



# Corporate foundations

A global perspective

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**CORPORATE CITIZENSHIP**  
Part of The Good Relations Group



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# Executive summary

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Whilst integration of corporate social responsibility (CSR) activity into the business is a trend we are seeing amongst many companies, the distinct legal entity of a corporate foundation continues to be a popular vehicle for corporate giving, and they are by all accounts growing in number.

This report aims to dig deeper into the paradox, and considers the role and approach of corporate foundations around the world, through in-depth interviews with a range of corporate foundations in UK, USA, India, Scandinavia, Europe and Asia. We explore the background and history of these foundations in order to understand the reasons why they were set up, as well as their activities, in order to understand how this might be changing within the content of the relationship between foundations and funding company.

Our findings show that while corporate foundations globally are as idiosyncratic as our previous research had shown them to be in the UK- in terms of the reasons behind their existence, what they give to and how - our research also showed similarities in many of the characteristics, challenges and experiences across the different regions. One key trend that emerged from the research was the fact that the nature of the corporate foundation is changing away from a pure altruistic grant giver to a more strategic business tool. An increasing number of foundations are moving away from the traditional grant giving model towards a more focused and hands on approach, which in some cases draws on the expertise and knowledge of the funding company to solve key social issues.

# Foreword

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*It is clear to myself and colleagues from the work that we do across the globe that the establishment of corporate foundations continues to be a popular mechanism for the expression and delivery of corporate philanthropy and social investment. This might be surprising to some as the trend is to integrate community investment and corporate responsibility more generally into mainstream business. Having a separate legal structure must surely act as a barrier to this movement?*

*Our last report established that this is not necessarily the case and the reasons why - at least in the UK - and we felt we should now explore motivations across a much broader geography. It is impossible to do this on a quantifiable basis so my colleagues in our different geographical regions - UK, US, Denmark, India and Singapore - have interviewed a range of foundations to gather their views on developments and challenges that they are facing. I am grateful to everyone who took part in this research and I hope that those who read this will gain some insights that may be useful to them. I would urge those who may be considering reviewing their foundation or just starting out to be brave in what a foundation can hope to achieve. It can be and should be a useful vehicle in achieving real social impact by helping to leverage and unlock the many assets that a business has way beyond its money. It should never be forgotten though that the foundation is only a vehicle - a means to an end and not an end in itself. In my view only by focusing on long term impact can these foundations be truly justified. They may be separate legal entities but by maintaining strong relationships with the funder as well as beneficiaries corporate foundations can play a really valuable role in building partnerships to address the big social and environmental issues of the day. Many of the case studies demonstrate this and I hope that it will provide some inspiration.*

A handwritten signature in black ink that reads "Amanda Jordan". The signature is written in a cursive, flowing style.

**Amanda Jordan OBE**

Co-founding Director, Corporate Citizenship

# A Global perspective

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Corporate Citizenship has a long history of working with corporate foundations, and has also been at the forefront of thought leadership on corporate foundations in the UK, producing regular reports over the last 10 years.

Our early research showed just how little information was available, and so a key objective of the reports we produced was to provide an overall picture of corporate foundations in the UK; establishing base line information such as how to define corporate foundations, how many there are, how much and to what they are supporting. We also started to explore the complex relationship between the foundation and the funding company, and the conundrum of greater integration of CSR into mainstream business with a steady rise in the number of foundations – legally separate entities – being registered.

We are committed to continuing to develop general understanding on corporate foundations and so the overarching aim of this research is twofold. Firstly, to provide a more global perspective on the growth of corporate foundations, something which our own client experience has shown is happening. Through a series of in-depth interviews with representatives from corporate foundations in the UK, USA, India, Scandinavia, Europe and Asia, we were able to understand and compare the approaches of foundations in different parts of the world. Our second aim is to move the debate forward, by exploring a few emerging issues from the research and our own wider experience, which we feel are both of interest and relevance to this area.

There is no global definition of a corporate foundation, but for the purpose of this research we have defined a corporate foundation as:

.....  
*“a non-profit body that has been established and primarily funded by a company for the purposes of social and community investment”*  
.....

# Methodology

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We wanted this research to be exploratory to raise and probe some key issues. What did the global picture look like? How do corporate foundations around the world fit into and deliver on global business priorities and issues? The chosen approach of interviewing a range of foundations was therefore one that we felt would give us a deeper understanding.

We conducted a series of in-depth interviews with 21 corporate foundations in the UK, USA, India, Scandinavia, Europe and Asia between early September and late October 2013 (see appendix 1). We also had a number of additional conversations.

