Reporting

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While more and more companies produce reports that emphasize the importance of being a good "community citizen" and effectively managing their relationships with community members and the community environment, those same reports often reflect difficulties in identifying and describing specific goals for community involvement and the impact that company activities are having on the community. As with all aspects of sustainability reporting, practices of companies regarding their disclosures relating to community engagement and investment have been evolving as time has passed and stakeholder interest in such activities has increased. The Sustainability Reporting Standards developed by the Global Reporting Initiative include several types of disclosure categories that cover various aspects of community involvement, investment and impact including disclosures regarding the impact that investments and other support of infrastructure and local services by an organization has had on its stakeholders and the economy, community investment activities, engagement with local communities; the actual and potential negative impacts of organizational actions on local communities and the organization's managerial approach to community issues. A framework for reporting promoted by the London Benchmarking Group is emerging as an effective tool for quantifying and organizing information about corporate community investment activities and, most importantly, assessing and reporting on the impact of corporate relationships with communities and how to manage it.

As with all aspects of sustainability reporting, practices of companies regarding their disclosures relating to community engagement and investment have been evolving as time has passed and stakeholder interest in such activities has increased. Although mandatory reporting requirements have been slow to emerge, the need to keep communities informed has found its way into global standards such as the OECD Guidelines for Multinational Enterprises (http://mneguidelines.oecd.org/) which provide that enterprises are expected to ensure that timely, regular, reliable and relevant information is disclosed to the community regarding the activities, structure, financial situation and performance of the enterprise and relationships between the enterprise and its stakeholders; and communicate information to the community regarding the social, ethical and environmental policies of the enterprise and other codes of conduct to which the enterprise subscribes (including voluntary standards relating to community involvement and development).

A useful reference point was provided by the Global Reporting Initiative ("GRI") (www.globalreporting.org), which is the well-known multi-stakeholder developed international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. GRI pioneered sustainability reporting since the late 1990s, transforming it from a niche practice to one now adopted by a growing majority of organizations. GRI's Sustainability Reporting Standards are the most widely used standards on sustainability reporting and disclosure around the world and available for use by public agencies, firms and other organizations wishing to understand and communicate aspects of their economic, social and environmental performance.

As part of its research into tracking reporting practices and implementation the GRI, working in collaboration with the University of Hong Kong and CSR Asia, reviewed and analyzed 72 sustainability reports in 2008, 58 of which included a specific declaration that they followed the then-current version of the GRI Reporting Framework (the "G3").[1] In its report on the survey (the "GRI Reporting Survey") the GRI noted that the selected reports reflected a diversity of sectors as well as an inclination towards those seen to have a relatively substantial community impact. Perhaps not surprisingly, the companies represented in the survey followed a wide range of diverse approaches in reporting on community performance and showed a significant level of individuality in their reporting. Nonetheless, GRI and its collaborators were able to make several key observations[2]:

- The researchers identified 17 categories of topics that were covered in the reports, acknowledging some overlap, and found that the two topics most frequently covered were education and training and philanthropy and charitable giving (both covered in 63% of the reports) and that the other three topics in the "Top 5" were community services and employee volunteering (49%); total community expenditures (46%) and community engagement and dialogue (46%).
- 69% of the companies choose to group community related topics under a distinct section in the report, which usually focused on topics relating to charity and philanthropy as opposed to sustainable community development.[3] When organizing and presenting the information companies reported according to sites of operation and subsidiaries; used testimonials, dialogues and interviews; used case studies, although there did not appear to be a common practice in terms of which was included in relation to understand the impact of the company's community contribution or participation; and included general anecdotal write-ups, tables and graphs within the report.
- Community performance was explicitly defined as a corporate goal in less than half of the reports and usually not very clearly. This lack of precision continued in the

[1] Reporting on Community Impacts: A survey conducted by the Global Reporting Initiative, the University of Hong Kong and CSR Asia (Amsterdam: Stichting Global Reporting Initiative, 2008), 4.
[2] Id. at 4-5.
[3] The researchers found that reporting on many of the community-related topics appeared in other sections of the report such as information related to community environmental impact due to operations and community environmental campaign/problem solving being placed in the section of the reporting dealing with the environment (and reported based on GRI environmental indicators as opposed to GRI social indicators) and information related to direct economic impact and helping local business/producers being placed in the economic section of reports. Id. at 5.

failure of a large percentage of the reporting companies to indicate their general approaches, policies or goals behind significant community activities such as philanthropy and charitable giving and community services and employee volunteering.

- Companies usually focused their reporting on their own performance in relation to community initiatives (e.g., sum of money donated/invested for initiatives and number of people covered by initiatives) as opposed to measuring and describing the impact of those initiatives on members of the community and the environment (i.e., benefits and positive changes). When impacts were reported a majority of the companies emphasized positive contributions without mentioning any negative impacts.
- Context, in terms of geographic location and business sector, matters with respect to the focus of reporting; North American and Asian companies tended to report on education and training, philanthropy and charitable giving and community services and employee volunteering more often than European companies and community engagement and dialogue was noticeably more important among companies in the mining sector than among companies in the chemical sector.

One of the main purposes of the GRI Reporting Survey was to determine how well actual reporting practices on community impacts aligned with the guidelines included in the GRI Reporting Framework. The overall conclusion was that while a majority of the reporters claimed that they were reporting in accordance with the G3 Guidelines and Indicator Protocols on community, the reality was that this was not the case. In particular, the authors of the GRI Reporting Survey were critical of the weaknesses of reporting companies with respect to fulfilling the requirements as stated in the GRI management approach for community issues and found that in most, although not all, cases companies were simply not able to define and report on community impact in a meaningful way.[4] The indicators used for reporting were overwhelmingly focused on performance, probably because measurement of performance ("inputs" such as the amount of cash donated to charities or the number of people who participated in an event or activity) is easier to measure than the impact of community programs, activities and contributions. The action items from a reporting framework development perspective were to try and determine whether companies had no interest in tracking and reporting impact or lacked the capacity to collect and analyze the necessary information and/or guidance on how best to report on impacts.[5]

While more and more companies produce reports that emphasize the importance of being a good "community citizen" and effectively managing their relationships with community members and the community environment those same reports often reflect difficulties in identifying and describing specific goals for community involvement and the impact that

[4] Analysis of the attempts by the companies included in the survey to make disclosures on their management approach on community found that less than half were compliant with respect to disclosure of goals and performance and policy and that disclosures were even weaker with respect to organizational responsibility, training and awareness and monitoring/follow-up. Id. at 10.
[5] Id. at 5.

company activities are having on the community. The researchers who compiled the GRI Reporting Survey noted that companies could access the framework proposed by the London Benchmarking Group ("LBG") to better quantify and organize information about their corporate community investment activities and, most importantly, assess and report on the impact of their relationships with communities and how to manage it. Other tools for reporting on impact have included return on investment (ROI) frameworks; the social, ecological and environmental footprints; Ethos Indicators and work done by partnerships between NGOs and multilaterals that have attempted to conceptualize impact related to broader sustainability dimensions.[6]

Reporting on Community Activities in the GRI Framework

The GRI reporting framework, introduced briefly above, has become the most widely accepted template for sustainability reporting. The framework covers a wide range of performance indicators and disclosure standards in three categories: economic, environmental and social. Organizations that have adopted the GRI framework are expected, among other things, to make disclosures regarding the impact that their investments and other support of infrastructure and local services has had on their stakeholders and the economy; the indirect economic impacts their operations and activities have had on their communities; community investment activities; engagement with local communities; the actual and potential negative impacts of their actions on local communities and their managerial approach to community issues.

GRI Disclosure Standard 201 – Economic Performance

GRI 201 is concerned with the topic of economic performance of reporting organizations and includes, among other things, requirements and guidelines with respect to reporting on "direct economic value generated and distributed" by the organization.[7] The reporting requirements in Disclosure 201-1 on economic value distributed explicitly call for disclosures relating to "community investments". The Guidance to Disclosure 201-1 provides that reported investments must be actual expenditures during the reporting period and not just commitments, and that community investments include both voluntary donations and other investments of funds in the broader community where the intended beneficiaries are external to the organization.[8]

Examples of items that normally should be included when reporting include contributions to charities, NGOs and research institutions (provided that such contributions are unrelated to the organization's own commercial research and development); funds to support community infrastructure, such as recreational facilities; and direct costs of social programs, including arts and educational events. With respect to funding for infrastructure projects organizations are allowed to include capital costs, costs of goods and labor and operating costs incurred in connection with providing ongoing support for

[6] Id. at 6.
[7] GRI 201: Economic Performance 2016 (Amsterdam: Global Sustainability Standards Board, 2016), 6.
[8] Id. at 7.

facilities or programs. This means that organizations should include the amount of funding provided for the daily operations of public facilities.[9]

The purpose of any particular investment is obviously important in determining whether or not it should be reported and organizations cannot include expenditures that are legal and commercial activities or where the purpose of the expenditure is exclusively commercial. In the same vein, community investments do not include any infrastructure investment driven primarily by core business needs of the organization or to facilitate the organization's business operations (e.g., building a road to a mine or other business facility). However, organizations can include and report infrastructure investments outside of the main business activities of the organization such as the costs associated with erecting and maintaining schools or hospitals used by the organization's workers and their families.[10] Where significant, organizations should report community investments separately at country, regional or market levels, and describe the criteria used in order to define and determine significance.

The types of activities that fall within the definition of "community investment" for purposes meeting the disclosure requirements of GRI 201 were covered in a variety of ways in the reports analyzed for the GRI Reporting Survey. For example, along with education and training, philanthropy and charitable giving was one of the two most covered topics in the analyzed reports, appearing in 63% of the reports. The topic was described as reporting focusing on in-kind and cash donations to charitable organizations.[11] Companies reported on a fairly robust set of performance indicators with respect to philanthropy and charitable giving including the following (the top three being the indicators most commonly found):

- Sum of money donated, raised, contributed to community initiatives
- Percentage or number of people/organizations benefited by the services supported by donation from the company
- Number or quantity of scholarships/material/services donated (value of the donated scholarships, material, services not indicated)
- Value (i.e. in terms of money) of material donated
- Percentage of pre-tax profits donated

Reporting on philanthropy and charitable giving also included several impact indicators such as:

- Number of homes re-built/number of families formed
- The income by the community member received from the sales of products
- Percentage drop in infant mortality
- Percentage rise in community members receiving access to education

[9] Id.
[10] Id.
[11] Reporting on Community Impacts: A survey conducted by the Global Reporting Initiative, the University of Hong Kong and CSR Asia (Amsterdam: Stichting Global Reporting Initiative, 2008), 29 and 33.

