



# **Salesforce Social Value - Criteria & Methodology FY21**

**Discussion, Criteria and Methodology of the Salesforce Social Value**

**Updated: March 2021**



## Background

At Salesforce.com, Inc. (“Salesforce” or “the Company” or “we” or “us”) we believe the business of business is to make the world a better place for all of our stakeholders, including our stockholders, customers, employees, partners, the planet and the communities in which we work and live. Delivering innovative solutions to our customers is core to our mission and, as a technology company, we have developed solutions on the Salesforce Platform that enable our customers and stakeholders to manage and affect environmental, social and governance (“ESG”) matters that are meaningful to them. We also believe in transparently disclosing the goals and relevant metrics related to our ESG programs. These programs have a significant impact on our stakeholders and are of increasing interest to our investors.

Our integrated philanthropy efforts, including our creation of and membership in the Pledge 1% Initiative, are some of our key ESG programs. Our work over twenty years as a founding member of Pledge 1% has become foundational to our corporate culture and has resulted in a meaningful positive impact on our communities. For the purposes of this document, the efforts related to this initiative are referred to as our “social value” contributions.

Our hope is that others will join us and hundreds of other community-oriented companies in the Pledge 1% Initiative.

We also hope that companies will take efforts to transparently disclose the social value of their own philanthropy efforts.



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## Social Value Criteria

This whitepaper documents our methodology to quantify the aggregated monetary value of our social contributions. We believe that the transparent disclosure of this methodology is a necessary evolution of our ESG reporting and will give our stakeholders insight into our social contributions relative to the size of our organization. This disclosure is also a tool for management to evaluate the return on investment of our social contributions based on the non-financial impact to our stakeholders.

The methodology, as designed by Management, is intended to be transparent, re-performable, consistent, and verifiable. In order to meet these criteria, we have leveraged guidance from the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") when appropriate.

At Salesforce, we define "Social Value" as the aggregated monetary value of the following:

- **Donated and discounted product:** Donated or discounted products offered to qualified non-profit entities, higher education institutions or other non-governmental organizations (collectively referred to as "non-profits")<sup>1</sup>
- **Pro bono volunteering:** Time volunteered by Salesforce employees for pro bono professional services (i.e. a product developer supporting a non-profit with their technology needs)
- **Employee-inspired volunteering:** Time volunteered by Salesforce employees to support community initiatives that they care about (i.e. a sales representative volunteering to serve meals at a homeless shelter)
- **Grants and Donations:** Cash grants and donations provided directly to non-profit entities by Salesforce, Salesforce matching of employee contributions to non-profit entities, and grants to improve local communities by the Salesforce Foundation

**Note 1:** Refer to Appendix B for a definition of a qualifying non-profit, higher education institution, or non-governmental organization.

The methodology for calculating our social value is discussed in more detail below.



## Donated and Discounted Product

### Criteria

We calculate the social value of products sold or donated to non-profits based on the following formula:

#### Social value is equal to:

The estimated price<sup>1</sup> Salesforce would have received if a comparable product<sup>2</sup> was sold to a for-profit business of similar size, location, and currency<sup>3</sup>

#### Minus

The price<sup>4</sup> that Salesforce received, if any, for the same or similar product from a non-profit

**Note 1:** The fair value of products donated or sold to non-profits is not readily available as we deliberately sell the product at a significant discount or a price of zero. Instead, we concluded that the best estimate of fair value would be the estimated price that would have been received for a comparable product sold to a for-profit customer. To arrive at the estimated price we generally used the stand alone-selling price (“SSP”) for specific products actually sold to for-profit customers, estimated in accordance with U.S. generally accepted accounting principles (“US GAAP”). This approach is based on the FASB’s authoritative guidance in Accounting Standards Codification (“ASC”) 606 for Non-Cash Consideration and their definition of SSP which state the following:

*Per ASC 606-10-65-1, “Non-cash consideration is measured at fair value, if that can be reasonably estimated; if not, an entity uses the stand-alone selling price (SSP) of the good or service that was promised in exchange for noncash consideration per ASC 606-10-65-1”*

*and*

*Per ASC 606-10-32-32, “The SSP is the price at which an entity would sell a promised good or service separately to a customer. The best evidence of a standalone selling price is the observable price of a good or service when the entity sells that good or service separately in similar circumstances and to similar customers.”*

For clarity, we **do not use the list price** for salesforce products sold to for-profit customers for the purposes of this calculation, as this does not represent the typical price we receive for a product and could overstate the social value.

**Note 2:** In order to determine if a product was comparable we leveraged an internal Stock Keeping Units (“SKUs”) mapping to map SKUs used for non-profit customers to SKUs used for for-profit customers.

