ACF
Association of Charitable Foundations

GOOD PRACTICE GUIDE FOR CORPORATE FOUNDATIONS

CONTENTS

FOREWORD

Corporate foundations are continuing to grow in number. These distinct legal entities contribute effectively to communities on a company's behalf. But only relatively recently has it been recognised that these foundations –established by and usually maintaining an active link (either through name, or funding, or both) to a business – face a different set of challenges to others in the foundation sector. They may be legally separate, but they often have a close association with their founding business, in a similar way that a family foundation does to its own donor.

This association brings huge opportunities to leverage the support that the business can provide, through volunteering, expert advice, intellectual capital or many other forms of in-kind support. However, there are challenges: there is a line that must not be overstepped where the association impinges on the corporate foundation's independence or puts commercial benefit before charitable objects. Yet this does not mean that a foundation can't leverage and work in partnership with its key stakeholder; I would argue that they certainly should do so in order to maximise potential support for their beneficiaries.

This updated Guide helps to chart that sometimes difficult course by providing practical guidance on governance, staffing and operations. It has been undertaken in response to a consistent flow of enquiries seeking advice about the establishment and ongoing effectiveness of these distinct philanthropic entities. We are extremely grateful to Fiona Ellis who has completed an extensive revision and updating of her original thorough guidance, while retaining the clarity and insight of the first edition.

We greatly appreciate the help and support of those foundations cited in the case studies, and thank all the other corporate foundations who so generously gave time to respond to requests about their work. That collective encouragement will enable us to continue to support and encourage the next generation of corporate foundations, and crucially, their beneficiaries.

Amanda Jordan OBE, Chair, ACF

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CHAPTER 1
WHY THIS GUIDE NOW AND HOW TO USE IT

This Guide was written in response to a longstanding need for dedicated guidance for corporate foundations and the people who want to establish them.

Although the Charity Commission for England and Wales published *A Guide to Corporate Foundations* in 2010, that Guide was designed primarily to assist founders, trustees and donors in understanding and complying with Charity Commission requirements for such foundations.[1]

The Association of Charitable Foundations (ACF), the membership body for trust and foundation grant-makers, worked closely with the Charity Commission in the preparation of the original Guide. However, both parties agreed that there was a further need for a Good Practice Guide both for those considering setting up a foundation and for trustees seeking guidance on ways to lead and manage their corporate foundations as effectively as possible.

The resultant *ACF Good Practice Guide for Corporate Foundations* was published later in 2010 and illustrated ways in which corporate foundations work, with examples of good practice. This current publication updates the original ACF Guide. It takes into account general guidance to trustees issued by the Charity Commission since 2010 – although there has been no new guidance specifically for corporate foundations, the general guidance applies to corporate charity trustees as to other charitable organisations.

The context for corporate foundations has also changed since 2010, as have some of the foundations cited in the first edition of the *ACF Good Practice Guide for Corporate Foundations*. We have incorporated new styles of practice or new models where they can be helpful.

Sadly, some of the foundations originally used as examples have ceased to be active. Where the general learning from them remains useful we have sometimes retained them. Otherwise we have updated examples.

In the interests of full disclosure, Fiona Ellis, the writer of this Guide, is a trustee of The People's Operator Foundation and former trustee of The Nationwide Foundation. She was CEO of the Northern Rock Foundation and as a consultant has advised a number of other corporate foundations mentioned in this Guide.

USING THE GUIDE

This Guide is written to assist both those already funding or operating a corporate foundation and those considering doing so. The first section addresses primarily those contemplating setting up a foundation and sets such a move in the context of other possible charitable activities. Subsequent sections describe the processes and legal requirements of setting up and running a corporate foundation. Where possible, we offer a wide selection of options on matters such as governance, connections with the donor, and staffing. We also provide good practice suggestions intended to help both donors and foundations achieve the most from their charitable enterprise. Throughout the text the reader will find case studies showing how some of the good practice looks in real life. No single foundation illustrates all the good practice points: different approaches suit different needs and circumstances.

Inevitably, things may go wrong even with the best-planned and established organisations. We describe some of the problems encountered by existing foundations and their donors and how they resolved them. Our suggestions in the problem-solving section are aimed at all readers – the best way to deal with trouble is to anticipate and forestall it.

NOT MUCH TIME?

Intending corporate founders will find all sections helpful in understanding what to expect from setting up a foundation but you can read selectively and in proportion to the scale of your ambition.

If you are confident that you are getting expert legal advice you may want simply to glance at **Chapters 3 and 4** on Basic Legal Requirements and Good Governance but do look at the good practice boxes and the Chart on Independence in the Appendix.

If you have a clear view of what you want to achieve and some specific measurable goals, check the good practice boxes in **Chapters 2 and 6** to make sure you have thought of everything.

Chapter 7 about the public face and image of a foundation is important – or will quickly become so once you have started to work.

Chapter 10 is full of valuable first-hand advice.

WHAT ARE CORPORATE FOUNDATIONS?

Corporate foundations share two simple characteristics: they are, like other foundations, independent legal entities; and they are funded by businesses. After that it gets much more complicated. There are variants in the way the donor contributes, governance, staff contracts and most importantly of all, what is done with the money the foundations receive. We look at these in turn in the main sections of the Guide and describe what, in the experience of the foundations that have allowed us to share their experience, works well.

GOOD COMPANY

In the UK there are now at least 140 corporate foundations.[2] The number fluctuates: research by The Smart Company (now called Corporate Citizenship) published in 2006 uncovered 126 corporate foundations in England and Wales, an increase of 25 on the previous Business in the Community research of 2003. Corporate Citizenship's 2013 list includes 33 newly established since 2006 and also takes account of those that have closed. In our original edition of this Guide we found that a number of those then listed had become inactive, though they had not necessarily been removed from the Charity Commission register. This may still be the case. ACF's *Giving Trends Top 300 Foundation Grant-makers 2015* by Cathy Pharoah, Richard Jenkins and Keiran Goddard describes the top 45 corporate foundations and notes some welcome new arrivals.

The relatively small number of corporate foundations in the UK contrasts strongly with the US where about 79% of larger companies have foundations *as well* as making other kinds of charitable donations through their corporate accounts.[3] However, the cultural approaches to philanthropy and the means of delivering it effectively are different in each country.

Other countries in Europe are also encouraging the growth of corporate philanthropy and urging founders and trustees to learn from international corporate foundations. For example, the Polish Donors' Forum, working with 45 corporate foundations, has created its own high standards for members available in English on its website.[4] Despite the differences in context it is well worth reading.

Some multinational companies register their foundations in the US or elsewhere. It is perfectly possible for a non-UK foundation to work here and, while obeying US charitable laws, to make an excellent impact in the UK. For example, until 2014, Pearson plc had a foundation that was active in the UK as well as in the US where it was registered.[5] Other multinationals register foundations in several jurisdictions and keep their grant-making separate: there is a MAC Aids Foundation in the US and another in the UK, each with its own income from the sale of certain Estée Lauder products.

DOES SIZE MATTER?

The biggest corporate foundations in the UK have annual grants budgets of around £20 million. Among the current leaders are Lloyds Foundation for England and Wales with a spend of £19.7 million in 2014, Shell Foundation who gave £18.9 million in the same year and the Vodafone Foundation (UK) who made grants totalling £17.4 million in 2015 (£19.5 million in 2014).[6]

But it is not necessary to be a huge national business to set up a foundation – SMEs can do the same. The aspiring philanthropist can set up a small independent foundation or use a vehicle like The Philanthropy Foundation or a local community foundation to provide guidance and back office functions, as Michelle Wright reports in the *Huffington Post*:

> ***For a relatively small investment of say £20,000, an SME can set up a foundation in a charitable vehicle established for such a purpose, for example, The Philanthropy Foundation. I'm currently involved in setting up a foundation for a small business that is using its relatively modest profits to create a foundation to support upcoming entrepreneurs; this is a win-win situation for the brand and the CEO loves the fact that he's genuinely able to give something back.***[7]

THE BIGGEST CORPORATE FOUNDATIONS IN THE UK HAVE ANNUAL GRANTS BUDGETS OF AROUND

£20 MILLION

Size of budget is also governed by various economic factors, especially where the business makes an annual donation linked to profits or encourages staff to raise funds for the foundation. Even the endowed foundation is not immune from the markets.

The range of foundation types and models is considerable even within such a small study group as UK corporate foundations. That is why throughout this Guide we offer examples of good practice and only rarely best practice. Intending founders must choose what best suits their own purposes.

CHAPTER 2
WHY SET UP A FOUNDATION?

'The most important part of the work is the beginning.'
Plato

While this Guide is primarily about corporate foundations and is therefore a strong advocate of the model, it would be wise for any business considering its charitable giving or corporate social responsibility policy to take into account all the options.

Corporate social responsibility (CSR) is variously defined. The Confederation of British Industry (CBI) offers the following:

CSR is the acknowledgement by companies that they should be accountable not only for their financial performance, but for the impact of their activities on society and/or the environment.[8]

The Harvard Kennedy School of Business goes further:

Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm.

A 2014 publication by the Department for Business, Innovation and Skills urges the adoption of good CSR practice while emphasising the voluntary nature of corporate responsibility and the flexibility of ways it may manifest itself.[9] But Financial Reporting Council guidance for the Company Directors' Strategic Report requires statements about 'environment, employees, social, community and human rights issues'.[10] We are not concerned here with the finer distinctions of the definitions of CSR but we mention the concept frequently throughout this Guide because it is so often cited as a reason for setting up a foundation and because corporate foundations are sometimes lodged within the CSR department of a company.

Publicly quoted companies now routinely consider their CSR policy and what part donations should play in it. If you are reading this Guide you have probably already had discussions about CSR and how you plan to demonstrate your social responsibility. You may also have encountered scepticism about your plans and considered how to counter it:

The public can be sceptical of corporations' motives for engaging with corporate responsibility: 61% agree that corporate responsibility is just a PR exercise for businesses. As a result, companies need to demonstrate their engagement with the causes they support to show how they are making a difference, so that public scepticism can be defused.[11]

There are various ways of meeting your CSR aspirations, some of which also meet your public relations (PR) objectives. Some of the corporate donors we surveyed and interviewed have combined setting up a foundation with other means of satisfying PR and CSR requirements. The most important thing to note here is that a foundation is not the solution to all CSR and PR requirements.

Indeed, where PR is concerned you must proceed with caution. In November 2009 HM Treasury published *A Guide to Giving for Business*[12] describing the various tax-effective ways in which

CORPORATE SOCIAL RESPONSIBILITY CHOICES (OTHER THAN CREATING A FOUNDATION)

business can contribute to community activity and charitable organisations. It details, for example, the difference between sponsorship and charitable support. It also helpfully explains why you can reclaim tax on sponsorship and how VAT must be dealt with both by companies providing sponsorship rather than a donation, and by the charities receiving sponsorship:

Sponsorship is generally different from a donation of money because your business gets something in return. Where, for example, you get publicity for your business or one of its products, which is a reasonable return for the amount paid, it may be regarded as a legitimate trading expense on which tax relief may be claimed.

GOOD PRACTICE

It is vital that you do not attempt to use charitable donations, made directly or through a foundation, to promote your business. If you do so, then both you and the charity will be challenged by the Charity Commission and by HM Revenue and Customs.

This is not to say that your donations must be secret or that you must not publicise them. We talk more about this later in this chapter and in Chapter 7.

Before examining the advantages and virtues of setting up a foundation, let us quickly look at the other possible ways to make a visible contribution to charities and community activities. Essentially you have the following options.

Give time

- employee secondments
- donated company hours
- company one-day volunteering programmes.

Give resources

- use of buildings for meetings or conferences or pro bono for offices
- gifts of land, often in combination with a commercial building project
- gifts of surplus materials, furnishings etc
- use of machinery or tools.

Give money

- donate shares directly to charities
- regular or occasional cash gifts
- profit share donated to charities from partners or from a sales team
- employee fundraising schemes
- payroll giving
- through establishing a named fund with a community foundation
- collecting from your customers or trading partners to a central donating pot.

Engagement

- offer or broker subsidised apprenticeships in partnership with a charity
- work with an established charity to enmesh your CSR with their cause (e.g. house-builders with homelessness).

Invest or trade

- purchase from charities' trading subsidiaries
- invest in social enterprises
- lend to local community ventures
- sponsor charitable activities, including arts and culture
- purchase publicity or goods from charities and social enterprises.

These are all valuable and welcome activities and may be all you wish to do. Some help create a closer bond between staff teams or between the business and its immediate community; some are relatively cost-free; others are specifically geared towards public relations and may have tangible outcomes. All are used by corporate bodies we have researched or surveyed in addition to their corporate foundations. But some also evoke scepticism: is it right, for example, that a corporation should claim credit for what employees do in their own time? Or for donations staff make from their own pockets? Possibly not, but it is perfectly reasonable to claim donated work time or when a company matches employees' personal giving. It is important to be clear and transparent about who gives what.

A FOUNDATION IS FOR VISIONARIES

Choosing to create a foundation implies a longer commitment than a one-off donation, a deeper intention to make a more profound difference, and a wider vision – even when the foundation is intended to have a limited life. It involves investing in a new entity and capitalising on its independence. It is a brave and wise move, bringing with it considerable benefits, especially to those with the patience to allow the foundation to establish its own identity. These days there are high standards of foundation behaviour to be emulated. If your foundation matches or exceeds them it will reflect well on the company that established it.

We have been told of many initial reasons why corporate funders choose to set up foundations. In practice, most of our respondents cite several motivations. Some are particularly related to the nature of the founder's business but others are pragmatic and/or philanthropic. Most of those interviewed found more or different benefits than originally expected.

We alluded earlier to the problems of receiving acknowledgement for your CSR commitment without being accused of using it to advertise. In practice, you may well achieve a better public profile from channelling your donations to an independent foundation than from a one-off donation directly to a charity. The first two of the reasons we give below partly illustrate this issue. Otherwise, these reasons for creating a new foundation are given in no particular order. They are all taken from interviews conducted for the first and second editions of this Guide.

Trust in business is a fragile thing; businesses are sometimes accused of exploiting their charitable activities for commercial benefit.

REASONS GIVEN FOR ESTABLISHING A FOUNDATION

- Trust in business is a fragile thing; businesses are sometimes accused of exploiting their charitable activities for commercial benefit. But setting up an independent foundation to do charitable work without being directly controlled by the company is an excellent defence against such cynical attitudes.
- A well-established foundation with its own name and logo (which may be very similar to yours) and its own identity will be regularly active and so can be a continuous reminder of your generosity as it announces its grants and activities or reports on its own achievements. The corporate donor is entitled to be proud of the achievements of a foundation it has created and to refer to it, providing only that it never presents those achievements as its own.
- A foundation is a constant reminder that businesses are not faceless machines but are run by people and shareholders who have a desire to improve the society in which they live and work. It is a visible correction to the assumption that businesspeople only care about the bottom line.

- Some companies, after years of establishing disparate CSR activities, unite them all under a foundation to ensure that all are captured in a CSR report and that they complement each other and maximise effort for charitable return. The Berkeley Group thought that setting up a foundation with this in mind would make its work *'more impactful'*.
- With competition for the brightest young graduates still high, it is clear that companies with a strong CSR policy are more attractive to new employees. Several interviewees mentioned this as an important aspect of their recruitment.
- Having a foundation is good for staff morale and building a sense of common purpose. Single donations from the company to a charity may or may not even be noticed by staff, but the steady stream of foundation grants or activities can be reported in staff newsletters and employees can share in the pride that their efforts are going to support a range of charities. One of our respondents pointed out that *'a charitable corporate arm can leverage further donations from employees of the corporate and can create a tax-effective giving mechanism and add significantly to culture.'*
- Some respondents have valued the connections with a new group of people they would not normally meet. They can combine this with other aspects of their CSR activities, for example, by brokering volunteer arrangements.
- Peer and customer expectations that companies create foundations are not as high here as in the US but are still mentioned by some respondents.
- Providing the cause is charitable, a company can specify how its funds will be used e.g. the water companies seek to assist customers in difficulty; the banks and building societies are interested in financial literacy. The Vodafone Foundation describes itself as funding *'projects that use mobile communication technologies to address some of the world's most pressing humanitarian challenges and to enhance people's quality of life'.*
- Some building society foundations, like The Nationwide Foundation, were created as a bulwark against carpetbaggers when members were urging demutualisation. New account holders had to promise that any shares issued or other benefits awarded (e.g. cash payments) as a result of demutualisation would go to the foundation instead of to them, thus discouraging entryism. This seems to have been successful but some of the companies with this motivation have experienced serendipitous benefits as well.
- Companies receive copious requests for donations: it can help to redirect people to the foundation – without, of course, making any promises (but see later for the other side of this coin!).
- Creating a foundation is a more powerful gesture than a one-off donation; it tells people you are serious, you are in CSR for the long term and you understand the difference between marketing and being a good citizen.

SHELL FOUNDATION

The origins of the Shell Foundation lie in Shell's strategy to respond to popular demands in the 1990s that energy companies contribute more widely to sustainable development. The company's response included *'efforts to enhance responsible business practices, assess social and environmental impact and establish CSR programmes in core countries – but also recognised the need to support solutions to entrenched problems that prevented development in emerging markets, areas that any one company would not be well placed to intervene. As such, the company established an independent foundation with the mandate to work across the public and private sector to find long-term solutions to global development challenges linked to energy and mobility'.* (Richard Gomes, Head of Policy and Advocacy, Shell Foundation)

Shell did not rush into setting up a foundation: it held 40 round-table events over 18 months with international opinion leaders to discuss how to do more valuable work in environmental and social issues. The foundation came about as a result of this consultation; those leaders selected it as the most effective way to show genuine philanthropy. Independence was a key criterion. To give this independence a clear headstart, Shell gave its foundation a $250 million endowment to which it adds an annual donation.

'The principle is further enshrined through the foundation's governance structure, which includes a mixed board of trustees (three Shell/former Shell executives and three experts from the field of international development) and a publicly-available Business Principles *document that all Shell Foundation staff, grantees and any collaborators within Shell must agree to. Over the years, the foundation has developed further robust processes to ensure all interactions with shared stakeholders are aligned entirely with Shell Foundation's charitable objectives.'* (Gomes, as above)

The company and the foundation have a clearly defined relationship designed to ensure that the foundation is not and does not appear to be 'greenwash'. They both understand what the foundation will and will not do for the company and vice versa.

THE RIGHT EXPECTATIONS LEAD TO THE RIGHT RESULTS

Several of the foundations we have reviewed have initially had problems meeting the unrealistic expectations of their founder. Here are some of the most common misconceptions.

THE FOUNDATION'S ACTIVITIES WILL LEAD TO GREAT PR FOR US

A foundation will definitely, over time, build a good feeling about its donor. But it would be wrong to expect, for example, weekly column inches of gratitude in the press. You can assist your foundation to publicise grants or, better yet, work with grant recipients to gain profile for their charity's work and thus the foundation's donation. However, journalists and editors are wary of businesses seeking 'free' advertising so you need to be careful and limit your expectations.

It is possible to achieve enhanced public approbation at a less obvious level and possibly with a more loyal audience: those who benefit from the foundation's activities will make the connection and talk about it. If the foundation has sufficient resources it can make capital grants that will be visible on donor boards for years. Your gross donation will be recorded in your annual report and picked up in analyses published in newspapers.

