



LBG Canada Audit Overview

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Stephanie Robertson, Lead Auditor & Facilitator

LBG Canada

404 6th Ave SW, Suite 300

Calgary, Alberta, Canada T2P 0R9

Toronto: (416) 642-5461

Calgary: (437) 241-8773

Cellular: (403) 619-1399

stephanie@simpactsg.com

www.lbg-canada.ca



LBG Canada Audit - Overview

Origins

The LBG (London Benchmarking Group) Model is the recognized global standard to manage, measure, and report on the value of corporate investment in the community. Created in London, UK, in 1993, British companies using the LBG Model initially referred to their network as the London Benchmarking Group.

As the use of the Model expanded through Britain and then across the world, the network was renamed LBG. In 2019, LBG again rebranded and became B4SI. This illustrated the applicability of the LBG Model to manage, measure, and report other social investment and social procurement activities of companies.

Stephanie Robertson, Lead Auditor and Facilitator of LBG Canada, worked with the original LBG Network between 1999-2004. Upon returning to Canada, she launched the LBG Canada Network to fill the gap in Canadian standards for the management, measurement, and reporting of the value of Canadian corporate investment in communities.

Audit History and Purpose

Used by leading companies in Canada since 2005, corporate reporting standards that include the Dow Jones Sustainability Index (DJSI), the GRI, and Imagine Canada, seek evidence of the use of the LBG Model, as a signal of both transparency in reporting and strategic use of shareholders dollars as directed towards community activities.

To that end, the LBG Canada audit addresses the ongoing challenge that corporate community investment does have a specific definition, yet is often used with a general meaning in corporate, public sector, and social sector dialogue, and by the general public.

As a result, the role, purpose, and value of community investment activities to both the community and the business can be misrepresented, under or overvalued, or even overlooked. This is a risk within companies, in the corporate sector more broadly, and by all levels of government. As green and social-washing concerns mount, the risk of misrepresenting the value 'S' activities in ESG reporting continues to accelerate.

In response, the annual audit undertaken by LBG Canada network companies enables a consistent definition of what can be credibly reported as corporate community investment. The applies across sectors, industries, company size, corporate strategies, and cultural and geographic footprint.



Available Guidance

The LBG Model/now B4SI provides public, high-level guidance on how to apply the LBG Model. Available online, [Business for Societal Impact Guidance Manual](#) is a re-branded version of the [LBG Guidance Manual](#) published in 2018, and a scaled-down version from the 2016 publication the [LBG Guidance Manual, From inputs to impact](#)¹.

Available high-level guidance establishes the broad principles and high-level framework but does not clarify in detail what should be reported as community investment, or not. Ongoing innovation, commitments to the UN 2023 Sustainable Development Goals (SDGs), sustainability practices, business-driven social innovation, social procurement initiatives, ESG reporting requirements, and concerns about green and social impact-washing are all significant driving forces contributing to an increased urgency for standards in all aspects of social reporting.

Across the B4SI network globally, companies are invited to pay a nominal fee for access to the network, an additional fee for more detailed guidance, and a further additional fee for a portfolio audit. As a result, the majority self-report on community investment activities based upon access to high-level guidance and peer discussion.

LBG Canada was established in 2005, with a different participation model. Network participation encompasses the audit, valuation guidance, access to a multi-year performance data set, and analysis, and is accessed through annual dues. Companies can access the LBG Canada audit and other services as one-off transactions, through SiMPACT Strategy Group.

Annual Process

Ongoing and increasing investor interest in evidence of social performance (of which community investment is one essential part) only highlights the need for consistency, standardization, and transparency.

This is a significantly lesser risk to the LBG Canada community for two reasons:

- a) LBG Canada companies vote on what upholds the definition of community investment and, therefore what should be reported as such, annually.
- b) each participating company agrees to an annual audit of community investment activities to underpin public reporting on community investment dollar amounts.

¹ Access to and use of LBG/B4SI guidance is governed by a Creative Commons license.



Given ongoing innovation across the corporate environment, new forms of community investment are being presented for audit each year. More than 85 valuation decisions have been made since 2009. This has shaped the audit process and evolved in step with the practice of corporate community investment. These decisions are the ***LBG Canada Case Law***.

