented consulting services firm dedicated to helping organizations achieve compliance and acceptance for projects that impact people or land. We specialize in navigating the intricacies in working with the public, stakeholders, Indigenous communities, regulatory frameworks, and access to land.'</p>	To support Calgary's dynamic and diverse small business community The ENMAX Amplifier Fund will give \$25,000 to one business, allowing that business to leap to the next level by investing in innovation, technology and leadership.	<p>Typically, community investment is a contribution to a social purpose organization of some form.</p> <p>A for-profit business such as the winner of the 2022 award, BRITT RADIUS, is not typical of a community investment contribution.</p> <p>However, motivation is a primary factor underpinning the definition of community investment. If the investor motivation is to make Calgary a stronger community through investment in a strong economy, is that sufficient motivation to classify the award as community investment?</p>

Issue 7 – Non Profit Industry Associations

#	Type of Issue	Valuation Consideration	Example(s) Brought Forth	Questions for Consideration	Background Information	LBG Canada Precedents
7	Eligibility	Are all non profit industry associations equal?	Are agricultural industry associations CI? I.e. the soybean association?	Does the type of industry matter to eligibility?	<p>Many LBG Canada companies sponsor/support agricultural associations.</p> <p>The question is whether farming is a business, comparable to other industries which would not be considered community investment.</p>	<p>The Chamber of Commerce Dues are ineligible. All industry associations such as CAPP, CEPA, CBA, Auto makers are not eligible.</p> <p>Some have argued that support for agricultural associations (soybean, dairy & similar) would be community investment because because they represent farmers.</p>

Issue 8 – SMEs as Community Investment

#	Type of Issue	Valuation Consideration	Example(s) Brought Forth	Questions for Consideration	Background Information	LBG Canada Precedents
8	Eligibility	Food waste programs as community investment	In-kind contributions of food that are close to their expiry date	<p>Is rerouting of excess food otherwise headed to the landfill to be considered community investment?</p> <p>Is the need and use for the food a determining factor?</p>	Typically, donation of goods that are otherwise considered waste are not community investment.	<p>If the company incurs a cost to enable the donation that portion of the gift would be considered community investment.</p> <p>If the company reduces costs by avoiding landfill, that would be deducted from the overall value of the contribution.</p>

Next Steps

- 1) Look for the LBG Canada survey
- 2) Each LBG Canada company gets one vote!

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