- Number of children that are free from malnutrition
- Percentage of villages rebuilt

Philanthropy and charitable giving has been the traditional method for supporting social and environmental causes in local communities. In additional to financial support, more and more businesses are expanding their contributions to include managerial support in order to enhance the capacity of locally-driven nonprofit organizations with sustainable development-focused missions.[12]

Total community investment expenditure was also among the five most frequently covered topics in the reports analyzed for the GRI Reporting Survey, appearing in 46% of the reports. The topic was described as including reporting that focuses on the overall expenditure of the company's spending on various community initiatives.[13] Companies reported on a fairly robust set of performance indicators with respect to total community investment expenditure including the following (the top three being the indicators most commonly found):

- Sum of money spent on community investment
- Percentage of profit/revenue/income spent on community investment
- Percentage increase of money spent on social investment, when compared to last year
- Number of people benefited in community investment activities
- Number of social investment projects developed and completed

Notably, however, the reporting companies generally failed to identify and report on any impacts from their community investment expenditures.

Also relevant to community investment (as well as engagement, discussed further below), although not specifically mentioned in GRI 201, is community services and volunteering, which was covered in 49% of the reports analyzed for the GRI Survey, thus making it one of the five most frequently covered topics in those reports. The topic was described as including reporting that focuses on the involvement of both the company and its employees in community actions.[14] Companies reported on a fairly robust set of performance indicators with respect to community services and employee volunteering including the following (the top three being the indicators most commonly found):

- Number of people/organizations benefited or served, or number of volunteering projects implemented
- Number of volunteers from the company

[12] How 17 Companies Are Tackling Sustainable Development Goals (and Your Company Can, Too) http://sdgfunders.org/blog/how-17-companies-are-tackling-sustainable-development-goals-and-your-company-can-too/

[13] Reporting on Community Impacts: A survey conducted by the Global Reporting Initiative, the University of Hong Kong and CSR Asia (Amsterdam: Stichting Global Reporting Initiative, 2008), 30 and 33.

[14] Reporting on Community Impacts: A survey conducted by the Global Reporting Initiative, the University of Hong Kong and CSR Asia (Amsterdam: Stichting Global Reporting Initiative, 2008), 29 and 33.

- Number of volunteering hours offered by employees
- Number of employees sent for community service, amount of equipment/resources provided for the community service
- Number/amount of items distributed or built by the community service
- Amount of funds raised or donated
- Community service participation rate by employees/company operations
- Number of service councils/committees formed
- Proportion of volunteering day entitlements taken up by employees

Notably, however, the reporting companies generally failed to identify and report on any impacts from their community services and employee volunteering. The researchers who prepared the reported speculated that the failure of the companies to measure the impact of volunteering activities on the community might be traced to a feeling among companies that the most significant benefits to companies from their volunteering programs come from strengthening ties between employee perception of a company's impact on the community and employee morale and retention.[15]

A related topic, reported on by 18% of the reporting companies covered by the GRI Reporting Survey, was partnerships with local organizations, which included reporting that focused on partnerships with and/or participation in certain organizations in the community. Performance indicators for this topic included the sum of money donated to partners or spent on partnerships; the number of partnering organizations; the number of people benefited; the number of projects worked in partnership; and the value of goods donated. Unfortunately, as was the case with reporting on community services and employee volunteering, companies failed to identify and report on any impacts from their community partnering initiatives.[16]

Finally, 10% of the reports analyzed for the GRI Reporting Survey included coverage of sponsorships and cause-related marketing campaigns, which were described as including in-kind or cash sponsorship on community initiatives resulting in the display of company name and logo in the initiatives.[17] The performance indicators that companies reported on with respect to cause-related marketing included the number of people/organizations benefited; the sum of money donated for sponsorships; and the number of events supported. No impact indicators were identified and reported on with respect to cause-related marketing activities.

GRI Disclosure Standard 203 – Indirect Economic Impacts

The economic dimension of sustainability in the context of the GRI standards is not concerned about the financial condition of organizations but instead focuses on the impact that an organization makes on its stakeholders and on economic systems at the

[15] Id. at 10.
[16] Id. at 29 and 33.
[17] Reporting on Community Impacts: A survey conducted by the Global Reporting Initiative, the University of Hong Kong and CSR Asia (Amsterdam: Stichting Global Reporting Initiative, 2008), 29 and 33.

local, national and global level. The GRI reporting system incorporates disclosures on direct economic impacts, which are defined as a change in the productive potential of the economy that has an influence on a community's or stakeholder's well-being and longer-term prospects for development, and indirect economic impacts, which are the additional consequences of the direct impact of financial transactions and the flow of money between an organization and its stakeholders and can be monetary or non-monetary.[18]

GRI 203 calls on organizations to describe their managerial approach to the indirect economic impacts of their operations including a discussion of the work undertaken by the organization to understand indirect economic impacts at the national, regional, or local level and an explanation of whether the organization conducted a community needs assessment to determine the need for infrastructure and other services (and, assuming such an assessment was done, a description of the results of the assessment).[19] Specific disclosures required under GRI 203 must address indirect economic impacts, as well as the impact of an organization's infrastructure investments and services supported. The commentary to GRI 203 emphasizes that the assessment process described above is particularly important in relation to local communities and regional economies and the quality of disclosures relating to the process is discussed in more detail below.[20]

GRI Disclosure 203-1 is concerned with the impact that an organization's infrastructure investments and services supported have on its stakeholders and the economy and calls for reporting organizations to report the extent of development of significant infrastructure investments and services supported; current or expected impacts on communities and local economies, including positive and negative impacts where relevant; and whether these investments and services are commercial, in-kind, or pro bono engagements.[21] GRI 203 recommended that when reporting organizations are compiling the information specified in Disclosure 203-1 they should disclose the size, cost and duration of each significant infrastructure investment or service supported; and the extent to which different communities or local economies are impacted by the organization's infrastructure investments and services supported (e.g., the number of persons in the community who benefitted from the organization's support of community services). The impact of infrastructure investments can extend beyond the scope of the organization's own operations and is typically felt over a long timescale. Examples of potentially impactful infrastructure investments provided in GRI 203 included transport links, utilities, community social facilities, health and welfare centers, and sports centers.

32% of the reports analyzed for the GRI Reporting Survey included coverage of infrastructure for local community, making that topic the tenth most popular out of 17

[18] The GRI anticipates that the information that an organization uses to prepare its economic disclosures will be compiled using figures from its audited financial statements or from its internally-audited management accounts and that data will be compiled based on the application of internationally recognized financial reporting standards. GRI 203: Indirect Economic Impacts 2016 (Amsterdam: Global Sustainability Standards Board, 2016), 6.
[19] Id at 5.
[20] Id. at 4.
[21] Id. at 6.

topics. The topic was described as including reporting on construction or provision of infrastructure for the benefit of the community (e.g., housing, roads, recreational facilities etc.).[22] The performance indicators that companies reported on with respect to infrastructure for the local community included the number of people/families/organization/communities benefited; the number/area/length of facilities built; the sum of money invested or value of construction material donated; the number of infrastructure projects involved; the percentage of sewage effluent recycled; and the volume of potable water produced. No impact indicators were identified and reported on with respect to local community infrastructure initiatives.

GRI Disclosure 203-2 is concerned with the spectrum of indirect economic impacts that an organization can have on its stakeholders and the economy and requires that reporting organizations report examples of significant identified indirect economic impacts of the organization, including positive and negative impacts, and describe the significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.[23] Examples of significant indirect economic impacts, both positive and negative, provided in in GRI 203 included[24]:

- Changes in the productivity of organizations, sectors, or the whole economy (such as through greater adoption of information technology)
- Economic development in areas of high poverty (such as changes in the total number of dependents supported through the income of a single job)
- Economic impacts of improving or deteriorating social or environmental conditions (such as changing job market in an area converted from small farms to large plantations, or the economic impacts of pollution)
- Availability of products and services for those on low incomes (such as preferential pricing of pharmaceuticals, which contributes to a healthier population that can participate more fully in the economy; or pricing structures that exceed the economic capacity of those on low incomes)
- Enhanced skills and knowledge in a professional community or in a geographic location (such as when shifts in an organization’s needs attract additional skilled workers to an area, who, in turn, drive a local need for new learning institutions)
- Number of jobs supported in the supply or distribution chain (such as the employment impacts on suppliers as a result of an organization’s growth or contraction)
- Stimulating, enabling, or limiting foreign direct investment (such as when an organization changes the infrastructure or services it provides in a developing country, which then leads to changes in foreign direct investment in the region)
- Economic impacts from a change in operation or activity location (such as the impact of outsourcing jobs to an overseas location)

[22] Reporting on Community Impacts: A survey conducted by the Global Reporting Initiative, the University of Hong Kong and CSR Asia (Amsterdam: Stichting Global Reporting Initiative, 2008), 29 and 33.
[23] GRI 203: Indirect Economic Impacts 2016 (Amsterdam: Global Sustainability Standards Board, 2016), 7.
[24] Id.