Many corporate donors have web links between the business website and that of the foundation: for example, the Nationwide Building Society and its eponymous foundation share discreet links. The Berkeley Charitable Foundation website has a page on the Berkeley Group website as well as having its own dedicated website.

PEOPLE WILL BUY MORE OF OUR PRODUCT BECAUSE OF ITS ASSOCIATION WITH THE FOUNDATION

They might, but you almost certainly will not be able to find out and, legally, you cannot use the charity to promote your products directly. Research conducted for Northern Rock plc in 2007 revealed that even potential customers outside the North East (where its foundation operated) were more likely to be customers because of the company's donation to the foundation regardless of the fact that they could not directly benefit from it. Several people interviewed spoke of their customers feeling positive about the charitable donations, even though on the whole customers were not thought to be particularly well informed about the foundation's activities.

CASE STUDY

The wholesaler organisation NISA supplies goods to local shops, mainly convenience stores, run by its members. The NISA foundation, **Making a Difference Locally (MADL)**, is funded by sales of certain badged goods in member shops. A percentage of the spend on these branded and promoted goods goes to the foundation and can be called upon by the member retailer to be donated to a local cause. By using a name for the charity that reflects its purpose but does not refer to the corporate parent, NISA ensures that credit for funds donated can go to the nominating member. Local newspapers often feature the handing over of the 'Big Cheque' to schools, clubs and small local charities where relatively small sums make a big impact. The most actively charitable members reap the benefits of being seen as strong local citizens.

THE FOUNDATION WILL DO ALL OUR CHARITABLE WORK AND WE WILL NO LONGER RECEIVE DIRECT REQUESTS FOR SPONSORSHIP AND SMALL DONATIONS

It does not always follow that applicants who used to approach you directly for donations or sponsorship will understand the new route to donations even if you structure your foundation to receive them. Moreover, the foundation's trustees may not choose to accept the sort of small requests for donations businesses often receive.

Unfortunately, what the public think of as a 'good cause' and what is legally charitable are not always the same. For example, you may be asked to take a table at the local hospice's Charity Fundraising Ball. You cannot use foundation funds to buy the table because you and your employees (even if they are also the staff of the foundation) must not benefit from donations.

Or you may be approached to sponsor the local amateur theatre in return for a programme advertisement. Again, you cannot do this with foundation funds, though the foundation may make a donation (provided the activity funded is charitable) and forgo the advertisement.

THE OBVIOUS IS NOT OBVIOUS TO EVERYONE

But the foundation could provide the company with a Charities Aid Foundation (CAF) or Charities Trust account – effectively a charity cheque account from which donations can be made to registered charities. The cheques will be sent in the name of the foundation but the due diligence and management of the account is outsourced. For example, for several years Northern Rock Foundation lodged an amount annually in a CAF account for the use of one of its trustees who was also an employee of the bank. He issued charity cheques in answer to requests sent to the bank for small donations. CAF only paid to registered charities and the list of donations was reported to the trustees every year.

Both Lloyds Bank and the Nationwide Building Society have foundations, but they also use other funds for a variety of corporate social gifts and investments in community activity. For example, Lloyds Banking Group has a well developed programme of associated community and responsible business programmes brought together in its Helping Britain Prosper Plan.

THE FOUNDATION CAN DEAL WITH ALL THE PERSONAL REQUESTS THE BOARD AND SENIOR MANAGEMENT RECEIVE

Since they are listed in public documents, senior executives and board members often receive requests for donations from individuals and charities. The foundation's trustees cannot take direction from others so they are unlikely to oblige even the most senior individuals by making donations on their behalf. Employees of the donor can of course suggest causes to the foundation but, if it makes a grant at the trustees' discretion and wholly within the foundation's charitable objects, the donation can still only be made in the foundation's own name and not that of the proposer.

For example, the Tipton & Coseley Building Society uses its foundation to sift and select the numerous requests it receives every year. The business welcomes this arm's-length way of choosing beneficiaries, which distances it from any protest or criticism.

Sometimes companies create foundations in a welter of good feeling and enthusiasm but without a true and realistic picture of what they can expect. We heard this very frequently in our research. Indeed, in answer to the question 'What advice would you give a company wanting to set up a foundation?' every respondent said: be sure that this is the right model for you and be clear and explicit about what you expect from it.

GOOD PRACTICE

Be clear about what you want and expect from the foundation.

Test your ideas on other existing foundations or ACF to ensure that they are realistic and possible within the charity framework.

Resist the temptation to ask for instant results – foundations are more effective over time if not constantly dug up to measure their growth!

CHAPTER 3
BASIC LEGAL REQUIREMENTS

Trusts and foundations: what is the difference?

Before we describe some of the basic requirements for setting up a foundation we need to be clear about what we are discussing. Some readers may be quite reasonably confused about the difference between a trust and a foundation: both words are generally used without distinction. The following extract from the Charity Commission's *Firm Foundations*[13] clarifies:

Trusts and foundations: *The terms 'trust' and 'foundation' are often used interchangeably. All charitable foundations are trusts – that is, they are managed by trustees who may or may not be supported by paid staff. Foundations do not, therefore, have a distinct legal identity or constitution and are subject to the same public benefit tests, governance and accounting requirements, and Charity Commission regulation as all other charities. They derive their income from an endowment of land or invested capital. Not all foundations make grants; some use their income to finance charitable activity of their own. This means that the difference between the terms 'foundation', 'trust' and 'charity' in the UK is semantic only; charities whose principal activity is grant-making are usually called 'charitable trusts' or 'charitable foundations', in preference to 'charities'.*

Throughout the rest of this text we will use the two terms interchangeably.

The remainder of this chapter describes some of the basic legal requirements for a foundation and the principles behind the corporate/foundation relationship. Even those who have already established foundations or serving trustees should find it a useful refresher.

Not all foundations make grants; some use their income to finance charitable activity of their own. This means that the difference between the terms 'foundation', 'trust' and 'charity' in the UK is semantic only; charities whose principal activity is grant-making are usually called 'charitable trusts' or 'charitable foundations', in preference to 'charities'.

ACF has corporate foundation members who meet regularly to discuss matters of mutual interest. It and its members are excellent repositories of the sort of experience and advice that goes beyond mere legal guidance.

Foundations must be registered with the relevant charity regulator. For England and Wales this is the Charity Commission; for Scotland, the Office of the Scottish Charity Regulator;[14] and for Northern Ireland, the Charity Commission for Northern Ireland.[15] Some foundations are registered with more than one regulator e.g. the Coats Foundation Trust which, although relatively small, is registered both with the Charity Commission and with the Office of the Scottish Charity Regulator. It is active in both jurisdictions but its registered address is in Scotland.

In addition to registration you need to consider what legal form the foundation will take: the choice is between being a company limited by guarantee or a Charitable Incorporated Organisation (CIO). Both provide protection from personal liability but a company limited by guarantee requires dual regulation and must be registered with both the relevant charity regulator and Companies House. CIOs need register only with the charity regulator.[16]

Detailed guidance on registration and related legal matters is beyond the scope of this Guide. The Charity Commission has a very informative website which offers a good insight into the requirements for registration but you are strongly advised to take legal advice on setting up your foundation.

Besides taking these sensible legal steps you may find it helpful to consult existing corporate foundations. ACF has corporate foundation members who meet regularly to discuss matters of mutual interest. It and its members are excellent repositories of the sort of experience and advice that goes beyond mere legal guidance.

GOOD PRACTICE

Read the relevant regulator's guidance notes for founders and trustees.[17]

Engage an experienced legal advisor.

Talk to ACF.

OBJECTS: WHAT WILL THE FOUNDATION DO?

THE BASIC RULES

One of the first questions the charity regulator will ask an intending founder is: what are the Objects of the charity to be? The answer to this question will then appear in its governing document and will be a defining characteristic of the newly registered charity. Thereafter the charity must always act in service of its Objects. This may seem a little daunting; many founders will be unsure about exactly what they want to do and may be unwilling to pin themselves down about activities in what could be a very long future. Fortunately, the question is not as difficult as it first appears.

The word Objects means the description of the purpose for which the charity will exist. This must, of course, be a purpose recognised as charitable in UK law. It need not describe the day-to-day activities but should give an overarching purpose. Most corporate foundations – and indeed most grant-making foundations – are established with very broad Objects. This example, quoted from The Nationwide Foundation's charitable registration, is quite typical:

To promote such purposes being exclusively charitable according to the law of England and Wales as the directors of the foundation (the 'trustees') shall from time to time determine.

A key quality of a charity is that it is established wholly for public benefit.

Such a broad description allows for development of policy and redirection over time to the most effective use of the charitable funds. A key quality of a charity is that it is established wholly for public benefit; definitions of public benefit and guidance on the most recent charitable legislation – the Charities (Protection and Social Investment) Act 2016 – are available on the Charity Commission website.

PICKING YOUR PRIORITIES

Some founders are very clear about their desire for a specific set of beneficiaries or goals; perhaps they anticipate the foundation operating in support of particular corporate social responsibility goals. So they articulate the foundation's Objects very explicitly from the outset. Some also want to restrict their giving to particular locations. Here are some examples of each of these.

The UK has several airport trusts that define their area of benefit to incorporate the people and communities affected by airplane noise and the other inconveniences of living near a busy airport. Here is an example of Objects from such a trust.

1. *For the general benefit of the public in such manner as may be charitable particularly but not exclusively by the making of grants, awards, bursaries, scholarships, donations and other financial payments to promote:*
   - *The provision of educational amenities and facilities for the benefit particularly but not exclusively of residents living near premises owned or operated by BAA plc as are not provided from public funds.*
   - *The conservation and protection of land or other property that is of aesthetic or scientific importance.*
   - *The protection and safeguarding of the environment and countryside and the control and reduction of pollution.*
2. *The advancement of education in the areas of vocational training and business enterprise.*
3. *The relief of poverty through assisting with or obtaining employment training for employment or gaining work experience.*
4. *For such other charitable purposes as the trustees in their absolute discretion think fit.*

The John Lewis Partnership takes a characteristic approach to its foundation. The Objects, which link beneficiaries to the business, are very much in keeping with the partnership structure of the company.

To advance general charitable purposes, acting alone or in association with others, by such charitable activities as the trustees shall determine, to include (without limitation) charitable activities designed to benefit the communities in the UK and overseas in which those who produce products for John Lewis stores live and work.

The Veolia Environmental Trust links its charitable activities to the regulations of the Landfill Communities Fund:

The protection, preservation and improvement of the environment for the benefit of the public and to advance the education of the public in matters concerning the environment, its conservation and protection.

KEEPING YOUR OPTIONS OPEN

Herefordshire charity the Bulmer Foundation was set up by the Bulmer family and Bulmer Ltd before the company's takeover by Scottish and Newcastle Breweries. Its Objects are:

1. *The advancement of the education of the public in the principles of sustainable development in land and estate management and use, sustainable methods of agriculture, horticulture, silviculture and organic farming.*
2. *To conduct research into the social, economic and environmental effects of land and estate management and use conducted in accordance with the principles of sustainable development and sustainable methods of agriculture, horticulture, silviculture and organic farming and to disseminate the useful results of such research.*
3. *The promotion for the benefit of the public of urban or rural regeneration in areas of social and economic deprivation (and in particular but not limited to the county of Herefordshire) by all or any of the following means:*
    - *the conservation, and protection of the environment*
    - *the relief of poverty*
    - *the relief of unemployment.*
    - *The advancement of education, training or retraining, particularly amongst the young, the unemployed and those suffering from or recovering from addiction to drugs, alcohol or any other substance and providing such people with work experience.*
    - *The provision of financial assistance, technical assistance or business advice or consultancy in order to provide training and employment opportunities for the unemployed in cases of financial or other charitable need through help in setting up their own business or to existing businesses.*
    - *The creation of training and employment opportunities by the provision of workspace, buildings and/or land for use on favourable terms.*
4. *The promotion of such exclusively charitable purposes or purpose or such exclusively charitable institutions or institution at such times and in such manner as may from time to time be determined subject to the written consent of the charity commissioners for England and Wales.*

Note how the founders have made their priority interests and their preferred area of benefit absolutely clear but have also used the catch-all phrase in (4) to ensure that, whatever else changes, they will always be able to be active without further recourse to the Charity Commission for a change of Objects.

The Shell Foundation's Objects, although worldwide in span, are also an interesting mixture of the very specific and some general terms that allow it to adjust its purposes at some future stage should its trustees so wish. It describes its interests and its geography in clauses 1, 2 and 3 but in 4 and 5 broadens out its potential activities:

To promote in any part of the world:

1. *The protection and preservation of the environment and public health by means of education and research (including the dissemination of the useful results of such research) into the provision and use of energy in ways that reduce or eliminate harmful emissions and in such other subjects of study as the trustees think fit; and by other such means as the trustees shall think fit.*
2. *The advancement of education of young persons and adults or male or female adults including the provision of scholarships at universities in the United Kingdom for postgraduate students, particularly citizens of countries other than the United Kingdom.*
3. *The establishment in life of young persons aged not more than 30 years.*
4. *The relief of poverty, suffering, hardship and distress.*
5. *Such other purposes being exclusively charitable according to the law of England and Wales as the trustees may from time to time determine.*

GOOD PRACTICE

Before you try to establish your Objects consider the following questions:

- How closely do you want to align the foundation's work with the corporate donor's work, taking into account what can and cannot be charitable?
- Are you planning to set a time limit on the foundation's life? That might mean giving it a very clear and achievable purpose.
- If you are intending for the foundation to exist in perpetuity, think about how you can make its Objects workable in future but perhaps still resonate with your motives for founding it.

Consider layering your Objects as the Bulmer and Shell Foundations have done.

In practice and for day-to-day purposes the foundation states that its mission (i.e. its current focus) is *'to develop, scale-up and promote enterprise-based solutions to challenges arising from the impact of energy and globalisation on poverty and the environment'*.

The TPO Foundation created by the mobile telephony company The Peoples' Operator has the following Objects:

The Objects of the charity are such exclusively charitable purposes as the trustees shall in their absolute discretion think fit, to include in particular (but without limitation) those purposes that the trustees consider shall have the ultimate effect of strengthening society and/or supporting local communities and (save for purposes incidental and ancillary to those Objects), no other purposes.

Nothing in these articles shall authorise an application of the charity's property for purposes which are not charitable in accordance with Section 7 of the Charities and Trustee Investment (Scotland) Act 2005 and/or Section 2 of the Charities Act (Northern Ireland) 2008.

Note how the founders have indicated their preferences but without binding future trustees to what may not be the best use of money at some long-off date.

So it is clear that you can have your cake and eat it: you can give your foundation a focus at the outset but leave it leeway to develop in other directions if circumstances make that advisable.

However you choose to define your Objects, it is essential to remember that they must be wholly and completely charitable. You cannot combine a business and a charitable purpose or add in a clause designed to serve, for example, a commercial or promotional purpose. If the Objects clause tries to allow the organisation to do something that the law does not recognise as charitable, or if the wording used is unclear, the organisation is not considered to be a charity and cannot be registered with the Charity Commission or other regulator. It is possible to alter charitable Objects once they have been registered but it is no easy process – it is much better to get them right at the outset. For more information consult the Charity Commission guidance on setting up a charity.

TRUSTEES AND INDEPENDENCE

We look at various governance models in Chapter 4 but it is worth emphasising here that the foundation you are creating must have its own legal identity and its own independent board of trustees. Independence means that the trustees, no matter who appoints them or where they come from, must act wholly and entirely in the interests of the charity. This extends to:

- Deciding whether or not any conditions you place on your donations are consistent with the charitable purpose of the foundation.
- Making free decisions about the charity's resources.
- Managing conflicts of interest or loyalty.
- Appointing their own advisors.
- Being able to conduct their business confidentially and privately without undue influence from the donor before or after donations have been made.

In practice, most corporate foundations have strong relationships with the donor and establish ways to ensure that conflicts of interest or loyalty are managed.

RIGHTS AND MUTUAL RESPONSIBILITIES OF DONORS AND TRUSTEES

These provisions may seem somewhat daunting but they are entirely manageable and, if properly observed, are advantageous to both parties.

CORPORATE DONOR	TRUSTEES
May attach conditions to donations e.g. specifying a particular area of charitable activity in keeping with its own CSR objectives	**Must** accept only conditions compatible with its own charitable Objects **Must** retain the absolute discretion to accept or reject donations **May** entertain and consider the views of the donor in strategic terms while not being bound by them
May make suggestions about possible grants but must not seek to compel the trustees to make particular decisions on matters of day-to-day management and choice of beneficiaries (within any agreed conditions of funding mutually accepted as being in the charity's interest)	**Must** retain the absolute discretion to manage own affairs and to choose beneficiaries or activities **Must** reserve the right to conduct their own affairs in private i.e. without sharing papers with or allowing observers from the company
Must respect the independence of trustees even where they are also employees or board members of the company	**Must** manage conflicts of interest or loyalty
May report activities of the foundation in its CSR report but may not claim these activities as its own	**Must** ensure that its activities are clearly identified as its own independent choices
Must, if retaining the right to appoint trustees, select those best suited to the charity's needs	**Must** always act in the best interests of the charity no matter who appoints them
May create a charity with a similar name and logo to its own	**Must** clearly differentiate between the company's activities and interests and those of the charity
Must avoid any potential reputational risk for both parties by making the distinction between the two clear	**Must** avoid any potential reputational risk for both parties by making the distinction between the two clear
May provide additional services to the charity or negotiate supplier discounts, for example	**Must** ensure that any additional services or offers are in the best interest of the charity and will not create obligations or reputational risk

The table opposite lists the main rights and mutual responsibilities of donors and trustees. It is not exhaustive.

These provisions may seem somewhat daunting but they are entirely manageable and, if properly observed, are advantageous to both parties. They offer both donor and foundation protection from accusations of abuse and give a clear framework for each to understand and respect the functioning of the other. Moreover, they do not preclude working together and pursuing mutual interests.

CASE STUDY

The **Shell Foundation** has set out its business principles in documents available on its website.[18] It has a defined relationship with its funder, the Shell Group, described briefly in this extract:

Independence

Our activities will always be consistent with achieving the Shell Foundation mission and cannot promote the commercial interests of the Shell Group. Any benefit that may accrue to the Shell Group from our activities will be incidental and outweighed by the contribution to our charitable objectives. We operate an assurance system to identify, measure and validate this. This means we – not Shell – decide what we want to do, where we operate and who our partners will be.

Leveraging Shell Group resources to deliver maximum social value

We believe the skills and knowledge of business, appropriately deployed to solve social problems, offer far greater value to society than simply providing traditional charitable funding to good causes. Thus, wherever appropriate, we leverage the power of Shell's brand, knowledge and infrastructure to help us and our partners tackle global poverty and environmental challenges.

GOOD PRACTICE

Founders and trustees should consider setting out a Memorandum of Understanding describing how they will each respect the other's rights and responsibilities. This should include agreements about: communications between them; correlation of interests and how and when they will be negotiated; use of each other's logos and brands; handling media; day-to-day relations (especially if the foundation is housed within company premises); and staff management and lines of responsibility.