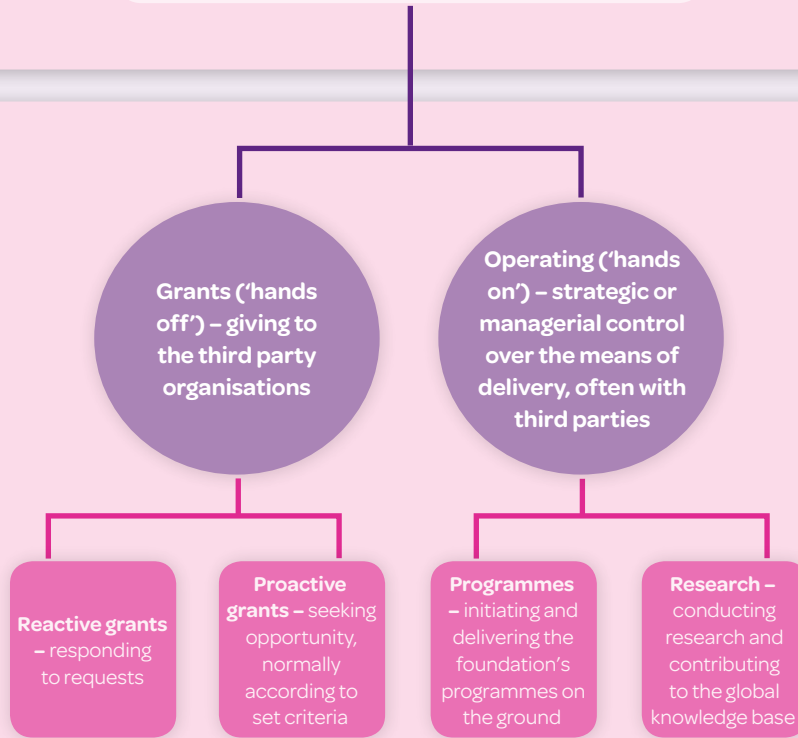


Each interviewee was asked to respond to a set of questions which aimed to explore:

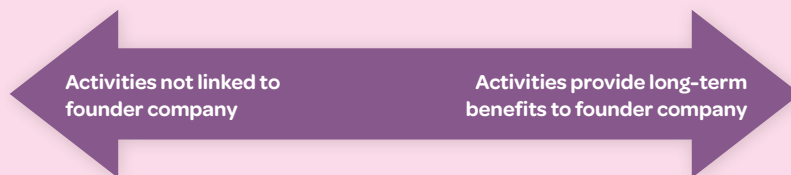
1. Background and history of the foundation
2. Activities supported / conducted
3. Geographical areas of funding
4. Relevance of activities to founding company
5. Relationship with funding company

# Corporate Foundations

**Definition:**  
“Foundations whose primary income is derived in some way from a corporate source.”



**Activity:** where the majority of giving is directed.



**Relevance** of activity to founder company.



# Key findings

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## 1. The How, Why and When

Previous research has shown us that the history of corporate foundations in the UK alone varies hugely. When exploring the background of foundations in this research, it was clear that they too are idiosyncratic.

There are a range of legislative frameworks around the world; however we saw huge variation within countries as well as between them. It is difficult to identify any real patterns as to why foundations had been established, and certainly none which could be linked to location or age (the foundations we interviewed were set up between 1935 and 2012). However, the responses received did reflect some general themes:

- History is important; company evolution, existing relationships with partners, employee interests, CEO/founder passions, and expectations of what a foundation can and should do have all shaped the foundations that exist today.
- Foundations provide focus and structure to philanthropy or community investment, and also enable a company to express its values in a recognised non-commercial way.
- A foundation was felt to be a useful 'tool' - giving 'rigour' as well as 'structure and process' and a 'systematic and accountable way of managing corporate giving'.

- Some are established as a means of consolidating CSR activity, or as the CSR vehicle or arm of a business and for some a foundation was felt to provide a degree of control through ring fenced finance over activities where an internal CSR programme would not.
- Interestingly, some respondents felt that a foundation demonstrated a long term commitment by the company through its public declaration and registration - even though funding was often agreed on a year by year basis rather than through an endowment which was not a common funding model with our interviewees.

Tax benefits were relevant to a number of the foundations but did not play a significant role in decision making for most.

There were some interesting geographical and cultural differences. For example, Switzerland has a strong tradition for companies to set up foundations.

One thing that was apparent is that many corporate foundations across the globe are in a state of flux – as business changes, so do foundations, with a number of foundations being created or reviewed as a result of mergers or other significant changes in the businesses' life cycle.

## Case study: Yayasan Sime Darby (YSD)

YSD was set up as a charitable foundation in 1982 by leading Malaysia-based multinational Sime Darby. Over the years, YSD has emerged as the prime driver of Sime Darby's corporate responsibility initiatives in Malaysia and abroad. In 2009, following a restructuring exercise, five main pillars were developed which expanded the scope of initiatives carried out by the foundation:

1. Conservation of the Environment and Protection of Ecosystems
2. Youth, Sports and Recreation
3. Education
4. Community Development
5. Arts & Culture

In August 2009, YSD was re-launched. Adopting a much more holistic approach, the revamped foundation

works independently to carry out projects with funds up to RM100 million annually contributed by Sime Darby Berhad. The foundation believes in a 'hands on' approach where funds are proactively used to deliver the intended programmes on the ground, with strict monitoring of the progress and utilisation of the funding to ensure the pre-determined objectives are achieved.

Whilst the foundation operates independently, YSD works closely with Sime Darby Berhad and its divisions in areas of common concern, carrying out corporate responsibility projects jointly. There are collaborative opportunities between the foundation and Sime Darby Berhad for example, with its plantation division, where the foundation has undertaken various tree planting, reforestation and wildlife conservation projects.