- Economic impacts from the use of products and services (such as economic growth resulting from the use of a particular product or service)

GRI Disclosure Standard 413 – Local Community Engagement and Impacts

GRI 413 addresses disclosures relating to a reporting organization's engagement with local communities and actual and potential negative impacts of the organization's actions on local communities.[25] GRI 413 calls for reporting organizations to discuss their management approach to local communities by describing the means by which stakeholders are identified and engaged with; which vulnerable groups have been identified; any collective or individual rights that have been identified that are of particular concern for the community in question; how it engages with stakeholder groups that are particular to the community (for example, groups defined by age, indigenous background, ethnicity or migration status); and the means by which its departments and other bodies address risks and impacts, or support independent third parties to engage with stakeholders and address risks and impacts.[26]

The GRI reporting requirements with respect to local communities reflect a keen interest in identifying and managing actual and potential negative impacts, as discussed in more detail below, and in order for impact management to be effective an organization must have processes for assessment and planning in order to under the actual and potential impacts and practice strong engagement with the local communities in which it operates in order to understand their needs and expectations.[27] The reporting requirements for Disclosure 413-1 are intended to elicit information on assessment, planning and engagement by asking organizations to disclose the percentage of operations with implemented and consistently applied local community engagement, impact assessments and/or development programs including the use of the following key elements of an effective program[28]:

- Social impact assessments, including gender impact assessments, based on participatory processes
- Environmental impact assessments and ongoing monitoring
- Public disclosure of results of environmental and social impact assessments
- Local community development programs based on local communities' needs
- Stakeholder engagement plans based on stakeholder mapping
- Broad based local community consultation committees and processes that include vulnerable groups
- Works councils, occupational health and safety committees and other worker representation bodies to deal with impacts
- Formal local community grievance processes

[25] GRI 413: Local Communities 2016 (Amsterdam: Global Sustainability Standards Board, 2016).
[26] Id. at 6.
[27] Id. at 7.
[28] Id. at 7-8

The preliminary guidance in GRI 413 begins by requiring reporting organizations to describe their management approach to identification and engagement of stakeholders among the local communities in which the organization operates and the specific guidance for Disclosure 413-1 goes on to make it clear that the GRI believes that establishing a timely and effective stakeholder identification and engagement process is important to help organizations understand the vulnerability of local communities and how these might be affected by the organization's activities.[29] The preferred approach is to implement the stakeholder engagement process early in the planning stages and to maintain the process as operations in the local community evolve. Early engagement provides organizations with the best opportunity to elicit the views of community stakeholders in decision making, address potential adverse impacts on local communities in advance and before they rise to crisis levels and establish lines of communication between an organization's various departments (i.e., planning, finance, environment, production, etc.) and key stakeholder interest groups in the local community.[30]

The guidance for Disclosure 413-1 also emphasizes the use and importance of social and human rights impact assessment tools during the engagement process as an effective means for ensuring that stakeholders are identified and that organizations have a solid understanding of the relevant characteristics of the members of their local community such as ethnic background, indigenous descent, gender, age, migrant status, socioeconomic status, literacy levels, disabilities, income level, infrastructure availability or specific human health vulnerabilities.[31]

Identification of and engagement with vulnerable or disadvantaged groups is raised as a particular concern in the guidance for Disclosure 413-1 and reporting organizations are expected to make disclosures regarding steps that may have been taken to adopt differentiated measures to allow the effective participation of vulnerable groups, such as making information available in alternate languages or format for those who are not literate or who do not have access to printed materials. The guidance also makes it clear that, when necessary, reporting organizations are expected to establish additional or separate processes so that negative impacts on vulnerable or disadvantaged groups are avoided, minimized, mitigated or compensated.[32]

Finally, while the ideal situation would be for organizations to anticipate and avoid negative impacts from operations on local communities, the reality is that this may be not be possible or that residual impacts will remain after efforts to mitigate. In those situations, organizations are expected to continue managing the impacts appropriately, establish effective and timely grievance procedures and provide local communities with fair compensation for negative impacts.[33]

[29] Id. at 7
[30] Id. at 8
[31] Id.
[32] Id.
[33] Id. at 7

Community engagement and dialogue was among the five most frequently covered topics in the reports analyzed for the GRI Reporting Survey, appearing in 46% of the reports. The topic was described as including reporting that focuses on the process of communicating with stakeholders in the community.[34] Companies reported on a fairly robust set of performance indicators with respect to community engagement and dialogue including the following (the top three being the indicators most commonly found):

- Number of visitors, audience or participants reached in the engagement
- Percentage/number of operation sites that have community engagement activities
- Frequency of engagement meeting
- Number of people interviewed/surveyed
- Number of engagement workshops or exhibitions conducted
- Amount of project profit shared with community partner
- Number of people who received financial assistance

Reporting on community engagement and dialogue also included the number of complaints received as the sole impact indicator.

GRI Disclosure 413-2 calls on organizations to report on several aspects of significant actual and potential negative impacts on local communities related to an organization's operations, as opposed to the organization's community investments or donations which should be addressed in disclosures responsible to GRI 201: Economic Performance.[35] First, reporting organizations should report the vulnerability and risk to local communities from potential negative impacts due to factors including the degree of physical or economic isolation of the local community; the level of socioeconomic development, including the degree of gender equality within the community; the state of socioeconomic infrastructure, including health and education infrastructure; the proximity to operations; the level of social organization; and the strength and quality of the governance of local and national institutions around local communities.[36]

Second, reporting organizations should report the exposure of the local community to its operations due to higher than average use of shared resources or impact on shared resources, including the use of hazardous substances that impact the environment and human health in general, and specifically impact reproductive health; the volume and type of pollution released; the status as major employer in the local community; land conversion and resettlement; and natural resource consumption.[37] Many communities have thrived due to the benevolent presence of a single large business that provides employment opportunities for community members and contributes to local well-being through tax payments and support of infrastructure projects; however, there is obviously potential for abuse that can have harmful impacts in the community. For example, local

[34] Reporting on Community Impacts: A survey conducted by the Global Reporting Initiative, the University of Hong Kong and CSR Asia (Amsterdam: Stichting Global Reporting Initiative, 2008), 30 and 33.
[35] GRI 413: Local Communities 2016 (Amsterdam: Global Sustainability Standards Board, 2016), 9.
[36] Id.
[37] Id.

governmental officials may be reluctant to adopt and/or enforce environmental regulations to limit adverse impacts on the local habitat from a company's operations due to concerns that the company might decide to move all or a larger portion of its activities elsewhere. Reliance on one large employer may also inhibit develop of new skills within the community that may be valuable over the long-term yet not immediately aligned with the needs of the employer and the markets and sectors in which it operates (e.g., local workers may continue to focus on maturing technology and ignore the need for learning in new technologies that might support development of the community in ways that are different from the incumbent large employer).

Finally, for each of the significant actual and potential negative economic, social, cultural, and/or environmental impacts on local communities and their rights that have been identified and described, reporting organizations should go on to describe the intensity or severity of the impact; the likely duration of the impact; the reversibility of the impact; and the scale of the impact.[38] Compliance with this requirement raises challenging issues for companies that might be concerned about the legal risks associated with conveying information to the public regarding their behavior processes and other aspects of its operations related to its environmental compliance and social performance. For example, investors and consumer advocates often seize on the disclosures that companies make regarding their struggles in addressing environmental and social issues to bring lawsuits against those companies or otherwise exert public pressure on the companies to make changes at a pace and cost that are beyond the company's immediate resources. While the legal risks of such disclosures can never be totally eliminated, companies can and should manage their mandatory and voluntary sustainability reporting by making sure that their disclosures and other related communications are consistent, accurate and include a balanced presentation of risks and the reasonable steps that the company intends to remediate those risks.[39]

The guidance for GRI Disclosure 413-2 emphasizes that the disclosures are intended to inform stakeholders about an organization's awareness of its negative impacts on local communities and it is expected that the information required to make the disclosures can be readily accessed from data already compiled and analyzed in order to make disclosures for a number of other GRI topics such as Indirect Economic Impacts (GRI 203); Materials (GRI 301); Energy (GRI 302); Water (GRI 303); Biodiversity (GRI 304); Emissions (GRI 305); Effluents and Waste (GRI 306); Occupational Health and Safety (GRI 403); Child Labor (GRI 408): Forced or Compulsory Labor (GRI 409); Security Practices (GRI 410); Rights of Indigenous Peoples (GRI 411); and Customer Health and Safety (GRI 416). Internal risk assessments can and should also be used to create appropriate priorities for allocation of time, resources and investment to address and mitigate negative impacts.[40]

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[38] Id.
[39] For further discussion, see S. Orr, The Legal Risks Associated with Corporate Sustainability Reporting (Latham & Watkins LLP, July 23, 2015), https://www.lw.com/thoughtLeadership/corporate-sustainability-reporting-associated-legal-risks
[40] GRI 413: Local Communities 2016 (Amsterdam: Global Sustainability Standards Board, 2016), 10.

Reporting on Management Approach to Community Development

The GRI standards have long called on companies to provide a description of their management approach to community issues. In fact, as noted above, GRI 203 calls on organizations to describe their managerial approach to the indirect economic impacts of their operations including a discussion of the steps taken to assess community needs with respect to infrastructure and other services. Unfortunately, most companies have failed to comply, perhaps because they have not taken the time to develop organization-wide principles and policies regarding community involvement and/or establish specific goals. In fact, the GRI Reporting Survey found that only a few companies were able to clearly define corporate goals regarding community performance, in most cases providing statements of goals that were usually very vague and could not be easily measured. The GRI Reporting Survey also noted that less than half of the reporting companies reported on the availability of an organizational policy that defined the company's overall commitment to the community.[41] Companies were even more remiss with respect to reporting on other aspects of management of community involvement with less than one in five providing information on what should be basic and essential matters such as identifying the senior position with operational responsibility for community-related issues, training and raising of awareness with respect to community issues and monitoring and follow up with respect to community issues.[42]

Drawing on the best examples from the reports surveyed to prepare the GRI Reporting Survey, the GRI and its collaborators inferred that companies should provide substantial information on their managerial approaches and policies towards every community issue material to the operations in a separate section and should also indicate how those approaches and policies are incorporated into their management standards. This discussion should separately identify the relevant issues (e.g., community development, social economic impacts, protecting the culture and rights of indigenous peoples, community investment, charitable giving and employee volunteering). Actual reporting in relation to each of these issues should be laid out in another section of the report with the narration in each section being supported by case studies, testimonials and other illustrative tools.[43]

Most companies that were assessed during the GRI Reporting Survey failed to provide a clear and meaningful description of their goals with respect to performance in relation to the communities in which they operate. In many cases the companies simply used vague and general platitudes such as "being a good neighbor", "working with local people" and making the communities "a better place to live". Those companies that did a good job with respect to reporting on goals laid their objectives out clearly, established targets that could easily be understood and measured and, in those cases where the targets were long-term, described the specific progress that the company had made during the reporting

[41] Reporting on Community Impacts: A survey conducted by the Global Reporting Initiative, the University of Hong Kong and CSR Asia (Amsterdam: Stichting Global Reporting Initiative, 2008), 22.
[42] Id. at 23.
[43] Id. at 22.

period. An example for one company included in the GRI Reporting Survey established a goal to develop and maintain a consistent approach to data capture and annual monitoring of community social investment spending and project evaluation. The target in that case is to put in place a start-of-the-art electronic reporting application, a process that would likely take a few years; however, after stating the target the company could then provide an update for the current period that made sense in terms of progression toward the goal (i.e., completion of a comprehensive survey of community social investment at all sites).[44]

Companies have been slow to create and publish organization-wide policies with respect to their community activities and overall commitment to involvement and investment in their communities. Those companies that do have policies have taken two approaches. In some cases, the policy is used a means for communicating principles in relation to community commitment (i.e., commitments to be respectful of the rights and interests of community members, communicate and consult with the community and work with the community to ensure that the company's operations provide meaningful benefits to community stakeholders). The second strategy with respect to policymaking is to focus on how the company intends to contribute to the community and identify a particular issue that the company will address along with the types of support that will be provided (e.g., improving the future prospects of children by supporting education, culture and sporting activities and conservation of natural resources).[45]

Sustainability Accounting Standards Board

The Sustainability Accounting Standards Board ("SASB") (www.sasb.org) is an independent standards-setting organization for sustainability accounting standards that meet the needs of investors by fostering high-quality disclosure of material sustainability information. The standards focus on known trends and uncertainties that are reasonably likely to affect the financial condition or operating performance of a company and therefore would be considered material under mandatory disclosure requirements, such as Regulation S-K applicable to disclosures made by US reporting companies in the public filings with the Securities and Exchange Commission ("SEC").

