

LEADERSHIP

Give

Corporate Citizenship Commitment

As an Imagine company we support the principles for corporate citizenship and benchmarks for community investment established by Imagine.

Corporate Citizenship Principles

This company believes that it and its shareholders have an important stake in the prosperity, health and quality of life of the society in which it operates. The company recognizes that successful companies contribute to the community through:

- The generation of wealth and jobs;
- Following ethical and environmentally responsible business practices; and,
- Direct investment in the human and social capital of their communities and support for the charitable and nonprofit organizations that serve the community.

Community Investment: Commitment, Innovation and Leadership

The company agrees:

- To commit a minimum of 1% of pre-tax domestic profit to support charitable and nonprofit organizations measured on a five year rolling average, and to encourage and facilitate the personal giving and volunteer activities of its employees;
- To champion and sustain at least one community investment project that is supported by the Chief Executive Officer and leverages the skills and competencies of the company to make a difference in the community;
- To demonstrate leadership by annually publishing a public report that displays the Imagine logo and describes the company's community investment and citizenship activities;
- To encourage other companies, as appropriate, to pledge to Imagine's Corporate Citizenship Commitment.

A commitment by:

Chief Executive Officer

Of:

Company Name

Covering the period*:

_____ to _____

Month

Year

Month

Year

*Please indicate a three or five year period.

TO REMOVE FORM, TEAR ALONG PERFORATED LINE

Understanding the Imagine Commitment

The Imagine Corporate Citizenship Commitment has three components: commitment, innovation and leadership. This document provides further clarification and guidance on what is included in the Imagine Corporate Citizenship Commitment, including interpretation and reporting requirements and accreditation fees.

Principles of Corporate Citizenship

Imagine expects companies to interpret these principles as appropriate to their company and industry. Imagine will provide its members with basis guidelines for implementing and reporting on these principles but recognizes that different industries and firms will implement these principles in different ways.

1. Commitment – the 1%

Imagine companies agree to commit a minimum of 1% of pre-tax domestic profit to support charitable and nonprofit organizations measured on a five year rolling average and to encourage and facilitate the personal giving and volunteer activities of their employees.

The 1% is calculated as a percentage of the company's domestic pre-tax profit.

Sample Calculation

Profit: To begin this calculation, collect the book profit before income taxes excluding non-recurring items and foreign operations and calculate the average over the five years preceding the year of donations.

| | | |
|----------|---------------------|---------------------|
| Example: | 1998 | \$5,500,000 |
| | 1999 | \$4,500,000 |
| | 2000 | \$5,000,000 |
| | 2001 | \$3,500,000 |
| | 2002 | \$6,500,000 |
| | 5-year Total | \$25,000,000 |
| | Average | \$5,000,000 |

Donations Ratio Calculation: Donations as a percentage of five-preceding-year average pre-tax profit. Example: 1% of \$5,000,000 = $1 \times (5,000,000/100) = \$50,000$

Therefore, the Imagine company must have a community contribution budget total of \$50,000 in 2003 to be eligible.

Calculating the Imagine 1% minimum – What does this include?

In principle, Imagine encourages companies to direct the majority of their community contributions through registered charities because of the accountability provisions included in obtaining charitable status. Charitable registration assures donors and communities that the organization being funded is accountable to the community and is not self-serving.

In practice, Imagine recognizes that many worthy organizations committed to public benefit may not have charitable registration and that in some industry sectors, community contributions may include support for activities or organizations that may not qualify for charitable receiving purposes. For example: community economic development initiatives.

As a result, Imagine has altered its interpretation of the 1% as outlined below. In the past Imagine has only recognized charitable contributions to charity as eligible for the 1% commitment. Under the new Corporate Citizenship Commitment, Imagine will allow companies to direct up to 20% of donations made within the 1% commitment towards organizations and initiatives that do not meet Canada Revenue Agency (CRA) guidelines for charitable giving but are clearly aimed at strengthening and supporting communities. In these cases, supporting documentation must be provided by the company to validate that the contributions it made were directed to community benefit and not self-interested parties in the community. The guidelines for calculating both eligible charitable contributions and other eligible forms of support for Imagine purposes are outlined below.

Nourish

Train

1.1 Charitable gifts as defined by Canada Revenue Agency (CRA) to comprise no less than 80% of the Imagine 1% contribution target.

1.1.1 Include all donations as defined by the Income Tax Act Section 110.1 and 118.1 and Interpretation Bulletin IT-110R3. All disbursements that qualify should be included, even though some may not actually have been claimed for income tax purposes, nor categorized in company books as a “donation.”