## Case study – Arla Foundation

The Arla Foundation was established in 2012 by the Danish arm of Arla Foods, a global dairy company and a co-operative owned by dairy farmers. The aim of the foundation is to improve the food culture among children, by encouraging children to participate in home cooking and to improve the lifestyle of a generation.

The foundation operates a 'hands on' approach, creating programmes and running them on the ground. They establish food camps for children, teaching them about how to prepare meals from various raw materials. The aim is to reach 10% of a group of 13-14 year old boys and girls at food camps in 2020, and ultimately to reach all individuals of 13-14 years old through a variety of different activities.

The foundation is still young, and in the future they plan to attach a research project to their activities in order to collect learnings and make them publicly available to other parties such as additional education of teachers and health workers.

Both the time perspective and the evaluation schemes are much more long-term in the foundations' food culture programme compared to the more traditional business line of Arla Foods. This is the most important reason for forming the Arla Foundation to handle the food culture activities.

We explored with respondents the perceived benefits or drawbacks of the foundations model. The table below shows some of the interesting points raised and demonstrates the variation in views and experiences.

Benefits of the foundation model	Challenges / drawbacks
Degree of flexibility and adaptability enabled by operating outside direct business framework/objectives	Lack of impact measurements as not linked to business
Provides internal and external clarity	Need to have focus within broad charitable objectives
Visible demonstration of the business commitment to doing good	Resource heavy – set up and management
Public voice – able to become an expert	Time and resource needed to find right partners
Ability to engage/work with external (expert) partners	Mismatch between length of funding commitment and partnership commitment
Ability to tackle longer term issues	Blurring of lines – shift in role for CSR
Framework provides rationale to say no to requests	Inflexible / limiting – unable to change, diversify from original mission

There is flexibility within the model but expectation is often that a foundation will operate in a certain way more similar to a general grant giving foundation. It takes significant strategic leadership and thinking to ensure that the foundation can operate as a means to an end rather than an end in itself.

## 2. Nature of support given

When exploring the nature of their activity (“hands off” grant giving, or “hands on” operating), we found that very few of the foundations were making ‘reactive’ grants in response to external queries. Of those that did make grants most were doing so strategically, proactively seeking and, in some cases, creating opportunities in line with focus areas chosen by the foundation (with varying levels of input from the business).

For most there was at least a degree of hands on involvement. A number highlighted the resource

implications of this approach and also the challenge in finding good partners. However, partnerships were clearly a key consideration for many of the foundations, with a “fewer, bigger, better” motto reflecting a shift to more strategic partnerships. With this move came an increase in expectation on delivery, with more than one foundation stating that it regularly reviews and measures progress throughout the delivery of programmes. Some also stated that they would ‘step in’ if necessary to make changes to partnerships in line with objectives agreed.

### Case study 2 - The Toyota Foundation

The Toyota Foundation is a grant-making foundation established in 1974 by the Toyota Motor Corporation. The foundation was originally established to commemorate Toyota Motor’s 40th year in the automobile industry. The goal of the foundation is to contribute toward the realisation of a more people-oriented society and was modelled after the Ford Foundation.

The foundation focuses on Asian programmes, in particular in Southeast Asia with grants being given in Vietnam, Thailand, Philippines and Indonesia. This has always been a deliberate strategy as a means to preserve

the historical culture and practices of the region. The foundation focuses on local Japanese communities for projects such as earthquake disaster aid. There is no regular funding and grants are given on an ad hoc basis, with no fixed rule on location.

Although the Toyota Foundation is a corporate foundation, it operates independently from the original fund provider. This allows for more freedom of choice, with minimal intervention. Toyota’s brand name also benefits the beneficiary, which is of high importance.

### Case study 3 - CapitaLand Hope Foundation

The CapitaLand Hope Foundation is the philanthropic arm of CapitaLand, one of Asia’s largest real estate companies, based in Singapore. It was established in 2005 to further CapitaLand’s community development commitment to ‘Building People – Building for Tomorrow’, and provide a more systematic and accountable way of managing their corporate community giving. Every year, CapitaLand allocates up to 0.5% of its net profit to the foundation to promote social growth and development of underprivileged children with respect to their education, healthcare and shelter needs.

The foundation undertakes activities in the areas where CapitaLand operates. Currently, 60% of the foundation activities are in Singapore; the rest are in other parts of

Asia such as China, India, Vietnam, Thailand, Malaysia, Indonesia and the Philippines. Programmes are usually run independently, unless it makes sense to work with an NGO who is more familiar with the specific area. They are in touch with 70-80% of the children’s charities in Singapore, so have a broad reach and engagement with charities.

Each year, the local teams source ideas to propose to Singapore (HQ). They are reviewed by the Board, and funded if approved. Local teams run the programmes. The foundation has a ‘hands on’ operating approach. They proactively use funds to deliver their intended programmes on the ground which gives them greater ownership and control over the projects.

### 3. Geographical area of funding

The foundations all supported projects in their country of origin. However most foundations did also give internationally, albeit a smaller proportion of their time/funds than the ones based in their country of operation.