The SASB publishes the SASB Implementation Guide for Companies that provides the structure and the key considerations for companies seeking to implement sustainability accounting standards within their existing business functions and processes. The Guide helps companies to select sustainability topics; assess the current state of disclosure and management; embed SASB standards into financial reporting and management processes; support disclosure and management with internal control; and present information for disclosure. The SASB's online resource library also includes annual reports on the state of disclosure, industry briefs and standards and guidance on stakeholder engagement. Companies should monitor CSR disclosures by their peers and the SASB library has

[44] Id.
[45] Id. at 22-23.

examples of disclosures made by companies in annual reports filed with the SEC on Forms 10-K, 8-K etc.

The SASB is involved in establishing industry standards for sustainability disclosure and reporting and has explained that the decision regarding whether a particular sustainability topic warrants an industry standard are made on the basis of several factors including the potential to affect corporate value, investor interest, relevance across an industry, actionability by companies (i.e., whether individual companies are in a position to control or influence actions with respect to a particular topic and whether there is consensus among companies and investors that a disclosure topic is reasonably likely to constitute material information for most companies in the industry. As of 2018, the SASB had established and was currently maintaining provisional sustainability accounting standards for 79 industries across 11 sectors and companies should refer to the standards applicable to their business operations to identify and understand the relevant disclosure topics. The SASB has suggested that examples of industries in which disclosures regarding community-related matters are likely to be appropriate include oil and gas exploration and production, coal operations, metals and mining and forestry management.[46]

LBG Framework for Measuring Corporate Community Investment

LBG (http://www.lbg-online.net/), which is managed by Corporate Citizenship, a global corporate responsibility consultancy based in London with offices in Singapore and New York, is intended to be the global standard for measuring "corporate community investment". LBG's vision is a world where every business measures its community investment and shares this is an open, transparent and consistent way, and its mission is to provide a platform of LBG members to work with each other, and with their partners in the community, to improve measurement, share best practices and new ideas and make a greater difference.[47] Businesses may apply the LBG measurement framework in order to take advantage of a consistent approach to measuring, benchmarking and reporting on their corporate community investment activities. The framework is designed to help businesses quantify its "inputs", which include what they contribute to communities, the resulting "outputs" (i.e., what happened within the community and with respect to the business) and understand and explain the impact of its activities (i.e., the changes that the contributions made for the community and for the business itself). According to LBG, over 200 companies from all over the world have voluntarily engaged in the LBG network to apply, develop and enhance the framework.[48] Businesses can use LBG framework to inform management decisions about the future direction of their community activity, understand how their own community activity compares with peers and/or 'best-in-class' companies and communicate results to key audiences.[49]

[46] Sustainability Accounting Standards Board, Disclosure Topics Tables (July 11, 2017).
[47] From Inputs to Impact: Measuring Corporate Community Contributions through the LBG Framework—A Guidance Manual (London: Corporate Citizenship, 2014), 3. The initiative was initially referred to as the "London Benchmarking Group".
[48] Id. at 6.
[49] Id. at 8.

LBG noted that while businesses engage in a wide range of activities that have a positive impact on society and contribute to sustainability including creation of wealth and jobs, delivery of goods and services, payment of taxes and support for innovation, corporate community investment can and should be distinguished. According to LBG, corporate community investment should be defined and understood as including "voluntary engagement with charitable organizations and activities that extends beyond companies' core business activities".[50] This definition includes two key questions for determining if a particular contribution or activity falls into the category of corporate community investment: "Is it voluntary?" and "Is it charitable?".[51] As to the question of "voluntariness", the threshold is that the contribution or activity must be something that a business chooses to do and is not mandated under any legal or contractual obligation. In addition, the activity should be outside of the core business activities of the company, which means that using less energy or protecting the health and safety of employees, each hallmarks of a socially responsible business, would not be considered a corporate community investment. In order for the second condition to be satisfied the support must be given to "an organization or activity that is recognized in its geographical location and cultural context as having a clear charitable purpose (e.g., advancing education, protecting health or supporting human rights)".[52]

Examples of contributions and activities that would qualify as a corporate community contribution include a cash donation to a local registered charity; support of education through a program that allows employees to use some of their paid time to participate in a reading partnership with an inner-city school; and running a program in partnership with a charity to provide work experience and training to homeless people. Supporting the socially responsible actions of others, such as when an airline encourages passengers to donate their unused foreign currency to an international NGO when returning home from a trip abroad, also qualifies; however, the airline's reporting on this activity should separate the contributions by passengers from its own contribution so that the airline does not take undue credit beyond the value that its leverage provided to the NGO.

LBG advised companies that application of its framework called for going beyond assessment of individual activities to enabling businesses to pursue and achieve an appropriate balance of its contributions across its entire program in order to realize benefits for individuals within the community and inside the company, community organizations and the company itself. The framework is intended to prod companies to catalog and measure their contributions and identify and assess what happens as a result of those contributions in order to understand what has been done in the past and improve on future efforts. LBG urged companies to integrate measurement into their planning and management processes for community involvement and investment; develop an effective

[50] Id. at 4.
[51] Id. at 3.
[52] LBG pointed out that there is no single internationally agreed definition of charitable purpose and that reference needs to be made to applicable laws and guidelines relating to charities and tax-exempt charitable organizations in specific jurisdictions. For that reason, LBG focuses on the purpose of the contribution/activity (i.e., its intent and outcome) and not simply the legal status of the beneficiary. Id. at 4-5.

measurement approach; focus on measuring what matters most (i.e., a small set of key indicators that matter most to the company's program and the company's stakeholders); and resist trying to measure too much and focus instead on the projects and activities that are most aligned with the company's community strategy and data that can be collected easily and readily applied to the company's strategic processes.[53]

LBG cautioned businesses using the framework that it was an art and not a science and should not be approached in the same way as laboriously entering the figures required for a tax return. While using actual costs or achievements obviously leads to clearer reporting, there are times when it is necessary and acceptable to rely on estimates based on accepted methodologies when determining broader valuations (e.g., the cost of employee time spent on volunteering and other community activities). LBG also recommended that it is "better to under-report than over-report" and that businesses should take a conservative approach and leave out activities that are not clearly corporate community investment contributions. Businesses should remember that anything that do include in their reporting will be subject to challenge and criticism by opponents of the any aspect of the operations of the company. Businesses should also guard against trying to measure everything lest the framework become more of an impediment to contributions than a useful tool to help assess and improve what really matters to the company and its communities. Finally, in the same vein, LBG recommends that when businesses first apply the framework they should focus on larger projects or operations—things that are likely to involve substantial inputs and outputs—and other activities for which information can be easily captured. According to LBG, a good rule of thumb is that the first 80% of a company's community contribution takes about 20% of the time to compile, a realization that hopefully makes it easier for companies to consider making the investment of time and effort required to implement that framework. A related suggestion for companies is to concentrate first on inputs, which are easier to identify and measure, before getting too involved in the relatively more challenging task of measuring the impacts of the company's corporate community investments.[54]

LBG explained its framework as being "a simple input output model, enabling any [corporate community investment] activity to be assessed consistently in terms of the resources committed and the results achieved".[55] Applying the framework begins with inputs (i.e., what resources did the company provide to support a community activity), continues with outputs (i.e., what happened within the community and the company as a result of the activity and what additional resources were brought to bear on a particular issue as a result of the company's contributions and participation in the activity) and finishes with identifying and measuring the impacts achieved (i.e., the changes that occurred for people, organizations and the environment within the community and for the involved employees and overall business of the company).

[53] Id. at 27-28.
[54] Id. at 7-8.
[55] Id. at 6.

The LBG Framework[1]

Inputs: What's contributed?	**Outputs: What happens?**	**Impacts: What changes?**
How (form of contribution) – Cash – Time – In-kind (including pro bono) – Management costs	Community outputs – Individuals reached/supported – Type of beneficiary – Organization supported – Other company-specific output measure (e.g., environment)	On people i: Depth of Impact – Made a connection – Made an improvement – Made a transformation On people ii: Type of Impact – Behavior or attitude change – Skills or personal effectiveness – Quality of life/well-being
Why (driver for contribution) – Charitable gifts – Community investment – Commercial initiatives in the community	Business outputs – Employees involved in the activity – Media coverage achieved – Customers/consumers reached – Suppliers/distributors reached – Other influential stakeholders reached	On organizations – Improved or new services – Reached more people or spent more time with clients – Improved management processes – Increased their profile – Taken on more staff or volunteers
What (issue addressed) – Education – Health – Economic development – Environment – Arts and Culture – Social welfare – Emergency relief	Leverage (additional resources from other sources) Total leverage split by: – Payroll giving – Other employee contributions – Customers – Other organizations/sources – Employees involved (own time) – Time contributed (own time)	On the environment – Impact on the environment – Impact on environmental behavior
Where (location of activity) – Europe – Middle East & Africa – Asia Pacific – North America – South America		Business impacts On employee volunteers – Job-related skills – Personal well-being – Behavior change On the business – Human resource benefits – Stakeholder relations/perceptions – Business generated – Operational improvement delivered – Uplift in brand awareness

[1] Id. at 30. Appendix 2 of the Manual includes an internal data collection tool that can be used to capture information in accordance with the LBG Framework and is structured into inputs, outputs and impacts. Appendix 3 of the Manual includes a project assessment sheet that can be used to report inputs, outputs and impacts of individual activities/projects.

Inputs

Application of the LBG framework begins with measuring "inputs", which are the resources that a company provides to support a community activity or activities. In order to facilitate effective planning and robust reporting, the framework calls for companies to address several different questions[56]:

- ***How*** is the contribution being made (i.e., cash, paid working time, in-kind contributions, management costs or a combination thereof)
- ***Why*** is the contribution being made (possibilities include philanthropic donations, strategic partnership and/or commercially driven engagement)
- ***What*** issue is being addressed/supported by the contribution (e.g., education, health, social welfare, economic development etc.)
- ***Where*** is the activity taking place (i.e., the geographic scope of the supported activity)

How

As to the first question regarding inputs—how does the company contribute—four different types of contributions should be identified and tracked: cash contributions; time contributions; in-kind contributions of product, property or services; and management costs, which could include corporate community investment program staff salaries, benefits/overhead, research and communications.[57] The total cost to the company of engaging in a particular community activity will include one or more of these four types of contributions, each of which raises specific calculation and valuation issues that should be addressed using certain guidelines developed and disseminated by LBG.

