

# TRANSPARENCY AND



# ENGAGEMENT:

THE PILLARS  
OF STRONGER  
FOUNDATION  
PRACTICE

STRONGER  
FOUNDATIONS

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# WHAT IS THE STRONGER FOUNDATIONS INITIATIVE?

*A foreword from Janet Morrison, Chair, Association of Charitable Foundations (ACF)*

Thirty years ago, at a time of political turbulence, economic uncertainty and growing inequalities, a group of grantmaking charities came together to create an independent association that could offer them and others a space for robust discussion about what it meant to be a charitable foundation, to identify best practice and ensure that philanthropy kept pace with social need.

Three decades later, the Association of Charitable Foundations' 400 members collectively hold assets of around £60bn and give more than £3bn each year. As a society, we are experiencing one of the biggest upheavals to our lives that many of us have ever known. Against a backdrop of significant entrenched social, environmental and economic challenges, we are witnessing a global health emergency whose impact will be borne out for years to come. The voluntary and community sector – already facing rising

demand for its services – has faced an unprecedented challenge in meeting overwhelming new and evolving need. The role of philanthropy is more critical than ever.

At ACF our mission is to support members to be dynamic, ambitious, effective and expert, so that their resources are allocated for social good in a way that maximises the potential benefit to the individuals, causes and communities they serve.

Foundations are ideally placed to take a long-term and independent view, to respond creatively to change and emergent needs, catalysing social good and energising communities. For some, simply giving out awards to good causes is value in itself. For others, making strategic interventions and generating bodies of evidence and learning to bring about change are fundamental. From medical research to children's rights, the

arts to environmental activism, community spaces to international development – many foundations are active agents of change. This plurality generates a funding ecosystem that is as varied as the communities that foundations support.

In the last decade, a more intense spotlight has shone on all charities, including on their fundraising, safeguarding and investing practices. Foundations, as charities themselves, are not immune from criticism, and in recent years there has been a noticeable increase in public scrutiny of philanthropy. Doing good by giving financial support to others is not enough. Thinking hard about how we behave and how we embody our values in everything we do is vital. This means asking hard questions about how we work, adapting and changing – not simply doing what we have always done. As society changes, we need to ensure philanthropy evolves too.

**FOUNDATIONS, AS CHARITIES THEMSELVES, ARE NOT IMMUNE FROM CRITICISM, AND IN RECENT YEARS THERE HAS BEEN A NOTICEABLE INCREASE IN PUBLIC SCRUTINY OF PHILANTHROPY**

# MORE THAN 100 FOUNDATIONS HAVE BEEN INVOLVED TO DATE, WHICH WE BELIEVE MAY BE THE LARGEST FOUNDATION ENGAGEMENT INITIATIVE OF ITS KIND IN THE WORLD

ACF launched Stronger Foundations in December 2017, a flagship initiative to help charitable foundations identify and pursue excellent practice. At the heart of the project were six working groups, established and launched between May 2018 and February 2019, each focused on a different aspect of foundation practice:

▶ **DIVERSITY, EQUITY AND INCLUSION**

▶ **IMPACT AND LEARNING**

▶ **TRANSPARENCY AND ENGAGEMENT**

▶ **STRATEGY AND GOVERNANCE**

▶ **FUNDING PRACTICES**

▶ **INTENTIONAL INVESTING**

Every group's principal purpose has been to examine, discuss and debate challenging questions about foundation practice related to its theme, as well as drawing on learning that is emerging from the others. Each group comprised of up to 15 senior foundation representatives drawn from across ACF's membership, who met seven times over a 12-month period. The meetings varied in format depending on the topic and area of inquiry, and included presentation of evidence by experts from within and beyond the foundation sector, small group discussions, whole group exercises and visits. The working groups' full terms of reference can be found [here](#).

Through this process, staff and board representatives from more than 100 foundations have been involved to date, which we believe may be the largest foundation engagement initiative of its kind in the world. I believe strongly that its findings will play a key role in shaping the priorities – and more importantly, the actions – of the sector in the months and years to come. As the working groups conclude their inquiries, ACF is reporting on the groups' discussions and developing pillars of good practice – or what it means to be a 'stronger foundation'.

This report is based on the inquiry of the working group which looked at transparency and engagement. A summary of the group's seven meetings is presented in Part 2 of this report. Thanks to the dedication and efforts of the working group, experts from beyond the foundation sector who have contributed, and the wider literature, ACF has been able to gather a huge amount of raw material, which we have used to create this report. The pillars of stronger foundation practice that we present here (and in reports on other topics) are our initial offering to our sector. We hope that foundations will consider these recommendations carefully in their own context and take steps to enhance their existing practice. With individual and collective effort, we can achieve a stronger foundation sector to the benefit of all.

# WHY TRANSPARENCY AND ENGAGEMENT MATTER

*An introduction by Carol Mack, CEO,  
Association of Charitable Foundations  
(ACF)*

This is the Information Age, where people expect instantly available information on everything. If you want to know the name of an actor in a film you are watching, you can find it within seconds of searching. If you want to know where your supermarket gets its produce you can expect to find that too. These expectations put pressure on all institutions to provide as much information as possible, as openly as possible. Without it, people might assume that there is something to hide.

Charitable foundations may lack many of the lines of accountability and public pressure that others face – such as shareholders or customers – but are not immune from these trends. For foundations specifically, there is a growing interest not just in what they fund, but the source of their funding, where their assets are invested, and how decisions are made. This means that foundations need to be more intentional about the decisions that they take – and the decisions that they don't take – and more confident in 'telling their own story' – so that actions and processes can stand up to scrutiny if and when it comes.

If foundations don't keep step with changes in society, change might be imposed. Already we have seen Californian lawmakers considering unprecedented legislation to force foundations to publicly disclose the race, gender and ethnicity of their board trustees and the board and staff of their grantees. UK regulators have indicated interest in charities reporting on their environmental impact and investment strategies. The rise of sector-led initiatives, like GrantAdvisor, GlassPockets and 360Giving, have exposed foundation behaviour to greater scrutiny.

**IF FOUNDATIONS  
DON'T KEEP STEP  
WITH CHANGES  
IN SOCIETY,  
CHANGE MIGHT  
BE IMPOSED**



But rather than seeing transparency as a risk or something to resist, many foundations have found it brings clear advantages; it builds trust and legitimacy, promotes efficiency and results in more equitable access to information. It can improve decision-making, enhance impact and increase influence. But there are also limits to transparency – and like all foundation assets and decisions, it needs to be deployed intentionally and effectively. For some, a degree of opacity will be necessary in order to deliver their charitable mission, such as those who fund in contested areas, where blanket transparency could be actively harmful, even life-threatening, for example, if you support work with LGBTIQ+ rights organisations in jurisdictions that persecute those communities.

As with all of the Stronger Foundations reports, the issues explored and the recommendations made need to be considered in the individual context of the foundation, its source of income, its geography, its charitable purposes and in proportion to its size. The foundation model is already the most transparent form of philanthropy, and while there is a need for foundations to evolve, what is the right pace to ensure that philanthropists continue to see it as preferable to other means of giving that are arguably less exposed to scrutiny?

Many family foundations, for example, only exist because of the personal philanthropy of a single individual or family. When personal philanthropy is enmeshed with the foundation as a charity, different dynamics are at play compared to a quasi-public grant-maker. Where is the balance of interests between a right to privacy and a right for society to know how that originally private wealth is being deployed for public benefit?

For those many foundations who achieve their objectives through supporting others, there are also questions of ownership about the subject matter. Whose transparency is it? And who has the right to decide when transparency is applied? And in an increasingly polarised society, how do we manage the risk that more transparency could result in ‘safer’ funding, with fewer organisations and individuals willing to have their name publicly linked with controversial causes?

What I hope to convey is that defining, interpreting and implementing transparency is not straightforward. There are nuances and ifs and buts that cannot be avoided. But what is clear from the evidence that we have gathered over the last 18 months is that, in nearly all cases, leaning towards more transparent and more engaged practice is likely to bring significant benefits. This report sets out this evidence and makes recommendations for how all foundations can approach this challenge with confidence.

At this point, it is worth setting out a few things that this report is not...

**LEANING TOWARDS MORE TRANSPARENT AND MORE ENGAGED PRACTICE IS LIKELY TO BRING SIGNIFICANT BENEFITS**

# IT IS NOT...

## A DESTINATION

Transparency is a process, not an end goal in itself. No single action will amount to 'transparency' or 'engagement' in their totality. There will always be things that could be done better or differently, and as audiences evolve, needs and demands will emerge and alter. Rather, this report puts forward a way of thinking about opening up, engaging with internal and external stakeholders, being held to account, and becoming stronger as a result.

## JUST ABOUT THE EXTERNAL CONTEXT

Some foundations are accountable to the general public in more obvious ways than others. Those with an element of public funding or fundraising will inevitably think differently about accountability and transparency than those whose income comes from an individual or family. But all foundations have audiences and communities of interest. Whether that is regulators, grantees, society – and we elaborate more on this throughout – foundations of all sizes and structures have audiences who want, need and deserve good information. Indeed, given the power, independence and privileges they hold in society there are good reasons for foundations to go beyond compliance and lead the way in showcasing their activities, decision-making and activities for all to see.