#### Local verses international funding:

- All foundations funded projects in their own country of operating.
- Helping local communities was a key part of many foundation's missions.
- A majority funded more projects in their own country than internationally.
- However, a few foundations gave less than half of their funds to their country of origin.

#### Regional trends:

Whilst it was impossible to identify strong regional characteristics, our research did show some differences and some broad geographical trends:

- Europe (excluding UK): Majority did fund internationally.
- India: Foundations focused on projects within India, rather than internationally.
- SE Asia: Majority of foundations gave locally and internationally, with the vast majority of international programmes being within Asia, and specifically South East Asia.
- UK: All UK foundations gave locally and internationally.
- USA: All American foundations gave locally and most internationally.

#### Case study - Z Zurich Foundation

The Z Zurich Foundation, formerly known as Jubilee Foundation, was established in 1972 by Swiss-based Zurich Insurance Group. In 2008, the foundation was reformed to clarify its mission, broaden its scope, increase its impact and implement a new lending approach focussed on building strategic alliances with select Non-Profit Organisations. Following a further in-depth review in 2012 the foundation's contribution areas were further refined to ensure the foundation continues to deliver on its mission to build resilience by helping people understand and protect themselves from risk.

At the global level, the foundation focuses on building resilience to natural disasters, with a particular focus on floods – playing an important role in Zurich's flood resilience programme. The foundation's close alignment with Zurich's core activities and long-term business

interests allows it to achieve a greater impact and ensures that the foundation's efforts can be sustained. The programme can draw on the foundation's resources and harness the knowledge and networks of the organisations it cooperates with, while at the same time benefit from Zurich's risk management and insurance expertise through an employee secondment programme. This collaborative approach allows Zurich and its foundation to go beyond what each entity could achieve on its own to reach scale and achieve a lasting, transformative impact across sectors and geographies.

Through its Local Grants Programme, Zurich offices have the opportunity to apply for funding to develop their own local long-term community programmes, either to seed-fund new activities, scale up existing programmes or match charitable employee contributions.

## Case study – Villum Fonden

Villum Fonden is one of two non-profit foundations comprised under The Velux Foundations. Villum Fonden was created in 1971. The Foundation is the principal shareholder of VKR Holding – the parent company of the Velux Group.

In recent years, Villum Fonden has chiefly supported research activities in the natural and technical sciences. Grants are made for pioneering research, and for major social initiatives, cultural projects and projects on the environment and sustainability in Denmark and other European countries.

The foundation recognises the need to cooperate with NGOs who know the territory well in order to create a

valuable project. Sometimes the foundation uses the local branch of an internal NGO (e.g. Red Cross), but more frequently now they team up with local NGOs (e.g. Hungarian and Romanian projects). Their own employees establish contact and make sure that it is maintained for social projects that involve some complexity, which most do.

Traditionally, funds have been given to hands-off projects, but newer projects tend to become more ‘operating’ as they move from traditional cultural donations to social and sustainability-oriented projects which require more attention, management and a hands-on approach to secure success.

## 4. Relationship with the business and relevance of activities to founding company

We have identified a spectrum of operational structures from independent to integrated.

**Independent foundations** have trustees who are not employees of the company, staff are independent and there is minimal senior management involvement. There is typically a committed funding formula in place, meaning that the founding company donates a fixed sum each year (such as a proportion of profits). This set-up tries to ensure that the foundation can act independently. The focus of giving is not normally linked to, or guided by, the business. Volunteering opportunities for company employees are often rare.

**Integrated foundations** have company employees as trustees and high levels of senior management involvement; staff are seconded from the business. They typically do not have a committed funding formula, meaning that they are dependent upon contributions from the company, and this may vary from year to year. The giving strategy is typically linked to the business strategy or locality. Volunteering opportunities for company employees are a core part of the foundation’s activities.

When asked to comment on this diagram as a means of understanding the relationship with the company, the responses varied markedly. However, one conclusion that could be drawn is that all the foundations demonstrated elements of both approaches.

Some boards were still made up solely of internal employees (or ex-employees), whilst others had at least one external trustee. Internal trustees were often senior within the business (CEO, etc) and where there were external trustees, these individuals often brought with them expertise in a specific area or were senior figures within their region.

Staffing ranged from examples of large teams operating as a small independent organisation, to one or two part time members of staff who usually sat within the company’s community investment team, and ran the foundation alongside CSR-related or other roles.

Funding arrangements varied, from endowments to annual donations, but few had any long term (more than one year) commitment from the business. Most were reviewed and agreed annually in line with wider business/ budgetary considerations.

A number of the foundations were providing employee volunteering opportunities within their programmes (for one this was one of two key criteria), whilst others were still giving employee engagement a wide berth due to any implication of this being seen as a business benefit.

In terms of the activity itself, the 'broad brush, small grants to many causes' approach that is perhaps traditionally thought of for corporate foundations was not apparent, and instead we saw corporate foundations that are more strategic and increasingly focused.

Most of the foundations had identified between one to four focus areas. Programmes were generally relevant to the business in terms of where they were conducted, with most of the foundations conducting activities in markets where the business had, or planned to have, a presence. This would ensure healthier, more productive communities – a clear social benefit, but of course one with an indirect business benefit.