The ***LBG Canada Case Law*** are group-wide decisions, made in an annual voting process, that underpin the audit of each company's community investment portfolio. The LBG Canada audit is then conducted by SiMPACT Strategy Group, as the lead auditor and facilitator of LBG Canada.

The auditor applies the decisions represented within LBG Canada Case Law consistently across community investment portfolios while navigating differences in industry, strategy, company size, geographic footprint, and operating context. Examples of LBG Canada Case Law are included in **Appendix 1**.

Audit results are integrated into internal company audits, external audits and assessments, Board accountability processes, annual Sustainability, Citizenship, ESG, and purpose reporting. The deliverables per client that result from the audit process are listed in **Appendix 2**.

The LBG Model values cash, volunteer time, in-kind donations, and program management costs as corporate community investment. As company social and ESG performance continues to evolve, social procurement, Indigenous investment, social finance, and other social innovations can be managed, measured, and reported using the LBG Model/B4SI framework.

More information about the future of this work is available in the LBG Canada Report: [From Story to Scrutiny: A Pathway to Investment Grade 'S' Data here](#).

Annual Reporting

Many companies also include the LBG Canada logo in their annual corporate reporting, as a signal of a deliberate strategic effort to achieve both community and business impact through community investment programming. See recent examples: a) Scotiabank and b) RBC below on the following page.



a) Scotiabank Corporate Reporting FY 2022.

COMMUNITY AND PHILANTHROPY

Community Investment and Philanthropic Activity

At Scotiabank, we are guided by our purpose, for every future. We know that the long-term success of our Bank is fundamentally intertwined with the futures of those around us. For this reason, we aim to make a measurable and lasting impact in the communities in which we live and work. Through our business activities and community investment strategy, we strive to strengthen the resilience of our customers and the communities we serve. This approach guides our decision-making, including how we allocate donations. Scotiabank is committed to helping deliver real social impact to enrich communities around us.

In 2021, Scotiabank contributed \$771 million in donations, community sponsorships, employee volunteering and other types of community investment globally, of which \$59.7 million was directed to organizations and communities in Canada. In 2021, as in 2020, we targeted a portion of corporate donations to support communities during the COVID-19 pandemic. In addition, Scotiabank employees support their own communities through volunteering, donating 88,093 hours to local causes this year.

THROUGH SCOTIABANK'S COMMUNITY INVESTMENT EFFORTS IN 2021:

- \$59.7 million was directed to organizations and communities in Canada
- 1,859 organizations were supported in communities across Canada

As an Imagine Canada Caring Company, Scotiabank gives 1% of pre-tax profits to the communities where our employees live and work in Canada.

Community investment represents all Scotiabank community investments enterprise-wide in Canada, including Scotiabank's funding, investment contribution by category for the 2021 fiscal year was independently verified by the London Benchmarking Group (LBG) Canada. LBG is recognized as the global standard for managing, measuring and reporting community investment. Program segmentation (i.e. value for Scotiabank's initiatives and Community Investment initiatives) was not part of this audit.

EMPLOYEE COMMUNITY PROGRAMS

Scotiabank supports employee volunteering efforts through two formal global employee community programs – the Scotiabank Employee Volunteer Program and the Scotiabank Team Community Program. In 2021, Scotiabank donated \$950,491 through employee community programs.

SCOTIABANK EMPLOYEE VOLUNTEER PROGRAM (SEVP)

The SEVP is an employee engagement program that encourages individual employees or retirees who have actively volunteered for at least 50 hours in a 12-month period with a qualifying community-based organization to apply for a \$1,000 donation to that organization. In 2021, 183 employees participated in the SEVP, contributing 24,093 hours of active volunteering for organizations in their communities.

SCOTIABANK TEAM COMMUNITY PROGRAM (STCP)

The STCP is an employee engagement program that encourages employees to work together to raise funds in the community for a cause that is important to them. This program drives social impact by raising funds for a charity while encouraging employee engagement and relationship building within the communities where we live and work.