In general, identification of cash contributions should be relatively straightforward and LBG mentioned that this category can include direct donations/grants to charitable organizations or activities; social sponsorship of cultural events or institutions (e.g. museums); matching employee giving; covering the expenses of employee involvement; paying for a new facility or service (e.g. a website) for a community organization; membership and subscriptions to community organizations; and the amount that a charity receives from cause-related marketing initiatives if it comes off the company's own bottom line (i.e., if a customer pays a premium which goes to charity this should not be included as a company contribution, but should be included as "leverage" when reporting outputs). LBG advised that companies should not count contributions to community activities that come from other sources (e.g. employees, customers, other organizations), although these may be reportable as leverage in outputs; commercial, as opposed to social, sports sponsorships (i.e., teams with national or international name recognition) or

[56] Id. at 10.
[57] Id.

the advertising expenses of a cause related marketing campaign (the amount actually received by the charity should, of course, be counted).[58]

LBG described a time contribution as being the cost to the company of the paid working hours that are contributed by employees to a community organization or activity. Employee "volunteering" is the most obvious example of this type of contribution; however, the category should be more broadly construed to include any active engagement in community activity during paid working time such as active participation in fundraising activities, longer-term secondments to community organizations and supervision of work experience placements.[59] LBG provided extensive guidance on methodology for calculating the cost of employee time, including reference to information compiled internally by the company's human resources and finance departments and/or labor data from national statistics organizations; however, the guiding principle should be establishing a figure that most accurately reflects the true cost to the company of an employee actively participating in a community activity during paid working time.

In-kind contributions are another way that companies can contribute non-cash resources to community activities. Examples of in-kind contributions that should be counted under the LBG framework include donations of the company's products; provision of pro bono legal, accounting or other professional services; contributions of IT equipment or used office equipment or furniture; use of company premises (i.e., meeting rooms or other spaces); and provision of free advertising space in a publication, on a website or through television or radio.[60] When valuing in-kind contributions for reporting purposes, companies should include only the cost to the company to make and not the amount that the beneficiary organization would otherwise have to pay in the open market (e.g., companies donating products should value them at their average unit cost of production and not their retail value). LBG noted that in-kind contributions often present challenging valuation issues and urge companies to be conservative in their estimates.[61]

Finally, in addition to the direct input costs of community contributions, companies can and should assign a value to and report management costs associated with making such

[58] Id. at 11. For more on potentially difficult issues for identifying, calculating and reporting on cash contributions, see LBG guidance notes on advertising purchases in charity/community magazines or programs; business services bought from community organizations; carbon offset payments; cause-related marketing; company matching of employee giving and fundraising; corporate foundations; donations via government; employee involvement (volunteering) expenses; energy efficiency commitments; memberships and subscriptions to community organizations; payments to vulnerable customers; sponsorship of arts/ cultural events; commercial sponsorship of events, publications and activities of promoting brands or corporate identity; and support of universities, research and other charitable institutions.
[59] Id. at 11-12.
[60] Id. at 13.
[61] Id. See LBG guidance on valuing discounted work (professional services); exceptional one-off gifts of property and other assets; foregone income/opportunity cost; gifts of product from inventory; pro bono work; social banking/universal banking; use of company premises/resources; and written down product or equipment.

contributions including expenses associated with community affairs staff (i.e., salaries, pension and social security contributions, benefits and recruitment costs); operational and overhead costs (i.e., phones, IT, travel, subsistence for business as a whole); professional advice relating to establishing, maintaining and improving the program; reasonable costs associated with communicating the community program to relevant audiences, but not the costs of communications and marketing designed primarily to promote the company's products, services and brand; and research costs.[62] Management costs should be calculated carefully and reasonably and, once again, companies should be conservative in their estimates to avoid challenges to excessive claims. Reporting in this area should be limited to cost incurred with managing the community program as a whole. For example, LBG advised that if managing the program is just one aspect of someone's job, companies should only count the proportion of the cost of that person that relates to time spent managing the program. Similarly, the entire cost of creating the company's sustainability report should not be included, but credit can be taken for the proportion relevant to preparation of the discussion of corporate community investment in the report. In addition, management costs should be limited to the costs associated with overall program coordination and communication, not time spent on specific projects which should be recorded as a "time" contribution.

Why

The LBG framework provides an interesting opportunity for companies to describe and explain what drives them to engage in corporate community investment by allowing for activities to be broken out into one of three categories of motivation, each of which represents a dramatically different strategy and process: charitable gifts; community investment; and commercial initiatives in the community. LBG argued that having companies address "why we contribute" provides an indication of the strategic nature of the activity, shows the degree to which it is aligned with wider business goals and helps companies understand the extent to which they are either driving their contributions <u>or</u> being driven by external demands and circumstances.[63] Companies generally engage in activities that fall within each of the three categories; however, LBG noted that there appears to be a trend toward re-focusing corporate community investment programs away from relying almost exclusively on traditional charitable giving and moving toward an approach which incorporates a clear set of strategic objectives against which companies can assess their progress.[64]

Charitable giving, sometimes referred to as "grant making", has been a large part of traditional corporate philanthropy for a long time and was described by LBG as tending to be reactive in that they occurred as responses to appeals for help that came directly from charities or through requests from employees (including matched funding or payroll giving). Many of the instances of charitable giving tend to be short-term, ad hoc or one-off contributions that companies approve largely because it seems to be "the right thing to

[62] Id.
[63] Id. at 14.
[64] Id.

do" and not necessarily because the action is part of a broader strategic plan or taken with an anticipation of a specific return to the company. Examples of charitable giving cited by LBG included sending cash or other resources to support victims of an earthquake, sponsoring an employee in their own fundraising activity, a grant from a corporate foundation that is not linked to an overarching strategy or objective and enabling an employee to undertake one-off or occasional volunteering or fundraising activities during paid working time.[65] When engaging in charitable giving companies have generally relied on the good faith of the recipient to use the donation wisely, even in situations where the size of the grant is quite large, rather than imposing requirements on use that would facilitate assessment of impact and the performance and skills of the recipient. Such an approach appears reasonable in circumstances where the cause appears to be worthwhile and the recipient has built a positive reputation in the community; however, investors and other stakeholders, including community members, are being more aggressive about pushing companies to consider emerging alternatives to traditional philanthropy that have a strategic element, including critical measurement of outputs and impact, such as engaged or catalytic philanthropy or a "shared value" focus.

Community investments are generally larger than charitable gifts and are deliberately intended to be much more proactive and strategic than traditional charitable giving. Community investments typically occur as part of a program of a small number of larger-scale, long-term projects, many of which are structured as a partnership with, rather than a donation to, one or more community-based organizations. LBG explained that community investing should focus on addressing the social issue(s) that the company has identified and targeted as being relevant to both the company and the community in which it operates, and should be linked to a wider community strategy, measured and helpful to protecting the long-term corporate interests and reputation of the business. Examples of community investment activity provided by LBG included employees volunteering at a local school as reading partners over an academic year to increase levels of literacy; a technology company partnering with an educational charity to run STEM ("Science, Technology, Engineering and Math") workshops in schools to encourage take up of the subjects; a financial service company funding a charity that works with elderly people to fund money management classes; a technology company supporting community groups to provide unemployed people with online resources to look for work; and a drinks company working with an NGO to develop water conservation projects in water-scarce areas in developing countries.[66] Other characteristics of community investments mentioned by LBG included a major commitment of resources; linkage into some sort of systematic measurement and reporting of results; targeting to a specific stakeholder group; and related to or drawing on the core competencies and resources of the company.[67]

Commercial initiatives in the community were explained by LBG as being business-related activities usually undertaken by departments outside of the community relations

[65] Id.
[66] Id.
[67] Id.

function (e.g., marketing or research and development) to deliver community benefit while simultaneously supporting the commercial success of the company and promoting its brand and other policies.[68] Pursuing community and business objectives in this way can be a tricky proposition and should be undertaken carefully to ensure that the company's actions are not viewed with cynicism. LBG pointed out that the most common example of this type of activity has become widely known as "cause-related marketing", which are primarily marketing campaigns that also involve a contribution from the company to a charitable cause. Examples of this approach provided by LBG included a consumer goods company donating a tetanus vaccine for every packet of diapers sold and a retailer donating vouchers for schools to redeem for computer equipment in return for product bought. Another type of commercial initiative in the community would be a science or technology company providing funding to a local university to conduct research into a particular issue, such as finding a new treatment for a disease prevalent in the community, and then publish the results to improve the wider pool of knowledge relating to the issue. In this instance, the company derives reputational benefits and often a commercial proprietary advantage from proprietary legal rights to use the results of the research; however, the long-term value of such a project ultimately turns on whether it contributions to resolution of a problem perceived to be important in the community.

When reporting on commercial initiatives in the community, companies need to be careful about including only those costs that directly benefit the community and not reporting the cost an entire marketing campaign or other commercial activity.[69] LBG pointed out that reporting on commercial initiatives in the community is often difficult given how close these initiatives can be to what would normally be considered part of the company's core business activities. According to LBG, "... the activity must be voluntary, not mandated by law or other regulation. It must have clear charitable purpose, with a net transfer of resources from the company to the ultimate beneficiaries."[70] Engaging in commercial initiatives in the community to create a competitive or other form of advantage is permissible as long as the size and scope of contributions is properly reported.

What

The LBG framework, drawing on categories that were intended to be broadly aligned with the main charitable purposes identified and recognized by national and international bodies and regulatory agencies overseeing charitable activities, allows companies to provide stakeholders with a picture of the social issues addressed by their corporate community investment programs and the relative importance of each of the issues. LBG describes the issues available for selection in reporting as follows[71]:

[68] Id.
[69] Id. Tying the campaign to the sale or promotion of the company's products or services is not a problem; however, reportable costs should be limited to the community budget and not include items from line management budgets such as marketing, research and development or human resources.
[70] Id. at 15.
[71] Id.