CHAPTER 4 GOOD GOVERNANCE

The governance of all foundations is the responsibility of a board of trustees.

The Charity Commission sets out the basic rules and principles for governance of any charity in its booklet: CC3 – *The Essential Trustee: What you need to know.*[19] This tells trustees how they must govern the charity and what constraints are placed upon them. But the Charity Commission is not prescriptive about the composition of the board. That is a matter for the founder, their legal advisor and the trustees of the charity.

Given that there are over 166,000 registered charities in England and Wales, a further 24,000 in Scotland, and 7,000-12,000 in Northern Ireland (the process of registration of charities with the Charity Commission for Northern Ireland began only recently and is happening in tranches), it will come as no surprise that there is considerable variation in the forms of governance even among the smaller select group of corporate foundations. The possible variations are explored in this chapter. However, some basic principles remain the same whatever the structure. The over-riding principles are that the trustees must enjoy independence in decision-making and that there must be provisions for the avoidance of conflicts of interest.

We deal here with the issues of *charity* governance. Some charities are also registered with Companies House as companies limited by guarantee. This means they will have 'members' – i.e. those listed in the firm's register of members and subscribing to the company's Memorandum of Association (or Articles of Incorporation) – as well as trustees. In practice the members may be the company and/or the trustees themselves. Their Memorandum and Articles will define much of their behaviour.

In practice the members may be the company and/or the trustees themselves. Their Memorandum and Articles will define much of their behaviour.

MODELS OF GOVERNANCE

The diagram overleaf shows some models drawn from our research. At the top is the most *visibly* independent model. At the bottom is what Corporate Citizenship calls the most integrated model.[20] But Charity Commission rules are very clear: once you become a trustee, no matter who appoints you, you are required to act *only* in the best interests of the charity. Nor are you permitted to accept instructions from any external body including the one that appointed you.[21] So to some extent the composition of the board *should* be immaterial. However, trustees are human and experience conflicts of loyalty if not conflicts of interest, for example, if the person or body who appoints them is also their employer. Trustees have a duty to manage (or as company directors, avoid) conflicts of interest, so it is essential that the board always includes enough independent trustees to make a decision when trustees connected to the founder are conflicted.

The external perception of the charity and the corporate donor's relationship with it will alter according to its governance. If the founder seeks approbation and wishes to avoid a cynical view of his/her motivation they would do well to adopt a model higher up the diagram with more visible independence.

The principle of independence continues when a corporate foundation has been set up. Trustees must always exercise independent judgement and properly manage any conflicts of interest. This is particularly important for corporate foundations, where the company may seek to influence or direct its decision-making. There are reputational risks for the corporate foundation (and potentially the company) if the public perceive that the corporate foundation is for the benefit of the company rather than the public.[22]

166,000

REGISTERED CHARITIES IN ENGLAND AND WALES

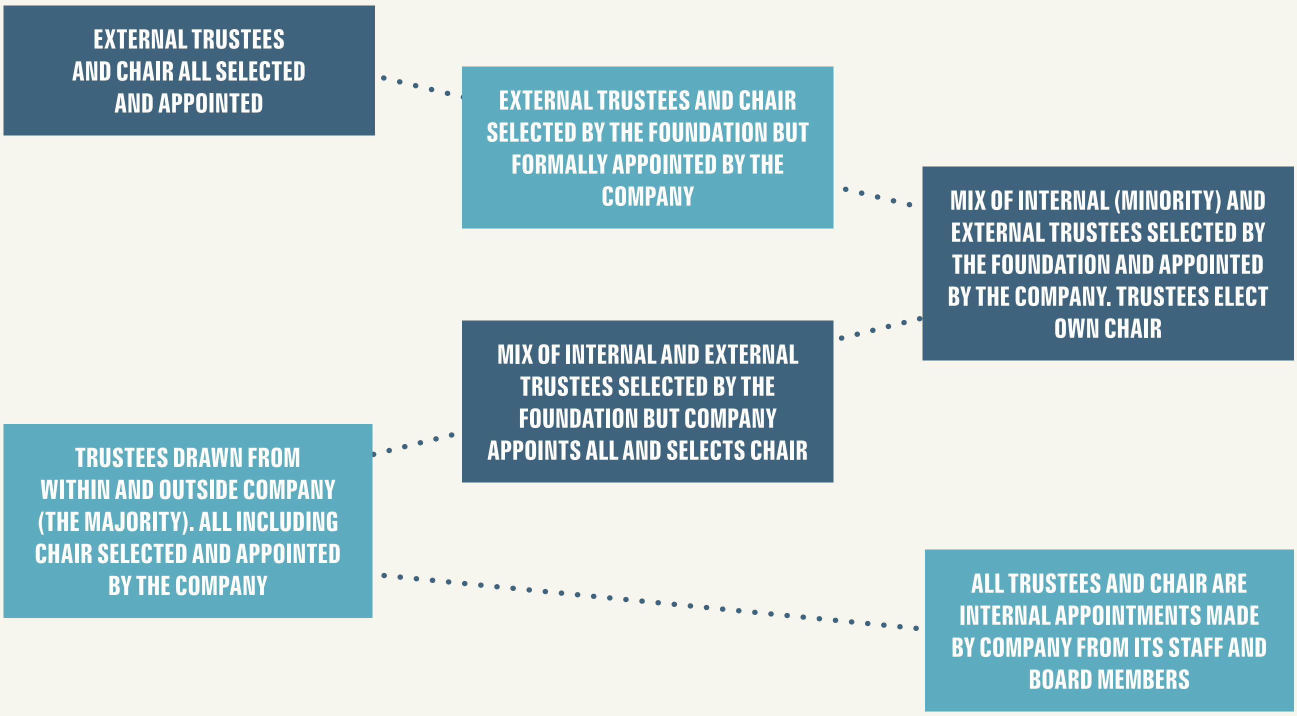
24,000

IN SCOTLAND

7,000-12,000

IN NORTHERN IRELAND

MODELS OF GOVERNANCE



Instances where the entire trustee body and Chair are appointed without any company engagement – the first rectangle of the diagram – are still exceedingly rare. One example is the Resolution Foundation, which was founded by the Chairman of the Resolution Group, which continues to be its primary funder. The trustees nominate and appoint new trustees without reference to any other body. The founder is currently the Chairman.

A mix of internal and external trustees is more usual. The Yorkshire Building Society Charitable Foundation was established in 1998 as a registered charity and a company limited by guarantee. The foundation is independent of the Yorkshire Building Society Group and is run by two internal and three external trustees. It is their role to decide which good causes receive support from the charitable foundation.[23]

Meanwhile, an example of the integrated model – the last option of the table – is the Diageo Foundation where trustees are all serving or former employees and all are appointed by the board of the company.

Respondents to our survey were almost equally split on who appointed trustees – roughly half said they were appointed by the founding company and half by the foundation alone. Some were appointed by both the company and the foundation. Our interviews lead us to believe that where the company appoints the trustees, this is often – though not always – a formality, with the trustees identifying new recruits and recommending them to the company. This seems to be a sign of the maturity of the relationship.

However, the balance shifted significantly on the question of the appointment of the Chair; here it is the foundation's trustees who generally appoint from among their number.

These provisions will be defined in the Memorandum and Articles of the foundation. If the foundation is also a company, the members will legally appoint trustees. It is also possible that the founding company will be the sole member, in which case it retains the right of appointment.

It is essential that appointments pre-empt any potential difficulties that may be caused by conflicts of interest or loyalty. For example, should a number of trustees who are also corporate employees find themselves conflicted, there must be sufficient trustees remaining to make a meeting quorate. For further guidance on handling such conflicts see the section later in this chapter.

CASE STUDY

*'The **ASDA Foundation** currently has 11 trustees, who are also the foundation's members. They may be appointed by the trustees or by ASDA Stores Ltd. The Chair of the trustees is appointed from among the trustees and has a casting vote in the event of an equality of votes.*

The Chair is normally appointed for a term of three years, which can be renewed. Under the terms of the conflict of interest policy, where the Chair is an employee of ASDA Stores Ltd the Deputy Chair must be an independent trustee.

The board of trustees will normally comprise between eight and 12 trustees, and will be constituted as follows:

- *At least four trustees will be employees of ASDA Stores Ltd*
- *At least four trustees will not be employees of ASDA Stores Ltd ('independent trustees').*

Trustees must retire from the board after three years in office, but are eligible for re-election.' [24]

The ASDA Foundation is very closely linked to the parent company, as is evident from its governance arrangements. While it is clear that the foundation must make independent decisions, its activities are already defined by its Objects, which are largely to support staff involvement in 'good causes' and to administer money raised for national appeals. Consequently this governance scheme, although not suitable for all corporate foundations, is fit for purpose as long as all the trustees remember that their loyalty lies with the foundation and not the company.

GOOD PRACTICE

The Charity Commission recommends that the board contain at least two external trustees.

LENGTH AND TERMS OF SERVICE

Trusteeship can be a pleasure but is also quite onerous. It is important for trustees to know for how long they are expected to serve and on what terms, so that they can measure out the time they can give and, for example, the subcommittees they join. For the foundation the challenge is to retain knowledge, skill and historical perspective while keeping the board up to date and fresh. The foundation will want to avoid the development of cliques among trustees, excessive respect for longevity, or abuse of power by a minority of long-serving trustees, especially if the foundation is large or dominant in a small geographical area where they may come under social pressure to make grants to particular charities. We cite no examples of such problems in the UK but are aware of cases in other countries with similar charitable regulations where very large foundations catering to small areas can find their trustees acting as if they were dispensing wealth at will.

Terms of three years are common, with the possibility of extending by one term or two. Special provisions will be made to cover the case where a trustee becomes Chair towards the end of a term. For the first board, in order to prepare for a rotation of trustees, one third of the board should resign after the first term, making themselves available for re-election; a further third should resign after four years; and the last third should resign after five years. The first cohort may therefore serve for fewer years and the last for more than the recommended six years, but over time the system will balance itself.

The process of advertising and interviewing of itself requires another piece of good practice. It demands that the trustees undertake an audit of the skills and experience they already have and identify the gaps they need to fill.

Retirement ages for trustees are somewhat controversial. Some corporate foundations adopt the same practice as the boards of the business e.g. retirement in the year of the 70th birthday. Others take the view that this is discriminatory and wastes the talent of those who tend to have more time to give. Arguably a regular skills audit and an appraisal system should guard against any foundation carrying trustees who are, for whatever reason, less useful.

GOOD PRACTICE

Trustees should serve a minimum of two terms for the sake of continuity.

The Chair should be allowed a further term but it is wise to set a maximum period of service.

The first trustee board may differ because an orderly rotation will be needed.

The Chair should conduct regular board appraisals, particularly if there is no age limit.

THE FIRST BOARD

It is of course necessary for someone to appoint the first trustees and the founder is probably the best positioned to do so. Some corporate funders take advice according to what they hope the foundation will do and appoint experts in the particular field in which the foundation is to be active. As noted above, some founders retain the right to continue appointing trustees throughout the life of the foundation: this is acceptable to the Charity Commission but best practice would be to delegate this authority to the trustees themselves once the foundation is established. Those who continue to appoint trustees will always be subject to the suspicion, fairly or unfairly, that they do so in the effort to maintain control of the foundation.

BEST PRACTICE

Once the first board of trustees has been appointed, responsibility for future selection should be left to the trustees themselves, operating within the governance framework established at the outset.

FINDING TRUSTEES

Traditionally trustees or founders recruited new trustees from their personal and professional circles. Increasingly, and with the support of the charity regulators, foundations are seeking new skills from a wider catchment area, often by advertising positions.

Another alternative is to use a recruitment consultant. There are various specialist consultants who can help.

The process of advertising and interviewing of itself requires another piece of good practice. It demands that the trustees undertake an audit of the skills and experience they already have and identify the gaps they need to fill.

CASE STUDY

The Nationwide Foundation board forms a nominations committee that conducts a board skills audit before advertising for and then interviewing, selecting and appointing its seven external trustees. The foundation has been consistently delighted by the response to its advertisements for new trustees. On one occasion it managed to recruit four excellent trustees at once, none of them previously known to the foundation. The Nationwide Building Society appoints three trustees, normally staff members. The trustees elect their own Chair and Vice-Chair, both of whom are external to the company.

The question of a skills audit highlights the important point that whoever appoints the trustees must appoint on the basis of what the *foundation* needs and for no other reason. Being a trustee is not a reward for having been a good corporate board member or a good friend of the Chair of the company or of the foundation. Nor is having an impressive business career necessarily a qualification for trusteeship. Of course, business skills can be transferable and of course a foundation with an endowment or complicated financial affairs will benefit from a business attitude and a business mind. But a board made up entirely of businesspeople with no working or life experience in the charitable sector or in grant-making will be like a team of top heart surgeons trying to do brain surgery. The Charity Commission is keen that boards should feel confident about challenging the executive.[25] What better way to achieve this than by having an informed, experienced and unfettered board that can really add value to the foundation's work?

Several of the people we interviewed advocated having on the board someone very senior within the company. They gave several reasons.

- This shows everyone in the business that the company is serious about the foundation.
- It can make it easier to persuade, for example, the marketing department that they cannot use the foundation if the CEO or COO is a trustee.
- Communicating back to the board of the company will be easier for having an informed ally already there.
- There can be partnerships between the foundation and the company (for example, grants from each to the same beneficiary) that are better negotiated if there is someone who understands both positions and priorities.

Much depends on the balance of the trustee body and how close the foundation is to be to the founder.

It is highly recommended by the Charity Commission that newly appointed trustees for all charities are given an induction including outlining the requirements of charity law and the practices and expectations of the foundation from its trustees.

INDUCTION OF NEW TRUSTEES

We were surprised to find that several corporate foundations have no induction process for new trustees. It is highly recommended by the Charity Commission that newly appointed trustees for all charities are given an induction including outlining the requirements of charity law and the practices and expectations of the foundation from its trustees. Indeed, the directors' report prepared under SORP regulations (the Statement of Recommended Practice detailing financial and reporting requirements) asks trustees to comment on induction. But, far from being merely a regulatory imposition, an induction benefits both the foundation and the new trustees. It is a sensible way of getting a new trustee up to speed and able to contribute to the foundation from the start. For the newcomer it is a kindness that allows them not to approach their first meeting in a fog about the organisation's working practices.

GOOD PRACTICE

Ensure that you have the range of skills and experience the foundation needs by resisting the temptation to fill the board with colleagues and friends.

Always do a skills audit before appointing a new trustee.

Use a recruitment consultant or advertise if you want to stretch your net wider.

An induction pack should contain:

- Memorandum and Articles of the organisation.
- A selection of the Charity Commission's (or other regulator's) guidance publications including:
  - *The hallmarks of an effective charity*
  - *CC3 – The essential trustee: what you need to know*
  - *Public benefit: rules for charities*
  - *Manage a conflict of interest in your charity*
  - *It's your decision: charity trustees and decision-making.*
- A written note of the terms of office including period of service, limits to years of service and means of re-election. You might also include attendance requirements or other factors that might lead to dismissal.
- Annual reports of the foundation if available (the last two and any that detail significant events in the foundation's life).
- Audited accounts (the last two years and any others that detail significant factors in the foundation's finances).
- A list of fellow trustees with short biographies.
- A diagram of the staff team (if any).
- A trustee job description.
- A Chair's job description.
- The conflict of interest policy and any other relevant internal policies to which the trustee will be subject.
- A note or diagram showing decision-making mechanisms.
- A calendar of key events including trustee meetings, AGM and any known events where trustees are expected to be present.

The foundation CEO and Chair normally handle inductions, either separately or together. A corporate founder may also wish to participate. Only one corporate founder in our survey carried out the induction alone but this may be a factor of size.

BEST PRACTICE

Foundations are strongly urged to devise an induction process for all new trustees and to revise it regularly.

> **A conflict of interest is *'any situation in which a trustee's personal interests may, or may appear to, influence or affect the trustee's decision-making'*.**

HANDLING CONFLICTS

No matter how careful the appointment, induction and governance arrangements are, all trustees are liable to come up against conflicts of interest or conflicts of loyalty.

CONFLICTS OF INTEREST

A conflict of interest is *'any situation in which a trustee's personal interests may, or may appear to, influence or affect the trustee's decision-making'*.[26] The phrase 'may appear to' is important: one of the Charity Commission's duties is to develop 'public confidence in the sector' which means overseeing and encouraging integrity. The Commission requires charities to have a procedure for handling such conflicts. However confident the trustee and the rest of the board are that the trustee can handle a possible conflict, all trustees, like Caesar's wife, must not only be above suspicion but also be seen to be above suspicion! Foundations that are also companies are required by the Companies Act 2006 to produce and observe a conflict of interest policy. But all foundations should have a procedure for handling conflicts of interest in which the trustee affected should withdraw from either the meeting or, in extreme cases, the board.

During the crisis affecting the Northern Rock Foundation in 2008, when the bank collapsed, three trustees of the foundation stood down temporarily because of their connection with the bank. As reported in the foundation's accounts in 2007:

Events relating to the business of the foundation's sole funder, Northern Rock plc, led three trustees to stand down temporarily during the final quarter of the year. These trustees informed the Chair that, while they did not believe they were yet subject to conflicts of interest between the bank and the foundation, the circumstances at the plc and their own connections with it might lead them to be conflicted or to give the appearance of conflict. In the interests of the foundation's reputation and for the sake of full transparency they therefore stood down temporarily.

The consequences of ignoring conflicts of interest can be severe, as Charity Commission guidance outlines:

Failure to act properly where there is a conflict of interest is a breach of the trustees' legal responsibilities. A transaction affected by a conflict of interest, where the trustees have not acted properly, could be challenged by the Commission or by an interested party. In some circumstances the transaction may be unsafe and capable of being invalidated or, in the worst case, might be void from the start.

Where they have not acted properly, trustees may have to repay any sums paid by the charity, whether they result from an unauthorised trustee benefit or another breach of duty. This can be the case, even where the charity has benefitted from the arrangement. If the charity has also suffered a loss, the trustees may have to make good such loss to the charity ...

... where it seems that trustees have deliberately or negligently placed their own interests ahead of those of the charity and have, as a result, gained significant benefit at the expense of the charity, we will use our powers to:

- *Stop abuse, trustee misconduct and mismanagement. This includes where the trustees fail to fully take steps to resolve the issues or are incapable of doing so.*
- *Intervene in a charity's affairs and take steps to recover any sums lost to charity, where the trustees are unable or unwilling to do so, and the amount involved is significant.*

  If we find evidence of or suspect criminal activity we will refer the matter to the police and other relevant agencies.[27]

Like all trustees, corporate foundation trustees must avoid personal conflicts of interest. Regrettably there have been instances where a trustee has fallen foul of this basic principle; for corporate foundations if the case becomes public there is embarrassment to the person, the foundation and the corporate donor.

Like all trustees, corporate foundation trustees must avoid personal conflicts of interest.

