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## **Corporate Community Involvement: the Need for Reporting**

Companies are highly interdependent with the communities in which they operate. Businesses grow and prosper most in communities which are economically and socially vibrant. Increasingly, businesses are expected to respect and respond to the interests of those communities – to behave as ‘good corporate citizens’. Community involvement is perceived as integral to the activities of well-managed companies in the 1990s.

Corporate ‘stakeholders’ – customers, shareholders and employees together with suppliers, trade unions, voluntary and community organisations as well as government and the media – regularly request information on corporate policies and activities in a range of areas, including community involvement.

Both the Charities Aid Foundation and The Directory of Social Change conduct general statistical assessments of community involvement. The Per Cent Club Annual Report summarises the community activities of its members.

As corporate investment in such activities increases, however, fuller and more accurate documentation by companies is needed, both to meet the information needs of stakeholders as well as improve management of community involvement.

Both qualitative and quantitative assessments are important to ensure that the variety and extent of community involvement activities are recorded accurately. Through more detailed reporting, the corporate sector can collectively:

- increase the breadth of community involvement across the business sector by promoting awareness of corporate responsibility issues;
- increase the depth of community involvement in companies by illustrating how community programmes can be linked more closely with mainstream business, involving more staff in more departments;
- increase the quality of community involvement by promoting examples of good corporate practice to other companies;



- increase public awareness of corporate contributions to the community, thereby enhancing the business sector's reputation and improving the relationships between business and the community.

## Purpose and Scope of Guidelines

These Guidelines have been developed to assist companies in quantifying and reporting their community involvement activities. While not prescriptive, these recommendations are intended to clarify assessment and communication procedures, thereby increasing the effectiveness of community involvement.

It is hoped that companies of all types, sizes and sectors will find the Guidelines useful, regardless of whether they are members of the Per Cent Club. The models presented in this document can be used to guide companies instituting formal assessment and communication procedures. Others with well-developed community policies and programmes may simply wish to examine these recommendations for comparative purposes.

The Guidelines are presented in four parts:

- The definition of "community involvement" activities;
- Communication and presentation of community involvement to stakeholders;
- Measurement and reporting of community involvement;
- Appendices detailing implementation and interpretation of Guidelines.

The Guidelines are relevant to all types of business entity (such as partnerships) and to businesses of all sizes (including small and medium-sized enterprises as well as larger companies or corporations). However, the word "company" has been used throughout the document for convenience.

## DEFINING CORPORATE

# Community involvement

### What Is Corporate 'Community Involvement'?

Corporate 'community involvement' refers to business activities intended to address the social and economic needs of the community in which a company operates.

Such activities are frequently conducted in partnership with local and central government, voluntary and community organisations. They can focus on a wide range of issues, including charitable activities, enterprise development, environmental protection, education and training, urban and rural regeneration, and the development of cultural and recreational facilities and activities.

Increasingly, corporate community involvement is becoming integrated with core business operations, including recruitment and training, management development, investment, marketing, communications and purchasing.

### Corporate Community Involvement Benefits Communities

Community involvement traditionally benefits one or more of the following groups:

- Charities;
- Not-for-profit organisations representing economically and socially disadvantaged groups;
- Schools and youth organisations;
- Environmental, developmental and cultural organisations which aid economic or social regeneration;
- Campaigns addressing specific community needs.

### Corporate Community Involvement Benefits Companies

Corporate community involvement not only benefits communities but also enables companies to:

- **Create a prosperous local environment** which is essential for work, trade and investment through support of small and growing businesses and partnerships with local suppliers and customers;
- **Develop a better-trained and committed workforce** through education and customised training, management development and employee volunteering programmes;

## DEFINING CORPORATE

# Community involvement

- **Generate goodwill and greater understanding of business** by promoting corporate community involvement activities among customers, shareholders, employees and other corporate stakeholders.

In short, community involvement makes business sense.

### Forms of corporate community involvement

**Business support for communities can take several forms:**

- **financial assistance** including sponsorship, loan guarantees or venture capital funds;
- technical, administrative, managerial, and marketing **expertise** through full- or part-time secondments;
- **staff time** through employee volunteering programmes;
- **access to corporate facilities or services**, ranging from office photocopiers and fax machines to technical laboratories;
- **managed workspace**;
- loans or donations of **equipment**;
- other **contributions 'in kind'**.

