

THE CARING COMPANY 1% COMMITMENT

Caring 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, to encourage and facilitate the personal giving and volunteer activities of their employees and to lead by example in encouraging other companies to make the Corporate Citizenship Commitment.

Caring Company membership requires a 3 year minimum Corporate Citizenship Commitment. The Commitment has 3 components. One percent, one project, and one report, per year. This document provides further clarification and guidance on what can be included in the Caring Company Corporate Citizenship Commitment, including interpretation and reporting requirements.

The 1% Commitment

Under Imagine Canada's leadership, 1% has become the national standard for excellence in corporate community investment. It is calculated as a percentage of the company's domestic pre-tax profit and is the minimum requirement for recognition as an Imagine Canada Caring Company.

Professional Firms organized as partnerships or limited partnerships do not normally expense salaries (including bonuses) to their active partners as a corporation does with respect to employee salaries. In order to 'level the playing field' between these partnerships and corporations, and to recognize their contribution to community, an equivalent amount should be imputed as salary to reduce the net operating profit of the partnership for purposes of the 1% Imagine Canada threshold. Accordingly, up to 60% of partnership profits may be considered salaries to partners and the Caring Company Corporate Commitment calculated on the remaining 40% of profit (which equates to the equity return to partners).

Crown Corporations also make significant and valuable contributions to their communities and society at-large. These firms should use the net revenue returned to their controlling shareholder (or net profit) as the basis for calculating their 1% Corporate Commitment.

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

Seven types of contribution are eligible for calculating the Caring Company 1% Corporate Citizenship Commitment:

1. Charitable gifts as defined by Canada Revenue Agency (CRA)

Includes 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.

Donations to federal or provincial political parties, riding associations or candidates while sometimes charged to company donations budgets, should not be included in the donations total.

2. Support for Employee Volunteerism

Corporate and employee volunteerism can be included as long as the volunteer commitment is employer funded. 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.

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Calculating the Imagine Canada 1% (continued)

3. Contributions to nonprofits that are not registered charities

Contributions to nonprofit organizations that are not registered charities are eligible for the Corporate Citizenship Commitment if;

- The nonprofit organization provides a tangible benefit to the public;
- 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; and
- The activity that is undertaken provides a significant public or community benefit.

4. Gifts In-kind

This includes contributions of products, goods and services to registered charities and/or nonprofit organizations. Charitable tax receipts are not required to claim contributions from this source. Valuation should reflect cost to the company in a responsible manner (i.e. wholesale cost).

5. Community Sponsorships

A community sponsorship is eligible for inclusion if it is with a registered charitable or nonprofit organization.

6. Community Economic Development

Community Economic Development (CED) projects that involve a combination of social and economic goals can be eligible for inclusion in the 1% Corporate Citizenship Commitment if:

- The primary intent of the project improves the conditions in the lives of the local citizens; enhances the social, economic and environmental health of the community; and/or promotes the well-being of Aboriginal Peoples.

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

7. Community Investment Program Management

All expenses related to management of your community investment program are eligible for inclusion in the 1% commitment calculation. Expectations similar to those applied to the organizations you are supporting should be counted within this category. This cannot represent more than 10% of your total commitment.

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