Note: Split receipting guidelines introduced in 2003 permit treatment, in whole or in part, of some contributions made through community sponsorship programs, “event marketing” or purchase of tickets/tables at certain benefit events as charitable donations. Such donations may be receipted by the charity associated with the activity. These receipted donations may be included as charitable donations for the Imagine calculation. Please contact CRA or Imagine for further details on the guidelines listed above.

1.1.2 In some circumstances, gifts-in-kind may be considered as charitable donations. CRA’s Interpretation Bulletin IT-297R provides guidance with respect to valuing such gifts. Valuation rules are complex and may require independent appraisal.

1.1.3 A holding company or parent company may calculate its donations ratio by consolidating donations using the same guidelines as used for consolidation of earnings.

1.1.4 If a company has set up a “company foundation” which plays a role in its community investment program and the company (and/or its subsidiaries) is the sole source of funding for the foundation, the company should either:

- (1) Include donations made by the company and those made by the foundation, but exclude transfers to the foundation; or
- (2) Include donations made by the company and transfers from the company to foundation, but exclude donations made by the foundation. Otherwise, “double counting” results.

1.1.5 Some organizations (for example: cooperatives, credit unions, partnerships, etc.) may have no accounting line designated as “pre-tax profit,” “net profit before income tax,” or “net income before tax.” In such cases, Imagine would expect a reasonable equivalent to be considered as the basis for the organization’s commitment to charitable giving.

1.1.6 While donations to federal or provincial political parties, riding associations or candidates are sometimes charged to company donations’ budgets, these should not be included in the donations total for purposes of the Imagine calculation. Under income tax rules and the electoral laws of Canada’s various jurisdictions, these must be reported separately in any event.

1.2 Non-charitable forms of support for the community that do not meet Canada Revenue Agency (CRA) guidelines for recognition for eligible charitable gifts can be used to calculate up to 20% of the Imagine 1% minimum contribution target.

(While the 20% is the guideline, Imagine will consider exceptions. Companies that request consideration in this regard must provide sufficient documentation and rationale to demonstrate the community benefit of their programs. Imagine will review each request on a case-by-case basis.)

The following guidelines can be used when calculating this portion of the Imagine commitment:

1.2.1 Contributions to nonprofits that are not registered charities. Contributions to nonprofit organizations that are not registered charities are eligible for the Imagine commitment if documentation is provided that shows:

- (1) The nonprofit organization provides a tangible benefit to the public;
- (2) The beneficiaries of the nonprofit’s activities are either the public as a whole, or a significant section of it, not a restricted group or one where members share a private connection, such as social clubs or professional associations with specific membership;

- (3) The organization's activities are legal and in accordance with public policy; and,
- (4) The activity that is undertaken provides a significant public or community benefit.

1.2.2 Community Economic Development. Community Economic Development (CED) projects that involve a combination of social and economic goals can be eligible for inclusion in the Imagine commitment if:

- (1) The primary intent of the project improves the conditions in life of the local citizens; enhances the social, economic and environmental health of the community; and/or promotes the well-being of aboriginal peoples; and,
- (2) The project does not confer a specific commercial benefit to the company.

For valuation purposes the company should include the cost of direct financial support and the fair market value of any other forms of inkind or other support provided, less any direct return or benefit the company received from its investment.

1.2.3 Community Sponsorships. A community sponsorship is eligible for inclusion in the Imagine commitment if:

- (1) The sponsorship is with a registered charitable or nonprofit organization;
- (2) The primary intent of the sponsorship is for community benefit and not commercial benefit.

Imagine anticipates the proposed guidelines on Split-Receipting from CRA will permit a portion of many community sponsorship initiatives to qualify as charitable gifts and be eligible for a charitable receipt.

1.2.4 Support for Employee Volunteerism. Corporate and employee volunteerism can be included in the Imagine commitment as long as the volunteer commitment occurs with the consent of the employer and within work hours. Community service through which employees are required to work in a community-based capacity as a requirement of their employment or personal volunteerism that occurs outside of work hours cannot be included in the calculation for the Imagine commitment.

For valuation purposes the company should include the fair market value of the release time provided by the company for the employee and other direct costs related to the facilitation and support of employee volunteers. If the company includes volunteerism time in its calculation of the 1%, it must document the release time and report to Imagine on an annual basis according to the reporting criteria specified in the Leadership section, outlined below.

2. Innovation – Investing in the community

Imagine companies agree to champion and sustain at least one community investment project that is supported by the Chief Executive Officer and leverages the skills and competencies of the company to make a difference in the community.

2.1 Community Investment Projects - Definition

To qualify as a Community Investment project for the Imagine commitment, the project should demonstrate the following characteristics:

- (1) Have the active involvement of participants from the company and the community through its design, development and implementation;
- (2) Provide an innovative, sustainable solution to community need(s);
- (3) Be championed and supported by the CEO and senior management;

- (4) Leverage the skills and competencies of the company above and beyond charitable donations;
- (5) Clearly identify measurement and evaluation criteria that show its impact and benefit to the community.