The range of potential contributions is enormous and can involve several corporate functions. These Guidelines explain how to describe and, where appropriate, quantify such activities.

# 2

## COMMUNICATING CORPORATE

### Community involvement

#### Using Media Effectively

As interest in corporate community involvement increases, companies are taking a more pro-active approach to communicating their policies and activities to stakeholders.

This enables companies to control the content and style of presentation according to their own conventions, as with other forms of corporate communication.

Each company should decide what activities will be reported and select appropriate presentation media. The range of available communication channels includes:

- **Annual Report and Accounts** (in the Chairman's Statement, the Directors' Report or in a separate community involvement section);
- **General promotional literature** about the company;
- **Specialist literature** covering the company's community involvement policy and activities;
- **Internal staff publications** such as magazines or newsletters.

The content of reports should:

- **be factual and readily intelligible** to readers both inside and outside the company;
- **feature corporate criteria for support** of community-based projects, where possible.

Such reports are useful for briefing managers and employees on community activities, particularly when their involvement is sought. They also enable community organisations to formulate appropriate requests for company support.

#### Collecting Information

In-depth reporting of community involvement requires regular, accurate data collection and compilation by company departments or individuals.

Where a significant amount of data needs to be collected from subsidiaries or branches, information requests may be incorporated into financial reporting procedures.

Alternatively, the central community affairs department in a large company can collect information directly from nominated individuals in subsidiaries, divisions or branches.

### **Timing and Format of Reports**

Companies should aim to report on community involvement annually. This annual report should coincide with the period covered by the statutory accounts.

Reports should include both actual, quantified expenditure as well as qualitative descriptions of community involvement activities whose costs cannot be readily quantified.

## MEASURING AND REPORTING CORPORATE

### Community involvement

#### Measuring the Cost of Corporate Community Involvement

Companies should report **direct costs of community involvement**, based on their own accounting policies. The costs to the company should be calculated after taking account of monies received in partial recompense for its involvement.

Quantifiable elements may include:

- **time** contributed by employees with professional expertise (e.g. accountants, surveyors, trainers), calculated as direct employment costs plus all overheads.  
NB. Time contributed by non-specialist staff need not be quantified financially, although it can be reported qualitatively.
- **direct employment** costs of secondees and staff administering community involvement activities.
- **goods or equipment** which can be quantified as cost of production including overheads, cost of purchase or net realisable value, whichever is lowest.
- **cash**, including "matching funds" given by the company.
- **use of company facilities**, quantified as direct costs to the company.

Appendix A sets out specific methods of quantification for different forms of community involvement. These Guidelines do not suggest that companies should attempt to quantify all these forms of involvement. Companies should aim to produce a reasonable estimate of costs in preference to a precise calculation which is unnecessarily time-consuming.

#### Measuring Capital Investment in the Community

Capital investment intended to benefit the community (e.g. loans to community projects) should be categorised as community involvement expenditure:

- (i) where the expected rate of return on such investment is expected to be significantly less than the rate of return from normal commercial investment; and/or
- (ii) where the company does not expect its capital investment to be repaid and the capital is not invested in the company's normal business activity.

## MEASURING AND REPORTING CORPORATE

## Community involvement



### Guidelines for Quantification

- In the case of (i) above, the community contribution should be valued as the **difference between the actual and commercial rates of return** accrued over a designated period (either the life of the investment or, say, ten years – whichever is longer);
- In the case of (ii) above, the **amount of capital invested** is the reportable amount.

### Qualitative Reporting of Corporate Community Involvement

Some activities are difficult or impossible to quantify because:

- they are not straightforward cash transactions, supplies of goods or professional expertise; or
- they are part of a larger commercial venture.

Examples of such activities include:

- **partnership sourcing** – purchasing goods or services from small local suppliers (versus large companies) to support their long-term growth;
- **locating business sites in economically depressed areas** to stimulate local regeneration, rather than selecting a more commercially advantageous location elsewhere;
- **corporate fund-raising activities** in which employees participate;
- **administration and organisational costs** of employee payroll giving and special appeals;
- **on-the-job time given by employees** who are not members of the Community Affairs function and are not generally costed on an hourly basis.