In terms of the activities reflecting the nature of the actual business, there was definitely still a sense of caution. Pharmaceuticals were one sector where this is particularly apparent, with most of the foundations actively avoiding anything that could be perceived as having a direct or indirect link with the business. For other sectors e.g. mobile telecommunications, this link

is easier to make, to the extent where the foundation and the business are working together on programmes closely aligned with the core products or skills of the business.

A key focus of recent reviews was becoming more focused, strategic and in some cases aligned to the business. This reflects a wider trend in CSR activity, but also perhaps a growing sense from businesses that they can legitimately look for non-commercial returns on social investment such as skills development or reputational benefit, and that business leverage can be hugely beneficial to communities therefore meaning less and less is conducted at arm's length.

A number had looked at how a link could be made whilst still avoiding any direct business benefit, for example linking foundation programmes to the core competencies of the business, and widening the remit in order to remain related to, but separate from the commercial business.

Whilst alignment was certainly a growing trend, there was agreement overall that the foundation could not be in any way self-serving. Virtually all foundations were avoiding projects and initiatives that could be described as pump priming or catalytic funding.

### Case study - Mondelēz International Foundation

The Mondelēz International Foundation aims to empower families and communities to lead healthier lives. Working with leading NGOs from across the world, the foundation is investing in community programmes that get children playing, making informed food choices, and preparing healthy snacks, as well as growing nutritious foods, and inspiring employees to contribute.

Today the Mondelēz International Foundation offers grants over 3-5 year periods across 12 countries across Asia Pacific, Latin America, Europe, Africa and North America. The geographic locations align with key markets for the business which enables the foundation to leverage assets across the entire company to maximize social impact. The foundation focuses on creating collaborative partnerships, and leverages the intellectual capital of the whole organisation, including directors of health and wellness, nutrition scientists and employees.

In October 2013, the Mondelēz International Foundation debuted its "Joy Ambassadors" programme. The two week skills-exchange programme gathered employees from Brazil, China, the US, the UK, Russia, Sweden and Switzerland – to learn directly from cocoa communities and farmers about their successes and challenges. At the same time, sharing their own diverse business skills – from agronomy and R&D to operations, procurement, marketing and law.

The foundation held the first-of-its-kind global NGO summit promoting healthy lifestyles for youth at the International Congress of Nutrition in Spain – the world's largest gathering of nutrition professionals. It was the first time NGO partners met face-to-face, and by harnessing their collective ideas and successes, the foundation hopes to create more effective programmes that will be able to measure the impact on healthy living.

A number commented on a 'blurring of lines' as the business becomes more involved in social issues. What used to be clearly the remit of the foundation is increasingly blurring with CSR programmes, but is also a consideration in the development of 'inclusive business' products and services, as well as marketing and communication.

The challenge is how far this integration can go. Some sectors or individual companies face particular scrutiny and there is still a fear that the foundation may bring problems with regulators. Foundations that have successfully become more integrated have done so through a system of carefully thought through checks and balances to harness the synergies and exploit the linkages to the business, whilst separating ownership and control to ensure impartiality.

### Case study – AbbVie Foundation

AbbVie is a global biopharmaceutical company, formed in 2013 following separation from the diversified health care firm Abbott. Upon its launch as an independent company, AbbVie established a non-profit foundation, the AbbVie Foundation, which is dedicated to having a remarkable impact on the lives of the underserved around the world through a commitment to building strong communities, sustainable healthcare systems and effective educational programmes.

AbbVie Foundation works closely with its partners to co-design programmes through conversations with local experts and governments about health issues and the role AbbVie can play, as well as site visits to understand challenges from ground up before designing the final programme. The Foundation strives to build public-private partnerships that build upon local community expertise and resources.

An example of the foundation's work is its long-standing partnership with the Baylor College of Medicine International Pediatric AIDS Initiative (BIPAI). The AbbVie Foundation has recently been talking with Baylor and others in Romania about the local effects of the hepatitis C virus (HCV) and how the long standing partnership can work to address unmet needs in this area. Learning from the work done in HIV, the partners believe they can make a remarkable impact on the lives of patients suffering from HCV.

The AbbVie Foundation is looking to take a more long-term view in the future. Its goal is that a majority of programmes will run for at least 3-5 years with foundation support – ultimately transitioning the majority of support to local sustainability. Success for the foundation is having a self-sufficient programme in 5 (or more) years, where the community has been made accountable and part of the solution.

### Case study - Volvo Research and Educational Foundations

The Volvo Research and Educational Foundations (VREF) was established by Swedish based multinational manufacturing company Volvo in 1986. VREF is the collective name under which four foundations collaborate with the aim of promoting research and educational activities.

Following a re-orientation in 2000 focus was put on the topic of future urban transport. Today, VREF has the mission to inspire, initiate and support research and education promoting sustainable transportation for fair access in urban areas.

Since 2002 the foundation has funded Centres for Excellence, which account for 80-90% of spending: Up to 2013, ten Centres had been started, located in universities and in some cases forming international networks of universities. VREF has little interest in being publicly visible themselves but want the researchers and universities that they work with to be visible. There has been a slight shift in this due to the new strategy for the Future Urban Transport programme, where a need for VREF to be slightly more visible was needed, in order to raise the international profile of their Centres for Excellence.