Instances of trustees seeking personal gain from trusteeship are thankfully relatively rare, but the corporate trustee, if also employed by the company, may face other challenges. If, for example, the company asked the foundation to release a contact list of grant recipients so that it could market its services to them, the trustees would have to consider what this might do to the foundation's reputation as an independent body, and indeed whether such a scheme might be construed as a use of the foundation for company marketing, which would certainly jeopardise the charitable status of company donations. In such a case the trustee body would have to be very careful since trustees could be personally liable for any loss to the foundation. Moreover, there could be issues of data protection. Internal trustees could find a situation like this embarrassing and difficult and should certainly absent themselves from such a discussion if they feel compromised. We have come across several requests like this in our research: in each case the trustees have politely explained that they could not oblige and have not allowed the company to use their lists. Such situations can be avoided by clear protocols and a conflict of interest policy that defines how such requests will be handled, together with good communication, which may avoid such tricky situations arising in the first place.

CONFLICTS OF LOYALTY

Conflicts of loyalty are defined by the Charity Commission as *'situations in which, although the trustee does not stand to gain any benefit as a result of a particular transaction, their duty to the body which appointed them, another organisation, another charity of which they are a trustee, or to a member of their family or other connected person may (or may appear to) influence or affect their decision-making'*.

The avoidance of conflicts is very much a question of transparency and integrity on behalf of the trustee since the conflicts may not be always evident to fellow trustees. Keeping a register of trustees' interests may help but it is up to each trustee to declare an interest and to be clear that, while they are acting as trustees, the interests of the foundation precede any others. This could be difficult: for example, if a trustee approved the charity entering into a long-term financial commitment in the private knowledge that the company was about to cut off funds, this would be a clear breach of duty to the charity and could have severe consequences.

CASE STUDY

The **Ove Arup Foundation** was created by the engineering, planning, design and professional services firm in memory of its founder with the objective of *'the advancement of education directed towards the promotion, furtherance and dissemination of knowledge of matters associated with the built environment'*. The trustees are drawn from past and current senior members of the company, supplemented by external advisors; all are appointed by the company. A company employee handles the administration.

The company is also the corporate trustee of the Ove Arup Partnership Charitable Trust, which makes grants, including a substantial annual donation to the foundation. Two directors of the corporate trustee are also trustees of the foundation.

Yet the company and foundation are kept distinct in what they do and in how they appear. For example, they do not share a logo. The company respects the independence of the foundation to the extent that the foundation even occasionally works with the company's competitors. This freedom to advance ideals without the constraint of commercial concerns is valued by both the foundation and the company, and is seen as an advantage of this model, although not the driver.

CASE STUDY

The **BHP Billiton Group** has supported BHP Billiton Sustainable Communities (BSC) for several years with donations ranging from $30-80 million a year.[28] BSC is a registered charity and operates in accordance with the regulations set by the Charity Commission. In addition, it has a protocol with the company outlined in the BSC trustees' Operating Framework that defines relationships between the two entities. Produced by the trustees, it can be changed by them at any time.

The trustees will not support activities that are primarily designed to benefit the commercial interests or business requirements of the BHP Billiton Group. However, the charity's activities may provide public benefit in countries and regions where the BHP Billiton Group (BHP Billiton) operates. The impact of the charity's work may be leveraged by opportunities to work with BHP Billiton and benefit from the company's logistics and other support.

BSC trustees list the need to be and to be seen as independent of the parent company among risk factors in the annual report and accounts. They commissioned an external review in 2013 to ensure the integrity of governance arrangements.

THE TRUSTEES' RIGHT TO PRIVATE DISCUSSION

The trustees must be able to discuss freely among themselves and record privately any decisions or discussions without being or feeling constrained by the donor. In effect, this means that the donor should not insist on having observers present at foundation meetings since an observer is not bound to serve only the interests of the charity and may, therefore, significantly impede free discussion and decision-making. Nor does the donor have the right to request foundation papers. Where a foundation is lodged entirely with the corporate donor it is important to establish from the start that foundation agendas, minutes and reports may be kept private unless the trustees choose to share them.

We have come across instances where a company assumed it should automatically receive the papers for all foundation board meetings. In a number of cases the company comments on the foundation's papers without invitation. This could be seen as a serious challenge to the trustees' ability to work unfettered by outside pressure. Of course, there is nothing to stop trustees inviting company representatives to attend all or any part of a meeting if they wish, but it must be clear that attendance is within the gift of the foundation board alone.

GOOD PRACTICE

Trustees should ensure that they can meet in private and conduct their business without the scrutiny of any other party.

Company funders must respect the right of the foundation trustees to meet privately.

KEEPING TRUSTEES FRESH AND ACTIVE

Trusteeship should be treated every bit as responsibly as any other board appointment. It is now common business practice for board members to be appraised annually and so should it be with foundation boards.[29] The Chair usually carries out appraisals, often with a Vice-Chair, but the appraisal can be outsourced if board members feel uncomfortable doing it themselves.

A good board appraisal looks at the functionality of the board as a group and at the individual contributions of members. Poorly conducted appraisals tend to result in a series of complaints about how much time everything takes and how much paper is generated. While these may be legitimate complaints – good appraisals do take time! – they do not help the board review its own composition and its own responsibility for making a contribution to the foundation.

The Nationwide Foundation undertakes regular appraisals of its trustees and periodically brings in outside experts to help. The Chair regularly urges colleagues to reflect on the effectiveness of their meetings, again sometimes with the assistance of an external facilitator.

GOOD PRACTICE

The Chair should ensure that board members have regular appraisals, annually or at least every two years.

GOVERNANCE DAY-TO-DAY

The governance document may include stipulations about devolved powers to subcommittees or to paid staff (if any). These are useful to any foundation and are relatively common but corporate foundations have particular needs: many run matched giving schemes in which the foundation will match charitable donations made by staff of the business under arrangements designed to suit each foundation. Others use a part of their annual income to fund, for example, projects local to company branches.

Busy trustees seeking to concentrate their efforts on strategy and larger grants or desiring to keep a regular flow of small grants between trustee meetings are well advised to give discretionary powers to the staff and/or a small group of fellow trustees to deal with such grants. Some even engage the staff of the corporate body to dispense small amounts within carefully crafted terms of reference. This is a great way to engage staff and help them feel part of the corporate charitable effort. A spokesperson for the Berkeley Foundation says that staff engagement with the foundation has had a huge and positive effect on company culture. Providing the rules for delegation in all cases are clearly agreed by trustees, this is a sensible way to avoid trustee meetings being clogged up with a series of very small grants. Some foundations also delegate other tasks to subcommittees for similar reasons. For example, The Santander UK Foundation (now The Discovery Foundation) engages local volunteers from among staff to choose some of its smaller grants from applications that have already been cleared for eligibility, due diligence etc. The foundation manager has authority to sign off amounts up to £5,000. The next possible trustee meeting then ratifies all such grants.

Trustees should remember that they can delegate tasks but not responsibility, so they must ensure that their decisions are correctly enacted and that they ratify all delegated decisions in a timely fashion.

GOOD PRACTICE

If you are dealing with a high number of small and regular requests, delegation with clear principles to staff or to a subcommittee makes sense. The decision should be recorded in the minutes of the meeting at which it is decided. The meeting should also agree terms of reference explaining the purpose of the decision, to whom it applies, for how long it is effective, what limits there are to the powers of the delegate, and how activities should be reported.

CASE STUDY

The original **Greggs Foundation** was set up with a gift of shares by a member of the Greggs family when the bakery business began a period of rapid growth. The foundation operated initially almost like a family trust with the founder, Ian Gregg, managing it as a kitchen table enterprise. But as the company grew even more, the foundation grew with it. Whereas at the beginning it operated quietly and without significant recognition, it is now seen as an important part of the company's CSR ethos. Employees of the much larger Greggs operation are enthusiastically involved in fundraising and payroll giving. In return, each area division is given the opportunity to make small local grants by delegated authority. The company does now publicise the foundation, but is careful neither to abuse its independence nor to claim the foundation's activities as its own.

CHANGE AND EVOLUTION

In some cases foundations attached to companies have changed in the ways they operate as the companies have evolved and developed. But the fundamental principles of governance remain the same.

THE FOUNDATION MANAGER HAS AUTHORITY TO SIGN OFF AMOUNTS UP TO

£5,000

SUMMARY

The governance arrangements are the basis on which the foundation will work. It makes sense to get them right from the beginning, and there is plenty of good advice available. Founders should take professional legal advice, of course, but also talk to others who have set up foundations or who are running them. People in the foundation sector do not see other foundations as competitors and so are generous with their experience and advice. They can help a new founder to avoid problems they have had themselves.

Some of the people interviewed for this Guide strongly suggest that every year trustees should re-read the Charity Commission guidance booklets on trusteeship and conflicts of interest and loyalty, and now this one on corporate foundations. For a board that meets perhaps only four times a year, that might seem a bit too much. But trustee boards who have reflective or review meetings would do well to include, for example, a presentation from one of their number on some aspect of the guidelines and to discuss how they have dealt with any difficulties during the year.

Governance is the job of trustees but foundation employees, if there are any, should also be familiar with the requirements so that they can guide trustees as needed. CEOs should ensure that each trustee receives copies of the most relevant guides and that any new publications are quickly circulated to them. There is also a useful magazine, *Governance and Leadership*, published by Civil Society[30] and available by subscription.

People in the foundation sector do not see other foundations as competitors and so are generous with their experience and advice. They can help a new founder to avoid problems they have had themselves.

CHAPTER 5
FUNDING THE FOUNDATION

The prospect of setting up a trust or foundation may seem a daunting financial challenge but it need not be so.

There is no minimum contribution, as noted in Chapter 1. Our survey revealed annual donations from companies ranging from £10,000 to $18 million. We are aware of many smaller sums contingent on annual profits. Almost all corporate foundations receive additional support or staff from the corporate donor; the larger of them repay, for example, staff and office costs, while the smallest are run by corporate employees part-time.

Nor need donors lock themselves into donations they may not be able to afford in future. Corporate founders have options to donate according to their ability and can build in variations to their giving to allow for fluctuation in future profits.

The chief determinant of how you fund, other than your ability to contribute, is what you want the foundation to do and over what period. In our survey we found a number of variants. These are shown in the table at the end of this chapter, with comments on the advantages and disadvantages to the foundation and to the donor. It is important to note that wholly charitable donations attract tax advantages that are not applicable to multi-purpose gifts related, for example, to marketing or sponsorship.

In practice, some donors have used several of the possible funding routes simultaneously. For example, when Friends Provident Life Office demutualised in 2001 it established a foundation with a small endowment and also provided, for a time, additional financial contributions. Currently the business meets the foundation's staff costs and assists with investments, though the annual budget for grants is derived from dividends on its investment portfolio.

OUR SURVEY REVEALED ANNUAL DONATIONS FROM COMPANIES RANGING FROM £10,000 TO

$18 MILLION

CASE STUDIES

The **LloydsTSB Foundations**[31] and **Northern Rock Foundation** both benefitted from a formula by which they owned special shares in the businesses. In lieu of dividends from the shares, the foundations received by covenant a proportion of business profits (1% averaged over three years for LloydsTSB and 5% annually for Northern Rock). Initially both companies also provided staff either from their own employees or as a combination of bank employees and outside voluntary sector or grant-making experts. LloydsTSB also provided offices for its foundations in England, Scotland and Northern Ireland. In each case there was a recharge to the foundation for these costs.

The **MAC AIDS Fund** (a foundation) receives the full recommended retail price less VAT from the sale of the company's Viva Glam Lipstick and Lipgloss. The charity helps *'women, men and kids everywhere affected by HIV and AIDS'*.[32]

EXAMPLES OF OTHER VARIANTS

Some types of corporate donor have particular ways of funding open to them. For example, some of the building societies mentioned in Chapter 2 still require new members to agree to donate any shares awarded as a result of a future demutualisation to the societies' foundations. This leads to the double benefit of discouraging carpetbaggers and accruing charitable donations for the corporate foundation.

Several British airport foundations receive money from fines levied on aircraft noise infringements. The money tends to go to local causes in recognition of the disturbance of living near an airport.

Trusthouse Charitable Foundation used the inherited investments from the Granada Group to endow a trust previously operated by Forte plc. One trust, responding anonymously to our survey, also mentioned speaking fees and Gift Aid as two of six different sources of funding. Another anonymous respondent noted gifts from customers and even some individual donations, though these are generally smaller contributions.

As a huge multinational company Vodafone has choices not available to many; its Vodafone Foundation is centrally funded according to annual decisions by the board. Individual country subsidiaries are obliged to have some form of community engagement appropriate to the area of operation and have chosen either to set up foundations or to pursue community activities in some other way.

The Morgan Stanley International Foundation was set up with the following Objects, which include an injunction to trustees to accrue capital:

For or towards such charitable purposes and to make donations to such charitable institution or institutions at such time or times and in such manner as the trustees may in their absolute discretion think fit provided that the trustees in their absolute discretion for the period of 21 years from the date of this deed instead of applying the income of the charity in any year accumulate all or any part of such income at compound interest by investing the same and the resulting income in any of the authorised investments and hold the same as an accretion to and as part of the capital of the charity without prejudice to their right to apply the whole or any part of such accumulated income in any subsequent year as if the same were income of the charity arising in the then current year.[33]

CASE STUDY

In the first edition of this Guide we reported that **BUPA**, the health service and insurance provider, entered into five-year commitments with the foundation of the same name allowing it to vary donations according to its business success and at the same time giving the foundation a degree of stability. BUPA closed the foundation in June 2013 after 33 years of operation and donations of approximately £3 million, announcing its intention to start another foundation after a period of reflection. In 2015 the company created a new BUPA UK Foundation, once again funded by annual donations from the company.

CASE STUDY

The **Berkeley Foundation** is the corporate umbrella for the Berkeley Group's charitable work. Funds come from staff activities, sponsorship raised by staff, and donations from individuals and other companies. The group matches staff donations, provides core funds and overheads, and enables and encourages donations of staff time. In return staff are actively involved in deciding how some of the money is spent. The group's core business is property development and much, though not all, of the foundation's work is aligned. For example, the foundation helps those facing homelessness and offers apprenticeships in the company's business for young unemployed people. There are strategic partnerships with Shelter, Crisis and others. Designated charities chosen by the company and employees include those helping people with disabilities and life-limiting illnesses. A Community Investment Fund brings in a wide range of other charities for one-off grants. The foundation and the group are both careful not to compromise the charity's work by allying it too closely to the group's business, but all trustees are appointed from within the company.

BUILDING A RESERVE

Some corporate donors encourage their foundations to spend every penny of their annual income; others are quite happy to see a reserve built up. There are good reasons to establish a reserves policy and stick to it.

Two kinds of reserve need to be considered. The first is the rolled up commitments made for grants over several years: it makes sense to account for these and to place them safely aside once they have been offered. Indeed, SORP accounting rules require that any committed funds are accounted for in the year in which the commitment is made. Some foundations rely on clauses in their grant agreements to the effect that instalments are contingent on their own financial health. Others take the chance that some commitments will fall through every year for extraneous reasons. Planning this way is perfectly legal but can have severe consequences for grant-holders counting on the grant-maker being able to fulfil commitments. When Barings Bank collapsed in 1995, radically reducing The Baring Foundation's income overnight and even threatening its very existence, the foundation found itself faced with the prospect of being unable to meet its commitments. Since that unprecedented situation, the Charity Commission has encouraged grant-makers to account for forward commitments in their annual accounts and to make suitable provision for them in line with SORP.

The other type of reserve is the free or undesignated reserve set aside to cover rainy days or unforeseen expenditure. It can also be used for special projects that could not be funded easily out of a single year's income.

In recent years the merits of retaining a reserve have been proven as high-profile casualties like the Lehman Brothers Foundation and other financial sector foundations have experienced catastrophic declines in income. In the case of the Northern Rock Foundation, its reserve allowed it to go on grant-making – albeit at a reduced level – until 2016 when it closed. The foundation was also able to leave legacy grants to a variety of organisations and to its local community foundations.

At the very least a reserve can allow a graceful closure should the donor be unable to sustain giving. But even in less extreme situations a reasonable reserve will allow a foundation to ride out fluctuations in income while maintaining some activities. A foundation that might have to close to new grant applications for a period will still have outstanding grants to issue or to monitor so it will need to retain enough back office resource to do these tasks. Foundations with their own projects to run should always retain enough funds to withdraw gently and in a planned fashion rather than in haste and with a high casualty rate.

For trustees and staff of foundations there are of course formulae that give a greater degree of self-definition and allow for more long-term vision and strategy. Where trustees can influence the donor at the outset they are well advised to try to secure some level of consistent and reliable funding: endowments are clearly the best possible option though they are still relatively uncommon in corporate funding. Any variety of unconditional regular donations comes a close second. However, some foundations have relished working closely with their funder and for them regularity of income, even if it comes with some corporate requests, is the important thing.

GOOD PRACTICE

Always ensure that you can honour your forward commitments by setting aside funds to cover multi-year offers for grants or projects.

DIVERSIFYING INCOME SOURCES

The state of the world economy has rightly made all boards think carefully about the responsibilities that come with trusteeship. Many have considered whether or not they can or should seek other sources of income. The Charity Commission's guidance to corporate foundations advises: *'Trustees should consider the charity's income sources and have a strategy in place to raise funds.'* However, it goes on to express this more strongly: *'They should actively seek to diversify the charity's income sources as far as possible.'*

We asked organisations in our survey whether or not their boards had discussed this question and what they had concluded. Most had either not discussed the possibility or had ruled it out. Of those who said they had discussed it, the tactics were all part of their normal operation, for example, raising funds from corporate customers or seeking partners for projects. Some foundation directors were interviewed who did not complete the survey; none of them considered diversification a serious option for giving the foundation increased security or independence.

Given the economic imperatives and the Charity Commission exhortation we need to ask why corporate foundations have been so reluctant to follow the advice. The answer is not complicated. Diversification of income sources, which is always urged on the service-providing side of the voluntary sector, is much more difficult for corporate foundations.

It is worth exploring this for a moment because others beyond the Charity Commission – some donors, politicians, and the public, for example – sometimes suggest that foundation trustees facing financial uncertainty should seek donations from elsewhere, without wholly understanding the issues.

Within the donor/foundation relationship there are various income possibilities as we have shown. But to seek financial support beyond the founding donor or its customers/clients presents a series of problems for all parties. There are essentially four possible other sources of money for trustees to consider: other businesses, charitable funders or philanthropists; government sources; trading; and re-investment of donated shares.

OTHER BUSINESSES, CHARITABLE FUNDERS OR PHILANTHROPIC INDIVIDUALS

Unless the original donor has disappeared and the foundation bears a neutral name, it is unlikely that any new corporate donor would derive much advantage from making a donation. During the time of the Northern Rock crisis it was seriously suggested to the Northern Rock Foundation trustees that they seek donations from other banks. But what bank would wish to have its donations promoted under the name of a rival? Once Northern Rock was sold to Virgin Money it was clear that the foundation's days were numbered. Similarly, why would, for example, a retail company fund a foundation bearing the name of an accountancy and consultancy firm unless they had some business connection?

We found two exceptions to this objection: the Greggs Breakfast Clubs for schools, now run by the Greggs Foundation, are also funded by 69 partners from the public, private and voluntary sectors. Meanwhile, Making a Difference Locally, the foundation attached to NISA, is essentially funded by donations from suppliers, though these are formula-driven by sales so perhaps they would not expect any further acknowledgement. Both are so clearly special cases that they do not overrule the general principle that companies are unlikely to give to another company's foundation.