ACF's mission is to support foundations to be ambitious and effective in the way that they use their resources for social good. This means helping foundations learn and share, providing space and opportunity for foundations to debate and disagree, and continually raising the bar on what might be considered excellent practice. I sincerely hope this report, and those that follow in 2020 on other aspects of foundation practice, will play a vital role in guiding us collectively and collaboratively through this process of change.

Once you've had a chance to read the report, we want to hear from you; not only about what you think about its content, but how you'd like us all at ACF to help you in our joint endeavour to build stronger foundations for social good.

# UNDERSTANDING TRANSPARENCY AND ENGAGEMENT

It has become clear throughout the Stronger Foundations programme that transparency can mean different things in different circumstances. In simple terms, we could say transparency is making information available and accessible, or shining a light into dark corners. But this does not take into account other important factors: collecting information, presenting information, and importantly, using information.

This is why engagement is at the heart of this report. Engagement is the proactive element that ensures not only is information available, but that it can be used, analysed and challenged in a way that makes transparency meaningful.

For the purpose of this report, we define transparency and engagement as an amalgamation of attitudes, actions, behaviours and cultures that result in useable and accessible information being available for a variety of purposes to a variety of stakeholders, including holding foundations to account.

Understandably, this report focuses on the ways in which transparency can be beneficial for foundations, and we set these out below. But that is only part of the picture. Changes in foundation behaviour inevitably have consequences for the ecosystem of which they are part. In this instance, for example, foundation transparency can lead to more effective use of resources among grant applicants who can make better informed choices, or greater understanding in government of foundations' contributions and expertise which can inform policy.

Making deliberate and intentional decisions about being transparent can enhance impact and effectiveness in the following ways:

- ▶ **Decision-making** – Information is essential for decision-making. This includes foundations taking in relevant information from external sources (as outlined in [ACF's impact and learning report](#)), and also foundations providing information to inform policy and practice. It also means organisations can make informed decisions on whether to apply, better utilising theirs and the foundation's resources.
- ▶ **Awareness** – When wider audiences are aware of a foundation's work, it can strengthen its reach and reputation, and thus increase its impact.
- ▶ **Legitimacy** – Greater understanding of a foundation, its mission and its work, among grantees, applicants and wider society boosts the foundation's credibility. Clarity around the foundation's mission and values enables understanding of what it is trying to achieve and how it works, making it easier to find suitable partners, activities and people.



▶ **Accountability** – Enabling internal and external scrutiny allows questions to be asked and ensures foundations are held to account for their actions.

▶ **Power** – While foundations do occupy a unique position within civil society, they are nonetheless also a fundamental part of it alongside other types of organisation and individuals. Being more transparent can help foundations gain trust, confidence and respect, and begin to balance the unequal power dynamic between foundations and others. After all, it is inherent to foundations that they rely on partnerships and collaboration to achieve their aims; building strong relationships by being more transparent and engaged enhances the effectiveness of these partnerships.

▶ **Representation** – Communicating with internal and external audiences enables a foundation to tell its own story and share its mission and values in its own way.

▶ **Resources** – Simply having more information available can lead to significantly more effectiveness and efficiency in the use of resources. For example, this can lead to better communications, better applications, and better delivery. It also can lead to resources between and across foundations being used more effectively, enabling greater consistency and reducing burdens on external stakeholders.

Underpinned by intentionality in pursuing the foundation's interests, there may be occasions where being transparent does not achieve one of these outcomes. In these cases, foundations may opt to be 'strategically opaque', as discussed in the working group's final meeting with Bob Reid of the JF Maddox Foundation. Bob's research, expanded on in Part 2 of this report, revealed that rather than being wholly opaque or wholly transparent, foundations are to be guided by the situation in which each decision takes place, choosing not to share specific pieces of information where doing so might cause harm, challenge tolerance for risk, or inhibit its pursuit of its mission. In this report, we recognise there are times where transparency may be detrimental to achieving the foundation's aims, but any decision to opt not to be transparent should be intentional, deliberate, and where possible, explained openly.

There is relatively limited evidence that critically engages with the theme of foundation transparency. The process behind this report provided insights based on a programme of inquiry and engagement, and in this way goes some way to filling that gap. Foundations can continue to build the evidence base through their practice; foundations being transparent serves to expand our understanding of what good practice in transparency looks like and what it can achieve.

**BEING MORE TRANSPARENT CAN HELP FOUNDATIONS GAIN TRUST, CONFIDENCE AND RESPECT, AND BEGIN TO BALANCE THE UNEQUAL POWER DYNAMIC BETWEEN FOUNDATIONS AND OTHERS**

# TRANSPARENCY AND ENGAGEMENT:

# THE PILLARS OF STRONGER FOUNDATION PRACTICE

**1 UNDERSTANDS THE IMPORTANCE OF TRANSPARENCY AND ENGAGEMENT, AND ARTICULATES ITS APPROACH**

**2 EMBEDS TRANSPARENCY AND ENGAGEMENT ACROSS ALL ITS ACTIVITIES**

**3 ENABLES AN INTERNAL CULTURE OF TRANSPARENCY AND ENGAGEMENT**

**4 PROACTIVELY ENGAGES EXTERNAL AUDIENCES**

**5 MAKES THE MOST OF OPPORTUNITIES AND INITIATIVES THAT ENABLE TRANSPARENCY AND ENGAGEMENT**

# A STRONGER FOUNDATION:

In relation to transparency and engagement, a Stronger Foundation is one that can demonstrate or is pursuing the following “pillars of practice”. These have been developed by ACF and are based on the evidence gathered by the working group (including case studies of practice by foundations in the UK and elsewhere), the wider literature and the contributions of experts from beyond the foundation sector. Examples of each pillar exist in UK foundation practice.

The ways the pillars are interpreted and implemented will vary from one foundation to another, but we believe that all of them can be pursued, no matter what a foundation’s size, source of income, or area of focus. While some foundations may want to pursue all the pillars, others may want to start with one or two. What matters most is to start, and strive to do more.

The bullet points below each pillar in this summary indicate some of the ways that each one could be implemented in practice. These points are described in more detail in Part 1 of the report.

## 1

### UNDERSTANDS THE IMPORTANCE OF TRANSPARENCY AND ENGAGEMENT, AND ARTICULATES ITS APPROACH

- ▶ Has an understanding among both trustees and staff of the foundation’s approach to transparency and how it seeks to engage external stakeholders
- ▶ Regularly reviews who its stakeholders are and seeks to address their information requirements
- ▶ Communicates its approach to transparency and engagement as an integral part of its mission and values

## 2

### EMBEDS TRANSPARENCY AND ENGAGEMENT ACROSS ALL ITS ACTIVITIES

- ▶ Makes deliberate decisions to be open across all areas of its work, from its funding practices to its investments
- ▶ Enables and encourages a learning culture
- ▶ Explains its decision-making processes and the basis of its decisions

# 3

## ENABLES AN INTERNAL CULTURE OF TRANSPARENCY AND ENGAGEMENT

- ▶ Shares, collects and analyses information about its practices as part of a culture of learning
- ▶ Supports ongoing engagement and interaction between the board and staff
- ▶ Follows the [Charity Governance Code](#), noting the principle of openness and accountability

# 4

## PROACTIVELY ENGAGES EXTERNAL AUDIENCES

- ▶ Proactively communicates with external stakeholders, listens to their views and acts upon feedback
- ▶ Allocates sufficient resources to enable meaningful engagement
- ▶ Strives to enable a positive exchange, with open two-way channels of communication

# 5

## MAKES THE MOST OF OPPORTUNITIES AND INITIATIVES THAT ENABLE TRANSPARENCY AND ENGAGEMENT

- ▶ Recognises the benefits of using tools, platforms and initiatives that enable transparency and engagement in strengthening its own practice and impact
- ▶ Recognises the benefit of using these opportunities to support the collective transparency and engagement of the foundation sector
- ▶ Takes into account the needs of other stakeholders when deciding whether to engage with new opportunities
- ▶ Supports the infrastructure that enables these platforms, including by making use of them for its own purposes and by promoting them to others

# PART 1

## TRANSPARENCY AND ENGAGEMENT: THE PILLARS OF STRONGER FOUNDATION PRACTICE



# A STRONGER FOUNDATION UNDERSTANDS THE IMPORTANCE OF TRANSPARENCY AND ENGAGEMENT, AND ARTICULATES ITS APPROACH

Foundations hold a unique place in civil society. They are able to work independently and act based on the needs, priorities and interests they identify. Their independent and often sustainable sources of income mean they are not typically subject to the competitive environment in which many charities operate, such as public fundraising, bidding for government contracts or applying for grants. This unique position gives foundations considerable power. But this power comes with responsibility, and the need for accountability.