- Education: Contributions to schools, universities or other organizations or projects that seek to promote, sustain and increase individual and collective knowledge and understanding of specific areas of study, skills and expertise. Companies may support formal "classroom" style education or more informal forms of developing knowledge.
- Health: Contributions to hospitals, health trusts and other health related organizations that prevent or relieve sickness, disease or human suffering, as well as promoting health and healthy lifestyles
- Economic development: Contributions to organizations or activities that promote economic development, such as regeneration or job creation projects
- Environment: Contributions to projects or organizations that advance environmental protection or conservation (e.g. through conservation of flora or fauna or through engaging people in activities such a recycling or other aspects of a sustainable lifestyle); however, the contribution must support environmental activity outside and company and corporate community investment does not include costs incurred by the company in managing its own impact on the environment
- Arts/culture: Support for institutions (i.e., theaters, museums, public galleries etc.) that promote or protect arts activities, whether visual arts or the performing arts such as music, dance and theatre, and also includes activities or organizations that promote or protect "heritage" such as might be regarded as part of a country's local or national history
- Social welfare: Support to organizations or activities that promote or address the interests of those in need in society and facing hardship by reason of youth, age, ill health, disability, financial hardship or other disadvantage
- Emergency relief: Contributions to disaster relief efforts
- Other support: Support for activities that cannot be classified elsewhere

Where

The LBG framework contemplates disclosure of the geographic profile of where the company engages in corporate community investment as a means for assessing the extent to which a company's investment in the community reflects its geographic structure. In other words, stakeholders are given an opportunity to determine whether or not a company is actually investing in the areas in which it is doing business. LBG allowed companies to determine the appropriate classification system to fit its own needs; however, for ease of benchmarking the default classifications for the framework were broken out into broad regional groupings of Europe, Middle East and Africa, Asia Pacific, North America and South America.[72]

Collecting and Analyzing the Data

According to LBG, the "inputs" section of the LBG framework is by far the most straightforward and the most widely applied among companies that choose to report on

[72] Id. at 16.

their corporate community investment. One reason for this is that almost all of the data is available within the company, although the company still must have the capacity to collect and analyze the data in accordance with the reporting principles outlined above. LBG suggested that companies need to understand and set the scope of the data collection process (i.e., understand the company's corporate and community investment structures, what data is being collected and where that data can easily be found); decide which data collection system to use (e.g., internal accounting systems and/or third party corporate community investment/corporate social responsibility software); carefully train everyone who will be involved in reporting and analyzing the data with simple instructions and workshops; address time and resource challenges by providing a support function for the process and designing the process in a way that allows it to be completed within a reasonable period of time without unduly disrupting the day-to-day activities of the persons from which the data must be collected; and anticipate concerns by being prepared to refer questions to a higher authority, such as board members, and share the results of the process to demonstrate why the process is important and necessary.[73]

Outputs

The second part of the LBG framework focuses on "what happens" when the company makes its corporate community investment and looks at the outputs from the investment in terms of activities delivered, numbers of organizations and people reached, funds raised and business-related activities generated. LPG emphasized that outputs are quantitative measures of what happens or what is delivered through a community activity, but should not be considered an assessment of the activity's effectiveness, quality or value to either the community or the business (questions that are taken up when the LBG framework turns to the issue of "impact"). Measuring outputs from corporate community investment activities can be challenging because there are usually many possible things to choose from and companies are usually dependent on the organizations they support for collection and reporting of information. In order to bring some order to the process, the LPG framework provides a handful of crucial metrics in three areas: community outputs, business outputs and leverage (i.e., additional funds raised or contributions levered from other sources).[74] It is hoped that these metrics can be easily adapted for a wide range of different activities and facilitate the capture of information that can eventually be used to assess impacts not only in the community but also within the organizations seeking to serve the community and the company itself, particularly the employees of the company involved in the activities.

With regard to community outputs, LPG wanted to focus on a small number of measures that could be readily applied across most community projects and activities and settled on the following indicators[75]:

[73] Id. at 16-17.
[74] Id. at 18.
[75] Id. at 18-19.

- ***The number of people <u>directly</u> reached by or engaged in a community project*** (e.g., the number of children benefiting from a school refurbishment or attending a course and the number of courses run, the number of people receiving vaccinations from a public health program, the number of teachers or nurses trained in a training program, or the number of trees planted in a community conversation project). Companies should only count direct beneficiaries and not others in the community who may have indirectly been impacted by the activity, such as community members who may have benefitted from a reduced chance of illness due to vaccination of other community members but who did not receive the vaccines themselves. Similarly, only community members who use an arts facility in the community supported by the company should be reported even though it is available to everyone in the community and thus provides all community members with a new opportunity for wellbeing and education.
- ***The type of beneficiary supported***, which gives companies a better understanding of the broad social groups, if any, to which the beneficiaries of a project or activity can be allocated. Companies are given great latitude in selecting the categories of groups that might be most appropriate for a particular project or activity.
- ***The number of organizations supported*** (e.g., when a company supports a reading/literacy program that is provided across many schools it should report all of the schools as supported organizations even if the company treats the program itself as a single project or activity).

The three indicators described above are most commonly used for reporting and benchmarking purposes; however, companies are obviously free to develop and track additional company-specific indicators that are relevant to their own set of programs and activities. For example, in addition to tracking the number of people attending workshops the company will almost certainly keep a running total of the number of workshops held and this information can be used internally to set strategies for managing the costs of a particular workshop and increasing attendance at each workshop.

The indicators for business outputs are to measuring the extent to which community activities reach or engage with different stakeholders in ways that can influence the company's operational results[76]:

- ***Number of employees actively engaged in the activity*** (either on their own time or on the company's paid time)
- ***Number of company's actual or potential customers/consumers actively aware of or engaged in the activity***
- ***The number of organizations within the company's value chain (e.g., suppliers/distributors) that are actively aware of or engaged in the activity***
- ***The number of other influential stakeholders, as determined by the company's own materiality assessment, reached***, which assesses active awareness of the activity by organizations that can influence, or be influenced by, the company's reputation (e.g., representatives of governmental and international agencies, NGOs or "think tanks",

[76] Id. at 19.

corporate sustainability practitioners, academics, specialist consultants, specialist investors or specialist journalists
- ***The value of media coverage generated by the activity***

The final category of outputs, referred to as "leverage", seeks to identify and measure any additional resources contributed to a community organization or activity that come from sources other than the company. LBG pointed out that while these are actually an additional input to a supported organization it believed that it was best to report them as an output because they resulted from the company's own contribution, encouragement or support. Three types of leverage are recognized in the LBG framework[77]:

- ***The value of additional funds raised by or contributed to the community organization***, which includes the cash value of resources provided by employees through payroll giving; other employee contributions (either direct donations or funds raised by employees); donations/contributions from customers; and donations/grants from other organizations or sources such as government or other businesses
- ***The number of employees supporting a community activity in their own time that is supported or encouraged by the company*** (i.e., the number of employees actively participating in events held or activities supported by the company that encourage employees to give up their own time to support a community cause, such as by participating in environmental cleanups or "fun runs" to raise money for charities)
- ***The time committed by employees to activities in their own time resulting from the support or encouragement of the company***

One illustration of how leverage works with customers provided by LBG included a broadcasting company that created and sponsored a fundraising "telethon" for a community charitable cause and underwrote the costs of producing and broadcasting the programming. In that situation, the amount of cash donated to the cause by the viewers of the telethon should be counted as an output of the leverage applied by the company. Another illustration offered by LBG was a company that offered customers to donate to an identified charity by paying an additional amount at the same time that they settled their bill with the company. The two illustrations provided support LBG's observation that leverage is often the first, and most straightforward, output indicator to measure and LBG pointed out that for many companies their abilities with respect to "unlocking funding for its charity partners that wouldn't otherwise be contributed" often leads to a result where the company's leveraged contribution values are higher than its own direct charitable contributions.[78]

LBG observed that measurement of output, much like the case with assessing the ultimate impacts of corporate community investment, is very different than measuring inputs. The information necessary to compute and report inputs is largely available inside the company, with the challenge being how to establish an efficient process for collecting the data; however, a good deal of the outputs look outside the company and this means that

[77] Id. at 19-20.
[78] Id. at 19.

the company is reliant on the ability and willingness of community organizations to share information about their activities. In all likelihood the company will be support a wide range of organizations and while some of them, particularly the larger and better funded charities and non-profits, will have the capacity for providing detailed reporting, many smaller, local organizations will not. Companies need to have realistic expectations about measuring outputs and understand that they simply will not be able to measure all of the things that they would like.[79]

Potential issues with reporting outputs should not dissuade companies from engaging in what is otherwise a valuable community activity; however, it does make sense to identify the data that the company would like to capture from community partners in advance and create a data capture tool, such as a questionnaire, that can be shared with community partners in order to let them know the company's expectations. Companies typically prepare a template that includes questions on all of the LBG output indicators and then customize the template to fit a particular program and the company's specific strategic priorities for that program. Assuming that the community organization is willing, companies may even approach the data collection process as an opportunity to assist the organization in improving its own processes for evaluating the impact of its activities (e.g., identifying the number of persons reached by the organizational activities that the company has supported). Information received from community partners should not be accepted without question and companies should be cautious about data that seems to be out of line with what would reasonably be expected, such as claims of numbers of beneficiaries that far exceed the apparent capacity of the organization and/or the resources contributed by the company. If employees of the company have been present at any of the supported activities they should be consulted on their own assessment of attendance, enthusiasm and overall impact.

Corporate community investment has traditionally focused on inputs, both with respect to strategic decisions about how and where to invest and in reporting; however, by including collection of data regarding outputs into the process companies can take the first steps in demonstrating the value of the investment activities and improving the processes used to decide on what types of community investment activities should be supported. Simply being able to provide directors, executives and investors with information on how many people were reached by a community activity supported by the company or how the company's investment of core resources enhanced the capacity of a local charity can have a dramatic impact on planning and budgeting for corporate community investment and makes it easier for investment proponents to create compelling business cases for additional activities.