An individual who had perhaps had a relationship with the original donor company might, to preserve anonymity, make a donation to the foundation and indeed this had happened in one of our surveyed organisations (though only one); but we know of no significant examples that have become a primary and enduring source. One corporate foundation received a six-figure sum from a resigning Chairman of the business but he specified the organisations he wished to benefit from it and the foundation merely transferred the funds, receiving no fee for administering the grants.

As for collecting money from the public or from other foundations, the same objections apply but in addition the foundation would be setting itself up in competition with the very charities it might subsequently fund. Unless it had special access to a source of funds not available to other charities it would simply be re-routing charitable donations with no net gain to the sector.

However, some foundations, especially those with direct customer-facing operations, do collect from the public. All the major supermarkets collect for Comic Relief, for example, and some collect for their own foundations. Generally these are time-limited activities leading up to some national event, though some are more ongoing. But the sums are not large and the competition point still applies. Some businesses lend themselves more readily to fundraising from customers; for example, anything involving fair trade, children or activities abroad seems to work well. So for some corporate foundations there is room to augment corporate donations with fundraising but the limitations are clear.

CASE STUDY

The **Costa Foundation** is funded through a number of mechanisms:[34]

- A direct annual donation from Costa.
- Match funding by Whitbread and Costa.
- Store fundraising activities.
- Individual team member fundraising outside of stores (e.g. sponsored walks).
- Ad hoc customer donations during national campaigns.
- Payroll giving contributions.
- Cause-related marketing activity.
- Donations from partner organisations and suppliers
- Annual national centrally-driven campaigns.

GOVERNMENT FUNDS

Government funds are often delegated to voluntary sector partners for distribution. It is possible for a corporate foundation to run a scheme on behalf of a government department for a fee, providing the branding can be agreed. However, in general this sort of activity is the domain of the community foundation movement, which is generally well geared to handling throughput funds. There is no advantage to government, the foundation or the corporate donor in rivalling the local community foundation, if there is one.

TRADING

Trading is a potential way of diversifying income sources providing that the foundation has the appropriate skills and is permitted by its Memorandum and Articles. Our research has not turned up any substantial or ambitious attempt to fund a corporate foundation by this route, though some foundations, like MAC AIDS Fund and Making a Difference Locally, reap the benefit of branded goods sold by the principal donor to fund the charitable activity.

Trading is a potential way of diversifying income sources providing that the foundation has the appropriate skills and is permitted by its Memorandum and Articles.

Some businesses are specifically structured as non-profit-distributors, i.e. 100% of net profits are given to some cause connected with the company, sometimes through its own foundation. Newman's Own is such a company: the profits from the range of food products from the company founded by actor Paul Newman continues to fund the eponymous foundation. There are several such arrangements in the US. Here in the UK this model is much less common. The Prince of Wales donates all profits from his Duchy-branded products to The Prince's Trust, but this is not a corporate foundation. We have found no companies trading purely to fund a foundation in the UK, although there are of course plenty of excellent social enterprises recycling their profits into socially responsible activities.

REINVESTMENT OF DONATED SHARES

The last area in which diversification might be considered is re-investment of the foundation's endowment. Some companies endow foundations with a gift of shares. Trustees should immediately consider whether or not to diversify their share portfolio by selling some of these shares. In such situations trustees may feel that this shows disloyalty to the company but their sole loyalty must be to the interests of the charity, which are likely to be best served by spreading risk. A sensible conversation between the board and the company should resolve any potential misinterpretation of the sale of shares.

It seems that a small amount of diversification can be achieved but it can only be enough to augment the activities of the foundation.

Moreover it is not true diversification since it will require the cooperation of the company to make time, customers and staff available for fundraising.

ADVANTAGES AND DISADVANTAGES

No matter what the source of income, the most important thing is to make every penny count. We consider some of the ways to do that in the next chapter.

Corporate foundations use all of these different types of funding. Some use several at once. The following table assumes that the foundation trustees would prefer a secure and long-term future. However, limited-life foundations in which the donor wants to achieve something within 10 or 15 years are becoming more common in the US and may well be more used here too. Several such foundations already exist in the UK, though not among corporate foundations.

Given that the average life of a business is around 13 years and that even a multinational corporation can expect to exist for only 40 to 50 years, it is worth asking whether or not the foundation should parallel the life of the company. Some companies want to leave a legacy but others see nothing but vanity in that goal and simply want to get something done in their own lifetime. In this respect many new philanthropists are the same; they talk of giving while living and seeing the results of their philanthropy on present-day problems. A foundation can work in this way with real focus and a business-like approach to problem-solving; it only needs to be financially equipped in proportion to the task it is given.

GOOD PRACTICE

The funding mechanism should fit the purpose of the foundation and the expectations must match the amounts given.

Even a small endowment helps keep continuity in the foundation if the donating business experiences difficult times.

If there is no endowment, build a reserve sufficient to honour commitments and continue modest activity in a downturn.

Whatever the donating style, be clear about what changes or fluctuations are possible and give notice of serious decline in income if you can.

ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF DONATION TO CORPORATE FOUNDATIONS

TYPE OF DONATION	DISADVANTAGES
Endowment	**For the donor** • Requires a large capital injection • Requires clear statement of purpose since, once given, the donation cannot be retracted • In time further expectations may be made of the company by peers or customers as the memory of the first donation fades **For the foundation** • Requires management of an investment portfolio • Will be subject to market fluctuations
Foundation owns company shares	**For the donor** • None apparent especially if they are non-voting shares **For the foundation** • May find it difficult to sell the shares without damaging the relationship • Cannot influence company’s business plan and therefore its own income
Covenanted donations from company profits	**For the donor** • New shareholders may resent commitment • Without a well-considered formula the company may find obligations difficult to meet **For the foundation** • Minimal
Variable donations from company profits	**For the donor** • Shareholders may expect higher or lower contributions at various times **For the foundation** • Unpredictability of income • Changes among senior partners or board may alter commitment • Donations may be tied to activities not conducive to the foundation’s grant-making or activity strategy
Donations from senior partners (in limited partnership)	**For the donor** • Unpredictable income may cost the foundation its effectiveness, which means poorer social and perhaps CSR return to donors **For the foundation** • Unpredictability in income • Changes among senior partners or board may alter commitment • Donations may be tied to activities not conducive to the foundation’s grant-making or activity strategy

<table>
<tr><th>ADVANTAGES</th><th>BEST FOR</th></tr>
<tr><td>For the donor
• Can be a one-off donation taking advantage of particular circumstances and giving long-term returns for a single input
For the foundation
• Provides a more secure and independent future
• Foundation will be able to manage its own plans and decide on variations in spending according to its own estimate of future income</td><td>• Donors and foundations taking a long view
• Donors taking advantage of some significant change of circumstance e.g. demutualisation, merger, expansion, or flotation. Indeed this may be a critical factor in securing stakeholder agreement
• Foundations seeking to make real changes and with well defined strategic purposes</td></tr>
<tr><td>For the donor
• Retains strong corporate relationship
For the foundation
• Should eventually provide the same long-term security as an endowment</td><td>• Companies seeking the additional protection from predators that having a large shareholder ‘in-house’ can bring</td></tr>
<tr><td>For the donor
• A reliable formula with regular foundation contact
• Annual donations recorded for CSR purposes
For the foundation
• Regular income with fewer fetters to independence but subject to fluctuation</td><td>• Companies with a long and strong commitment to the foundation but without the necessary one-off injection of funds</td></tr>
<tr><td>For the donor
• Allows for responsiveness to markets
• Gives the opportunity to attach donations to certain types of activity
For the foundation
• Commitment to regular income</td><td>• Companies with a long and strong commitment to the foundation but without the necessary one-off injection of funds
• Companies wishing to retain the possibility of influencing the foundation’s activities</td></tr>
<tr><td>For the donor
• Flexibility
For the foundation
• No particular advantage</td><td>• Highly motivated and stable partnerships sharing common values</td></tr>
</table>

ADVANTAGES AND DISADVANTAGES OF DIFFERENT TYPES OF DONATION TO CORPORATE FOUNDATIONS

TYPE OF DONATION	DISADVANTAGES
Donations from employees (Give As You Earn and/or fundraising)	**For the donor** • May require management encouragement to keep up • Employees may prefer to donate to other causes • Face-to-face fundraising may alienate customers **For the foundation** • Unpredictability of income • Possible pressure to ally foundation donations and activities with changing staff interests, thereby preventing strategic or long-term goals
Regular donations from a specific section of a business	**For the donor** • None **For the foundation** • Income may be modest • Possibly not a long-term prospect
In-kind (e.g. offices, staff, materials, advice)	**For the donor** • May have hidden cessation costs e.g. redundancy • Needs to be used in combination with other funding **For the foundation** • May prevent trustees from hiring outside expert staff • May bring unwelcome corporate culture • Makes foundation staff more liable to intervention from corporate partners • Will require careful observance of Charity Commission regulations about independence

ADVANTAGES	BEST FOR
For the donor • Can be good for staff morale and team building • Costs to business lower (employee time and support only) relative to funds raised • Can help company's image with customers **For the foundation** • Often a very good yield depending on company size • Some foundations welcome close work with staff and ability to capitalise on company connection • Possibility of activities involving staff and foundation in pursuit of charitable objectives	• Large companies with spread-out workforce seeking the twin returns of employee satisfaction and customer engagement
For the donor • Flexible commitment which, once entered into, does not affect profitability going forward • Credit to company for repeated income **For the foundation** • Regular income which should have predictable pattern • Unfettered donations (within Objects)	• Companies with segmentable business e.g. large retail outlets • Companies seeking regular PR return for minimal administration and influence on company profits
For the donor • Relatively low cost way to donate • Keeps close identification between company and foundation **For the foundation** • May bring helpful corporate culture • Aids understanding between corporate and charitable cultures	• Small companies anticipating modest grant programmes • Large companies seeking to align foundation with other CSR activities

CHAPTER 6 WHAT WILL THE FOUNDATION DO?

What the foundation does is dependent upon how much thought the founder puts into what it wants to achieve – its 'mission'.

It is often said that, when you've seen one foundation, you've seen… one foundation! This is as true of corporate foundations as of their endowed cousins. It is difficult to recommend one model – the open-handed or the closely defined – over the other, but what is clear is that the founder must decide at the outset how much thought to put into the mission, ethos and longevity of the new foundation. Again it is a matter of good beginnings helping to create good ends. We looked at this from a legal point of view in Chapter 3 and in Chapter 2 we considered the benefits to the founder. Here we concentrate more on what the founder can expect to achieve for the society it hopes to benefit.

Before setting up a foundation – which is a big decision – a founder should have a vision of what its purpose will be. Will it be to tackle some serious and chronic issue like poverty or climate change? Or is it for immediate needs such as equipment for people with disabilities or sports kit for young people? Do you want to change something in the world or just make it more comfortable for now? Do you want to help specific people or provide some pleasant experience for everyone? All these possibilities are there for the founder.

Even if the desire is simply to make a variety of grants to local or national causes with no greater overarching goal than general philanthropy, it helps to consider the part your foundation will play in the broader charitable ecology. And having some clear ideas will help you to decide how the foundation is to be funded and managed. Every choice you make about its purpose tells you something about how it will have to be operated, what sort of financial security it will require, and whether or not you will need staff. By making some decisions early on you can choose the right structure for the foundation.

Some founders want to do a lot of research upfront and define the foundation's mission, whether associated with the main interest of the business or not. Others simply want to offer an open philanthropic opportunity and leave the foundation to set its own mission within the charitable options.

And while the majority of company foundations are grant-making, this is not the only possibility. Some are operational: they use the donated funds to provide a service of some sort.

CASE STUDY

*The **Resolution Foundation** is an independent research and policy organisation. Its goal is to improve the wellbeing of low earners by delivering change in areas where this income group is currently disadvantaged.*

It does this by:

- *Undertaking research and economic analysis to understand the challenges facing low earners.*
- *Developing practical and effective policy proposals.*
- *Engaging with policy-makers and stakeholders to influence decision-making and bring about change.*[35]

Most but not all corporate foundations include some form of staff encouragement, for example, a matched giving scheme through which charitable donations or fundraising activities are matched, usually £1 for £1, up to a certain limit. We describe some of the various models and combinations of activity below.

First, here are some examples of foundations closely aligned to the business of the founding company and yet still well within the charitable purposes outlined in the Charities Act 2011.

Before setting up a foundation – which is a big decision – a founder should have a vision of what its purpose will be.

CASE STUDY

By Richard Gomes, Head of Policy and Advocacy, Shell Foundation

Shell Foundation is an independent charity established by the Shell Group in 2000 to create and scale new solutions to global development challenges. We apply business thinking to major social and environmental issues linked to the energy sector – and seek to leverage the skills and networks of Shell where possible to deliver greater development impact.

Over the years, learning from both success and failure, we have established a new enterprise-based model to deliver significant and lasting social and environmental outcomes. We now deploy a blend of financial and non-financial resources to accelerate social innovation and harness private markets to deliver public benefit at scale.

Shell Foundation works with a small number of entrepreneurial partners to identify the market failures that underpin many of the world's problems and co-create new social enterprises to solve them. We provide patient grant funding, extensive business support and access to networks to help pioneers to validate new models, achieve financial independence and to expand across geographies. Once a new solution is proven to be viable we create specialist intermediaries to facilitate growth and replication at an industry level.

By applying this approach to major global challenges such as job creation, access to energy, urban mobility and sustainable supply chains, we have created several strategic partners that are now delivering large-scale impact in multiple countries across Africa, Asia and Latin America.

What makes the Shell Foundation interesting is the combination of the emphasis on independence *and* the clear intention of leveraging the company's ability to assist the foundation's mission.[36]

Here are some other examples of highly directed activities related to the company's core business.

CASE STUDY

The **Costa Foundation** was set up in 2007 *'to give something back to coffee growing communities'*. The Costa brand belongs to the parent company Whitbread plc.

From 2007 until 2012, donations management company Charities Trust handled the administration and finance of the Costa Foundation. This arrangement allowed the foundation in its early stage to *'minimise overhead costs and enable the management team to concentrate on determining which projects to support and to get behind their people's fundraising efforts'*.[37] Until 2012 there was no separately registered Costa Foundation.

The foundation is now itself a registered charity in England and in Scotland, though it still receives services from the Charities Trust. It runs grant-making programmes to improve social and economic welfare within coffee-growing communities by providing children with access to education.

Trustees each take a special interest in countries where the foundation operates, making visits and keeping themselves informed about local issues. The foundation has no staff; the trustees make grants to partner NGOs and the CSR teams of coffee companies in-country to achieve their aims. The board of trustees has developed a theory of change to guide its grant-making and has committed to supporting the schools it builds with maintenance grants and expansion when required.

CASE STUDY

The Waitrose Foundation works exclusively in South Africa, Kenya and Ghana where the company has suppliers. It is not even registered with a UK regulator.[38]

The foundation is a partnership created in 2005 to help improve the lives of the farmworkers and smallholders who grow its produce in South Africa, Kenya and Ghana.

When a farm's product is sold, each stage of the supply chain gives a percentage of its profit to the foundation. That money then goes directly back to the farming community, which decides how the money is spent on local educational, social and healthcare projects. Communities therefore have a direct role in their own development and future success. Waitrose promotes the sale of these products by identifying the foundation logo on pack.[39]

CASE STUDY

Greggs Foundation receives 'at least' 1% of the company's pre-tax profits per year as well as money raised by and through the Greggs shops. It generally makes grants through a group of programmes ranging from very small amounts of around £500 through staff committees to larger grants of as much as £45,000 over three years to established charities. The foundation took on management of the company's Breakfast Club scheme in 2009. The company had started the club programme in 1999 with the aim of providing a free, nutritious breakfast for primary school children in areas of particular social disadvantage. Schools receive bread from Greggs, the business, and a small grant from the foundation. Now supporting over 360 clubs, Greggs Foundation helps to provide over 20,000 free breakfasts every school day.

CASE STUDY

Although its Objects are wide, the day-to-day activities of **The Vodafone Foundation** are focused on mobile telephony. Among other things, the foundation works to extend the ability of disaster relief charities to raise funds by text messaging.

Strategy

*Our strategy gives us a global focus and a truly local touch. Our broad strategic objectives are based around **four central themes** and these shape decisions on where and how we spend our income... Through funding programmes that fit with these themes we want to:*

- *Share the benefits of mobile communications technology.*
- *Help alleviate human suffering when disaster strikes.*
- *Promote education, health and wellbeing among young people.*
- *Support local people in countries where Vodafone operates.*
- *Help sustain and enhance communities.*[40]

CASE STUDY

The Nationwide Foundation has funded a wide range of charitable activities at different times. It has periodically emphasised financial issues in its work, for example, debt management and financial capability. In 2015 it was in the third year of a strategy addressing housing issues. It has established itself as a credible advocate and commentator on housing issues. Occasionally its activities might even be thought to conflict mildly with the interests of the donor, the Nationwide Building Society. However the combination of the foundation's reputation for temperate and fair comment coupled with the good relationship with the Society[41] means that the foundation is in a position to raise housing policy questions that the Society would not raise but might nevertheless welcome.

Our strategy gives us a global focus and a truly local touch. Our broad strategic objectives are based around four central themes and these shape decisions on where and how we spend our income.

Other founders have taken a different tack. For example, the Cadbury Foundation's activities have nothing to do with chocolate. Nonetheless, the foundation still carries the brand name of the famous chocolate, although the company that makes it is Mondelez International.[42]

CASE STUDY

The ***Cadbury Foundation*** *dates back to 1935 and was set up in recognition of company founders, George and Richard Cadbury and their investment in the welfare of their employees and wider communities.*

Today the foundation's ethos of 'helping others to help themselves' acknowledges our heritage, and the original Cadbury brothers' conviction that prosperous, educated, enterprising and inclusive communities are good for business.

The Cadbury Foundation's strategy focuses on fewer, bigger projects so that it can create the greatest impact. Funding is allocated within the following themes:

- *Skill development.*
- *Healthy and wellbeing.*
- *Employee passions.*

We support charities across the UK and Ireland which are located close to our sites so that colleagues can contribute their time and skills. Our approach is to actively seek projects to support and therefore unfortunately we cannot accept any unsolicited applications.

We support charities across the UK and Ireland which are located close to our sites so that colleagues can contribute their time and skills.

Other foundations are set at liberty by the founder and left to define their own programmes of activity. Such foundations tend to have a long view, professional staff and a strong social mission. The latter may well reflect the origins of the founder or the values of some of the key executives behind the idea of establishing a foundation.

OTHER ACTIVITIES

Sometimes the move from direct donations to foundation grant-making may have unintended consequences. Some businesses have had long-term relationships perhaps with local charities that may have become, if not dependent, then certainly expectant of annual gifts. These organisations may be drawn from a whole range of activities which made sense to the business but which may not always fit into a grant-maker's priorities, especially since the open and receptive grant-maker will have many more calls on their resources. The business may intend, by creating the foundation, to consolidate its giving but at the same time may not want to let down previously assisted charities. There is nothing to stop an arrangement being made to cover this sort of situation.