Accountability has emerged as a cross-cutting theme throughout the Stronger Foundations initiative. In all of the working groups, we have seen evidence of the importance of foundations being accountable to those they serve, and the societies and systems in which they exist and on which they ultimately rely. Previous reports have shown the ways in which foundations can recognise how they are accountable and boost their accountability where it is relatively lacking; it is a pillar of [stronger foundation practice in diversity, equity and inclusion](#) that the foundation is accountable to those it serves, and in our [report on impact and learning](#) we show how having a mission can help ensure foundations are held to account. Accountability is also explored in depth in our [report on strategy and](#)

[governance](#), in which one pillar is that a stronger foundation is accountable, open to feedback and responsive to challenge.

Accountability is inextricably linked to transparency and engagement, as set out at the start of this report. Only if a foundation is open, honest and communicative about its work can external audiences know enough to be able to hold it to account.

But what does it mean to be transparent?

Often, transparency is pitched as an absolute; a state of being, a destination, the end goal. There are sometimes calls for transparency to be the 'default' position. Framed as such, it could be seen as unattainable or even undesirable for foundations to pursue it.

This is not how we have come to define it. We see transparency as an amalgamation of attitudes, actions, behaviours and cultures that result in useable and accessible information being available

## ACCOUNTABILITY IS INEXTRICABLY LINKED TO TRANSPARENCY AND ENGAGEMENT

for a variety of purposes to a variety of stakeholders. A stronger foundation approaches transparency with a nuanced understanding of what it means to be transparent and asks itself 'in what ways can we be transparent?', not 'to what extent are we transparent?'

Fundamental to understanding transparency is understanding why it matters. Earlier sections of this report will help in developing that understanding. But the answer often depends on who the audience is. In the first instance, a stronger foundation understands transparency by identifying its audiences and their perspectives, which might include reviewing the following and how they might interpret the foundation's work, by asking questions such as:

### ► For trustees and staff

- Do all trustees have access to the information they require to fulfil their essential duties? For example, if investments are delegated to a committee, how does this committee engage with the wider board?
- Do staff understand how and why the foundation makes decisions, and their role within that?
- Is the foundation's narrative clear, well-understood and workable for all staff and trustees?

### ► For grantees and applicants

- Is it clear what the foundation funds and how, including the level of funding available?
- Can applicants make informed decisions about whether the foundation is a suitable funder, and do they have sufficient understanding of the assessment process to enable them to apply accordingly?
- Do they feel able to hold the foundation to account or ask questions?

### ► For regulators

- Is the foundation demonstrating its compliance with charity law, regulation, and best practice?
- Is the foundation aware of and addressing the risks to which it is exposed?

### ► For other foundations

- Does the foundation share its learning with other foundations in an appropriate and useful way?
- Is the foundation part of sector-wide communities and initiatives?
- Does the foundation share data on grant-making in a timely and accessible format to allow other foundations to use it in their decision-making?

### ► For the public and wider society

- Is it clear how the foundation is achieving public benefit, and that it can be trusted to do so?
- Does the foundation understand the power it has, and is it using it responsibly and accountably?
- Does the foundation set out its mission, vision and values publicly (see Pillar 1 of the Stronger Foundations [report on strategy and governance](#))
- Does the foundation articulate its approach to diversity, equity and inclusion and its investment policy?

### ► For academia

- Can foundations be studied, analysed and critiqued?
- Is data about the foundation publicly available and stored appropriately?

## BY UNDERTAKING AN ANALYSIS OF ITS AUDIENCES AND THEIR NEEDS, A STRONGER FOUNDATION CAN TAKE STEPS TOWARDS BEING MORE TRANSPARENT IN WAYS THAT MAKE IT MORE AMBITIOUS AND EFFECTIVE IN ITS OWN CONTEXT

A stronger foundation understands that transparency is meaningful and tailored to its audiences, which will require different strategies and processes. This is where engagement comes in to play. We use the term ‘audience’ as a way to place focus on the importance of communication with stakeholders, the basic principles of which include engaging in ways that are relevant, accessible and informative. What engagement looks like will be explored in more depth in Pillar 4, and in our forthcoming report on funding practices.

By undertaking an analysis of its audiences and their needs, a stronger foundation can take steps towards being more transparent in ways that make it more ambitious and effective in its own context. For example, when it comes to publishing details of funded organisations, many foundations will find this contributes to their effectiveness; applicants have a better idea of what the foundation’s interests are and the types of organisations it funds, meaning that they can make informed decisions about whether to apply and therefore increasing the suitability of organisations that choose to apply. When priorities or interests change, a stronger foundation articulates this clearly to help avoid perpetuating a perception of its past practice that may no longer be relevant or applicable.

A stronger foundation leans towards greater transparency and engagement and is strategically opaque by exception.

## ► GOVERNANCE

Like everything else in a foundation's repertoire, transparency and engagement begins with and is underpinned by its governance. A stronger foundation owns these deliberations at board level, and takes steps to ensure the board has direct involvement in developing and implementing the foundation's approach to transparency and engagement. Trustees are highly motivated volunteers with skills and knowledge across a range of areas, many of which are not directly connected to the focus of the foundation's programmes or the wider charity sector. This means some trustees may find they interpret issues of transparency and engagement differently to one another and also to staff teams, who are frequently in more regular contact with the foundation's audiences and often part of peer networks where issues of transparency may be discussed. A culture of exchange and interaction between trustees and staff is crucial to ensure a shared understanding of what transparency means in the foundation's context.

## ► TELLING THE FOUNDATION'S STORY

Once the foundation has reached and agreed an understanding of transparency, a stronger foundation demonstrates that it values engagement by articulating its approach and understanding publicly. A stronger foundation pursuing its mission and living its values has a coherent narrative that makes clear to external audiences why it does what it does and how. We can think of this as the foundation 'telling the foundation's story' in a way that can build trust, enhance legitimacy and contribute towards greater accountability. Foundations enjoy a unique freedom to tell their own story and can seize this opportunity across all areas of their work, from their grants to their investments to their ethos.

There may be challenges for some foundations in articulating their approach, particularly where the foundation has typically worked 'behind the scenes' or prioritised its privacy.

## A CORE STRENGTH OF THE FOUNDATION MODEL IS ITS ABILITY TO SUPPORT UNPOPULAR CAUSES, ACT COUNTER TO PUBLIC OR POLITICAL OPINION, AND TAKE RISKS THAT OTHERS CANNOT

A stronger foundation recognises that its considerations, deliberations and intentions are part of what constitutes its approach, and when it is called upon, can explain or justify its decisions.

It also recognises that its story does not have to please everyone. Indeed, a core strength of the foundation model is its ability to support unpopular causes, act counter to public or political opinion, and take risks that others cannot. Being open to scrutiny and challenge does not equate to being easily influenced where the interests of others might contradict those of the foundation. Instead, a stronger foundation provides a coherent, considered narrative that supports its operations and gives its audiences a mechanism by which to hold it to account. Being open and confident about the foundation's story is likely to deter criticism rather than draw negative attention, and foundations that tell their own story are far less likely to have it mis-told by others.

Telling the foundation's story includes openness about aspects of the foundation's history that may feel out of place in today's society, including the origins of its wealth. It may also unearth tensions between the foundation's perception of itself and the reality. A stronger foundation enables a learning culture and space to have these conversations (see Pillar 2), and has in place processes for actions to be taken for improvements to be made (see Pillars 2 and 3). A foundation that is confident in its own story is able to address any criticisms or comments head on, and able to support its decisions and actions.





# A STRONGER FOUNDATION EMBEDS TRANSPARENCY AND ENGAGEMENT ACROSS ALL ITS ACTIVITIES

Once understood, embedded and articulated, a stronger foundation applies a transparency and engagement lens to all of its operations.

## ► FUNDING PRACTICES

A stronger foundation provides information that enables its audiences to understand what it does, how it works, and what it is trying to achieve. By providing this information, applicants can make informed decisions on how to use their resources (e.g. whether to apply based on clear criteria or levels of competition). This in turn is likely to increase the number of eligible applications and result in fewer

unsuitable ones, to the benefit of both parties. Frontloading information in this way can save on resources needed later in the process. Foundations might list common reasons why applicants are unsuccessful publicly on its website, have a short screening questionnaire, or provide details of success ratios. This can help deter unsuitable organisations from applying, or save time spent requesting additional information from applicants. [Research](#) suggests that time and resources used on applying for funding are a significant cost to fundraising charities, and years of austerity have led to charities operating on squeezed budgets with very limited time, capacity and resource to spend on fundraising activity. (See ACF's [report on DEI](#) for more information).

Information, however, is not enough. It needs to be helpful, accessible and tailored to the audience. For example, jargon excessive detail and hidden pages can obscure salient points, and failure to consider issues of diversity, equity and inclusion might mean information and processes are inaccessible to some potential applicants.

The information provided also needs to be engaging, with the foundation taking a proactive approach to dissemination and, importantly, listening to feedback. [ACF's report on impact and learning](#) sets out stronger practice on engaging with feedback. A stronger foundation does not solely broadcast, rather it opens channels of communication with its audiences that allow them to feedback, question and critique foundation practice.