Impacts

The third piece of the LBG framework—impacts—provides both challenges and exciting opportunities to transform the way that companies approach corporate community investment. LBG defines impacts as "the changes that happen to individuals,

[79] Id. at 20.

organizations and the business in the short or longer-term, as a result of a community activity".[80] LBG conceded that it is likely impossible to achieve universal agreement on what constitutes "change" or "impact" in this context, noting that account must be taken of both immediate short-term outcomes and broader longer-term effects and that there will be many who argue that measures of impact should be limited to difficult to achieve and measure "wider social changes" and that changes in individuals should be recorded in a separate category called "outcomes". LBG argued that it was suggesting a pragmatic approach that based on asking companies to focus on several key "areas of impact" against which both shorter-term outcomes and longer-term changes could be reported and seek to make a reasonable assessment of the depth and type of impact of the community activity on individuals (both people in the community and employees of the company participating in the activity), community organizations, the community environment and the business of the company itself, with depth of impact being measured by the degree to which each of those groups or conditions were better off as a result of the activity.[81]

Community Impacts

Businesses, through their mere presence and by engaging in specific acts of investment of financial and other resources, can and do have significant impacts on the communities in which they operate. For example, companies provide jobs for members of the community and the wages paid to those workers can be used to buy goods and services from other local businesses, which boosts economic conditions throughout the community through the so-called "multiplier effect". Businesses support local services through the taxes that they pay and their actions to demonstrate intent to follow local laws and regulations and/or engage in formal dialogue on local public policy issues. In many communities, businesses can buoy the reputation and community identity of their area by their presence. Community involvement by companies and their employees can touch individuals and groups throughout the community in a positive manner on a day-to-day basis. However, no company has limitless resources for community involvement and attention must also be paid to the expectations of other stakeholders. The pressures are particularly challenging for sustainable entrepreneurs, who must pick every project carefully and set the priorities of their businesses with care. As such, it is essential that companies ensure that their corporate community investment programs include processes and tools for measuring, and ultimately reporting, the positive impacts of those programs on members of the community and the organizations that the company has supported.

The LBG framework for assessing and reporting on corporate community investment includes three types of community impacts: impact on people, measured by both depth and type of impact; impact on the community organizations that received support from the company; and impact on the environment and environmental behavior. Effective measurement of community impacts begins with the community organizations that have received support from the company, either through grants or in the midst of partnerships between the company and the organization. The organizations are the experts on a

[80] Id. at 21.
[81] Id.

particular area and will hopefully be collecting and analyzing information on their own that covers the same types of impact questions that are of interest to the company. Companies should disclose their intentions regarding assessment and reporting before the project begins and take steps in advance to figure out the best way to work with community organizations on collecting the information necessary for the LBG framework. In situations where the organization itself cannot or will not provide all the necessary information the company can reach out directly to beneficiaries with questions and/or attempt to track the actions and behaviors of beneficiaries over time. Third party collaboration of purported impacts and changes should also be obtained to the extent practicable. When assessing impact on community organizations, questions need to be asked directly to the organizations regarding the impact that working with the company had on the scope and quality of their services and processes and the profile of the organization in the community.[82]

With respect to individual beneficiaries of an activity in the community an attempt should be made to assess changes they may have experienced based on measures of **depth** and/or **type** of impact.[83] Measurement of depth of impact allows companies to assess the degree to which beneficiaries of a corporate community investment identified during the output stage of the framework are "better off" as a result of an activity using a scale with the following three points that represent distinctly different levels of change that might be experienced by a beneficiary[84]:

- **Connect:** The number of people reached by an activity who can report some limited change as a result of an activity (e.g. raised awareness of opportunities to improve literacy skills)
- **Improve:** The number of people who can report some substantive improvement in their lives as a result of the activity (e.g. actually able to read better)
- **Transform:** The number of people who can report an enduring change in their circumstances, or for whom a change can be observed, as a result of the improvements made (e.g. got a job as a result of improved literacy)

LBG provided several illustrations about how the three-point scale might be applied to activities focused on different types of issues. For example, a bank may contribute to social welfare by providing funds to a local charity that works with older people to provide financial advice. The output of that activity is the number of older people reached by the project and the impact can be determined by questioning those people in

[82] Id. at 25-26.
[83] Id. at 21. LPG noted that the two different ways of measuring impact are complementary and that companies may choose to use one or the other, or both, depending on the aims and needs of their community programming. Id. at 24. Appendix 4 of From Inputs to Impact: Measuring Corporate Community Contributions through the LBG Framework—A Guidance Manual (London: Corporate Citizenship, 2014) includes examples of how to use the DEPTH of impact scale and Appendix 5 of the Manual lists typical indicators that can be reported under each TYPE of impact category. The Appendices may be useful tools for companies as they engage in strategic planning and business case development for their community-related activities.
[84] Id. at 22.

order to determine where they fall within three groups that include people that reported a greater understanding of financial management (“connect”); people that reported they are actively managing their finances (“improve”); and people that reported better financial circumstances as a result of using the knowledge obtained as a result of the project (“transform”). Another common type of corporate community investment is offering work experience placements to long-term unemployed people to improve their employability skills and support economic development in the community. For these projects the output is the number of people provided placements and the impacts on those people can be grouped as follows: number of people reporting a better understanding of how to look for work (“connect”); the number of people reporting improved job seeking results (e.g., getting more interviews) (“improve”) and the number of people actually getting a job (“transform”).[85]

Basic reporting of “depth of impact” includes numbers for “output” and each of the three categories. LBG pointed out that when companies review these numbers they need to take several things into account. First, there is necessarily a lot of subjectivity involved in each of the categories of depth of impact and in many ways an assessment is more of an art than a science. Second, the numbers recorded in each of categories of impact headings are mutually exclusive (i.e., people who experience a transformation are assumed to have also realized both connection and improvement and are not also counted under those categories. Second, in some cases the total number of people impacted will match the output number, meaning that each person has been touched in some way by participating in the program; however, there will be situations where the total impact number is lower than the total output number, which means that not everyone who was reached by the program was also impacted in some meaningful way by it. A good example of this situation is an “awareness raising” campaign that may be seen by a large number of people but fails to cause all of them to at least report that they have a better understanding of the issue to which the campaign applied. Finally, expectations of the company regarding the depth of impact should be consistent with the particular type of program and companies should not expect that every activity will be transformative for all beneficiaries. For awareness campaigns connecting with people and improving their understanding of an issue is often the best result; however, employability campaigns should have more transformative objectives since real impact comes from getting beneficiaries placed into actual jobs. LBG argued that results from different activities can be added up and used to provide a program-wide assessment of the degree to which beneficiaries are better off as a result of company support.[86]

In addition to **depth** of impact, the LPG framework provides companies with the option to track and measure the **type** of impact so that the company can get an idea of the area(s) in which an activity has benefited the people it has reached, information that can be used to build and communicate a picture of the way in which people are better off as a result of

[85] Id. For further details on how to use the depth of impact scale, see Appendix 4 of From Inputs to Impact: Measuring Corporate Community Contributions through the LBG Framework—A Guidance Manual (London: Corporate Citizenship, 2014), 33.
[86] Id. at 22.

the company's support.[87] The framework provides three broad categories of types of impacts that can be used as reference points and it is possible for a single participant or recipient to be recorded under more than one category with respect to a project[88]:

- **Behavior or attitude change:** Has the activity helped people make behavioral changes that can improve the person's life or life chances OR has it challenged negative attitudes or preconceptions, enabling them to make wider, different or more informed choices?
- **Skills or personal effectiveness:** Has the activity helped people to develop new, or improve existing, skills to enable them to develop academically, in the work place and socially?
- **Quality of life or well-being:** Has the activity helped people to be healthier, happier or more comfortable (e.g. through improved emotional, social or physical wellbeing)?

LPG pointed out that each project is different and that all of the three categories may not be applicable or appropriate to every project; however, LPG argued that the categories allow for assessment of type of impact on a project-by-project basis and that the categories are broad enough for aggregation across projects so that the company can usefully report on the results of all of its projects. LPG illustrated its point with examples of two projects. The first one focused on financial literacy and involved working with 10,000 older people to provide them with one-to-one money management skills and debt advice. For this project the two relevant types of impact were skills or personal effectiveness (8,000 of the participants experienced better money management skills) and quality of life or well-being (2,000 of the participants experienced improvements to their quality of life as a result of debt reduction). The second project was a partnership with a local enterprise charity to educate students about forming new businesses and encouraging them to develop new business ideas. For this project the relevant types of impact differed from those for the first project, although there was overlap. The project caused 6,000 students to experience an attitude change by inspiring them about the potential of setting up a business and led to improvements in skills or personal effectiveness in two different ways among 5,750 students (3,750 benefitted from workshops on how to set up a business and 2,000 benefitted from shadowing managers and employees of businesses). A company supporting these two projects would report the outcomes for both of them separately and also aggregate the outcomes falling into each of the parties and report that 6,000 people experienced a positive change in behavior or attitude, 13,750 people improved their skills or personal effectiveness and 2,000 people improved their quality of life.[89]

The indicators in the LBG framework for impact on the community organizations that were supported by the company can be used to assess the company's contributions to

[87] Id. at 23.
[88] Id. For further details on describing and reporting indicators of type of impact for each of the categories, see Appendix 5 in From Inputs to Impact: Measuring Corporate Community Contributions through the LBG Framework—A Guidance Manual (London: Corporate Citizenship, 2014), 34.
[89] Id. at 23.

increasing the capacity of the community organizations that the company supported and/or partnered with. For example, contributions can have a positive impact on community organizations by improving their existing services and/or helping them deliver new services; allowing them to reach more people or spend more time with clients; improving their management processes; increasing their profile; and/or enabling them to take on more staff or volunteers. The assessment scale includes four possibilities: no difference; a little difference (i.e., a negligible short-term change in this area); some difference (i.e., some demonstrable longer-term change in this area); or a lot of difference (i.e. significant sustained change in this area).[90] The importance of the contributions that companies can make in this area is often underestimated; however, businesses are often uniquely situated to provide community organizations with access to invaluable technological resources and the deep experience of managers and employees who can assist their counterparts at the community organizations in improving performance in marketing and communications, strategic planning, accounting and budgeting and training.