Although companies may not be able to ascribe financial values to such activities, they are nevertheless worth reporting in qualitative terms. Qualitative reporting helps create a holistic view of a company's community involvement and reports are necessarily incomplete without them.

Such examples can be of interest to stakeholders as well as to other companies seeking models of good practice in developing their own community involvement programmes.



## Appendix A

### GUIDELINES FOR QUANTIFICATION

The following interpretations are applicable to those activities which the company has defined as "community involvement."

#### Form of Involvement

Cash donations and payments

Sponsorship

Loans

Full-time and part-time secondees contributing time as part of their employment duties (excludes employee volunteering activities)

Full-time employment of staff in community involvement activities (e.g. community secondees, community affairs department staff)

Provision of professional services (e.g. accountancy, training, legal) given by professional firms and professional company staff.

#### PROVISION OF FACILITIES

Short-term accommodation (hire for meetings, seminars etc)

Long-term accommodation (provision of space for a duration of time)

In-house facilities such as printing, supplies etc

#### Quantification

**Cash amount** donated or paid

**Cash amount** of sponsorship

**Cost =**

**Annual interest calculated at long-term commercial rate**

less

**Amount of interest charged to loan recipient**

plus

**Any amounts forgone on the loan.**

**Direct employment costs** (gross salaries and wages plus employer's NIC and other benefits). To be calculated using standard rates (hourly, daily etc).

**Direct employment costs**

**Labour plus overhead costs** (less amount charged for service).

**Direct additional costs of usage** (e.g. meals and drinks)

**Rental costs for comparable accommodation** excluding rates and services (e.g. power, water, security etc)

**Direct additional costs of usage**

## Appendix A

### GIFTS IN KIND

Fixed assets  
used)

**Cost value** (if new) or **written down value** (if

Products from inventory

Inventory value (either cost or net realisable value, whichever is lower), as determined according to principles of SSAP 9.

### LOAN OF ASSETS

Fixed assets

Book depreciation related to the period of the loan.

Inventory assets

Any reduction in inventory value applicable to the loan period. Where the same items can be either fixed assets or inventory, the lower value should be used.

## Appendix B

### SPONSORSHIP AS A FORM OF CORPORATE COMMUNITY INVOLVEMENT

Sponsorship is a useful vehicle for pursuing business objectives, such as marketing and public relations, whilst simultaneously contributing to the community.

The **nature of the beneficiaries** should be the factor determining whether to regard a sponsorship deal as a community contribution.

For example, sponsoring a high-profile professional sporting event largely to obtain media coverage of the company's name or brands could only be considered as advertising.

On the other hand, sponsoring a local sporting or recreational event may be considered a community contribution if:

- relatively low-key corporate publicity is received; and
- it is largely in aid of charity or local community interests.

On occasions of this kind, the costs of entertaining customers or advertising the company's products should be identified and excluded from the calculation of the community contribution.

## Appendix C

### CORPORATE COMMUNITY INVOLVEMENT THROUGH SUPPORT FOR EDUCATION

#### Primary/Secondary Education

Forms of support for education which can be included in a company's calculation of its community contribution include:

- **direct cash donations** for specific projects, e.g. special equipment, school trips, etc;
- cost of **'in kind' donations of equipment**, e.g. personal computers;
- **cash or 'in kind' donations, secondments, etc to Education Business Partnerships and other education bodies** (for example, to provide expertise in specialist areas which will form part of the curriculum);
- the provision of **educational aids** such as design of software packages, resource materials, etc, *except* where those materials are company-specific;
- time spent **providing work experience** for pupils, hands-on experience for teachers, expertise and guidance (e.g. interview techniques), etc. NB This assumes the existence of a defensible tracking system for tracking time spent and its costs, particularly that of professional staff;
- time and money spent **providing YTS training**, *except* where the YTS trainee is hired by the company;
- the financing of **nationwide competitions or special prizes** relevant to the company's business;
- the **provision of school trips** to "attractions" relevant to company business, e.g. in-house museums, special installations, etc, *except* where such activity directly aids recruitment.