When reviewing funding practices, the questions a stronger foundation asks itself include:

- What information are we sharing about our funding?
- Is it shared in a format that is accessible and useful to all our audiences?
- Do we provide good information to applicants about what we fund, how we fund, and their chances of success?

- Are our processes and guidelines clear and easily understandable to applicants?
- Where we don't openly call for applications, is it clear how we find and select partners and grantees?
- How do we ensure funding processes are equitable and inclusive?
- Have we made it clear how decisions are made?
- Can we offer more feedback about our processes and decisions?
- Is it clear and easy for anyone to contact us or to make a complaint?
- What are our reporting requirements, why are they as such, and what will be done with the information collected?
- How will the relationship between ourselves and grantee be conducted?
- Will there be expectations of the grantee that are not clear from the outset, and if so, can we make these clear upfront?
- If we don't already make this information available, do we regularly engage at board and staff levels to review this and develop a shared understanding of why not?

## ► INCOME, INVESTMENTS AND FINANCES

Many foundations have endowments that include property or financial investments which generate income and capital growth. Others might receive an annual gift from an individual or corporate donor, or they might raise funds from the public. For some, it is a combination of different income streams. Regardless of its structure, a stronger foundation considers its source of income as a core part of its thinking about transparency and engagement. These issues will be expanded upon in a forthcoming Stronger Foundations report on investment.

As with other parts of a foundation's operations, opacity may be a strategic choice. For example, if the income is from an individual or family, or from shares held in a company owned by the individual or family, it may be in the foundation's interest to protect and respect their privacy both personally and commercially. In this case, a stronger foundation can be open in its rationale for not making this information public, and be confident in its approach and willing to be challenged on it. This helps to increase trust in the organisation which is fundamental in building relationships with stakeholders. The issue of commercial sensitivities in relation to investments, and the need for a time lag before publication of particular holdings, is dealt with in the Stronger Foundations Investment report.

## IT IS LEGITIMATE FOR EXTERNAL AUDIENCES, PARTICULARLY THOSE SEEKING FUNDING, TO UNDERSTAND HOW THE FUNDS WERE CREATED IN THE FIRST PLACE

This is also true for disclosures about the source of a foundation's wealth. It is legitimate for external audiences, particularly those seeking funding, to understand how the funds were created in the first place. By institutionalising philanthropy through the creation of a charitable foundation, that part of a private donor's wealth ceases to be private, and instead becomes an independent charity that receives funding from private sources. The origins and history of a foundation are a key aspect of transparent practice. Where a foundation is uncomfortable or concerned about such a disclosure, there is all the more reason to be open about this with prospective grant-seekers, who

may need to take this into account before accepting funding, in order to consider the reputational and ethical issues that may arise for them. See Pillar 5 of ACF's [report on strategy and governance](#) for more information.

Foundation finances are often complex, with multiple income streams, investments and expenditures as well as connected entities or corporate donors. A stronger foundation ensures its financial data is clear and accessible in a way that it would expect of its grantees and partners. While foundations, as registered charities, must prepare accounts in compliance with charity law and regulation, different levels



of engagement may be required for different audiences. Charity accounts can be complex and technical; a stronger foundation translates salient information for its different audiences and ensures it is providing information in a format or volume that facilitate transparency and engagement. This means going beyond providing the information available in statutory accounts, and looking for appropriate ways in which to engage different audiences, for example in sharing the foundation's investment policy in clear and simple language (see ACF's forthcoming report on investment).

For foundations that generate income through fundraising, there can be a heightened need for transparency and engagement in demonstrating accountability to donors. There has been increasing public attention in recent years on the ways in which charities live their values, with particular interest in fundraising. It is important that efforts to live out the foundation's values are communicated to wider audiences. This can build trust and confidence in the foundation, enhancing its legitimacy to work in the ways it does and boosting its reputation and profile.

**DEMONSTRATING THE FOUNDATION'S RELEVANT EXPERTISE AND EXPERIENCE OF THE ISSUES ON WHICH IT WORKS SUPPORTS ITS CREDIBILITY AND STRENGTHENS ITS CONTRIBUTION**

## ▶ STAFFING AND RECRUITMENT

Foundations are comprised of dedicated staff and volunteers working towards achieving a defined mission. A stronger foundation is transparent in sharing who its trustees and staff are, particularly in leadership roles, and what responsibilities they hold.

Trustee names are already listed on the regulators' register and in annual reports and accounts. A stronger foundation goes beyond its legal duties and shares information about how its trustees are recruited, what their term limits are, how often they meet, and any other information which it is safe to share.

This is especially important in the context of diversity, equity and inclusion. A stronger foundation sets out its approach to diversity, equity and inclusion (DEI), such as in a DEI statement (see ACF's [DEI report](#)). This might include its approach to recruiting trustees and staff from diverse backgrounds and involving people with lived experience of the issues the foundation cares about in decision-making.

Being transparent about who comprises the foundation's trustees and staff can also boost its legitimacy. Demonstrating the foundation's relevant expertise and experience of the issues on which it works supports its credibility and strengthens its contribution.

Executive pay in charities attracts significant public, media, and regulatory attention. Foundations are not exempt from this, although many smaller foundations have no paid staff. Where there are paid staff, a stronger foundation has a remuneration policy that is available publicly. The policy should explain clearly and reasonably the basis on which the foundation identifies salaries for staff, bearing in mind key questions different audiences might have and ensuring issues of diversity, equity and inclusion issues are addressed (e.g. is it a [Living Wage Funder](#))? Is salary disclosed on job adverts, and if not, why not?).

## ▶ OPERATIONS

A stronger foundation seeks to achieve a positive impact with all of its resources, including its wider operations (see [ACF's impact and learning report](#)). This might include how it interacts with supply chains, corporate partnerships, events, or fundraising operations. A stronger foundation applies the lens of transparency and engagement to its operations with its different audiences in mind.

Not all transparency measures have an immediate effect. Sound record-keeping and archiving, where appropriate, can provide vital insights for future research into not only the foundation and the organisations it supports, but also into political, economic, social, cultural and technological developments over time. By keeping records, foundations contribute to the available data that can inform research into philanthropy and beyond for years to come. For example, minutes from board meetings over many years can offer academic researchers a wealth of data and insights into the social and sectoral issues of the time. Opening up archives to academia, which for some foundations stretch over centuries, can be beneficial to our collective understanding of certain issues or of society as a whole throughout history.

## ▶ ENABLING A LEARNING CULTURE

ACF's [pillars of stronger foundation practice in impact and learning](#) place great emphasis on foundations being open about the work they are undertaking. This includes being willing and able to discuss failures and risk-taking, and thinking collaboratively to share learning with other foundations and initiatives.

A core component is making available evaluations and reviews that share not only the foundation's impact but its learning, findings and expertise through experience. A stronger foundation uses the rich data it has gathered to engage with others, whether that is with other foundations or with policy-makers to influence decision-making.

## ▶ DECISION-MAKING

To an extent, the measures above can be achieved by being open about process. Foundations can share what they fund, what they're invested in, who their trustees are, etc. and still not give away any information about how those decisions were made. In some circumstances, providing such information will answer many of the questions that different stakeholders have.

A stronger foundation looks to go beyond being transparent about its processes and seeks to engage others about its decision-making. This could be referred to as 'showing your working'.

Foundations make difficult decisions every day and to share the reasons behind them can be challenging. Applications can be rejected for any number of reasons, including that there simply wasn't enough funding to go around and a choice had to be made.

A stronger foundation looks for ways in which it can engage others to inform or participate in its decision-making. This might be by carrying out research, holding consultations, establishing panels, inviting peer review, or other ways that take into account the needs of its audiences (see Pillar 7 of ACF's [report on strategy and governance](#)). Some of these are expanded on in our [report on diversity, equity and inclusion](#), where we highlight the importance of involving those who are affected by the foundation's decisions.

Where some opacity is believed to be strategically necessary, a stronger foundation will be able to explain why this is within the interests of the foundation and of the causes and communities it serves, and open to reviewing this periodically.



# A STRONGER FOUNDATION ENABLES AN INTERNAL CULTURE OF TRANSPARENCY AND ENGAGEMENT

**In Pillar 1 we identified the foundation’s own staff and trustees as a key audience for foundation transparency. A stronger foundation embeds transparency and engagement in its internal culture.**

In [ACF’s impact and learning report](#), we emphasised the importance of internal culture: *“A stronger foundation believes that everyone in the organisation has a role to play in the pursuit of impact, and enables a culture of learning”*. Transparency and engagement are essential to making that happen.

In addition, by enabling a learning culture – one where information is collected, shared, analysed and used – a stronger foundation encourages transparency. As in Pillar 2, this includes being transparent about how programmes or grants are working or not working, as well as in the foundation’s investments, operations and other areas of work.

The relationship between the board and the executive is central to culture, as the reports on [impact and learning](#), and [strategy and governance](#) explore. Both trustees and staff bring a wealth of knowledge and experiences that are valuable to thinking about transparency and engagement, from trustees’ own backgrounds and skillsets often informed by different spheres, to the staff team’s understanding of the needs and questions

of the foundation’s external stakeholders. A stronger foundation has mechanisms in place that enable this flow of information as an exercise in engagement, and not simply a broadcast.