# Conclusions and discussions

There are clearly potential benefits that the foundation model delivers to society, but also to the business:

Potential benefits to business	Potential benefits to society
Reputational enhancement	Long-term impact, from projects to “intellectual capital” for the world
Employee engagement, motivation and personal development (e.g. leadership skills)	Application of business skills and expertise
Stronger relationships with key stakeholders – e.g. NGO partners or government officials that work is presented to	Enthusiastic and reliable supply of volunteers
New expertise and insights (e.g. into a customer need); potential new innovations?	Convening power of a brand (e.g. to bring stakeholders together for a project)

One of the questions we have returned to time and time again is ‘what is the added benefit of having a corporate foundation?’ Some companies have inherited a foundation from forefathers or new business models, but why are other companies continuing to choose to set up a foundation as a method of fulfilling some, if not all, of its social commitment?

Our research shows corporate foundations around the world are doing some fantastic things, but is there anything that could not be delivered through a good CSR programme?

What appears to be the case is that a foundation still brings with it an impression of safety and stability. There is a sense of having ring-fenced resources that may otherwise come under threat in the dynamic business environment that exists today. Very few foundations have a multi-year funding commitment. However their annual budgets and commitments are safe once received, therefore giving some ‘relative’ stability in a business world where situations often change week to week, or month to month.

During the course of creating this report, and drawing on our wider experience, a number of interesting thoughts and points of interest have emerged, which we are keen to share in order to promote further debate and thinking.

## Global comparisons

Considering corporate foundations in a global context was both interesting and necessary in order to stay relevant to the increasingly connected and global world business is operating in today. Foundations around the world, in the most part, face the same challenges and demonstrate many of the same characteristics, but also vary as much globally, as our previous research has shown in the UK.

Legislation and guidance on how a corporate foundation is set up and operates clearly differs from country to country, and this does without doubt have an impact on how the foundations operate. In those regions where sceptical observers discourage a close relationship between business and foundation, the output perhaps misses out on the added benefits that business innovation and thinking can bring.

## From funder to innovator

For a model so rooted in philanthropy, and with a history of reactive grant giving, we were interested in looking at how far can the corporate foundation model be adapted or used to deliver something different in line with the wider expectations of business and societal needs?

One key trend that emerged from the research was a move away from a pure altruistic grant giver to a more strategic business tool. Leading foundations seem to be finding a successful combination of doing things right, but also drawing on business expertise to solve problems in an innovative way. The role of legislation here is an interesting one. Our view is that it is not always legislative constraints that dictate how a foundation operates but much more the perception of NGOs and governments as to how the legislation is observed. The

elephant in the room is the issue of tax avoidance. Are companies using charitable structures to avoid paying legitimate tax? We saw and see no evidence of this. Whilst this kind of tax abuse does exist it is not usually found in a sector which sets out with clear programmes and objectives to deliver. This suspicion can lead to extreme caution and missed opportunities to leverage business resource. We see some sectors, such as pharmaceuticals, playing it very safe as a result of the expectations on them. For those, the foundation clearly comes with limitations that perhaps mean it is in some cases unable to deliver sufficient value to the business. Others have spent significant time and resources understanding what the legislation means to them and creating a model which acknowledges the legislative framework, but can still deliver a completely different approach.

### Case study – Shell Foundation

Shell Foundation is an independent charity, established in 2000 by the energy major Shell to create and scale sustainable solutions to global development challenges. The foundation adopts an “enterprise-based approach”, a new model for philanthropy which aims to identify the market failures that underpin global issues such as sustainable job creation, access to energy and urban mobility and to co-create new enterprises and market enablers (with pioneer entrepreneurs) to solve them.

Central to the foundation’s effectiveness is its independence from Shell, enshrined by the existence of its own business principles, an endowment and an independent board of trustees. The Board includes three senior Shell leaders (including the CEO) and three leaders from development, finance and government. This enables the foundation to draw on Shell for additional business support or access to networks,

where appropriate. Its endowment gives access to risk tolerant capital which they deploy in support of disruptive innovation at a very early-stage, considered too risky for most public or private investors.

The foundation has a small portfolio of 20 strategic partners – rigorously selected social enterprises with whom the foundation has a long-term relationship and provides patient grant funding, extensive “non-financial” business support and market linkages to help them validate new models, achieve financial independence and build the capacity to operate on a global scale.

Building on the learning from these partnerships the foundation now also seeks to catalyse new markets by co-creating specialist enablers and intermediaries to build new markets around these pioneers and to accelerate their impact.

### Case study – Vodafone Foundation

The Vodafone Foundation was set up in 1991 as a UK charitable trust by the then CEO. The foundation aims to use mobile communications to address humanitarian challenges, whilst using mobile technology to mobilise social change and improve people’s lives.

Whilst set up as an independent structure, The Vodafone Foundation is integrated with the company; linking with innovation and research. This integration

is key to Vodafone as they are seeking to make the transition from ‘we’ve done well so let’s do some good’ to ‘doing good as part of doing well’. In the UK, the foundation programme is part of the spectrum of who Vodafone are as a business – a visible expression of what they do.

