



## How LBG fits into CSR ratings systems

### Introduction

When considering LBG membership, companies often ask how LBG data and the LBG framework compares or fits with the data required by various CSR / Sustainability ratings systems.

LBG is a benchmarking framework. It is not a ratings system. Members' LBG data is not scored or rated in comparison to other companies.

The most common concern companies have around LBG and CSR ratings systems is that they do not want to collect or compile their data in different ways, thus increasing their workload. The good news is that the LBG framework was in existence before most CSR ratings systems were developed, and most reputable ratings systems use the LBG framework as the basis for collecting and reporting community contributions data. How this works with some of these ratings systems is set out below:

### 1. LBG

**LBG** (London Benchmarking Group) is the only internationally recognised system for measuring and reporting corporate community investment (CCI). Initiated in the UK, LBG is now used by more than 150 leading companies worldwide to assess and value their community contributions on a systematic and consistent basis.

LBG is managed in Australia and New Zealand by the leading CSR specialists Positive Outcomes, and currently has 22 participating members.

LBG provides a robust, common and efficient system for the *collection and reporting* of community contribution data, a critical pre-requisite to any subsequent individual performance measurement or collective benchmarking exercise.

**LBG** is a practical tool that assists companies to measure and manage their CCI programs. It gives a dollar value to inputs, in a way that aims to be consistent so that companies can benchmark their contributions against other companies.

It provides a framework for companies to track outputs - community and business benefits, and leverage gained.

LBG members' data is checked and validated as part of the annual data collection process, to ensure that members are applying the model consistently.

### 2. Corporate Responsibility Index

The CRI was also initiated in the UK, and is 'a business led, self-assured benchmark of corporate responsibility performance'.

Its focus is on management processes and performance, in four key areas: community, environment, workplace and marketplace.

**LBG data can be used directly in the Community component of the CR Index. The format for recording Inputs and Outputs is based on the LBG model.** However, companies can choose whatever form of valuation they want to use, for this part of the Index (rather than LBG valuations).

Companies who take part in the CR Index are compared with their peers and rated for their performance. In the UK companies are ranked from 1 – 100. In Australia / New Zealand, companies are awarded a gold, silver, bronze or participation rating, based on their score.

Ernst & Young undertake a limited audit of company data, and there is a charge for this. They do not comment on how the valuation of contributions is arrived at, nor does CRI require contributions to be counted in a similar way. This is why CRI focuses on management processes and policy frameworks rather than benchmarking of contribution data.

### 3. Reputex

Reputex is a private research agency “dedicated to the delivery of quality, fully independent analysis and ratings in the specialist areas of reputation, stakeholder facilitation and CSR ratings.”

Its research methodology includes collecting data from a range of sources external to the rated entity; site visits to meet with company representatives to examine systems and verify key attributes of CSR practice.

One category of CSR Research and Rating is Social Impact. Achieving a high rating in part requires “*Social contribution and impact should be actively measured, independently evaluated and reported against verifiable benchmarks set in consultation with a comprehensive range of stakeholders*”.

Because the LBG framework provides a systematic and robust way of measuring corporate community contributions, and data is externally validated and benchmarked with the LBG group, LBG members who wish to participate in the Reputex ratings model can submit their LBG benchmarked data into the Reputex process.

Community Investment is one of four parts to Social Impact, and this section looks for details on strategies and guiding principles in directions for CCI and ‘how the organisation demonstrates a strong commitment to community investment and philanthropic support.’

### 4. Dow Jones Sustainability Index

The general section of the SAM questionnaire asks two questions that are relevant to CCI. These are Q46 and Q47. The latter question asks for data which is in the LBG format –

- cash / time / in-kind contributions
- ‘in-kind’ is at cost or tax valuation.

These questions are also part of the AuSSI (Australian SAM Index).

### 5. Global Reporting Index (GRI)

The GRI is a framework for sustainability reporting – the practice of measuring, disclosing and being accountable to stakeholders for organisational performance towards sustainable development. Community contributions data fits in the Economic Indicators of the GRI, specifically EC1.

“Direct economic value generated and distributed, including revenues, operating costs, employee compensation, *donations and other community investments*....”

It does not require any specific way to measure and report these. Companies can use their LBG data directly.

#### Where LBG fits

Our assessment is that LBG is unique as a measurement and management tool, to assist companies know what they are doing in the community, and to determine its value to the business and the community.

As a facilitated business membership organisation, members are able to learn from each other, benchmark their CCI performance, and understand how they are tracking relative to their strategy. Members receive a range of CCI consulting services and advice to assist them with the benchmarking exercise and to help them better measure and therefore manage their program. Members are also provided with tools for in-house data capture, and can access a continuous on-line data capture facility to facilitate real time management reports of their community contributions.

A number of LBG members choose to submit their LBG data as part of their participation in CRI - because LBG data is validated and uses a robust and systematic framework this provides them with a higher grading under the CRI model.

**LBG data can be applied directly to other systems, such as GRI based sustainability reports, DJSI and Reputex.**

#### Contact us for more information

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