## ▶ GOVERNANCE AND DECISION-MAKING

Given it is responsible for the governance and stewardship of the foundation, there are further considerations for the board and some challenging hurdles to overcome. Particularly in family foundations, where there is a personal connection to the work of the foundation and the work of living family members, there may be reluctance to invite scrutiny upon the trustees and a desire to protect their privacy. When weighing up the ways in which the foundation may be more transparent, each decision may lead to different outcomes that take into account the nuance of the foundation’s own context. Yet there are many additional areas and ways in which being transparent and engaging audiences can help the foundation be more effective. For instance, developing a narrative around why family trustees feel passionately towards a chosen cause can help to foster relationships with grantees, promote the foundation’s work and reputation, and boost its legitimacy and credibility to work in that space.

A clear understanding of the roles and responsibilities of the board and staff is essential. In order to be transparent internally, a stronger foundation identifies where decisions are taken, how they are informed and how they are acted upon. This includes an understanding of the form and function of board meetings, committee meetings and other decision-making groups; who is represented, what and how they contribute; how communities of interest and people with lived experience are involved and heard; and what action is taken as a result. Many foundations will have an implicit understanding of this, but it is important that everyone within the organisation is clear. For example, do grants staff know how investment decisions are undertaken? Do trustees know what feedback the foundation receives from applicants? Are there opportunities for new staff to meet trustees?

# A CLEAR UNDERSTANDING OF THE ROLES AND RESPONSIBILITIES OF THE BOARD AND STAFF IS ESSENTIAL



In her article on the 'five Ss of governance', Julia Unwin takes an in-depth look at the inner workings of boards and the considerations for engaging stakeholders at board level, led by the question 'why are we here?':

*"In a world of anonymous corporations, with shadowy decision making the target of external criticism, the accountable, open and transparent board provides the best route to clarity, but also contributes powerfully to our notions of shared citizenship."*

Enabling an internal culture of transparency and engagement is likely to require discussions about the foundation's origins, history, evolution and ambition for the future (including its potential end game, as explored in ACF's report on strategy and governance). A stronger foundation has an internal culture that supports engagement between its staff and trustees to have challenging and open dialogue, and to develop a narrative that demonstrates the vision, mission and values of the foundation to a point where it is able to articulate these publicly – ultimately, this gives all involved with the foundation the ability to tell its story.

The Charity Governance Code was devised in collaboration with the Charity Commission for England and Wales by charity sector umbrella bodies. One of its principles focuses on openness and accountability:

Principle 7, Charity Governance Code

*Developing a culture of openness within the charity*

*The board gets regular reports on the positive and negative feedback and complaints given to the charity. It demonstrates that it learns from mistakes and errors and uses this learning to improve performance and internal decision making.*

*The board makes sure that there is a transparent, well-publicised, effective and*

*timely process for making and handling a complaint and that any internal or external complaints are handled constructively, impartially and effectively.*

*The board keeps a register of interests for trustees and senior staff and agrees an approach for how these are communicated publicly [in line with Principle 3].*

*Trustees publish the process for setting the remuneration of senior staff, and their remuneration levels, on the charity's websites and in its annual report.*

In Strategy and Governance: The Pillars of Stronger Foundation Practice, we commend foundations' use of the Charity Governance Code.

## **ENABLING AN INTERNAL CULTURE OF TRANSPARENCY AND ENGAGEMENT IS LIKELY TO REQUIRE DISCUSSIONS ABOUT THE FOUNDATION'S ORIGINS, HISTORY, EVOLUTION AND AMBITION FOR THE FUTURE**



# A STRONGER FOUNDATION PROACTIVELY ENGAGES EXTERNAL AUDIENCES

If transparency is considered in isolation, this could lead to ‘passive openness’, whereby the foundation has information available in the public domain, but it is not signposted, or not navigable, or not in a format that is useable by its various audiences. An example of this might be having years of statutory accounts on the foundation’s website, each running into dozens of pages of complex information.

A stronger foundation goes beyond making information available and proactively engages its external audiences. Foundations have many audiences, as set out in Pillar 1, but we focus here on the needs of two crucial groups: applicants and grant-recipients, without whom foundations could not fulfil their missions, and other foundations, which comprise part of the complex funding ecosystem.

## A STRONGER FOUNDATION GOES BEYOND MAKING INFORMATION AVAILABLE AND PROACTIVELY ENGAGES ITS EXTERNAL AUDIENCES

There are many ways in which foundations can engage with external audiences. The trustees’ annual report and accounts provide an opportunity beyond legal compliance for every foundation to showcase its work. Rather than seeing the annual report and accounts as an exercise in compliance, a stronger foundation relishes this opportunity to showcase its personality.

The measures below serve to illustrate some other ways foundations have in engaging with these two important groups. A stronger foundation takes steps to engage its audiences having considered the necessary resources and allocated them accordingly.

Resourcing engagement requires consideration of how to best allocate foundation resources. Engagement with external audiences could involve additional staff costs or new technologies. It is for individual foundations to decide how best to engage given its own audiences and their needs, and what is the right balance is to deliver activities in a way that achieves the most positive impact.

### ▶ APPLICANTS AND FUNDING RECIPIENTS

The power imbalance that exists between foundations and those seeking funding can often result in, or be exacerbated by, foundations requesting extensive information. While foundations’ motivations and processes may be internally clear and valid, it is not always made clear to applicants why certain questions are being asked and what is done with the information collected. At times there can appear to be limited routes for applicants to find out more about the foundation or ask further questions.

For example, an applicant might receive notification that it has been unsuccessful, but does not know why or how that decision was made. In this scenario, the applicant is not given the opportunity to learn whether it needs to make amendments, whether it was simply an over-subscribed fund, or whether it was not aligned to the foundation’s approach. By being open and transparent in its decisions, the foundation can enhance its credibility and legitimacy as well as support better use of resources among applicants. Simple helpful measures include listing common reasons why applicants are unsuccessful or sharing data on the size of the funding pot and the likely number of applicants.



A stronger foundation takes steps to address any unequal power dynamic by engaging in genuine exchanges with applicants. It makes clear why it is asking for information and what it intends to do with it. Where it cannot provide justification, it questions its own actions and reviews its processes. A stronger foundation also strives to balance that relationship by providing information about itself, or at least providing the channels and mechanisms by which the foundation itself can be questioned. A foundation that feels it has insufficient internal resources to engage its applicants in this way should consider whether it can change its operations to enable it.

Building trust with external audiences is key to effectiveness. Trust can allow partners the time, resources and confidence to find solutions that really work in service of the communities and causes that foundations support. Central to this is transparency and engagement in discussing risks, problems and challenges that applicants or grantees face. Having the opportunity to discuss issues means they can be addressed or avoided before they develop, contributing towards the effectiveness of both the foundation and its partners, and potentially saving resources later down the line. This will be expanded upon in our forthcoming report on funding practices.

## ▶ OTHER FOUNDATIONS

Engagement with other foundations takes a different shape to engagement with other audiences. A stronger foundation sees its peers as a key audience and takes steps to engage with other foundations at different levels (see Pillar 5 for more on the tools and initiatives that can enable this).

Engaging with other foundations allows peers to increase their effectiveness through mutual learning and collaborative thinking (see ACF's reports on [impact and learning](#) and [strategy and governance](#)). One way to do this might be by exploring peer reviews or taking on learning partners. Other ways might include working with external organisations that bring funders together for honest and transparent discussions on areas of practice.

## ▶ DIGITAL ENGAGEMENT

A stronger foundation maximises its use of digital engagement. As a starting point, a good website can act as a window into the foundation. Websites offer enormous potential for foundations in transparency and, importantly, as channels for engagement. Mindful not to use its website as a simple repository, a stronger foundation utilises the opportunity to tell its story and to provide information that is salient to its different audiences.

A stronger foundation considers the potential of social media, and uses it as a channel to engage its audiences where appropriate. Social media thrives on engagement and there are many ways in which foundations already use it. For example, a Twitter account allows other users (external audiences e.g. grantees) to refer to the foundation, often showcasing its good work or the wide variety of initiatives it is involved in.

A stronger foundation applies a lens of diversity, equity and inclusion to its digital engagement. For example, issues of connectivity, accessibility and affordability might prevent some from engaging digitally. A stronger foundation recognises this, and ensures its digital engagement is clear, free from jargon, and usefully meeting the needs of those it seeks to engage.

Some foundations express concern that being more open and public inevitably requires resources that might otherwise be directed towards grants budgets. As with efforts to provide good grantee feedback, this might be a false dichotomy. Dedicating resources to informing and engaging up front may lead to savings further down the line, not only in the ways already set out in this report but also in being on the front foot should any issues or challenges arise. Allocating resources to engage audiences proactively also enhances the foundation's reputation and increases its impact.