NORTHERN ROCK TRANSITIONAL FUND

When Northern Rock demutualised and established the Northern Rock Foundation, it was not ready to relinquish annual donations it had made as a building society. So it agreed with the foundation trustees a transitional period during which the foundation would make grants outside its own programmes to a list of charities. The tapering fund wound down after three years so that all the previous beneficiaries had plenty of time to adjust. Some even subsequently became grant-holders of foundation grants, though only if their work fitted the foundation's programmes.

Sometimes the move from direct donations to foundation grant-making may have unintended consequences.

GOOD PRACTICE

ACF's publication *Inspiring Impact: funders' principles and drivers of good practice* is a useful guide to thinking about your goals, picking the best ways to achieve them and establishing simple measures to test your effectiveness.

For founders

Whether as the founder you decide to align the foundation's activities with your core business or not, be clear at the outset and then leave the foundation to get on with the job you set it.

For staff and trustees

Understand the mission, and stick to it. If appropriate, try to work with the company to further it.

CHAPTER 7 THE PUBLIC FACE AND IMAGE

Most corporate foundations share a name or similar name with the founding business. The majority in our survey and research have established a separate but similar visual identity. This helps to maintain both a connection and a distinction between the company and the foundation.

Before 2007, when Northern Rock plc was itself a donor, it was not unusual to see the logo of the bank as sponsor on the same theatre poster as the Northern Rock Foundation's logo as grant-maker. Frequently neither had known that the other was making a contribution to a project, since one was making a marketing decision and the other a grant.

There are rare exceptions: The Persula Foundation is a corporate foundation which receives 15% of Richer Sounds' profits each year but shares no identity with the company. It states quite clearly why:

> ***One of our original aims was to be publicly distant from the business group that finances us. A number of companies have taken a commercial approach to charitable work and have sought publicity through association with charities. This was never our policy, and to this end we have a suitably anonymous name.***

CASE STUDY

Registered in 1995, **The Persula Foundation** is an unusual corporate foundation in that it shares neither name nor branding with its donating company. At first the foundation received 5% of the profits of the Richer Sounds Company but this grew to an extremely generous 15% in recent years. Four of the six trustees are associated with the company, including founder Julian Richer.

The company consciously does not seek to capitalise on its philanthropy; few if any of its customers realise that 15% of the profits from their spend go to a charitable cause. However, employees not only know about but are also actively involved with the charitable activity. Any employee can suggest a charity to the foundation for potential funding, within its quite specific areas of interest (disability and homelessness, for example). Each year employees receive a birthday card and a 'gift' of a tap or a mosquito net or similar donated in their name through one of the 'good gifts' schemes.

On only two occasions have the company and foundation visibly worked together. First, they combined forces with the Royal National Institute for the Deaf on a Safer Sound campaign, encouraging hi-fi equipment purchasers to protect their ears from excessive volume. Second, they used to share the Tapesense scheme, which supplies, at cost, blank audio cassettes, minidisks, headphones, cables, batteries, digital radios and other accessories as well as branded hi-fi equipment to blind and visually-impaired people or organisations that support them. The scheme closed in April 2016 but we feature it for the way it shows a synergy between the company's expertise in quality controlling equipment and the needs of blind and partially-sighted people.

The only caution is that a foundation, an independent body, cannot be compelled by another entity to make changes: that is a decision for the trustees.

This is the only example we know of a corporate foundation with such an approach, although many years ago the Dutch company C & A, operating in the UK as an unlimited company, had an anonymous grant-making trust. Eventually caught up in the campaign to make grant-makers more transparent, the company closed the trust.

Name changes for foundations are not uncommon when a business is passed from owner to owner. For example, when the Abbey bank changed its name to Santander in January 2010, the Abbey Charitable Trust Foundation became the Santander UK Foundation (it has since changed its name again to The Discovery Foundation in line with its new community programme The Discovery Project). The current Coats Foundation Trust has changed its name frequently as is explained in its 2008 Annual Accounts:

The Carrington Viyella Group Charitable Trust was set up by a trust deed made on 9 December 1974 between Amalgamated Cotton Mills Trust Limited and CV Pensions Trustee Limited. On 12 December 1984, the name of the trust was changed to the Vantona Viyella Foundation Trust and Vantona Viyella Trustee Company Limited took over as trustee from CV Pensions Trustee Limited. On 28 October 1986 the name of the trust was changed to the Coats Viyella Foundation Trust and on 21 August 2001 the name was changed to the Coats Foundation Trust. The trustee name also changed on this date from Vantona Viyella Trustee Company Limited to The Coats Trustee Company Limited.

The only caution is that a foundation, an independent body, cannot be compelled by another entity to make changes: that is a decision for the trustees. They must decide on any change based on their assessment of the benefits to the foundation alone and must guard against any possible imputation that they are being used to advertise the company. However, some corporate charities hold the name of a company under licence from the company and can be required to change it, depending on the terms of the licence.

CASE STUDY

The **TSB Foundations** became the **LloydsTSB Foundations** following the merger between the Lloyds and TSB banks in 1995, and have recently morphed once again into the Lloyds Bank Foundations for England and Wales and separately the Channel Islands as well as the Bank of Scotland Foundation and the Halifax Foundation for Northern Ireland. The history of the TSB – LloydsTSB – Lloyds Foundations is long and complicated. The fate of the foundation(s) has been much influenced by that of the donor companies.

The origins of the highly successful LloydsTSB Foundations and their activities were described in a short and very readable account, *On strong foundations*, written by Kathleen Duncan, Director General of the foundations 1990-2005, and Christine Muskett, Company Secretary. That account ends before the 2007-08 financial crisis.

The following summary is drawn from that account and from subsequent well-publicised events.

The LloydsTSB Foundations: a special and unique story

The LloydsTSB Foundations were established by a decision of the House of Lords during the demutualisation of the Trustee Savings Banks. The TSB Act, passed in 1985, established four foundations, which were to split between them 5% of the share capital of the new company. The four were: England and Wales; Scotland; Northern Ireland; and the Channel Islands. Theirs were special non-dividend-bearing and non-voting shares. In lieu of dividends the foundations received 1% of pre-tax profit averaged over three years.
The merger with Lloyds Bank in 1995 effectively preserved the arrangement and gradually the foundations adjusted their names, their staffing and their activities to reflect the new relationship. All seemed to go well, with steadily increasing budgets for the foundations and managed company relationships.

However, during the 2007-08 financial crisis LloydsTSB, like almost all banks, had serious problems. It also had the challenge of taking on the much-damaged HBOS. In 2009 at a time when there were no profits to distribute and none foreseeable for several years, the newly enlarged company entered into negotiation over the future of the foundations. Much of the detail of these negotiations was private and has not been disclosed.
The outcomes differed for the different foundations, partly because there were some differences in their structures, rights and histories. For example, the LloydsTSB Foundation for Scotland had a right to place two members on the board of the Bank of Scotland. The other foundations had no such rights.
The Northern Ireland Foundation had been operating in a country with no LloydsTSB offices or businesses but instead, when TSB Northern Ireland was sold to the Allied Irish Bank, the foundation continued to receive its share of the LloydsTSB profits and to make grants accordingly.

In recent years Lloyds and TSB once again became two separate brands. Currently there is a newly renamed Lloyds Bank Foundation for England and Wales and a Halifax Foundation for Northern Ireland. Lloyds Bank funds both. But the Scottish foundation did not accept the settlements offered by LloydsTSB during its difficult trading years and has established itself wholly independently. It maintains its old name, the LloydsTSB Foundation for Scotland, but receives no funds from either the Lloyds or the TSB banks. Lloyds set up its own new foundation for Scotland, the Bank of Scotland Foundation.

Could this Scottish separation have been avoided? It is impossible to tell since so much of the negotiation, understandably, took place privately. The formulae for the financial arrangements for the four foundations had broadly worked well for some 24 years but the circumstances of the 2009-10 furore were exceptional. The foundations, however important they were and are to the UK charitable sector, were casualties of a much greater financial problem.

Subsequently, a new nine-year rolling revenue funding agreement was put in place for the England and Wales Foundation alongside commitments to its independence of action. It remains one of the largest corporate foundations in the UK.[43] *Parallel revenue funding arrangements are in place for the other foundations.*

BRANDS, LOGOS AND PUBLICITY

The issues of visual identity and branding are, on the surface of it, quite clear. The regulators are content that founders and foundations share a name or part of it providing that the association does not disadvantage the charity and providing that there are no licensing issues. They are aware of the potential for reputational problems if either party does something to embarrass the other. That is why in Chapter 3 we recommend a Memorandum of Understanding or protocol that makes it clear how names and logos should be used.

Most of the foundations we surveyed or whose spokespersons we interviewed had a distinct but related name and identity. We think this makes sense and helps preserve the distinction between the charity and the company while allowing both to benefit from the connection.

Having a well known brand as part of the charity's name and using its logo can help to attract interest in the charity and its activities. However, in using a company's name and logo, corporate foundations must be mindful of the legal implications that can arise, for example, intellectual property issues. They should also consider the wider reputational risks that could arise from the use of a shared name. Clearly a company's reputation may be enhanced through its associations with a charity, but the trustees must ensure that they continue to act only in the best interests of the charity.[44]

The question of reputation often worries company donors, especially where they have taken a clear decision to leave the foundation highly independent. However, as we have noted, good communication and a sensible protocol should ensure that no damage is caused by anything the foundation does. We provide examples in Chapter 10 of problems no protocol could avoid. They tend to be cases of mischievous journalism rather than any fault of the foundation or indeed the company. Most of the foundations we interviewed have an agreement not to do anything to embarrass the founder. Yet several of the most admired corporate foundations undertake work in 'controversial' areas with the full support of the founder. Examples of such programme areas have included criminal justice reform, support for refugees, and minority rights.

GOOD PRACTICE

Make sure the foundation has its own visual identity, especially if its name reflects that of the donor. The foundation's identity can reflect that of the donor in style or colour without exactly replicating it. This will help clarify that the foundation is not merely a vehicle for sponsorship.

If the logo and branding is to be the same as that of the company, remember you must state clearly that the organisation is a registered charity on all printed material. You do not have to state the charity number but many organisations do so.

WHAT YOU CAN DO AND WHAT YOU CAN EXPECT

Trustees and the donor can negotiate whatever visual and name identity they wish providing that the foundation's independence is not compromised.

One might think that the clearer the difference between the two the less likely it is that they will be confused. However, it is completely usual – in our experience and that of those we interviewed – for the public, including grant recipients, to confuse and conflate the two organisations even where the two try to have strongly differentiated images. This may cause a degree of irritation to the foundation and some pleasure to the company. It is common for the company to receive thanks in public and by correspondence for the activities of the foundation.

Foundation CEOs and trustees need to be relaxed about this when it happens by accident – it is after all the company's generosity that enables the grants to happen. It may even be advantageous to the foundation that being thanked pleases the founder. However, no-one should consciously try to deceive and to garner kudos for the founder through the grants. For example, it would be wrong for the Chair of the board of the company to take credit for grants made by the foundation in a speech or an advertising campaign. This would definitely draw the adverse attention of the regulators and the Inland Revenue.

At the very least they [the marketing department] may spend a lot of money creating a campaign they cannot use; at worst they may destroy the reputations of both parties and cost the foundation its charitable status.

GOOD PRACTICE

Take all the necessary precautions to distinguish between the company and the foundation but accept that the two will be confused in the public mind.

There have been cases where companies have used their foundations in advertising campaigns. For example, Northern Rock plc devised a series of billboard exposures with pictures of activities funded by the foundation with a rubric reading: *'Our foundation helps bring out hidden talent'*. A link to the foundation's website was included. There was nothing to suggest that the reader take a Northern Rock mortgage or any other product: the bank just wanted people to know about its donation.

Similarly, LloydsTSB launched a television campaign in January 2000 featuring grants made by the foundation. After initial concerns that it might appear that the foundation was funding the advertisement – which would have been difficult to defend as a suitable use of charitable funds – a new version was created making it clear that the company was paying for the advertisement but the foundation was responsible for the grants.

Both these examples illustrate what can be done, but it is the job of the company to ensure that its marketing department does not endanger the charitable status of the foundation and the tax advantages to the donor by trying to exploit the connection. The foundation needs to be vigilant and to protect its own interest but in a big corporation, the marketing executives may set off on a track without consulting the foundation in advance. At the very least they may spend a lot of money creating a campaign they cannot use; at worst they may destroy the reputations of both parties and cost the foundation its charitable status. Happily this doomsday picture has not been realised but we have learned of a few close shaves.

GOOD PRACTICE

It is up to the company to protect its own reputation and its investment in the foundation by not letting any of its departments exploit the connection.

RECORDING THE COMPANY'S GIFT IN ITS CSR REPORT

It is both expected and required that a company record its donations in its accounts. However most companies with a foundation will wish to record the full extent of their generosity; the natural home for this expansion is the Corporate Social Responsibility (CSR) report.

There are some subtleties at work here. The Charity Commission states very clearly: *'the charity cannot comprise part of the company's corporate social responsibility (CSR) policy.'*[45] So the company cannot name a series or a selection of grants and their outcomes as if they were its own work. It may however record its donation and describe some of the work, making it absolutely clear that anything done by the foundation was freely entered into by the foundation and was not influenced or directed by the company.

The Shell Foundation, for example, makes the difference clear: in the countries in which the foundation operates the company will be doing its own CSR activities.[46]

WEB LINKS

Websites routinely include hyperlinks to other related or potentially interesting connections. In the case of companies and foundations there is a commonly observed protocol:

> The company may include a link to the website of the corporate foundation to draw attention to the connection.

But...

> The foundation must not do the same in case it could be perceived to be trying to market the company's products or services.

Financial services companies need to be particularly careful: it could be a condition of grant funding, for example, that an organisation bank with the company. Indeed if applicants offer to change banks in recognition of a grant they should be firmly told that this is neither necessary nor particularly welcome.

GOOD PRACTICE

Keep relationships clear in your own mind whether you work for the company or for the foundation and correct any confusion quickly but proportionately.

CHAPTER 8
STAFF FOR THE FOUNDATION

Even if the foundation is small and modest in its activities there will still be work to be done and a need for some sort of staffing. At a minimum someone has to prepare and submit budgets and accounts, report annually to the Charity Commission or other regulator, prepare and administer meetings of the trustees, and of course manage the grant applications and their outcomes.

WHO DOES THE DAY-TO-DAY WORK?

There are various ways to staff the foundation, all with different advantages and disadvantages. Small foundations working very closely with their founders tend to draw such staff as they need from within the company, making the running of the foundation a bolt-on to another job. The CSR, communications or HR departments are often given the task. For example, in the case of the Coats Foundation Trust, the pensions department in Glasgow provides the management. For others a whole new structure with a distinct staff is the right answer. And for some a combination of internally and externally recruited employees is best. Much depends as always on what you want to do and on how it evolves.

Here are some examples illustrating the benefits and disadvantages of each approach.

HYBRIDS

CASE STUDY

Greggs Foundation is an independent charity run from within the company and is closely involved with the company's image and aspirations. Its earlier Foundation Manager began working as Community Initiatives Manager for the company overseeing and managing the foundation (as it then was) as well as other CSR aspects. Today, the foundation has its own small staff, usually with a voluntary sector background, and some administrative assistance. In addition Greggs runs divisional committees of volunteer staff who preside over small local grants decisions.

This combination of an externally appointed charity expert, support from the Social Responsibility Steering Group, and use of volunteer staff suits a relationship that seeks a high degree of convergence with the company's business areas (though the foundation remains independent). In Chapter 6, Greggs is used to illustrate synergy between some aspects of the company's work and the foundation's grant-making, which is facilitated by this staff structure. The inclusion of staff committees is attractive to companies who want charitable activity to motivate and encourage staff and make employees feel proud of and part of the company. But for thematic grant programmes and to maintain a direct connection with the local charitable sector of the North East, where Greggs makes larger grants unconnected with the company's business, having an outside expert is essential.

A possible downside of this mix could be a clash of cultures leading to the dedicated foundation employees feeling isolated within the organisation and dissociated from their colleagues. Several of those we interviewed mentioned this cultural difference as a potential source of tension, though most thought it could be managed.

OUTSOURCING

There are various organisations that offer to manage the creation and administration of corporate donation programmes. They will assist companies in setting up a trust fund or other schemes and will work with trustees to manage and administer grants. The largest of these is the Charities Aid Foundation. We mentioned earlier the arrangement the Costa Foundation had with Charities Trust. Other outsourcing companies include Charis Grants and Auriga Services (both specialising in grants to individuals and families in financial difficulty), Grantscape specialising in community funds, and of course the wealth management advisors.

Clients of outsourcing companies are very clear about what they want: the practical design and management of grant-making is not what they know about or what they want to learn so they commission experts and let them get on with the job. The companies work with the trustees of each charitable trust so the responsibility for the trust's resources remains with the trust and at arm's length from the company itself.

CASE STUDY

The Ove Arup Foundation is entirely run from within the company. The sole 'employee' works for the business and manages the foundation as an aspect of his work, reporting to the trustees on foundation matters. The foundation is very specialised and so the sectoral knowledge needed is readily at hand among employees and partners, including the trust administrator. The foundation is a member of ACF from which it can draw support and advice on issues specific to philanthropic good practice if it wishes.

IN-HOUSE

There are obvious administrative advantages to such an approach; it should be more efficient and thus more effective than struggling to manage the tasks in-house. The company also distances itself somewhat from decisions that its own customers might contest. It is suited to a very simple model of donations without necessarily counting impact or working strategically on wider problem-solving.

The employee needs to be protected from having split loyalties and needs to know who manages them and who has ultimate authority to tell them what to do.

The in-house arrangement works well where there is very close synergy between the company and the foundation's purpose and where the area of charitable interest is somewhat specialised. For trusts in an area closely aligned with the company's expert knowledge there may be little to be gained by recruiting an external person. It is also a suitable arrangement for companies with relatively modest funds.

On the downside there is no incentive to develop, and indeed a danger of complacency or habit about the resultant activity. This would probably do no harm but might result in missed opportunities. It also requires a well managed timetable of application deadlines or a very tightly defined programme so that the administrator does not waste precious time dealing with no-hope applicants. That discipline is, of course, very valuable!

The administration charges of in-house staff are usually recharged to the foundation or noted in its accounts as a donation 'in-kind'. It is essential that trustees know and can explain what it costs to run the foundation, even if they receive services as a gift.

There are two other potential problems with a wholly in-house team. Let us imagine that, in a difficult financial climate, a company decides on across-the-board staff reductions shared proportionately between departments. In this case, the foundation or the department in which it is lodged may find its staff severely reduced to the point of causing real delivery problems. Yet some of the staff may be paid for from foundation funds (through a recharge). In such a case the trustees will have lost control of their own budgets, which is not a good sign for independence. However, if the foundation staff were to be favoured it would cause disgruntlement in other departments. A similar problem arises where a company decides to give all employees a bonus, which must then be recharged to the foundation for its staff.

The other difficulty is much more day-to-day. The employee needs to be protected from having split loyalties and needs to know who manages them and who has ultimate authority to tell them what to do. In a situation where the interests of the company and the foundation were not aligned, or where trustees and company were in dispute, the staff could be badly caught between the two. We have knowledge of such friction but no staff or trustees wish to be identified.