The Bank matches funds when two or more employees raise funds for a qualifying community organization. For teams with fewer than 30 employees, funds raised are matched up to \$3,000. Up to \$15,000 is matched for teams of 30 or more employees. In 2021, a total of 11,817 STCP volunteers supported their communities. Here are three examples:

- Scotiabank employees raised \$260,774 for the Princess Margaret Hospital University Health Network in Toronto through their participation in the Ride to Conquer Cancer.
- A team of Scotiabank employees raised \$65,000 for the B.C. Children's Hospital Foundation through the local sale of chocolate.
- A kettle drive across three branch locations was responsible for raising \$49,938 to contribute to The Salvation Army Kelowna Community Church.

COMMUNITY INVESTMENT BREAKDOWN:

- Total: \$59.7 million
- Social Services: 15.7%
- Education: 10.8%
- Health: 10.0%
- Sports & Recreation: 6.8%
- Other: 6.6%
- Management Costs: 4.5%
- Arts/Culture/Humanities: 3.4%
- Employee Volunteering: 1.9%

b) RBC Corporate Reporting FY 2022.

ENMAX CEO LETTER

EMPLOYEE SAFETY CONTRACTOR SAFETY EMERGENCY PREPAREDNESS PUBLIC SAFETY DIB EMPLOYEE PR

Community investment and economic impact

OUR APPROACH

We are committed to supporting our communities in Alberta and Maine through sponsorships, donations, partnerships and employee volunteerism. Both ENMAX and Versant Power have been working to enhance our partnerships and focus our funding to directly target community needs and make an even bigger difference.

We aim to annually invest at least one per cent of our pre-tax profits in our communities and we achieved this goal in 2022. ENMAX engages the London Benchmarking Group Canada (LBG) to review our community investment performance. LBG's assessment includes ENMAX's cash donations, property taxes, insurance premium taxes, business taxes, capital taxes.

In addition to RBC's own calculations, we ask London Benchmarking Group (LBG) Canada to assess our data and calculate our corporate giving based on their methodology, which helps to account for the broader impacts of our financial contribution. LBG is a network of corporate community investment professionals that work together to apply, develop and enhance the LBG measurement framework. Since there are no generally accepted accounting principles to inform how "community giving" is reported, different companies have historically taken different approaches to arrive at their numbers. LBG's measurement framework provides an approach to measuring the real value and impact of corporate community investment to both business and society and is the global standard for measuring community contributions. As an external third party, LBG Canada provides a standardized approach for valuing community investment and reviews each participant's reported community giving to verify whether or not

WHY IT MATTERS TO ENMAX

Our investments and employee volunteer contributions make a positive impact in the communities where we operate. We continually strive to do our part to build stronger and more resilient communities.

2022 GLOBAL COMMUNITY INVESTMENTS

CONTRIBUTION BY TYPE

Contribution Type	Total
Cash	
Time ¹	
Management costs ²	
Total	

Total community investment fiscal year was independent of Benchmarking Group (LBG) as the global standard for reporting community investment.

As an Imagine Canada Caring Company, RBC gives 1% of domestic pre-tax profits to non-profit organizations in our employees live and work in.

For profiles of organizations: **Perspectives: Impact stories**

Scotiabank 2022 ESG REPORT

Please visit lbg-canada.ca for more information.

Appendix 1. LBG Canada Case Law Examples

LBG Canada Final Valuation Case Law & Guidance

LBG Canada Case Law represents the application of the LBG Canada Principles that define community investment and provide guidance on how contributions should be valued. This case law is intended to evolve as companies innovate and adapt. All LBG Canada companies vote on the guidance within the case law, which must be passed by a 65% majority.