# A STRONGER FOUNDATION MAKES THE MOST OF OPPORTUNITIES AND INITIATIVES THAT ENABLE TRANSPARENCY AND ENGAGEMENT

**Foundations becoming stronger in their own practice is only one side of the coin. For the foundation sector to raise its collective ambitions and effectiveness, thinking collaboratively and co-ordinating efforts can enhance the benefits of foundation transparency and engagement.**

There are already a wealth of opportunities that facilitate transparency and engagement. A selection of such tools, platforms and initiatives are detailed below. Each has a different purpose or focus but all share a view to making the foundation sector more open and effective. A stronger foundation is aware of these options and engages with sector-wide efforts to increase its transparency and to foster engagement.

There are many reasons why engaging with external tools, platforms and initiatives is beneficial:

- ▶ **There are practical benefits.** While the initial implementation of a new system or process can be resource intensive, it can pay off over the long term. For example, publishing grants data with 360Giving may require some 'data cleaning' but will lead to better quality data collection and more useful records.
- ▶ **These tools and platforms set a standard** that enables comparison and rich learning between foundations. Users can benchmark their performance against peers or find new potential partners or collaborators.

- ▶ **They make it easier to engage with external audiences** and for external audiences to engage with the foundation. In turn, this could improve the quality of conversations and relationships the foundation has and increase understanding of the foundation. For example, GrantAdvisor UK gives an outlet for grantees to share anonymous public feedback with foundations, and for foundations to respond – a simple idea yet valuable in empowering applicants by providing a mechanism to have their voices heard.

- ▶ **They can enhance the reputation and reach of the foundation**, as well as helping it to effectively allocate resources.

- ▶ **Sector-wide initiatives can foster solidarity** and can ease some discomfort that staff and trustees may feel in being open about some areas of the foundation's work. Many of the tools available give foundations a degree of control about what they do and don't share; choosing to adopt early can be preferable to external pressure being applied later. Being part of a foundation community striving to increase its effectiveness not only builds solidarity with other foundations, but also with external stakeholders that recognise the importance of this collective ambition.

- ▶ **They can provide a mechanism for accountability.** While this can be thought of on an individual level by foundations, sector-wide information is immensely valuable in understanding the role and impact of foundations as a whole. This allows for study of foundations to develop into a worthwhile discipline. It also has acute relevance for government interests, for example in taxation and regulation, where the sector is judged on its collective impact and benefit to society. It is also not unfeasible that some of these transparency options might at some stage be mandated by regulators, e.g. grants data.

- ▶ **They can prompt self-reflection.** Even on occasions where the foundation decides a particular tool is unsuitable for its circumstances, there is intrinsic value in its existence as a prompt for conversations. If the tool is unsuitable because it's incompatible with existing processes, are our existing processes fit for purpose? If it is unsuitable because we would prefer not to share that information, what is the reservation? If we feel we already achieve the tool's objective, could we be doing so more effectively?

When adapted, sector-wide initiatives offer foundations an opportunity to showcase their work and act as champions for others to do the same. Playing this role can foster further stronger practice and collectively raise the bar across the foundation sector.

As well as the benefits for itself, a stronger foundation considers the benefits that using these tools offer others, and considers the views of others in its decision-making. For example, a particular tool may have little immediate benefit to the foundation, but could pose a significant opportunity for a potential applicant to find out more about the foundation. In this way, the applicant can make an informed judgement on whether to pursue a relationship with the foundation, and make an impact on the foundation's pool of applicants. Other effects may be longer term, for example in creating and building databases that over time provide a valuable source for analysis of trends that are useful to practitioners, policy-makers, the public and academia alike.

**360Giving** is an initiative that aims to support grants data being shared in an open and standard format to illuminate the giving landscape and to help foundations make better informed decisions. 360Giving works with foundations and public funders to open up their own data, and then provide tools and platforms for this sector-wide data to be used, re-used and probed. For example, GrantNav allows users to search £31bn of grants. As in other Stronger Foundations reports, ACF commends engagement with 360Giving to all foundations that are pursuing stronger practice.

**GrantAdvisor UK** enables foundations to be reviewed anonymously by applicants and grantees, and gives them the opportunity to respond to praise or criticism, in a public forum. It is already in common use in parts of the US, and is running a pilot phase in the UK at the time of writing.

**ACF's member networks** provide a forum for members to connect around a particular theme, approach, role, or operating model. They enable foundations to share learning and good practice, and to be open and honest in their approaches with one another to boost their individual and collective effectiveness.

**Grantee perception reports** are offered by a number of organisations including the [Center for Effective Philanthropy](#) and [nfpSynergy](#). They include gathering candid feedback from grantees and applicants that give the foundation insights into its practice, and produce a report that can be shared widely to inform others.

**GlassPockets** is a US-based initiative that rates foundations' transparency using a series of indicators. Despite the different legal and regulatory contexts, the indicators give a useful checklist of areas in which a stronger foundation might probe its own practice.

**'Meet the funder'** sessions, often hosted by local infrastructure bodies, can help foundations increase their reach and accessibility, as well as offering an opportunity for direct engagement with applicants and communities.

**Relevant news outlets** can offer platforms for foundations to increase understanding of their work and build trust and legitimacy by sharing blogs or opinion pieces. These include foundation sector news channels (like ACF's magazine [Trust and Foundation News](#)), trade press, issue-specific media outlets, and other web-based communities where foundations can offer insight into their work and approach, as well as opportunities for engagement with a variety of audiences.

**Webinars** can be used by foundations in several ways: to share information on new funds or programmes, to convene grantees, or to explore themes in more depth. What's more, webinars allow participants to give immediate feedback and ask questions, making them useful tools in engagement.



# PART 2

## RAPPORTEUR'S REPORT OF THE TRANSPARENCY AND ENGAGEMENT WORKING GROUP

*An introduction by Paul Ramsbottom,  
chair of the Transparency and  
Engagement working group*

**A report from the Nuffield Foundation in 1956 noted that “foundations are still to the general public mysterious and remote organisations.” And, while such a bold statement might not fully apply to UK foundations over six decades later, an oft made criticism of foundations is that they remain relatively opaque.**

In recent years, there have been significant debates about transparency – in all its varying shapes and forms – across public and commercial life in the UK, as well as in the charitable sector. Foundations have not (nor should be) immune to a general societal trend toward greater transparency. A starting point for much of the discussion in the working group was a recognition of the benefits of transparency and engagement

to an effective foundation. Transparency is an antidote to that great enemy of the foundation: complacency.

Discussions therefore took us into some of the central questions facing the foundation sector. Why do we exist? Where does our legitimacy lie? Who are our audiences, and to whom are we accountable?

Perhaps inevitably a lot of the fruitful discussion lay around this working group of practitioners, attempting to apply some of these grand principles to everyday working practices. The group were mindful of not making suggestions that could only be applied by larger foundations with decent-sized administrative teams. They also spent considerable time teasing out some of the complexity surrounding drives towards transparency, including when opaqueness can be helpful rather than something malevolent. Whatever their limitations, foundations are currently the most transparent form of philanthropy in the UK – and contrasts were sometimes made with philanthropy managed through, for example, donor advised funds. The group also examined moments when transparency can be damaging or even dangerous – for example when funding human rights groups in troubled parts of the globe.

So was it possible to draw out any conclusions beyond the intrinsic interest, importance and complexity of the subject? One key point of consensus is that, in effective organisations, ‘transparency’ is less a series of actions or processes and more of a mindset. This does not mean that every piece of data or decision-making is inevitably public. But it does mean that an effective organisation is thoughtful and intentional about what it does not publish as well as what it *does* put in the public domain.

Crucially, genuine transparency also means more than simply broadcasting information. It is a mindset that makes engagement with key external stakeholders central: listening, reacting and adapting accordingly. If knowledge is indeed power, then transparency and engagement are key tools in breaking down the traditional power dynamic between ‘funder’ and ‘recipient’.

I would like to thank the wonderful and insightful members of the working group, as well as our guest speakers. Spending time away from our daily responsibilities discussing these issues has been pleurably thought-provoking. And a particularly special thanks goes to the ACF staff team who have brilliantly orchestrating both the working group and this whole report.

# MEETING 1

# INTRODUCTION

The group held its first meeting exploring the many ways in which transparency and engagement can be interpreted in a foundation context. There has been a significant increase in the ways in which foundations have sought to become more transparent in recent years. One reason cited was foundations recognising the value in being able to connect with their communities or causes more effectively and legitimately. Greater transparency has been supported and encouraged by grant-maker initiated and foundation-funded efforts, such as open-source data sharing on grant decisions (e.g. 360 Giving).

While the idea of transparency was well understood, the working group wanted to spend more time exploring the link between transparency and engagement. After much debate, it was felt that 'engagement' was the proactive element that accompanies transparency. Without engagement, sharing information in a way that is not useable or clear does not help the foundation to achieve its aims, and can be just as opaque to an audience as having too little information available.

A consideration that emerged early on was the relationship between the board and the staff when it comes to transparency. While staff can see the day-to-day benefits of greater transparency, for example in receiving more suitable applications where applicants have had clear guidelines, there are different considerations for trustees, who may have personal reasons for not wanting aspects of the foundation to be in the public eye or who may not be engaged in conversations on transparency and its advantages.