**Note 3:** Once comparable SKUs were identified, we leveraged our existing stratification rules from our internal revenue recognition policy to apply the correct SSP based on the total deal size, region, and currency.

**Note 4:** The price received is represented by the total revenue recognized in the reporting period from the sale of a specific SKU to a non-profit customer recorded in our internal financial record keeping systems. This agrees to revenue recognized for the specific SKU in accordance with ASC 606 “Revenue Recognition”.

A detailed description of Management’s key assumptions to calculate the Social Value of Donated and Discounted product can be found in Appendix A.



## Pro bono Volunteering

### Criteria

We calculate the social value of our employee pro bono volunteering as follows:

#### Social value is equal to:

Self-reported pro bono<sup>1</sup> hours volunteered by Salesforce employees during the period

#### *Multiplied by*

Estimated billing rate per hour as recommended in the CECP<sup>2</sup> annual valuation guide for the period

**Note 1:** The self-reported pro bono volunteering hours represents self-reported services provided to non-profits by Salesforce employees to help them implement Salesforce solutions and support the professional capacity of the organization (i.e. product implementation, board service, financial or legal counsel). The number of hours volunteered is self-reported by employees and maintained and analyzed in Salesforce.org's internal Salesforce customer relationship management ("CRM") instance.

**Note 2:** Chief Executives for Corporate Purpose ("CECP") is a consortium of corporations focused on promoting social strategy. Salesforce is a member of CECP, as are many peer organizations. The pro bono valuation that CECP provides serves as an industry standard benchmark that corporations use to determine the monetary value of the service provided by their employees. Due to the many different types of pro bono support provided by Salesforce employees, not all of which are covered by CECP's disaggregated rates for pro bono, we have used the general rate for professional services. We are also using a US hourly rate for this calculation.



## Employee Inspired Volunteering

### Criteria

We calculate the social value of our employee inspired volunteering as follows:

**Social value is equal to:**

Self-reported employee inspired<sup>1</sup> hours volunteered by Salesforce employees during the period

***Multiplied by***

Rate per hour (rate defined by Independent Sector<sup>2</sup>) during the period

**Note 1:** Employee inspired volunteer hours represent self reported hours volunteered by Salesforce employees to non-profits that are meaningful to the Salesforce employee but not related to their professional role at Salesforce (i.e. a web developer volunteering to serve meals at a homeless shelter.) The number of hours volunteered is self-reported by employees and maintained and analyzed in Salesforce.org's internal Salesforce CRM instance.

**Note 2:** Independent Sector is a national coalition of non-profit organizations, foundations, and corporate giving programs working to strengthen civil society. Independent Sector's annual value of volunteering hourly rate is based on the Current Employment Statistics database, maintained by the United States Bureau of Labor Statistics. We are using Independent Sector's most recent rate publicly available as of the start of the current fiscal year. In addition, we use the current estimated national value instead of the disaggregated average state and territory values and we are also applying the US rate for all hours volunteered by employees globally.

## Grants and Donations

### Criteria

Salesforce calculates the social value of grants and donations by determining the monetary value of all employee matching donations and grants given by Salesforce.com, the Salesforce Foundation, or Salesforce.org to a qualified non-profit, educational institution or other NGO (collectively "non-profit") during a given period. These grants and donations are recognized on an accrual basis of accounting in accordance with US GAAP and our expense recognition policy.



## Appendix A: Assumptions for Social Value of Discounted and Donated Products

### Overview

Refer to the Criteria section for the methodology used to calculate the social value of the donated and discounted product and to Appendix B for the definitions for any acronyms in this section. This section provides context on how management applied the methodology to various categories of donated and discounted products and documents the key assumptions used.

When estimating the social value of discounted and donated products, management evaluated the value based on the following three key categories:

- **Category 1** - SFDC Product Sold by SFDO
- **Category 2** - 10 Free SFDC Licenses donated by SFDO
- **Category 3** - Donated SFDO Specific Product add ons

All calculations, regardless of the category, adhere to the overarching social value methodology.

Note that at this time, the social value of donated product only includes product donated by SFDO as defined in Appendix B. It does not include products offered by the Tableau Foundation or Salesforce services offered for free or at a discount to the general public, such as Trailhead.

### Category 1 - SFDC products sold by SFDO at a discount

#### Background

The Power of Us program gives non-profit organizations and educational institutions access to Salesforce products and resources to help expand their collective impact. As part of this program, non-profits are eligible to purchase a wide array of SFDC products at significant discounts.