Vodafone categorises funding in three ways. The first is cheque book giving, the second are the programmes

*Continued overleaf*

#### Vodafone Foundation Continued

which begin as philanthropic using 'catalytic funding' from the foundation, but is then brought to scale by the company – for no profit. An example of this is the domestic violence phone, a service Vodafone has worked on with the police, and which over 29,000 women have used so far in the UK. The third type of funding is that which is social enterprise from the start. This is a flourishing area the foundation ranks of high importance and would like to do more of. An example

of this is 'Sanagi', a programmes in Kenya through which 250 portaloos were sold to people in the slums of Nairobi. Individuals can then rent out these portaloos and waste is then collected and turned in to fertiliser to be used on farms around Nairobi. This flourishing social enterprise requires the help of the M-Pesa system, a mobile transfer system created by the Vodafone Foundation, to enable people to pay without being charged for money transfer.

Historically, foundations may have been seen as the philanthropic grant giving arm of a company – left pretty much to its own devices of giving back through local grants. More recently, corporate foundations across the world are increasingly finding themselves being brought into the fold of the business and increasingly held to account by the funder company. As one interviewee described it, the foundation is increasingly being seen by business leaders as an integrated 'part of the dashboard of their work', albeit existing in a separate legal framework. Respondents talked of an increasing involvement of the marketing team/function, and as the company needs to demonstrate growth and value, so too does the foundation, with some even being measured against the same objectives as

the business. Foundations are increasingly aware of their impact on corporate reputation and of being a visible and accountable demonstration of giving something back.

Corporate foundation is a term which seems to resonate globally. Where the terms 'CSR' and 'community investment' have regional connotations and implications, 'corporate foundation' is a much more unified and easily recognised term, which brings with it a sense of trust and doing the right thing for wider society. As businesses become increasingly global in their operations a foundation can be a useful tool which resonates across an international workforce and markets.

### Case study - Anglo American Group Foundation

The Anglo American Group Foundation was set up in 2005 to bring structure, rigour, transparency and clarity. The foundation was founded on the same principles as the business; seeking to ensure that its impacts contribute to sustainable livelihoods in the communities in which it operates.

The foundation is moving increasingly towards proactive grant giving and seeking more funding for innovative projects, however has little control over the delivery of projects.

The business CCI strategy is based on 'building sustainable livelihoods' so the foundation has sought to narrow down in line with this increasingly strategic

community investment approach e.g. poverty alleviation. The aim is to be even more focussed in future and to try to move from geographic to thematic strategy, as the nature of the mining industry means that they are quite transitory and don't always stay at one site or country. They are also seeking to do more cross country work.

The foundation model was recognised as providing clarity internally and externally, and not having set objectives from the business as an advantage as it means that the foundation can be adaptable. The foundation is not used for R&D, and it addresses societal issues, not business ones. However as the company becomes more involved in social issues this is changing and with an increased blurring of the lines.

## Case study - Cadbury Foundation

The Cadbury Foundation was set up in 1935 by British chocolate company Cadbury, to support the belief that making a positive difference to the local community is not only good for the community but for business too. There has been a recent refocusing as the foundation wanted to increase its impact, and core aims now fall into 5 pillars: Source; People passions; Olympics and Paralympics; Engaging people with disabilities; Skills development. In addition to these pillars, there is some crossover and complimentary activities with the rest of the company, for example team building and skills development with BITC, some of which are funded through the Foundation.

One way in which the foundation supports the core business sustainability goals (Cocoa Life and Coffee Made Happy) is through the 'Source' pillar, supporting the communities in which Mondelez International runs

projects. A programme with evident links to the business is the 'Taste of work' programme. Funded by the Cadbury Foundation it aims to give students a taste of what it's like to work in engineering and manufacturing, leisure and tourism. This reinforces the fact they are aligned in a broad sense, but there are some clear red lines in place, around brand related activity.

The funding that the foundation has to spend is much less than that spent on CSR initiatives. The foundation recognises that it can't make the same kind of impact, but wants to show commitment in the longer term, for example, the Paralympics; the Foundation was able to continue its commitment when the business sponsorship came to an end and was able to keep the legacy and commitment of the project going.

## Case study - Merck Foundation

The Merck Foundation is a U.S.-based, private charitable foundation. Established in 1957 by Merck, a global healthcare leader, the foundation is funded entirely by the company and is Merck's chief source of funding support to qualified non-profit, charitable organisations.

The foundation has three primary areas of focus: health, education and community. In 2012, Merck conducted a strategic review which resulted in a refined set of giving priorities:

- **Health:** Improve healthcare quality and capacity as well as increase access to care for underserved populations in selected disease areas of global need—HIV/AIDS, hepatitis C, and chronic conditions such as diabetes and cardiovascular disease
- **Education:** Enhance the quality of STEM education at the graduate and post-graduate levels, and contribute to advancing women and minorities in the sciences

- **Community:** Provide financial support and share the expertise of Merck employees through grant and volunteer programmes that address critical health and social issues in communities where Merck has a presence

The foundation supports a number of innovative programmes including the [Alliance to Reduce Disparities in Diabetes](#). The Alliance collaborates with national, regional and community partners to develop and implement comprehensive, evidence-based diabetes programmes that improve health outcomes for people with diabetes. These programs are unique among community-based efforts by combining interventions that focus on patient education, healthcare provider training and health systems practices that lead to more effective disease management and improvements in the quality of diabetes care.