Members of the group expressed a diverse range of interests in the issue of transparency, and described how they represent organisations that are at various points in their journeys towards implementation. There was agreement of the importance of the issue, and the need to consider carefully both the significant potential benefits of transparency and external engagement in efforts to be transparent, and also the potential risks, barriers and occasions when a lack of transparency might be justifiable. The role of boards of foundations was thought to be key to all aspects of transparency, and the group also intended to consider the ways that its work directly relates to that of the Diversity, Equity and Inclusion and Intentional Investing working groups.

The group also considered the impact of mandated transparency (e.g. through changes to charity accounts) and the potential for increased public pressure and scrutiny (for foundations and the charity sector generally).



Members of the working group discuss their interpretations of transparency and engagement



# MEETING 2

## WHY SHOULD FOUNDATIONS BE TRANSPARENT?

**At this second meeting, we heard from Janet Camarena, Director of the GlassPockets initiative in the US, a programme at Candid. GlassPockets provides a self-assessment tool for foundations that provides 26 indicators of transparent practice, and an evidence base in support of transparency.**

Janet described the progress made to date in supporting foundations to demonstrate their commitment to and implementation of transparency in practice, from grant-making decisions to grantee feedback, to recruitment of trustees to investment strategies. While nearly 100 foundations in the US (and some other jurisdictions) have signed up to date, this is a small proportion of the sector and there is a long way to go. For example, in the US, still only 10% of foundations have a website.

The initiative has its origins in the 1950s, during the period of McCarthyism, when foundation leaders found themselves in the uncomfortable position of being

brought in for questioning as part of McCarthy-era inquisitions, with one foundation leader noting that: “The foundation should have glass pockets, so that anyone could easily look inside foundations and understand their value to society, thereby inspiring confidence rather than suspicion”.

In conclusion, Janet proposed that there is far more risk to a foundation in opacity rather than transparency, both in terms of public scrutiny/trust and performance. She also acknowledged that there will be valid reasons for some foundations to be private about certain grant decisions, such as sensitive human rights projects, but that this should be an anomaly rather than an overall approach. In the UK, initiatives such as 360 Giving are gaining momentum, and the potential arrival of Grant Advisor may accelerate the UK foundation sector’s move towards greater openness and engagement. These are issues that the group will consider further in future meetings.

The group analysed the indicators used in the assessment tool, which cover data on staff and the board, finances, grant-making, and performance measurement. Some indicators were easily addressed as they were already a requirement

under charity law and regulation. Others were felt to be useful ways to think about transparency and to encourage conversation. However, some indicators were felt to carry little meaning, especially when given equal status to others or when thinking of other ways foundations are transparent that aren’t captured in metrics. Others were some way beyond where they or the foundation sector is as a whole (e.g. social media presence, diversity statements).

It emerged throughout the discussion that meeting the indicators in a meaningful way surfaced a range of challenges. For example, it can be easy for foundations to appear transparent by complying with charity law; annual reports and accounts tick a lot of the boxes prescribed by GlassPockets. But there is much work to do in using that information to engage with grantees (as a primary audience) and rebalance the unequal power dynamic that exists between the funder and the funded.

Although the usefulness of a checklist of indicators was not popular with the group, it did prompt discussion about how foundations tell their own story. Making data available is only half of the issue; foundations need to be able to tell their own story using the data. If not, others will tell the story for them.

# MEETING 3

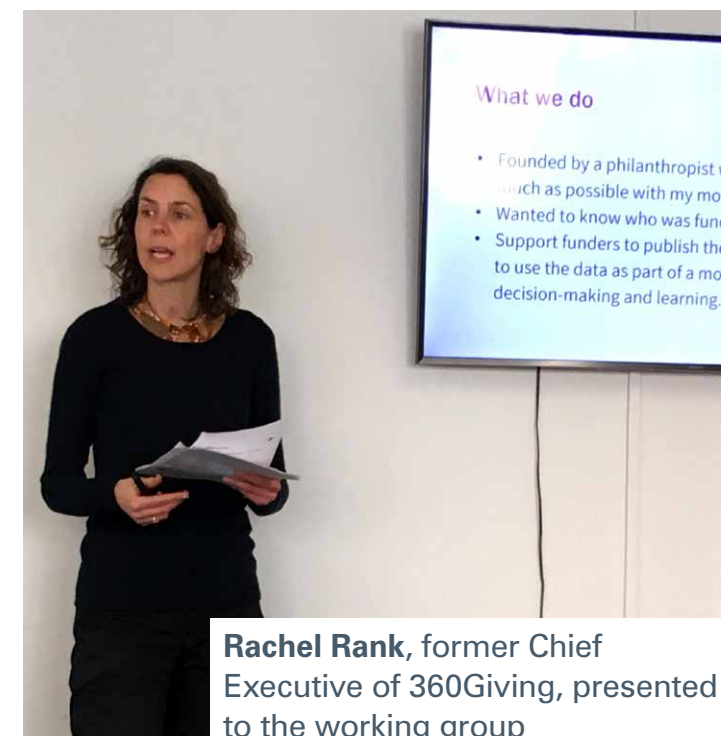
# IS MOMENTUM TOWARDS TRANSPARENCY BUILDING OR STALLING?

At its third meeting, the group reflected on the idea of transparency as a movement, and asked whether it was building momentum or stalling. To help discussions the group heard from Rachel Rank, then the Chief Executive of 360Giving, which is an initiative that supports funders to publish grants data in an open standard format.

Rachel gave a brief overview of how 360Giving works with grant-makers to publish their data in an open and accessible format, and highlighted the importance and usefulness of foundations doing so. Founded by philanthropists with a view to understanding how best to distribute funds, 360Giving can help foundations see who is funding 'what, where and when' by making their data accessible and useable to a wide audience. Having the data available contributes to better informed decision-making, illuminates the complex funding ecology of charitable and public funders, and helps answer questions for foundations seeking to target particular areas or issues with funding or advocacy.

Rachel discussed some of the challenges they and funders face. For foundations, these included a lack of time or resources and uncertainty about the impact of opening up grants data. For 360Giving, there are limitations to how much the data can tell us, for example it cannot show what the impact was, and at present it is not possible to see exactly where money given to organisations that operate across multiple postcodes is spent.

To provoke discussion, Rachel asked the group to consider what information would be useful for foundations to share for different stakeholders, how their data might be used, and whether foundations could be more open in what they *think*, not just what they do.



**Rachel Rank**, former Chief Executive of 360Giving, presented to the working group

Having reflected on Rachel's presentation and discussed the various audiences to which foundations can and should be transparent, the group turned to debate the question 'has momentum towards transparency increased or stalled?'

# MEETING 3

Those arguing that it had increased looked at foundation transparency in the context of a wider cultural shift towards transparency, affecting government and the corporate world too. Some commented on the public perception of charities and the need to inspire confidence, and how that relates to the work of the UK's charity regulators. It was also noted that charities' expectations of their funders are increasing, and there was discussion about what information grantees and applicants want to know. In doing so, the group unearthed the nervousness that foundations can often feel when opening up for the first time. In response, small steps were shared that foundations could undertake easily to be more transparent, for example developments in technology and regulation were seen to be key in facilitating this.

Those arguing that it had stalled offered a different view; that the 'low-hanging fruit' had already been taken, and many issues remained that were preventing greater transparency. One issue was the relationship between the staff and the board, who each have different experiences of and perspectives on transparency and engagement by the nature of their roles within the foundation. There was also a distinction drawn, as in Rachel's presentation, between being transparent about processes and being transparent about decision-making – the latter often being subjective and difficult to articulate. The group reflected on the discomfort some foundations might feel in having their grants, investments or decisions under scrutiny, and saw this as one of the blockers to greater transparency. Some even questioned whether it was such an issue that the foundation model may no longer be seen as the preferred option for new institutional philanthropy.

**ONE ISSUE WAS THE RELATIONSHIP BETWEEN THE STAFF AND THE BOARD, WHO EACH HAVE DIFFERENT EXPERIENCES OF AND PERSPECTIVES ON TRANSPARENCY AND ENGAGEMENT BY THE NATURE OF THEIR ROLES WITHIN THE FOUNDATION**



# MEETING 4

# USING TRANSPARENCY TO DRIVE CHANGE

The speaker for this meeting was Pamela Dow from Catch22, and previously of the Ministry of Justice. Pamela shared her experience of using transparency to drive changes in public policy and about Catch22's approach to transparency in its work.



Pamela Dow presented a case study of her experience in the US to the group

Pamela shared lessons learned from the US, where a state education department had adopted a strategy underpinned by transparency in order to drive improvements in schools. Pamela reflected on how this approach could be applied in any sector, including in her experience of working with the Ministry of Justice and Her Majesty's Prisons and Probation Service. Being transparent facilitated the sharing of good practice by showing what was working and what worked less well. Some had concerns about how information might be misinterpreted, but Pamela saw this as an opportunity for further discussion and engagement.