TOTALLY EXTERNAL

CASE STUDY

Friends Provident Foundation (FPF) is entirely staffed by people who have not worked for the company, although the Foundation Director is technically a company employee on secondment. FPF employs three people. Although its main activities are in the area of financial services, specifically financial exclusion, the foundation is independent of the company.[47]

The technical secondment of the Director is an anomaly in what is otherwise a stand-alone foundation with its own specialist staff recruited externally according to need. There is no culture clash within the foundation and no need to retrain a corporate employee into a charitable sector employee.

CASE STUDY

Lloyds Bank when it first established a foundation in 1985, and during its growth as the **LloydsTSB Foundation**, transferred bank staff to the foundation to become regional grant managers and administrators. Gradually it has recruited voluntary sector specialists so that now there are only a few remaining ex-bank staff in the team. Of those few, most have now worked for the foundation for a considerable period. According to a spokesman for the foundation they are *'very much of the voluntary sector and indeed relish working for independent charitable trusts and would not wish to return to the bank. The foundation's independence gives it credibility and trust but both they and Lloyds Banking Group (LBG) recognise the potential to achieve more by working in partnership. The England and Wales Foundation has been pioneering a programme whereby senior LBG staff are matched to charities the foundation funds as mentors – providing advice, support and capacity to the charity in addition to but separate from their funding. Two hundred matches have been established to date with the evidence clearly that it is beneficial for both parties. The programme is actively being expanded to offer support to all charities who wish to participate, including those supported by the other foundations, so that it becomes a linchpin to facilitate further but effective skills-based volunteering by LBG colleagues.'* [48]

GOOD PRACTICE

Staff requirements reflect both the size and the aspirations of the foundation.

Grant-making is more than simply writing cheques, so grant-making experience including the design of application systems and good communication networks in the sector can save the trustees and the founder much time and hassle. This sort of experience can be bought in periodically if that is all that is required.

If the foundation is to be taken seriously in the voluntary sector as an engaged and informed grant-maker, and if the trustees are to be well advised on matters beyond the simplest responsive grant-making, it is wise to take on staff with professional voluntary sector knowledge and experience.

STAFF SALARIES AND CONTRACTS

We have given a few simple examples of different means of *recruiting* staff. The real issues are not where they come from but how and by whom they are managed. This is where, inadvertently, founding companies can create problems in the future for themselves and the foundations.

Of those foundations that employ staff specifically for foundation work (as opposed to those that use volunteers or company employees employed mainly for some other purpose), the majority in our survey sample had staff employed by the corporate donor and technically seconded to the foundation. Although the most common arrangement, this is arguably not the best. The larger the corporation, the greater will be the pressure to align foundation salaries, terms and conditions with some corporate scale. The whole corporate structure of management, bonuses, cars and increments will sit oddly with the foundation ethos and with other foundation peers.

Several of the foundations we researched have tried to manage these incongruities and have combined company and peer-evaluated scales. Some have, after many years, moved all staff onto foundation terms and conditions. Others operate with a dual system, long-serving staff being contracted to the company, while new recruits are directly employed by the foundation. This latter mix and match may lead to perceived unfairness as rights and perks are not equally shared.

The Charity Commission has a clear view that trustees must ensure that any reward package is appropriate.

PERFORMANCE MANAGEMENT

The Charity Commission has a clear view that trustees must ensure that any reward package is appropriate. The following is a quote from a review visit the Commission made to a corporate foundation: *'Whilst it is within the trustees' discretion to set the pay and conditions for the charity's employees, these ought to be determined according to the needs of the charity and not those of the business, for which different skills may be required. In setting terms and conditions the trustees could consider the levels of pay offered by other charities for similar posts in order to satisfy themselves that the terms and conditions offered by the charity are appropriate.'*

At the end of this section we provide a table showing the areas where trustees will need to make choices and where corporate and charitable schemes may be incompatible. But before that we look at how employees are to be managed and appraised.

There are various systems for managing, motivating and rewarding staff in the commercial world. Most use Key Performance Indicators (KPIs). Many general service-providing charities have also adopted schemes from private practice very successfully. However, foundations and their work are not easily absorbed into the most common systems and no corporate body's normal system can be easily deployed for a foundation without serious adjustment. Several of the foundations we reviewed have attempted to use the corporate donor's systems but none have found them helpful: some have had to adapt them beyond recognition or abandon them altogether.

Unfortunately looking at this subject involves a digression into the problems of measurement for social goals and in areas where both the funder and the funded organisation may have minimal control. If you are intending to create a foundation simply to distribute grants generously and without any desire to measure impact, you will be able to skim over much of this section!

Most performance management schemes are based on SMART objectives, i.e. those that can be characterised as Specific, Measurable, Achievable, Realistic and Timely. This is fine for productivity and sales – widgets made per hour, per person, per £1 and then sold per salesperson, per region, per year for £x profit.

Schemes can be devised for some foundations using SMART measurements. They chiefly involve numbers of grants or geographic spread without much attention to what the grants are to be used for. For example, trustees may, with an eye on the donor, declare that their goal is to spread the grants budget in certain proportions across the UK mirroring corporate activity. This is quite common where a donor has multiple branches and wishes the trustees to include local staff committees in disbursement. Trustees may further wish 'as many people as possible' to benefit. The goal then for central staff is a simple one of achieving such distribution efficiently and gathering back information about the subsequent numbers of grants. Central staff would monitor expenditure patterns and might be given the task of assisting any tardy or inactive subcommittees. Anything like this, which is concentrated wholly on outputs, can be used for KPIs.

The administration of most foundations can also be subject to KPIs such as:

- Time taken to respond to enquiries and letters.
- Time taken to turn round grant applications.
- Time taken to prepare reports.
- Time taken to submit accounts.
- Maximum number of complaints received.
- Time taken to respond to complaints.
- Reduction of budget spent on expenses.
- Reduction of utility and stationery bills.

These all fulfil the SMART criteria and are worth pursuing in the interests of maximising the foundation's resources and efficiency, but they do not necessarily encourage the most effective grant-making.

In philanthropy, specificity of outcome *can* be measured *only* if the goals are very simple or the idea of experiment or risk is properly understood and factored in. This is not a problem purely for corporate foundations: all grant-makers struggle to demonstrate efficacy. A whole industry has arisen around it. That is why it risks reducing the setting of KPIs to what is measurable but not necessarily what is important. The measurements and KPIs for staff should reflect the foundation's mission. As the following hypothetical example shows, that is easier said than done.

HYPOTHETICAL CASE STUDY: THE IMAGINARY GROCERY FOUNDATION

Some corporate foundations have several strands to their activities. Let us imagine a corporate foundation attached to a chain of cafés. It has three types of activity: it helps its donor to run a surplus food distribution scheme 'Food Chain' by giving a grant for core costs to homelessness charities who collect unsold soup and sandwiches at the end of each day from their local branch; it allocates small grants for local activities involving children (no further criteria) through staff committees – 'Seedlings'; and it has a large grant programme through which it addresses any form of poverty through project and core funding – 'Grants for Change'. The trustees want to set KPIs for the staff.

It may be possible to set targets for 'Food Chain' e.g. to expand the scheme to include X% of outlets; to ensure that Y people are helped by carefully mapping need and supply; to reduce dependency on grants by tapering core funding and introducing Z% of new grant-holders each year to replace those who have moved on. The targets need to be set alongside current practice and should be flexible enough to accommodate supply fluctuations as store managers will be trying to minimise surplus unsaleable goods through more accurate ordering (a case of two conflicting targets!). And if the trustees have their eyes on beneficiaries rather than intermediaries, they will be unable to trace the effects of their activities other than by counting meals delivered. Would it be a success if Mr Jones, having been a regular 'client', stopped coming to the Thursday distribution? If he had found a home and a job and reunited with his family – yes of course, and perhaps the regular food had an influence. But if he had simply moved elsewhere or if he had become dispirited by the attitudes of Food Chain staff or embarrassed by his dependency, who would know? The tapering grant is popular with some foundations, especially those with a business background, but there is considerable doubt that it works since there are not too many 'other sources' and the organisations tend to come round again or fold. So there may be a measurable but perverse target that does not actually help the charity.

'Seedlings' could potentially have numbers of its grants disbursed as a target but its work cannot be attached to outcomes since the scheme is not designed to do anything other than make donations to children's charities. Staff might like to count or display 'thank you' letters but garnering more of them cannot be a target.

Most difficult of all is 'Grants for Change'. It aims at a complicated and moving target. It will have its successes but may be distant from them. For example, it may invest in a scheme to help people in debt to doorstep lenders at prohibitive interest rates. Grants will go to Citizens Advice Bureau welfare and debt advisory services to help people repay the debts and manage their finances better. But who will pay for follow-up work to track the family's financial welfare over the next five years – even if that were possible? So the foundation cannot be measured against the longer-term outcomes. It might be tempting to measure the total debt of, say, an estate near one of the corporate outlets and aim to reduce the debt burden overall, but the foundation is likely to be one contributor among many so how can it trace the effects of its grants? And how can the staff of the foundation be held accountable for the activities of agencies to which the foundation is, for example, a 10% contributor? For this area of the foundation's work, annual KPIs are going to be hard to align to achievement.

> **The most ambitious corporate donors and foundations have complicated goals in mind. They are looking at difficult and chronic social problems like homelessness, debt, poverty and discrimination, to name but a few.**

The most ambitious corporate donors and foundations have complicated goals in mind. They are looking at difficult and chronic social problems like homelessness, debt, poverty and discrimination, to name but a few. And most importantly they rarely deal with the work and beneficiaries themselves: they work through intermediaries. They are usually not the only funders but combine with others to support the work of charities. Each funder may have views or rules about how its funds are used and reported so disentangling the trail from grant to achievement is rarely easy, if indeed possible.

Complicated problems attract experimental approaches designed to improve upon the results of previous experiments. And it is in the nature of chronic problems to be resistant to startling improvements: things get better slowly and sometimes long after the input of grant money.[49]

All these factors mean that the corporate foundation investing in such big and socially important issues has little control over the outcomes unless it runs projects itself. So staff cannot reasonably be held accountable except in the rare event of carelessness over due diligence leading to wasted money. In fact, for the more thoughtful and ambitious foundations, the more specific the target the more likely it is to lead to perverse outcomes. For example, let us suppose that trustees, seeking to maximise the effects of their debt advisory programme budget, demand certain outputs from grant-holders e.g. number of people seen by a debt counsellor per session. The staff will have to seek grant recipients on the basis of the volume of clients they process rather than the nature of the problems brought to them. Each grant-holder will have absorbed the requirement to put numbers through and will have to reject more difficult or needy clients because it cannot afford them. Almost certainly this sort of outcome is not what the trustees wanted but the KPIs will drive everyone this way. This is why there is a limit to extending the KPI culture to grant-making. It is not impossible but it rarely adds value.

None of this means that foundation employees are somehow above appraisals and assessment. It is just that SMART systems cannot be simply grafted onto another culture and another set of problems. Any KPIs devised for the staff of a foundation must have some purpose for the foundation and not just be a way of monitoring employee activity. Goals that are useful can be agreed with employees at appraisal time and are more likely to be about developing the grant-maker's acuity in assessing and supporting grant-holders. Here are some examples.

- An office-bound, paper-driven officer might agree to do X more monitoring visits or attend Y useful conferences or training days.
- A group might agree that they are not sharing learning enough so the manager might set each person the goal of reading and reporting on one trade magazine per month via the intranet or in a staff meeting.
- Each member of the team might be set the task of organising an event for the others to make sure everyone understands the whole system of grant-making.
- Attendance at a conference might be conditional on presenting a summary of the key points at the next staff or trustee meeting.
- The manager might look at caseloads and ask why one officer managed more grants than another. They would then agree goals with each according to the complexity of cases they handled.

There is no prototype or template; any system should be built on what the goals of the foundation are and not on anything else.

SMARTIE

If trustees wish to use the SMART objective-setting tool then we suggest turning it into SMARTIE. 'I' stands for Intelligent: worth achieving and worth measuring because it will improve practice. 'E' stands for Ethical: it does not result in perverse outcomes but genuinely and flexibly furthers the overall goals of improving life for beneficiaries. These two additional criteria trump the previous five.

Some of the areas in which corporate practice and foundation/ charitable sector practice may be at odds are summarised here to illustrate problems that can arise.

CORPORATE	FOUNDATION
Salary scales pegged to corporate structure and job evaluations	Job evaluations may not readily correlate
Share award schemes based on company performance usually reflecting sales or profits – Inland Revenue rules require all employees to benefit	Foundation staff cannot contribute to company success and sales so should not profit
Bonuses tagged to clear outcomes, usually sales or profits	Bonuses are uncommon in the charity sector and more likely to be controversial in the absence of simple targets, though they can be managed
Company cars as a perk of rank	Not common in the charity sector
Private health insurance	Rare in the charity sector
Pension schemes	Useful economies of scale but only if they can be separated from other terms and conditions – otherwise there are tailored charity schemes
Staff appraisal systems	Not readily transferable
Staff training and pan-organisation requirements	For example, employees of banking foundations contracted to the donor have to have Financial Services Authority training (e.g. avoiding money laundering) unless exemptions are sought. Most of the tests and courses are totally irrelevant to the foundations' businesses.

Recruit the right staff with the right skills for the foundation and establish their terms and conditions as appropriate for the work they will do for the charity.

Exemptions to address these differences can be negotiated but they tend to create problems first and then require discussion; it would save time all round to avoid complications in the first place. It is particularly awkward to take on, for example, seconded administrative staff from the business and then try to manage them and reward them as charity staff. Each company pay review may see their ex-colleagues receiving union-negotiated, productivity-tagged increases that can lift a whole salary scale. The foundation employees, who work differently, may resent not being included. Alternatively, the foundation may be compelled to give a pay rise completely unaligned with its own business simply because its people are employees of another body. Salaries are usually recharged to the foundation so there is a cost to all this.

Making a staff transfer under Transfer of Undertakings (Protection of Employment) Regulations (TUPE) rules is an onerous, complicated and expensive process; it will require external advisors, union negotiation and perhaps a buy-out of employee 'rights'. It may save the foundation money in the long run but it is disruptive in the short term and not helpful to staff morale, even with the best motivated staff team. It is better to establish a system that will last right from the outset.

GOOD PRACTICE

For trustees and founders

Start as you will need to go on.

Recruit the right staff with the right skills for the foundation and establish their terms and conditions as appropriate for the work they will do for the charity. Take advice: ACF publishes a reasonably regular salary review for foundations.

Ensure that, if the team must be employed by the business, contracts are clearly related to their foundation work, if necessary by issuing new contracts. Avoid aligning with systems designed to motivate sales teams.

Encourage the foundation staff, with the help of trustees, to design their own appraisal scheme.

For the CEO

Keep the donor informed about any staff issues especially if the two bodies are working very closely or in the same building.

Ask the personnel department to give you a 'heads up' on any all-staff announcements so you can be prepared for your team's reactions.

Making a staff transfer under Transfer of Undertakings (Protection of Employment) Regulations (TUPE) rules is an onerous, complicated and expensive process; it will require external advisors, union negotiation and perhaps a buy-out of employee 'rights'.

CHAPTER 9 WHEN THINGS GO WRONG

Of course no-one wants problems, but some will arise even with the best planning. This chapter describes some of the issues that corporate foundations and their donors have experienced, included in the hope that readers can avoid facing similar problems.

Although some of these examples are quite old, we are aware of recent difficulties of a similar nature. Foundations and their associated corporate donors can be understandably wary of sharing stories that are still quite raw so this section also includes some heavily disguised examples. Please do not try to identify them; it will add nothing.

PROBLEMS AND SOLUTIONS

LEGAL TANGLES

Below is an extract from the accounts of the original (now dissolved) BUPA Foundation that illustrate an unusual problem. They show how careful trustees must be in maintaining a clear financial relationship with the corporate donor.

2008 accounts

During the year the foundation has paid £574,824 for a tax liability which had arisen as a result of a change in tax legislation in 2007. The amendment to the legislation means any amounts donated to a charity by a corporation and subsequently loaned back to the corporation are now subject to tax in the charity. The new legislation impacts the foundation as amounts donated by Bupa were previously loaned back to Bupa Investments Limited for investment. The foundation suffered tax at 30% on the amount loaned to Bupa Investments Limited in January 2007, and the interest earned thereon. This loan and accumulated income was repaid in full and the arrangement has now ceased. The foundation is working with legal advisors to approach HM Revenue and Customs on this matter as the legislation was not intended to penalise arrangements such as those the foundation had in place with Bupa Investments Limited.

In a charity's accounts – and this is the case for all charities – trustees must disclose 'related parties transactions'. The charity's accountants will advise how to go about this. Unfortunately the regulation described above, though designed to protect exploitation of charities, has had the unintended consequence of making it difficult for the charity and the company to do business for the benefit of the charity.

This is an unusual case but an easy trap to fall into where the company wants to offer additional and helpful financial services to the charity. The regulators advise trustees to take professional advice and generally to use investment managers where substantial investments are at stake.

ETHICAL CLASHES

There can sometimes be a tension between the activities of the foundation and those of the business. One example, not from the UK, involves a very large foundation launching an anti-obesity programme for children. This foundation receives much of its funding from a maker of sugary foods!

In the UK the utility companies and the foundations they have established deal largely with debt, caused in many cases by the inability to pay utility bills. When a company is foreclosing on loans and thus making people homeless or putting them out of work, foundations funded by them and dealing with homelessness or debt may feel that they are working to

There can sometimes be a tension between the activities of the foundation and those of the business.

close a large hole in a dam with a small bucket of cement. These sorts of dilemmas can rebound on both parties, with the foundation being accused of being a sop to the company's critics and the company accused of an attempted buy-off. However, as we saw in Chapter 7, a good protocol can help, as can a clear understanding and an agreed media statement.

CONFLICTS OF INTEREST

In November 2014 the Pearson Foundation website carried the following announcement:

On November 18, 2014, the Pearson Charitable Foundation's board of directors publically announced the intent to cease foundation operations and close the Pearson Foundation at the end of the year. This follows a decision by Pearson plc to integrate all of its corporate responsibility activities and functions into its business as a way to maximise social impact and to no longer fund the foundation as the primary vehicle for its philanthropic and community activities.

The Pearson Foundation's closing follows more than a decade of support to some of the world's great teachers, schools, and non-profit organisations. Since its inception in 2003, the Pearson Foundation has contributed more than $130 million to improving learning opportunities and outcomes for young people and adults, and to supporting the aims of exemplary non-profit organisations to help identify, scale, and celebrate their important work. We are pleased that their work continues.[50]

However, the *Washington Post* carried a rather different version of the story entitled *'Pearson Foundation closing (after paying big fines for helping corporate parent)'.*[51] The article, published on 19 November 2014, revealed that the foundation paid $7.7 million in fines after being found guilty of '*helping [its corporate parent] develop Common Core educational products and by paying travel expenses for potential clients to attend education conferences'.*

The New York Times also carried a story about the issue: *'The attorney general portrayed a culture at Pearson in which the lines between business and charity were often blurred. Pearson remains the largest donor to the Pearson Foundation, and the staff of the foundation included several Pearson employees. The board was made up entirely of Pearson executives until 2012.'*[52]

Although the foundation was registered in the US, the same fundamental rules and principles apply in the UK.