The third type of community impact in the LBG framework measures how the company's support for environmental charities or projects resulted in either improvement to the environment through direct intervention or positive changes in people's behavior around environmental issues. With respect to impact on the environment, the key question is whether the activity has generated direct ecological benefits such as conserving land/water, protecting species or improving bio-diversity. When looking at the impact on environmental behavior, the key question is whether the activity has enabled people to conserve energy or water, or to make other positive changes in their behavior towards the environment. The scale is similar to that used for impact on community organizations: no difference; a little difference (i.e., a negligible short-term change in this area); some difference (i.e. some demonstrable longer-term change in this area); or a lot of difference (i.e., significant sustained change in this area).[91]

Business Impacts

In the LBG framework, business impacts include impact on employee participants and on the entire business of the company itself. With respect to the impact on employees, LBG is interested in the extent of changes in employees' attitudes, behavior and/or skills as a result of participation in a company-supported community activity. Specifically, companies should look at three areas: job-related skills and the extent to which employees have improved in core, job-related competencies such as communications, teamwork or leadership skills; personal impact including changes in areas such as self-confidence, job satisfaction and pride in the company; and behavior changes including increased volunteering or becoming a more vocal advocate of the company. Information can be collected from survey tools and interviews of employees and/or managers who have observed the employee both during the activity and afterwards and thus are in a position to provide an independent assessment of impact in the above areas. Employees

[90] Id. at 24.
[91] Id.

can have measurable impacts in more than one of the areas and totals across the three areas should not be added together as this will likely lead to double counting.[92]

As for impacts on the business, the LBG framework attempts to assist companies in identifying the measuring wider business benefit from supporting and participating in community activities. The issue is obviously extremely important and the results will be an important piece of evidence in the company's deliberations regarding ongoing involvement in the community (i.e., how much and in what ways); however, LBG conceded that assessment of business impacts is probably the most challenging part of the framework. LBG recommended that companies look at the following areas to identify discernable business benefits from engaging in a community activity[93]:

- **Human resource benefits:** Has the community activity delivered improvements to the business through engagement, recruitment and performance linked to community activity?
- **Improved stakeholder relations/perceptions:** Has the community activity improved the perception of external stakeholders, especially opinion formers, in ways that matter to the business, as a result of community engagement?
- **Business generated:** Has the community activity contributed to new business (e.g. increased sales tied to cause-related marketing, contracts won where corporate social responsibility performance is a criterion, new market opportunities)?
- **Other operational improvement:** Has participation in the community activity supported improvements in the operational capacities of the company such as increased resilience in the supplier and/or distribution chain?
- **Uplift in brand awareness:** Has the community activity generated a business benefit through an uplift in brand awareness (e.g. through increased media coverage or public awareness)?

LBG noted that each of the indicators assessed the degree to which awareness of, or engagement with, a community program by key stakeholder groups ultimately generated a discernable benefit to the business. For example, did a customer's awareness of the company's involvement in a community activity eventually lead to that customer purchase the company's goods or services? Have opportunities to be involved in community volunteering during their paid time improved the satisfaction of employees and motivated them to be more productive and reduced costly turnover? Has news of successfully company involvement in community activities enhanced the company's reputation such that the company is better positioned to win contracts from influential stakeholders? While LBG pointed out that companies could use a simple assessment scale to assess differences in each area (e.g., a four point scale running from "no difference" to "a lot of difference", which would mean significant and sustained change

[92] Id. at 24.
[93] Id. at 24-25. LBG members have access to a more detailed guide of how to measure business benefits from involvement in community activities.

in an area), they could also use more complex measures such as estimating the cash value of the identified business aspects in order to calculate "business return on investment".[94]

A company's ability to identify and measure business impacts will be enhanced by effective planning in advance of engaging in community activities. When deciding on which community activities should be supported companies should consider potential business benefits and then work with the appropriate functional departments to better understand the possible impacts and how they can be measured. For example, while it can be anticipated that employee volunteering programs will have a positive impact on employee morale the human resources department should be involved in creating and administering the program and should ensure that the employees themselves have a chance to make suggestions about the best way to integrate volunteer work into their day-to-day duties to the company. A new volunteering program also needs to be aligned with other steps that the company may be taking to enhance employee satisfaction and companies need to find ways to allow employees to apply the new skills and confidence created from volunteering on other projects that are not part of the community involvement program. With respect to realizing increased sales of products and services from community involvement companies obviously need the support of sales and marketing specialists and harvesting the reputational benefits from community involvement will require support from the company's marketing and public affairs teams. Finally, the opportunity to achieve broader business benefits from community activities means that corporate community investment needs to be included in discussions of overall strategy conducted at the board level and among senior executives.

While, as noted above, measuring the business impacts of community involvement is arguably the most challenging aspect of the LBG framework, it can be the most rewarding stage of the process and is certainly mandatory in order to develop a complete business case for a specific program and create a compelling story for stakeholders of how the company strives to make a difference in its communities and operate as a "good citizen" of the society upon which it is dependent. While some companies do attempt to complete detailed quantitative assessments of the return on investment for community activities, for most businesses it is sufficient to concentrate on evaluating a few key programs with the largest investment or contributions using simple indicators for which information will be readily available. In most cases, impact can be readily identified without lengthy reports full of numbers; however, more detailed information will certainly be useful to making changes for future programs and activities. LBG also advised that companies should not feel that all activities should deliver a specific type of discernable business impact, such as increased sales of products and services. In fact, the real impact of many corporate community investments is felt among the beneficiaries and organizations within the community and the company will ultimately benefit from opportunities to operate in a community that is more sustainable due, in some small way, to the company's investments tangible and intangible resources in the community.[95]

[94] Id. at 25.
[95] Id. at 26.

Best Practices for Presentation of Information on Community-Related Activities

Companies can use the LBG framework described above as a foundation for clearly and consistently reporting and explaining their corporate community investment activities. Elements of a report based on LBG might include each of the following[96]:

- The total amount of corporate community investment through direct contributions from the company during the most recent year, with comparisons to investment in previous years to illustrate trends
- A description of how contributions were made during the most recent year broken down into the main input categories: cash, time, in-kind and management costs
- A breakdown of where contributions were made during the most recent year, which could be broken out by large geographic regions for global businesses (i.e., Americas, Western Europe, Central and Eastern Europe, Africa and Middle East and Asia-Pacific) or international/national/local for smaller businesses
- A description of why contributions were made, generally broken out into three categories: charitable gifts, community investment and commercial initiatives in the community
- A breakdown of what issues were addressed and what percentage of the contributions were channeled to a particular issue, with information being provided for each of the following major issue areas: education, health, economic development, environment, arts and culture, social welfare and emergency relief
- Information, to the extent readily quantifiable, on impacts of corporate community investments inside the company and in the communities (e.g., number of charities supported, number of volunteers, number of hours that were volunteered and number of beneficiaries served; percentage of employees and community beneficiaries reporting a positive impact; and percentage of community members agreeing that the company is environmentally and socially responsible)
- Detailed presentations on particular activities or collaborations to provide stakeholders with more information and highlight specific achievements

Companies often rely on case studies as supplementary tools for presenting information regarding their community-related activities. Not surprisingly, there is no universal agreement regarding the length and content of case studies and companies may provide a short one paragraph description or include lengthy stories that extend for several pages and thus can significantly increase the overall length of the sustainability report depending on whether case studies are provided for each topic and/or location. The GRI Reporting Survey commented favorably on one company's approach to case studies that included detailed reporting and the following elements: the general background of the issues, initiatives, programs or projects; the "challenge", which included the objectives and the anticipated and real difficulties in achieving them; information on "how we did it" or "how we are doing it", which includes an explanation of exactly what the company

[96] For examples of reporting using the LBG Framework, see From Inputs to Impact: Measuring Corporate Community Contributions through the LBG Framework—A Guidance Manual (London: Corporate Citizenship, 2014), 8-9.

did during the reporting period to address the issue or carrying out the project/program; and, finally, a discussion of what the company expects to come out of the project/program in terms of benefits and impact to the community and the company.[97]

The GRI Reporting Survey took note of two other ways that companies communicate the positive benefits from their community participation. One method was including testimonials from persons who have either worked with the company on community issues or benefited from the company's actions. While some testimonials are limited to a general expression of positive feelings, others are more focused and meaningful by providing readers with insights on the specific impact of the activities on the person delivering the testimonial. The second approach relied on the use of dialogues and interviews to present community issues with questions posed by community stakeholders and responses provided by leaders of community-related initiatives within the company. It is not always clear that the dialogue is occurring in real time and the value of the disclosures turns on whether the company's response provides insights on its managerial approaches and its assessment of the performance of its initiatives.[98]

[97] Reporting on Community Impacts: A survey conducted by the Global Reporting Initiative, the University of Hong Kong and CSR Asia (Amsterdam: Stichting Global Reporting Initiative, 2008), 23. Case studies are generally integrated with the overall in-depth narrative discussion of the specific topic; however, some companies separate case studies into a separate section of the sustainability report or even distribute them as a different publication
[98] Id at 23.

About the Author

This chapter was written by Alan S. Gutterman, whose prolific output of practical guidance and tools for legal and financial professionals, managers, entrepreneurs and investors has made him one of the best-selling individual authors in the global legal publishing marketplace. His cornerstone work, *Business Transactions Solution*, is an online-only product available and featured on Thomson Reuters' Westlaw, the world's largest legal content platform, which includes almost 200 book-length modules covering the entire lifecycle of a business. Alan has also authored or edited over 90 books on sustainable entrepreneurship, leadership and management, business law and transactions, international law and business and technology management for a number of publishers including Thomson Reuters, Practical Law, Kluwer, Aspatore, Oxford, Quorum, ABA Press, Aspen, Sweet & Maxwell, Euromoney, Business Expert Press, Harvard Business Publishing, CCH and BNA. Alan is currently a partner of GCA Law Partners LLP in Mountain View CA (www.gcalaw.com) and has extensive experience as a partner and senior counsel with internationally recognized law firms counseling small and large business enterprises in the areas of general corporate and securities matters, venture capital, mergers and acquisitions, international law and transactions, strategic business alliances, technology transfers and intellectual property, and has also held senior management positions with several technology-based businesses including service as the chief legal officer of a leading international distributor of IT products headquartered in Silicon Valley and as the chief operating officer of an emerging broadband media company. He has been an adjunct faculty member at several colleges and universities, including Berkeley Law, Golden Gate University, Hastings College of Law, Santa Clara University and the University of San Francisco, teaching classes on corporate finance, venture capital, corporate governance, Japanese business law and law and economic development. He has also launched and oversees projects relating to sustainable entrepreneurship and ageism. He received his A.B., M.B.A., and J.D. from the University of California at Berkeley, a D.B.A. from Golden Gate University, and a Ph. D. from the University of Cambridge. For more information about Alan and his activities, and the services he provides through GCA Law Partners LLP, please contact him directly at alangutterman@gmail.com, follow him on LinkedIn (https://www.linkedin.com/in/alangutterman/) and visit his website at alangutterman.com.

About the Project

The Sustainable Entrepreneurship Project (www.seproject.org) was launched by Alan Gutterman to teach and support individuals and companies, both startups and mature firms, seeking to create and build sustainable businesses based on purpose, innovation, shared value and respect for people and planet. The Project is a California nonprofit public benefit corporation with tax exempt status under section 501(c)(3) of the Internal Revenue Code dedicated to furthering and promoting sustainable entrepreneurship through education and awareness and supporting entrepreneurs in their efforts to launch and scale innovative sustainable enterprises that will have a material positive environmental or social impact on society as a whole.

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