#### Social value is equal to:

The estimated price Salesforce would have received if a comparable product was sold to a for-profit business of similar size, location, and currency

#### *Minus*

The price that Salesforce received, if any, for the same or similar product from a non-profit





## Key Assumptions

<p>Mapping of SFDO products to comparable SFDC products in order to determine the estimated selling price to a for-profit business</p>	<p>To apply the appropriate SSP for each product type, a mapping of SFDO products to same or similar SFDC products was performed. The mapping is conducted by comparing SFDO SKUs to SFDC SKUs.</p> <p>The majority of SKUs for sales to non-profit customers could be mapped to a for-profit customer SKU for a comparable product with a calculated SSP.</p> <p>When a direct match is not available, management manually performs a comparison based on knowledge of the products. If products cannot be directly mapped based on the SKU or management’s knowledge, an estimated SFDC SSP is determined by applying a ratio.</p> <p>This ratio is calculated by comparing the aggregated weighted average SFDC SSP to for-profit customers to the aggregated weighted average price to non-profit SFDO customers, for SKUs which could be mapped. This ratio is then multiplied by the SFDO revenue for specific SKUs to estimate the social value.</p>
<p>SSP</p>	<p>SSP is obtained from SFDC’s revenue recognition system and is calculated based on SFDC’s revenue recognition policy.</p>
<p>SSP calculated stratification</p>	<p>The same stratification for deal size, region, and currency as SFDC’s Revenue Recognition Accounting Policy was applied.</p>
<p>Products subject to the ratio of the aggregated weighted average selling price calculation</p>	<p>The ratio is applied if:</p> <ul style="list-style-type: none"> <li>(1) There is an SFDO SKU without mapping to SFDC SKU as noted above</li> <li>(2) The SFDO SKU is mapped to a comparable SFDC SKU however, no SSP exists for the SFDC SKU due to ineligible transactions in accordance with SFDC’s revenue recognition accounting policy.</li> </ul>
<p>Zero social value</p>	<p>If SFDO contracted revenues (i.e. contract transaction price) are larger than SFDC SSP for a comparable product, Social Value is accounted as zero instead of negative Social Value.</p>

## Category 2 - 10 Free SFDC licenses donated by SFDO Background

The Power of Us (“P10”) program gives non-profit organizations and educational institutions access to Salesforce products and resources to help expand their collective impact. The P10 program includes 10 subscriptions, free of charge, of the Lightning CRM Enterprise Edition subscription as well as providing the organization with access to discounted products (As described in Category 1). The program is operated at the account level for each customer, which means the contracting party. For example, a state University with multiple departments (admissions, student housing, etc.) may qualify for the P10 program for each department.



**Social value is equal to:**

The estimated price per license Salesforce would have received if the Lightning CRM Enterprise Edition subscription was sold to a for-profit business

*Times*

Number of available licenses for each active customer

**Key Assumptions**

Active Customers	An active customer is defined as:  1) A non-paying non-profit customer where at least one user from the account has accessed P10 during the last 10 months. 2) A paying non-profit customer account who also receives 10 free licenses.
Available licenses	As part of the P10 program, all paying and non-paying non-profit customers are awarded 10 free licenses, therefore each active customer has access to 10 licenses for the purposes of this calculation.
SSP	When determining the appropriate SFDC SSP for Category 2, we do not stratify for deal size, region and currency for each SKU as we do for Category 1. Instead, we use the SSP stratification that is most representative of all SFDO customers for the P10 program to arrive at the estimated price per license.

**Category 3 – Donated SFDO sector customization packages**

**Background**

The Non-profit Success Pack (“NPSP”) and Education Data Architecture (“EDA”) offerings, collectively the (“add ons”), are pre-configured packages offered by SFDO that customize Salesforce’s solution for the non-profit and higher education sectors. These add ons are offered for free with all licenses sold or donated by SFDO to non-profits and provide functionality including relationship management, donation tracking, fundraising, volunteer management, and analytics. The add ons sit on top of our Sales & Service Cloud offerings, including the P10 offering, to provide additional functionality and reduce implementation and customization costs. Without a Sales & Service Cloud license, the add ons are not functional.

Non-profits are provided with the add-ons free of charge for every Sales & Service Cloud license in their possession. It is assumed that all Salesforce.org customers start from a trial with NPSP installed by default.