Ongoing, multi-year community investment project(s) that meet the above definition will be eligible under the Imagine commitment for the number of years the company continues to support the project(s).

The scale of each community investment project should be appropriate to the size of the company. Projects championed by smaller businesses may not meet all of the criteria above, but should involve more than charitable donations and reflect the company's unique expertise and values.

3. Leadership – Being transparent

3.1 Public Reporting

Imagine companies agree to demonstrate leadership by annually publishing a report to the public that displays the Imagine logo and describes the company's community investment and citizenship activities.

This report must be a minimum of one page in length and provide an overview of the company's community contribution program and a short description of the company's community investment project(s).

Companies are encouraged but not required to provide full financial disclosure on their community investment activities as part of the report.

Some suggested locations for this information include the annual report, social report, website, press materials, advertising, and/or corporate information sheets.

3.2 Reporting to Imagine

To protect and ensure the integrity and value of the Imagine brand as a trustmark for corporate citizenship and community investment, companies that join will be asked to demonstrate their adherence to the Corporate Citizenship Commitment by reporting their activities to Imagine. Imagine will require the following information from its companies:

- (1) Proof of adherence to the Corporate Citizenship Principles of ethical and environmentally responsible business practices (e.g. Corporate code of conduct or code of ethics)
- (2) Total charitable donations
- (3) Total non-charitable donations (e.g. volunteerism hours, gifts-in-kind etc.)
- (4) Donations as a percentage of pre-tax profit
- (5) Description of community investment project, including list of partners, activities and area of focus

Imagine recognizes that some companies produce comprehensive corporate citizenship reports that already include the information listed above. Companies will be given the option to submit their reports to Imagine in order to facilitate the reporting process.

For companies that do not produce a report that includes all the information outlined above, Imagine has created a user-friendly template called the Imagine Report. The Imagine Report collects information on a company's adherence to the Corporate Citizenship Principles, the level of its financial contributions and description of its community investment project(s).

All information collected will remain confidential. Please see section 7 below on Disclosure.

Imagine

Encourage

Employ

4. Encouraging others to join Imagine

Imagine will work with its members to help them encourage other companies (for example: customers and suppliers) to pledge to the Imagine commitment.

Imagine does not require or expect companies to set fixed targets or goals in this regard.

5. Accreditation with Imagine

To support the administrative costs associated with accreditation and provide sustainable funding for Imagine to position itself as a public trustmark for corporate citizenship and community investment, an annual accreditation/membership fee will be charged. Fees are determined on a sliding scale according to the attached fees schedule. Exceptions to the fee schedule outline will be considered on an individual basis.

6. Renewal

Imagine companies will be asked to renew their Corporate Citizenship Commitment based on the expiry of their initial signed commitment agreement. The Imagine Corporate Citizenship Commitment must be renewed within a five-year period of being signed. Please note: companies will be asked to renew their membership annually and pay an annual membership fee but will not be expected to sign the commitment annually.

7. Disclosure

Imagine publicizes the names of its companies as part of its promotional activities. From time to time, Imagine also polls its companies to gather information for business planning and development purposes. Information from this polling is kept strictly confidential and serves to ensure the integrity of the Imagine program. No information on individual company donations programs or policies is released by Imagine unless specifically authorized by the company.

Information collected through the Imagine Report on individual companies is also kept strictly confidential. Imagine will use the information collected from its companies to publish an annual “State of Canadian Corporate Citizenship” report that includes aggregate statistics on the total contribution of Imagine companies to community investment in Canada.

Imagine is often approached by third parties inquiring about the status of a company’s commitment to the Imagine program. Imagine will refer to information received from its companies and verify a company’s good standing when appropriate. Imagine will not provide third parties with any detailed information on one of its companies without the prior consent of that company.

8. Withdrawal of accreditation privileges

Imagine reserves the right to suspend companies from membership who knowingly violate the Imagine commitment. For example, knowingly operating outside the laws and the norms of the communities in which they do business would be considered grounds for withdrawal of accreditation principles.

For further explanation and definition of the Corporate Citizenship Commitment, please contact us or visit our website:

Imagine is an initiative of the Canadian Centre for Philanthropy.

Tel: (416) 597 2293 ext. 229

Fax: (416) 597 2294

Email: info@imagine.ca

Web: www.imagine.ca

www.imagine.ca

425 University Avenue, Suite 700, Toronto, Ontario M5G 1T6
Tel: 416.597.2293 ext. 229 | Fax: 416.597.2294 | Email: info@imagine.ca