Certain elements of community involvement, which should be excluded from the company's quantitative calculations, nevertheless deserve mention in qualitative terms. These include, for example, voluntary involvement of individual staff members outside normal working hours (e.g. school governors).

#### Higher Education

Forms of support which can be included in the company's calculation of its community contribution:

- **lectureships, chairs, resource materials, financial donations, etc** *except* where such provision directly benefits the company's employees;
- **research grants and/or contracts** *except* where the company expects to receive a profit on its investment or any other direct benefit;
- **financial/resource grants for management development programmes** *except* where:
  - the company's employees will directly benefit; or
  - the company can reasonably expect to employ graduates from the funded courses.

## Appendix D

### TIME AND EXPERTISE AS A FORM OF CORPORATE COMMUNITY INVOLVEMENT

Contributions of time and expertise are often difficult to quantify. Yet they constitute one of the most significant contributions that companies make to the community.

Broadly, there are four categories of contribution, the first three of which may be relatively easy to quantify.

(a) **Professional and technical expertise.** Increasingly, companies and partnerships are being asked for short, discrete items of work on specific financial, legal, technical, training, research or design matters by community groups. Projects of this nature do not imply an ongoing commitment to the community "client", and would include conducting audits, surveys, feasibility studies or other 'one-off' assignments without charge or at non-commercial rates. In professional firms, such services would normally be charged out to clients.

(b) **Full-time and part-time 'outward' secondments.** Typically, full-time secondments range from one month to a number of years; part-time secondments are usually specified for a number of days per week, month, or year.

Also included are **'inward' secondments** of civil servants, teachers, workers in voluntary organisations, etc, whose partial or total costs are met by the company. Some outward and inward secondments may bring significant business value to the company, in which case only a proportion of the costs should be reportable as community involvement.

(c) **Managers and staff formally engaged (on a full- or part-time basis) in the administration and implementation of a company's community and charitable activities.** This category may be easily costed and reported as community involvement (see Appendix A).

(d) **Non-specialised assistance given from within the company,** where employees participate as representatives of the company. Examples include membership of a charity committee or enterprise agency board, helping a local institution or project and school governorships, where involvement is long-term and open-ended in nature. This category could include general management participation, for example, on TECs, CBI committees and Business Leadership Teams.

This wide-ranging category is almost impossible to quantify and report in financial terms. Companies with a stated policy of encouraging employee community involvement may report such employee commitments in qualitative terms.

## ACKNOWLEDGEMENTS

These Guidelines have been undertaken thanks to the invaluable advice and guidance of a Steering Group consisting of:

Mr Claude Brown, Chairman	Pannell Kerr Forster
Mr Des Palmer	Allied Dunbar
Mr Richard Worsley	BT
Ms Sarah Portway	IBM United Kingdom
Mr David Roycroft	Pilkington
Sir Lachlan Maclean	United Biscuits
Mr Stephen O'Brien	Business in the Community

The six companies represented on the Steering Group have generously supported the costs of publication.

In addition, the advice of a number of other leading companies and organisations, including the Charities Aid Foundation and Directory of Social Change, has been much appreciated.

### BP's approach to Community Affairs

**BP ENVIRONMENTAL** and **COMMUNITY AFFAIRS** are committed to the well-being of the communities in which we operate. We believe that a strong relationship with the community is essential to the success of any business.

**Supporting our Community Affairs programme**

At BP, we believe it is important to be seen to be doing the right thing. We support our community affairs programme through a number of key areas:

- Charitable contributions:** We support a wide range of charitable causes, including education, health care, and the environment.
- Employee volunteering:** We encourage our employees to spend time volunteering in their spare time.
- Skills-based volunteering:** We support our employees to use their professional skills to help the community.
- Local partnerships:** We work closely with local authorities and other organizations to address community needs.

**Local support nationwide**

Each of our 200+ offices and 200+ service stations has a local community affairs programme. This ensures that we are able to respond to the specific needs of the communities in which we operate.

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### Laying in the Community

**LAING** is committed to the well-being of the communities in which we operate. We believe that a strong relationship with the community is essential to the success of any business.

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