**Social value is equal to:**

The estimated price per add-on Salesforce would have received if a similar add-on was sold to a for-profit business

*Times*

Number of available add-ons for each active customer

**Key Assumptions**

<p>Number of available add ons for each active customer</p>	<p>The number of available add ons for each active customer includes the following:</p> <ol style="list-style-type: none"> <li>1. All active customers enrolled in the P10 program who are eligible for the add on</li> <li>2. All paying non-profit customers who are eligible for the add on</li> </ol>
<p>Price premium of add ons</p>	<p>The NPSP and EDA add-ons are built by and unique to SFDO and as such cannot be mapped to an identical SFDC offering. Therefore we used the estimated price for a similar industry specific add-on.</p> <p>Specifically, SFDC sells several industry specific customization packages, or skins, such as the Health Cloud and Financial Services Cloud. Similar to NPSP and EDA, these skins customize the base Salesforce offering for a specific sector. In each case, Salesforce’s intent is to build pre-configured reports and functionality that are relevant to the industry, often driven by customer feedback, thereby increasing productivity and reducing customization costs for clients.</p> <p>SFDC sells these industry solutions as packages including the base offering (Sales and Service Cloud) with the industry skin already built in</p> <p>In order to assess the estimated price of NPSP and EDA, we took the average premium paid by SFDC customers for the industry specific solutions over the base Sales and Service Cloud offering, as evidenced by the fiscal year 2020 SSP data for SFDC’s two most widely adopted industry solutions, Financial Services Cloud and Health Cloud.</p>
<p>Exclusions from the number of available add ons</p>	<p>If a non-profit customer has purchased an existing SFDC vertical,(i.e. the Financial Services Cloud or Health Cloud) they are not counted as part of the population for the determination of the social value of NPSP.</p>

**Appendix B: Definitions**

**SFDC:** Salesforce is a global leader in customer relationship management (“CRM”) technology that brings companies and their customers together. With our Customer 360 platform, we deliver a single source of truth, connecting customer data across systems, apps and devices to help companies sell, service, market and conduct commerce from



anywhere. Since its founding in 1999, Salesforce has pioneered innovations in cloud, mobile, social, analytics and artificial intelligence (“AI”), enabling companies of every size and industry to transform their businesses in the all-digital, work-from-anywhere era.

**SFDO:** Salesforce.org. In June 2019, Salesforce.org was combined with Salesforce.com to drive greater impact and success for social good organizations. As part of the combination Salesforce.com (“Salesforce”) created a nonprofit and education vertical led by Rob Acker. This vertical is responsible for the sales, marketing, and customer success of the Salesforce Customer Success Platform to the nonprofit and education communities, as well as the development of Salesforce.org’s Nonprofit Cloud, Education Cloud, and Philanthropy Cloud vertical applications.

**Salesforce Foundation:** The Salesforce Foundation is a tax-exempt 501(c)(3) nonprofit organization that funds initiatives aligned with Salesforce’s Education and Workforce Development strategies.

**Donated product:** SFDO’s products provided for free or sold with a discount to qualifying non-profit and higher education institutions under programs such as; Power of Us, Non-profit Success Pack (“NPSP”), and Education Data Architecture (“EDA”).

**Non-profit:** There are three types of entities included in the definition of non-profit which are outlined below.

Non-profit entity: A “Non-profit entity” or “non-profit” is determined based on the jurisdiction in which they operate. In the United States, this means a business that has been granted tax-exempt status by the Internal Revenue Service (IRS) because it furthers a social cause and provides a public benefit such as a 501(c)(3) exempt organization. For organizations outside of the United States, Salesforce.org serves organizations that are legally recognized as charitable, nonprofit, nongovernmental or social change organizations in the country that they are located. This also includes nonprofit education organizations and institutes.

To be eligible to apply for the discount and donation program, an organization must provide legal documentation that states it is recognized as a charitable, nonprofit, nongovernmental or social change organization in the country that it is located. If countries do not have an official registry for said entity types, it needs to be written into the organization’s legal documentation: This also includes nonprofit education organizations outside of the United States. A full definition of eligibility criteria can be found on our [website](#).

**Higher education institution:** A higher education institution (or qualifying customer) is an institution that meets the definition [linked](#).



**Non-Governmental Organization (“NGO”):** A NGO is a non-profit, voluntary citizens’ group, organized on a local, national, or international level to address issues in support of the public good.

**Non-profit success pack (“NPSP”):** The NPSP is an open source add on that includes out-of-the-box capabilities and a relationship-first view of all a non-profit’s relationships. It turns the Salesforce CRM enterprise license into a Constituent Relationship Management system for nonprofits.

**Education Data Architecture (“EDA”):** The EDA is a flexible data architecture designed to configure Salesforce for education. EDA is developed in collaboration with our education partners and customer community and allows an institution to easily see the relationships learners have with advisors and family members as well as their affiliations with clubs, departments, and more - all in a single view.

**Stock Keeping Unit (“SKU”):** An internal identifier used as part of management’s process to identify and track the sales of SFDC and SFDO products and to facilitate financial reporting.

**SSP:** Stand alone-selling price for specific products sold to for-profit customers, estimated in accordance with US GAAP.

**US GAAP:** US generally accepted accounting principles.

For questions related to the Salesforce Social Value Criteria & Methodology, please write to [socialimpact@salesforce.org](mailto:socialimpact@salesforce.org).