## Measuring the impact

Our previous research of UK foundations found almost half of respondents “do not do impact assessment”. The importance of understanding the impact of activity was communicated by many of the respondents, and is in line with wider corporate responsibility trends. However, there is no doubt that those who were interviewed for this report tended to be from more sophisticated foundations. Our own experience would show that many have not yet got to grips with more than input and basic output measurement but this is likely to change as the need to demonstrate value to both funders and beneficiaries grows in all sectors.

## A different kind of partner

Our research has again demonstrated the existence of a new wave of corporate foundations – progressive organisations focused on problem solving, service provision, driving forward social agendas, and creating new ways of thinking.

For these foundations, significant time and resource is being used in order to understand the issues and what it is they want to/can achieve - be that a business

relevant issue or a social need identified within a specific local community. Understanding is a key first step to developing or delivering services, with an increasing number investing in their own research, (or commissioning others to do it) before taking action.

There is a rigour to the partnerships that are formed by these foundations – from the process of finding the partner to establishing the right objectives and KPIs, and ensuring that partners continue to meet expectations.

There is, amongst these leaders, a sense of responsibility to the future, with more than one building in a consideration of ‘what next?’, and exit strategies to ensure their legacy is a sustainable one. There is an understanding from the outset that they are not funding in perpetuity.

Understanding born from the combination of research and hands on experience has led to foundations becoming issue/subject matter experts, increasingly being called upon by Government to advise and shape policy and practice. These foundations are driving the agenda as opposed to simply funding it.

## Case study – ConAgra Foods Foundation

In 1993 the ConAgra Foods Foundation made its first investment in child hunger and has since become a leadership partner with one of the largest anti-hunger non-profits in the country. The foundation was the first to invest in a Kids Cafe, an after school feeding programme and over the years helped scale that programme by opening more than 200 across the country. Today, hunger and nutrition education – related to the extremes of foods – are the signature cause programmes and the foundation has provided more than \$60 million to leading anti-hunger, not-profit organisations through its Nourish Today, Flourish tomorrow platform.

In alignment with ConAgra Foods’ expansion to international markets, the foundation staff consulted with the international business team and partnered with

a US-based NGO that works in India to feed children in need in an area where the company has operations – in this case a majority ownership in a company that is making peanut butter on the ground. The group continues to work on the prospects of leveraging social good – foundation driven – and business results – company driven. The lines can’t blend for legal reasons, but the partnership enables better investments on both sides.

The board challenges the foundation staff on impacts and return on investment; therefore staff have invested resources, time and energy on tools to help tell the story of what is being done, by whom and how that does good for society and builds reputation.

# Appendix 1

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Full list of interviewees:

- 1 ..... Vodafone Foundation
- 2 ..... Shell Foundation
- 3 ..... Pfizer UK Foundation
- 5 ..... Cadbury Foundation
- 5 ..... Anglo American Group Foundation
- 6 ..... Z Zurich Foundation
- 7 ..... Syngenta Foundation
- 8 ..... Arla Foundation
- 9 ..... Villium Foundation
- 10 ..... Volvo Foundation
- 11 ..... Sime Darby Foundation
- 12 ..... ConAgra Foods
- 13 ..... AbbVie Foundation
- 14 ..... Mondelez International
- 15 ..... Merck Foundation
- 16 ..... Infosys Foundation
- 17 ..... Biocon Foundation
- 18 ..... Citi Foundation
- 19 ..... Axis Bank Foundation
- 20 ..... CapitaLand Hope Foundation
- 21 ..... The Toyota Foundation

We had conversations with a number of other foundations to help develop our thinking and we are grateful to everyone who has given us their time.

# Thinking of setting up a corporate foundation?

New corporate foundations have sprung to life in recent years, we know that there are many more businesses that are actually considering setting up their own foundation. We also know that navigating through this process is not an easy one:

*How closely aligned do you want to be with the founding company?*

*How innovative do you want to be?*

*What are the issues that you can and should be tackling?*

Corporate Citizenship has developed a framework to guide each stage of the process, and details the key questions that should be considered by the founding company.

If you would like more details, please get in touch:

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## About Corporate Citizenship

Corporate Citizenship is a global corporate responsibility consultancy that uses clear insight and a simplified approach to sustainability to deliver growth and long-term value for business and society. We work globally across industry sectors. Our work takes us to Europe, USA, Asia, Africa and Latin America. We help our clients make the smart choices that will enable them to survive and thrive in an increasingly challenging business environment. Corporate Citizenship promotes the idea that companies can be a force for good. We advise global client list on a number of areas: strategy, reporting, supply chain, socio-economic impacts, inclusive business models and

assurance. Our long standing clients include Unilever, Shell, Abbott and Vodafone.

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