Category	Issue	Example	Questions considered	Background	LBG Precedents	Final Decision	Notes/Valuation guidance
Staff	Staff Time Contributed During Work Hours - General	Staff volunteers during working hours at a homeless shelter or to be a volunteer reader at a school. This can be a company-led initiative or individual-driven.	<ul style="list-style-type: none"> What is the cost to the company? 	All		Allow	<p>Refer to Principle 5. In order to understand the true value of the time donated, it should be in-line with the company's industry and operating environment. Staff time should be calculated based upon an average hourly wage plus CPP, pension and overhead costs. Executive wages should not be included in this average.</p> <p>Apply this rate to the number of program participants and the amount of time contributed. If the national/provincial average would be applicable, this figure can be substituted for the calculation above. To find this information visit www.statcan.ca > Statistics by Subject > Labour. It is important for a company to be consistent with the number it uses and to make reference to how the number was determined.</p>
PMC	Program Management Costs (PMC) - General	Salaries, Benefits, Overhead, Travel, Research, PR & Communications (designated for CI), Memberships (that enhance the management of CI) for the entire community investment department that will not be tracked on a program-by-program basis.	<ul style="list-style-type: none"> What is the cost to the company to have CI function? Are there overhead costs? Whose time should be allocated against the CI program management, and what percentage of their time? Should we track any of these costs by a program-by-program basis? 	All	Count all costs associated with having the community involvement function in place.	Allow	<p>Capture the cost of maintaining full and part-time community affairs staff, including salaries and benefits, operating costs (incl. overheads, research and evaluation, skill development, communication of program activities).</p> <p>If project management cost have been allocated to a specific project, care should be taken to ensure they are not double counted.</p>
PMC	Program Management Costs (PMC) - Specific	Salaries, Benefits, Overhead, Travel, Research, PR & Communications (designated for CI), Memberships (that enhance the management of CI)	<ul style="list-style-type: none"> Does it make sense to allocate a percentage of the overhead costs, including travel, PR, etc. to a specific program? Is a community project large enough to benefit from tracking the PMC specifically associated with it? Whose time should be associated with a particular project, and what percentage of their time? 	All	No individual project-related costs, all PMC are counted as a single line-item.	Allow	<p>The direct costs associated with an individual investment can be counted on a program-by-program basis. They are valued the same way as general program management costs. Also include any costs relating to the promotion/communication of this program, and paying third parties to provide assistance in managing this program.</p> <p>All other general program management cost are captured on the "General Program Management Costs" sheet in the LBG Canada Data Collection Tool.</p>
Organizational support	Sponsorships of non-profits supporting business activities.	Supporting a Chamber of Commerce or industry organization	<ul style="list-style-type: none"> Is there evidence of community benefit? 	Commercial Initiative		Disallow	Refer to Principle 2 & 4.
Customer investment	Upgrade of equipment or premises for customers with special needs (non-legislated or beyond regulatory requirements).	Improvement to corporate website for visually-impaired customers, by a web-based, retail-driven company.	<ul style="list-style-type: none"> If the improvements only available to customers, should it be included? How closely is the initiative related to the sales process? Is there evidence of community benefit? 	Commercial Initiative		Disallow	Refer to Principle 1. This is considered an everyday part of doing business/sales. Refer to Principle 2, 3 & 4.

Appendix 2. LBG Canada Audit Process/Deliverables

Process Step	Deliverable
1.	A line-by-line audit of the community investment portfolio to confirm overall eligibility of transactions presented for audit as 'community investment'. This audit is governed by the <i>LBG Canada Valuation Principles</i> , as voted upon by the LBG Canada community.
2.	<p>Each audit includes a first and second review of each transaction, and a detailed list highlighting the eligibility of each transaction. If a transaction is deemed to be ineligible or partially eligible, it will include a complete explanation as to the reasoning behind this assessment.</p> <p>The full detail and summarized result of the LBG Canada audit is presented for reference in reporting, ongoing reference, and integration into other financial audit and performance verification processes.</p>
3.	The LBG Model and the LBG Canada valuation principles are applicable to both community investments made in Canada, and internationally.
4.	<p>Audit results often bring forward gaps, opportunities & potential new sources of contribution data. Throughout this process, SiMPACT (as the LBG Canada facilitator) seeks to gain a full understanding of the investment context and to build company knowledge of the audit process.</p> <p>A company might bring forward evidence of transactions that until now have not before been classified as eligible for reporting as community investment. When this occurs, a process of research occurs, to prepare the new idea for discussion and vote by the LBG Canada community.</p>
5.	Once the audit is completed, each company participates in peer and sector benchmarking, with other companies that have also benefited from the LBG Canada audit process.
6.	Peer comparisons will also highlight differentiation in approach to community investment, to allow peer learning and to inform strategy.
7.	For companies reporting to the DJSI, GRI and Imagine Canada, LBG Canada results will assist with reporting. SiMPACT will willingly assist with these reporting processes, upon request.