PUBLIC IMAGE AND REPUTATION

A more likely, though still happily not too common, problem occurs when journalists conflate the actions of the foundation with those of the company. Several respondents have had experience of this sort of thing. Almost every example given involved a journalist attempting to assert that the company was abusing the independence of the foundation; all the accusations were false.

One foundation, which tries to work with its founding company on issues that advance the charity's aims, found itself embroiled in media controversy simply because a journalist misinterpreted the partnership, presenting it as a piece of manipulation by the company. Such was the furore that the Charity Commission became involved. Both foundation and company were blameless and found to be so, but this experience shows how important it is not only to safeguard independence but to be seen to safeguard it.

In another example, a foundation had given a grant to a drug rehabilitation project run by a slightly controversial evangelical church. Many foundations fund activities undertaken by 'faith' groups but tend (except for explicitly religious funders) to require a non-proselytisation rule i.e. the activities must not seek to promote the religion and must be open to non-believers etc. A tabloid falsely accused the company of supporting the church despite the foundation having taken precautions to reassure itself that money would be spent only on the drugs project. The foundation and company discussed the accusation and dealt with it internally. The story had no 'legs' and died down. There were no repercussions.

One foundation with a mix of external and company trustees had funded research into legal but socially damaging activities in a market in which the corporate donor was active (though entirely innocent of any wrongdoing). Despite hostile comment from outside, the company said stoutly that the decision to fund was for the trustees to make, and that it agreed that the issue needed addressing.

Ironically, in our gathering of examples it was not usually grants that the foundations would have described as 'controversial' that drew the attention of journalists. Many of the grants that provoked stories were pretty standard for grant-makers involved in social change or in helping the most disadvantaged; many were also typical of the particular foundation. This rather argues that the journalists were looking for something to write about rather than any grant itself being especially contentious.

It is impossible to guard against the malign actions of some journalists – if they want to make trouble they will find a way to do it even if truth must be sacrificed. Fortunately they are the minority and many businesses will have had plenty of experience in dealing with them. Our good practice notes are designed to help avoid problems and, if they are unavoidable, to deal with them.

GOOD PRACTICE

For foundation CEOs and trustees

Be prepared

Include press and media handling in your risk assessment of any grant you make (though do not be deterred from making a good grant).

If you anticipate controversy, talk to the company in advance and explain what you are doing and why.

Ask for help from the company's PR department if there is one but remember it is your grant.

Have a good press and media advisor on your contacts list even if you do not use them regularly.

Have a protocol for press enquiries: who speaks and when, and who else they must consult or inform. Also be clear that others must not speak to the press: all enquiries should come to the designated person.

Get your story right

If an unexpected situation arises take your time to assemble your response. Be clear about your story, gather your facts and be prepared for unexpected questions. Prepare a briefing sheet with accurate numbers.

Journalists sometimes do not check facts so be as clear as you can and provide a written record – at least then you can show the company what you really said!

Interviews

Before an interview tell journalists what questions you will not answer or areas you will and will not discuss and do not be tempted to fill the silence if they leave you to talk; they can edit out the gaps for television or radio afterwards. Silence is their problem not yours.

Try to have someone else with you who can take notes of or record what you say: this may deter the journalist from misquoting you but it also helps, if they do twist what you say, to have a record.

No matter how aggressive the journalist is, remain calm and do not rise to provocation.

Be very careful about the moments after the interview. Do not relax until they are out of the door or you are – they may use anything you say even in the margins of the interview.

FRAUD AND THEFT

Happily, actual wrongdoing by foundations is rare. However, by accident, foolishness or deliberate fraud, foundation trustees or staff have been known to make grants to associates, to fail to observe conflicts of interest, or deliberately to misdirect funds. Good systems can prevent these incidents from escalating. Vigilant trustees and staff come out of such disasters better if they spot the error or misdeed first. When they do so they should brief the company and call in the Charity Commission or police. Immediate action rather than an attempt to cover up will take the sting out of the story and reassure the Commission that systems are sound even if a rogue event has occurred.

Intending founders and nervous trustees are well advised continually to review their own arrangements as recommended throughout this Guide, to keep up good relationships especially at times of change and, if all good sense fails, to focus on the many successful years and the great achievements of the foundation.

CHAPTER 10 ADVICE FROM THE EXPERIENCED

Part of the process of gathering information for this Guide included interviews with a range of foundation executives and trustees. We took the opportunity to ask each interviewee for their advice to: an intending corporate founder; a new trustee of a corporate foundation; and a new CEO of a corporate foundation.

Interviewees were enthusiastic and generous and told us much that they wished they had known themselves, as well as what they have learned through their experience. Their advice often overlapped but sometimes different people had strongly differing views. That means that these lists are not internally consistent. However, each piece of advice has been useful to several of our interviewees and deserves to be carefully considered.

We offer them all here as a series of good practice points.

ADVICE FOR INTENDING FOUNDERS OF NEW CORPORATE FOUNDATIONS

AT THE BEGINNING

- Do it – it's a great way to invest in communities.
- Do your homework – understand what it means to set up a foundation as opposed to any other form of corporate philanthropy. Research the benefits and the pitfalls.
- Be aware that the upfront costs of setting up can be high and it can be time-intensive but after that it is not so demanding (from a smaller, internally managed foundation).
- Take advice from the Charity Commission or other regulator and use its publications.
- Decide what it is you want to achieve with the foundation.
- Before committing to charitable Objects or day-to-day objectives test your ideas on people who know something of the subject. Take the time it needs to do this properly – it will save time and conflict in the end.
- Give the foundation a function aligned with the company's business and then you can add value through your business practices.
- Make sure you give the foundation full independence and honour that arrangement.
- Think about the longer term – do you expect the foundation to grow, spend out or roll steadily on at about the same scale?
- Consider how you will fund and try to align your funding plan with your long-term expectations. Endow if you possibly can but if not make a covenant or agreement for five years or more so that the foundation can plan its activities.
- Get the best possible staff from the start.

Think about teamwork and be aware of the skills of your fellow trustees.

ADVICE FOR NEW TRUSTEES OF CORPORATE FOUNDATIONS

THE ENDURING RELATIONSHIP

- Resist the temptation to lodge the foundation in your CSR department – you will gain far more for your reputation by distancing yourself from it and visibly supporting its independence.
- Keep hold of the big picture in setting objectives – leave the detail to the trustees.
- Articulate your expectations of the foundation – otherwise it will waste time trying to second-guess you.
- Make a clear protocol for the foundation to report on its activities and review it with the trustees every year.
- Be clear about your objectives and expectations.
- Don't just hand over cheques; change your own business too and help the foundation to leverage your customers and clients.
- Be patient – the kind of things foundations do cannot always deliver quick results.
- Accept that there will be frustrations and disagreements – they are inevitable but if the basis of the relationship is sound they will not matter.
- Take risks with resources – because you can.

BASIC BUILDING BLOCKS OF TRUSTEESHIP

- Make sure you get the legal status right – become a company limited by guarantee for your own protection. (You could also now consider becoming a Charitable Incorporated Organisation – CIO. (See p14).
- Become familiar with what trusteeship means and review guidelines regularly.
- Make sure there is a good induction process.
- Try to get trustees from different backgrounds.
- Be clear who the decision-makers are – you!
- Familiarise yourself with the relevant Charity Commission guidance notes, especially on governance and refresh your memory occasionally.
- Think about teamwork and be aware of the skills of your fellow trustees.
- Don't leave your business acumen outside the door when you come to trustee meetings.
- Arrange 360-degree appraisals of the trustees.
- Avoid conflicts of interest.
- Avoid conflicts of loyalty, especially if you are an employee of the donor.

MANAGING THE KEY RELATIONSHIP

- Company support is essential – always try to have a company trustee or staff member.
- Get protocols for company relationships in place straight away – assume nothing. Refresh them according to need and incidents that illustrate them.
- The foundation will be the junior partner in the relationship with the donor – that takes special skills.
- Articulate your expectations of the company.
- Whether invited or not, arrange to meet the company board, group to group, every year and tell them what you have been doing and why.
- Start an early conversation with the company about outcomes from grants instead of outputs – when the difference is understood it will make reporting more sensible. Make sure you understand the difference yourself.

ACTIVITIES

- Don't rush into grant-making; take your time to consider what sort of grant-maker or philanthropist you are going to be.
- Consider the nature and ethos of the company and the impetus that created the foundation: can you build on or reflect it?

Don't rush into grant-making; take your time to consider what sort of grant-maker or philanthropist you are going to be.

- Speak to other foundations and learn from them.
- Speak to voluntary organisations and learn from them.
- Meeting quarterly can make you task-driven instead of focusing on the bigger picture – try to always keep the overview in mind.
- Think about effectiveness and take outside advice if needed – for example, when you review your strategy.

ADVICE FOR NEW CEOS OF CORPORATE FOUNDATIONS

UNDERSTANDING WHERE YOU ARE

- If you do not like corporate bodies, do not take the job.
- Get to understand the dynamics of the corporate/foundation relationship.
- Learn where the power lies for different aspects of the relationship.

WORKING WITH THE TRUSTEES

- Get the Chair of the foundation to manage the corporate relationship at the very highest level.

MANAGING DAY-TO-DAY

- Go right to the top of the company for your backing: keep the company CEO informed about the foundation. He/she will then be your best ally.
- The company relationship will need regular management: if it is good at the top the message will cascade down to more junior levels.
- Push for as full financial independence as you can – an endowment is best with a covenant specifying an amount or formula a close second.
- Get to know the company and see what leverage you can get for the foundation. Find out what company resources other than money can help you do your job and help the company too.
- Get to know all stakeholders as well as the company and nurture their interest by keeping them informed.
- Communication is very important and requires time and effort. It may well take up a far greater proportion of your time than you may have expected.
- Make time to get in touch with beneficiaries as well as organisations you are funding so you really understand and can convey what the foundation is doing.
- Build risk-taking into your activity and do not be afraid to experiment.
- Look for new models to achieve your goals; don't just fall into 'normal' grant-making.
- Be open to learning from others.
- Get yourself a network of supporters among other foundation CEOs of all types of foundations, but especially corporate foundations.
- Do not expect to be able to make every stakeholder happy all the time: expect friction and learn to deal with it.
- Keep a balanced view but don't let yourself be pushed into doing things.

AND FINALLY . . .

CLARITY, CLARITY, CLARITY

In our survey, the importance of relationships and communication came up more often than any other topic – everyone emphasised the benefits of good and continuous communication between the corporate donor and the foundation.

REFERENCES

1 There are now separate charity regulators for Scotland and Northern Ireland. Regulations in these countries are very slightly different from those in England and Wales but much of the best practice in this Guide will pertain wherever in the UK a foundation is established. References to 'the Charity Commission' mean the Charity Commission for England and Wales.

2 *The Foundations of Business: The growth of corporate foundations in England and Wales*, p4. Corporate Citizenship (2013).

3 *Giving in Numbers 2014* provides an in-depth analysis of 2013 corporate giving and employee engagement data from 261 of the world's leading companies. The Committee Encouraging Corporate Philanthropy, New York (2014).

4 http://tinyurl.com/polishdonors

5 See Chapter 9 for the sad story of the end of the Pearson Foundation.

6 Figures taken from ACF's *Giving Trends 2016* report. Though impressive, these sums are still below the pre-recession levels of giving by the LloydsTSB Foundation (as it then was), Northern Rock Foundation and others.

7 http://tinyurl.com/wrighthuffpost

8 See www.cbi.org.uk

9 *Good for Business and Society: government response to calls for views on corporate responsibility* p3. HM Government (2014).

10 *Guidance on the Strategic Report*. FRC (2014).

11 *Corporate Giving by the FTSE 100*, p6. Charities Aid Foundation (2014).

12 Available on the Treasury website www.hm-treasury.gov.uk

13 *Firm Foundations*, Dr Diana Leat. Charity Commission (2009).

14 www.oscr.org.uk Scottish charity law differs slightly from that of England and Wales.

15 www.charitycommissionni.org.uk CCNI has issued its own guidance to charities which reflects Northern Ireland charity law. It differs slightly from that of England and Wales in that it requires all charities, irrespective of size, to register. There are also Northern Ireland-specific issues about equality.

16 www.gov.uk/charity-types-how-to-choose-a-structure

17 The Charity Commission for England and Wales is the longest established of the regulatory bodies and as such has the most extensive guidance on a huge range of issues. While there are some differences in requirements between the countries of the UK, even those outside England and Wales will find the Charity Commission website useful.

18 *Shell Foundation* – Business Principles available on www.shellfoundation.org See also the Shell Foundation/Shell Group joint publication – *Maintaining Independence: A Guide to the Shell Foundation Relationship to the Shell Group*.

19 The latest version was published in July 2015. It is considerably more directive than its predecessor.

20 *The growth of corporate foundations in England and Wales*, Amanda Jordan OBE, p4. Corporate Citizenship (2013).

21 Some writers refer to *independent* and *company* trustees but this undermines the clear direction that all trustees are independent of the body that appoints them so we refer to internal and external trustees.

22 *A guide to corporate foundations*, para C1. Charity Commission (2010).

23 From the foundation's accounts.

24 Information provided by the foundation CEO.

25 *Beyond the Banks: lessons and opportunities for the regulation of charities* (a summary of a round table discussion held in July 2009). Charity Commission (2009).

26 *A guide to corporate foundations*, p3, Charity Commission (2010).

27 *Conflicts of interest: a guide for charity trustees*. Charity Commission (2014).

28 The company has now created a foundation registered in the US and has ceased funding BSC. As at end November 2015 BSC had $97 million in funds.

29 See http://tinyurl.com/BoardEffectiveness for recommendations on the importance of board effectiveness reviews for corporate bodies.

30 www.civilsociety.co.uk/magazines

31 See Chapter 7 for an explanation of how the LloydsTSB Foundations became the Lloyds Foundations.

32 www.macaidsfund.org

33 I asked the foundation if it did acquire capital as encouraged by the Objects but had not received an answer at the time of writing.

34 From the foundation's website.

35 From the foundation's website.

36 The foundation's website www.shellfoundation.org contains several important and helpful documents illustrating the relationship between founder and foundation. This is an extract from its statement of business principles.

37 From the foundation's website.

38 See Waitrose Foundation CSR report available from John Lewis website.

39 From the Waitrose website.

40 From the foundation's annual review.

41 It was not always so – there was a period of tension between the foundation and the society over choices the foundation made. With goodwill and hard work the current mutually satisfactory rapport has been created.

42 The Cadbury Foundation should not be confused with the Barrow Cadbury Trust, a family foundation set up by Barrow and Geraldine Cadbury.

43 *Giving Trends: Top 300 Foundation Grant-makers*. ACF (2016).

44 *A guide to corporate foundations*, p6. Charity Commission (2010).

45 *A guide to corporate foundations*, p4. Charity Commission (2010).

46 From a conversation with a Shell Foundation executive.

47 Friends Provident Group plc was acquired by Resolution Ltd in late 2009 but the company retains its name and identity. Corporate foundations often disappear under mergers, but the foundation has its own endowment, identity and governance, which it has no plans to change. Interestingly, Resolution also has a foundation but its work is entirely in research and so is completely distinct from that of FPF.

48 www.lloydsbankfoundation.org.uk/our-programmes/charitymentoring

49 There is quite a lot of literature on the difficulty of aligning social change with foundation grants. Interested readers might start with Diana Leat's *Just change* published by ACF in November 2007.

50 www.pearsonfoundation.org

51 http://tinyurl.com/WP-Pearson

52 http://tinyurl.com/NYT-Pearson

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David Carnaffan, former Grants Manager, Greggs Foundation

Kate Carroll, Charity Manager, Making a Difference Locally

Teresa Chapman, PA to Julian Richer, The Persula Foundation

Mary Craig, former Chief Executive, LloydsTSB Foundation for Scotland

Richard Davies, former trustee, The Nationwide Foundation

Sally Dickinson, Programme Manager, Berkeley Foundation

Kathleen Duncan, former Director-General, LloydsTSB Foundation for England and Wales

Alan Eagle, former Manager, Santander UK Foundation, now The Discovery Foundation

Richard Gomes, Head of Communications and Advocacy, Shell Foundation

Amanda Jordan, Co-founding Director, The Smart Company – now Corporate Citizenship

Linda Kelly, former Chief Executive, LloydsTSB Foundation for England and Wales

Sandara Kelso-Robb, Executive Director, Halifax Foundation for Northern Ireland (previously Lloyds TSB Foundation for Northern Ireland)

INDEPENDENCE IN ALL ITS VARIETIES

MONEY	TRUSTEES	STAFF
Endowed	Appoints own trustees	Chooses and employs own staff
Regular donations by covenant	Selects own trustees who are appointed by the donor	Chooses own staff who may be contracted and seconded by the donor
Donations whether regular or occasional are neither planned nor reliable	Trustees selected and appointed by the donor may include a number of business employees or board members	Staff employed by the donor and may be redeployed
Donations, regular or planned, are tied to certain charitable purposes or outcomes	Trustees are all drawn from the donor's staff or board	Staff (if any) are employees of the company possibly doing foundation work as an extra

FURTHER READING

ACF's *Giving Trends Top 300 Foundation Grant-makers 2016* by Cathy Pharoah, Richard Jenkins, Keiran Goddard and Catherine Walker

Peter Klyhn, Secretary to the UKMEA Board, Arup

Alexander Legaree, Manager Online, Corporate Affairs, BHP Billiton Sustainable Communities

Amy Lunt, former Senior Consultant, The Smart Company – now Corporate Citizenship

Ilse McKinnon, Research Officer, SCVO

John Miller, Director, General Manager and Secretary, Tipton & Coseley Building Society

Gerald Oppenheim, Trustee, ASDA Foundation

Leigh Pearce, Chief Executive, The Nationwide Foundation

Sarah Shillito, former Head, Vodafone UK Foundation

Duncan Shrubsole, Director of Policy, Partnerships and Communications, Lloyds Bank Foundation for England and Wales

Sharon Squire, Head of CSR, Santander

Lisa Suchet, former Chief Executive, The Nationwide Foundation

Maxine M Taylor, former Divisional Director, Corporate Affairs, The Nationwide Building Society

Andrew Thompson, Friends Provident Foundation

Agata Tomaszewska, Project Coordinator, Polish Donors Forum

Danielle Walker-Palmour, Director, Friends Provident Foundation

Julie Ward, CEO, ASDA Foundation

Pam Webb, Head, Zurich Community Trust UK

Alan Eagle, Lisa Suchet and **Pam Webb** formed a steering group to oversee the original work.

David Emerson and colleagues at ACF were particularly helpful and supportive with both editions of this Guide.

POLICY	ACCOUNTABILITY	PUBLIC NOTIFICATION
Sets own policies and does not align its work nor seek views from the donor	Notifies donor of its strategic decisions	Donor records donation to the foundation only in its CSR report
Sets own policies taking the views of the donor into account but not bound by them	Notifies the donor of its decisions	Donor records details of some grants as well as donation in CSR report
Policies while within charitable objects are influenced by the donor	Donor notified regularly of individual donations	Donor records individual grants in its CSR report and elsewhere
Policies may simply mean staff matched giving schemes or donations to charities at the request of branches, departments or the board	Donor's staff decide on all grants within the framework of what is charitable	Donor describes grants as made by 'our foundation' in CSR report

CONTACT US

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