In her current role at Catch22, Pamela shared the principles and 'plays' that guide everything the organisation does. They focus on building relationships, fulfilling potential, and creating conditions that allow people to thrive. Transparency and engagement are core tenets of the organisation's work, and Pamela specifically drew upon the implications for staff and the workplace. Pamela's observation that 'no system was ever made worse by shining a light on it' struck a chord with the group. Extending the analogy, Pamela described how being transparent in only one area is not as helpful as 'shining a bigger and bigger torch' which equates to having the broadest perspective.

In their questions, group members reflected on the external context for being more transparent, in particular the relationship between the foundation and its grantees. While greater transparency between foundations might incentivise good practice, grantees may not see any incentives in being transparent when they face challenges. There were also questions from the group about the ownership of data and whether information gathered from grantees was the foundation's to share.

Thinking about the drivers of change, the group considered some hypothetical

scenarios in which greater transparency on the part of foundations might be required in future. The groups reflected on four scenarios instigated from different stakeholders covering:

1. Publishing their approach to addressing issues of diversity, equity and inclusion
2. Providing fair and honest feedback to applicants
3. Being open about their decision-making processes and giving communities a greater say in how and where they spend their funds
4. Applicants carrying out due diligence on donors.

The group was asked for its initial thoughts, and to consider what short-, medium- and long-term actions foundations might need to take. It was felt by some that mandated change would not bring about meaningful actions; instead, foundations taking action from within and communicating in their own way was seen to be more meaningful and useful to all audiences. When the scenarios required a significant outlay of resources, there were concerns about what this would mean for grants budgets and whether this was the most effective use of limited time, capacity and funding. However, a number of simple measures were mentioned that could make foundations more transparent, accessible, and perhaps effective, at a limited cost.

# MEETING 5

## A CRITIQUE OF FOUNDATIONS' LACK OF TRANSPARENCY

For its fifth meeting, the group welcomed Professor Tobias Jung, Director and Founder of the Centre for the Study of Philanthropy and Public Good, and Head of School at the University of St Andrews School of Management.

Tobias gave a provocative presentation, challenging foundations on their lack of transparency by looking at their public image and the idea that they are a 'black box' (summarised in this [article](#)), and also setting out ways that foundations could be more transparent bodies.

Tobias provided insights into how perceptions of foundations have changed very little from as far back as the 1500s, when foundations were viewed with suspicion and seen as warehouses of wealth. The lack of current and available data on foundations perpetuates this; Tobias pointed to an absence of critical discourse around foundations, with only 7,000 publications over the

last 120 years on issues relating to philanthropy. In more recent years there have been some prominent critiques of philanthropy and foundations, but very little has looked outside the USA.

Tobias posed a series of questions for foundations: who are your critical friends? Are critiques from other countries relevant to the UK? He argued that foundations need to identify who is best placed to act as a critical friend, and suggested academia could fill this role. As Tobias saw it, there were several barriers to this; academia requires funding, the research cannot be directed in the same way as with a consultant, and that ultimately foundations were not transparent enough to allow for meaningful research to be conducted.

The group agreed that academia doesn't feature prominently in foundations' thinking, and perhaps there could be opportunities in building these links in pursuing transparency. There was discussion about the independence of an institution being paid to research, whether that's a university or a consultancy, and who has the power to set the questions being asked. Comparisons were drawn with the US, where academic study of philanthropy is advanced and many foundations fund research centres that act independently.

It was also debated whether there is willingness on both the part of foundations and of academics to work together, and whether the issue is really one of transparency. Other factors might be a lack of 'supply' (i.e. research centres), and where foundations are perceived to sit in relation to existing fields of study.

The group discussed what more foundations could be doing in this regard, including keeping better archives and managing knowledge better. There may also be a lack of funding for this work; the group noted foundations can be unwilling to fund the research and infrastructure of philanthropy.

There was a widely held view that foundations are not inherently lacking in transparency, rather it is about the choices they make (e.g. on use of resources) and a lack of structures or external drivers setting standards or expectations. As well as resources, other important factors included the organisation's values and culture, and ultimately how the learning is applied to improve practice.

Without external drivers for change, the theme of accountability emerged. To whom are foundations accountable and transparent? A primary audience – one that is perhaps sometimes forgotten – is foundations' accountability to themselves and their peers in order to drive up standards. It was noted that while foundations have a lot of 'friends', very few are critical friends that can hold a mirror to the sector.

# MEETING 6

# INVESTMENT TRANSPARENCY

**The group's sixth meeting focused on transparency in where and how the foundation has its money invested. Although not all foundations have endowments, the group was encouraged to think broadly about the sources of income within the foundation sector, which range from property to financial investments to donations from individuals.**

The working group was joined by Chris Saltmarsh from People and Planet, the largest student network in the UK campaigning for social and environmental justice. People and Planet has particularly focused on fossil fuel divestment recently and has created a University League that scores and ranks universities on ethical and environmental criteria.

Chris talked through the development of the league table. It has gained great interest from students as an alternative to traditional league tables, and has informed the choices of students as well as led them to push for greater sustainability in universities, contributing to the overall sector moving forward on ethical and environmental investments. The league table incentivises universities to publish data on investments on their websites, contributing to further transparency, and stipulates a level of student engagement within its criteria.

The group reflected on the University League Table and considered whether a similar table might be applied to the foundation sector. The representation of students on university investment committees prompted discussion about the poor representation of communities of interest on foundation boards and committees. Group members felt that, particularly for endowed charities, it is more difficult to identify the stakeholders they are accountable to than it is for a university.

Aside from commercial sensitivity – which was a concern shared by many members – the variety of the foundation sector was also identified as a challenge in investment transparency. Some members suggested that it would be easier to monitor funds held in certain asset classes over others. Equally, the group felt that the scrutiny that comes with investment transparency may be more important for larger foundations that are known to and potentially raise funds from the public.

Investment transparency was viewed as a journey, with individual foundations at their own different points. Each foundation determines its own pace and assesses what to make public and when. The important first step for all foundations – and the point that many members

took away from the session – is internal transparency regarding investments. It was felt that staff and trustees have a lot to learn and understand about their foundation's investments before they can be made public.

The working group found the topic of investment more sensitive and nuanced than previous topics. With increasing public pressure and scrutiny, members saw investment transparency as a way of telling their own stories rather than waiting for someone else to tell it. Some members considered investment transparency a moral imperative, and others stressed that intentionality is an important consideration in the journey to investment transparency. This means reflecting on the foundation's purpose, mission and how all resources can be put to public benefit. It also means being transparent about investments in a way that the public and other stakeholders will understand and engage with.

When specifically considering the usefulness of a league table, the reputational benefits were noted, but it was commented that the differences within the foundation sector would make it misleading and difficult to draw comparisons in a way that offered a meaningful reflection of foundations' approaches to investments.



# MEETING 7

## STRATEGIC OPACITY

For its final meeting, the working group considered how opacity might help a foundation work towards its charitable aims or mission. Bob Reid, CEO of the JF Maddox Foundation in the US, joined the group to offer a perspective based on his research into foundation practice.



Bob Reid introduced the idea of 'strategic opacity' in his presentation

Bob discussed the pressures on foundations for greater transparency, accountability, power sharing and distribution. His research had consisted of interviews with foundation professionals as well as grantees from across the US, contributing evidence to a conversation that can often be led by principles. Bob challenged the assumption that entitlement and arrogance act as drivers of opacity, as his research found a myriad of motivations behind opaque practice, including the ability to take risks, innovate and experiment.

Bob also challenged the notion that 'transparency vs opacity' was a two-sided debate. He pointed to the nuance of real life, the various stakeholders and the many circumstances in which foundations act and hold relationships, and highlighted that there is almost no research that would support either side of the so-called debate in its entirety.

Instead, the majority of foundations Bob interviewed were neither wholly opaque nor wholly transparent. Most practiced what he termed 'situational transparency', which allowed for intentional, strategic opacity by weighing up each decision and its context. Bob concluded by highlighting the importance of foundations managing their financial, intellectual and convening power carefully and responsibly.

Following Bob's presentation, the group reflected on the concept of strategic opacity in their own organisations. Members argued that strategic opacity might be necessary, for example in protecting grantees and other partner organisations in sensitive contexts, as well as sometimes protecting internal stakeholders.

It was agreed that the challenge for foundations is determining and being able to justify the right level of transparency for their model, considering each stakeholder's different expectations. Bob's emphasis on building an individual relationship with each grantee prompted the group to conclude that it is the quality, not quantity, of transparency that matters in each relationship.

The group highlighted proportionality as a theme running through its meetings. This means recognising and taking into account the variety of different types of foundations in the sector and how their specific size, organisational structure, stakeholders or mission will affect the level of transparency or opacity a foundation might practice. Members also pointed out that different activities bring different issues in transparency. For example, processes may be more straightforward to explain, while decisions made with a human element might be more difficult.

The group debated whether transparency is best understood as a philosophical goal or a practical tool. Bob's view was that transparency is both of these things at different times, and members agreed that – both as a goal and a tool – transparency implies a process and a journey, rather than a fixed state.

The meeting ended with the group reflecting on the complexity and nuance of the topic. Some concluded that questions around transparency are existential, and get to the heart of who foundations are, the work they do and how they relate to their audiences and stakeholders.