Stewardship Principles for Corporate Grantmakers

Through their philanthropy, companies aspire to achieve a lasting and positive impact on society. Companies' resources extend well beyond cash and product and include leadership and reputation, processes and disciplines, and employee time and talent.

Companies strive to be responsible stewards of their philanthropic resources, to uphold the public trust, and to practice their philanthropy in ways that reflect fundamental values, including honesty, integrity, fairness and respect. In carrying out their philanthropic activities, companies must, at a minimum, comply with federal, state and local law—but most go further.

These Stewardship Principles and Practice Options to Strengthen Performance describe how corporate grantmakers can reflect these fundamental values in their governance, management and grantmaking.

HOW TO USE THE STEWARDSHIP PRINCIPLES FOR CORPORATE GRANTMAKERS

The Stewardship Principles and Practice Options to Strengthen Performance are goals toward which to strive. They correspond to an array of philosophical and practical issues faced by all companies—those with foundations and those with direct giving programs. With this document as a framework, corporate grantmaking governing bodies and staff can discuss issues *before* they arise, enabling them to develop thoughtful policy and practice that improve over time.

Corporate grantmaking can take many forms. Thus, the Practice Options are not checklists. The degree to which a foundation or giving program can adopt individual Practice Options will depend on such things as:

- Where it is in its life cycle
- The requirements and restrictions in its governing documents
- Its asset size
- Its level of staffing
- Cost effectiveness
- Whether the governing body is composed entirely of corporate employees or includes others.

This is not a static undertaking. As the foundation or giving program evolves, so, too, should the choice of Practice Options. The most significant, ongoing reward will accrue to those foundations and giving programs that employ these principles with consideration, thoughtfulness and commitment, and with consistent evaluation and appropriate revision.

- Adopted by the Committee on Corporate Grantmaking, September 2004

DEFINITIONS

Foundation: A legal entity formed as a nonprofit corporation (or charitable trust) under state law and granted 501(c)(3) tax-exempt status by the IRS. A corporate foundation receives the majority of its funding from its parent company.

Giving Program: The company makes its grants and other contributions directly to charitable organizations.

Principles: Guiding ideals that inform foundation/giving program management, governance and grantmaking decisions.

Governing body: Depending upon the structure of the philanthropic program, a foundation board, company grant committee or other oversight/decision-making group.

STEWARDSHIP PRINCIPLES FOR CORPORATE GRANTMAKERS

GOVERNANCE

1. We have a governing body that establishes the mission, guides the operations, oversees the effectiveness and ensures the ethical conduct of the foundation or giving program.

Practice Options
a. Develop and periodically review the foundation/giving program's values and mission statement, strategies, program areas and guidelines, annual and multiyear objectives and geographic focus.
b. Dedicate sufficient human, financial and technological resources.
c. Plan for leadership continuity.
d. Assess the relevance and effectiveness of the foundation/giving program's governance, management and grantmaking.

2. Authority is vested in the governing body as a whole, and each member is equipped to advance the foundation or giving program's mission.

Practice Options
a. Identify the desired characteristics of the governing body, including size, composition and member skills and experience; consider diversity and the perspective offered by representatives from outside the company.
b. Develop bylaws or a committee charter that includes the term length of governing body members; the number of consecutive and/or total terms members may serve; roles, responsibilities and fiduciary duties; and selection and removal processes.
c. Conduct business regularly to ensure meaningful interaction, including at least one annual in-person meeting (governing body and staff).
d. Stay on mission; all grants are made within grantmaking guidelines, and exceptions are reviewed by the entire governing body and do not exceed a maximum dollar cap or percentage of total giving.
e. Provide comprehensive orientation and training for governing body members.
f. Provide continuing education on all aspects of foundation/giving program governance, including legal, fiduciary and grantmaking issues.

3. We consider multiple strategies to further our mission.

Practice Options
a. Learn best practice models and compare practices against others in the field.
b. Consider a range of financial support options that could include general operating, project, capital, research, scholarship, endowment, multiyear and challenge grants, and funds to respond to emergency or other unanticipated needs.
c. Use program and grant evaluation to improve outcomes.
d. Share successes, failures and lessons learned from grant and program evaluations internally and externally, as appropriate.
e. Collaborate with others who fund similar work.
f. Ensure that staff is well-qualified and receives ongoing professional development.
g. Consider in-kind donations, such as product and employee time.
h. Provide technical assistance to grantees and other nonprofits.
i. Convene community leaders, nonprofits and/or other funders doing similar work.
j. Engage in public policy advocacy as permitted by law.
k. Invest in ways that further the mission (program-related investments, microcredit loans, socially responsible investing and proxy voting/shareholder resolutions).

4. Our governing body exercises active fiscal oversight.

Practice Options
a. Know and ensure compliance with fiduciary duties.
b. Ensure that expenses are reasonable and in proportion to amounts spent on grants and technical assistance.
c. Confirm that proper due diligence is performed to ensure grantees' fiscal and organizational viability and that grants are used for charitable purposes.
d. Establish effective internal controls and formalized record keeping.
e. Approve an annual budget and assess the foundation/giving program's financial performance relative to the approved budget.

Corporate foundations only
f. Ensure that the foundation has a written investment policy adequate for its size and complexity that includes investment objectives, asset allocation strategy, spending and/or payout policy and rationale for selecting and evaluating investment managers/advisors.
g. Conduct an internal review of foundation compliance with legal, regulatory and financial reporting requirements and provide a summary of the review to foundation board members.
h. Obtain an external review of the foundation's finances (in accordance with asset size) by conducting financial reviews and periodic audits.

5. We recognize and act upon our obligations to multiple stakeholders: the corporate donor and its directors and employees, shareholders, grantees and grantseekers, the public and governmental bodies.

Practice Options
a. Educate the governing body and staff as to what constitutes conflict of interest:
    i.   Document the affiliations or involvement of company directors, governing body members, grantmaking staff and their families with potential grantees, even if the affiliation creates no financial conflict of interest.
    ii. Establish and sign annually a written conflict of interest policy that identifies types of conduct or transactions that raise concerns and describes how conflicts or perceived conflicts of interest are resolved.
b. Incorporate diverse people, perspectives, knowledge and experiences into the work:
    i.   Access pertinent data, e.g., census, regional indicators and studies.
    ii. Include subject matter experts or community representatives as speakers at governing body meetings, on committees or on advisory groups.
    iii. Appoint governing body members and employ staff who demonstrate the capacity to understand issues and communicate skillfully across cultural, socio-economic status and other boundaries.
    iv. Encourage governing body and staff to be actively involved in the community and to bring new or underrepresented perspectives back to the foundation/giving program.
    v.   Establish governance policies and operational and grantmaking practices.
    vi. Develop training resources that promote inclusion and reduce discrimination.
c. Identify and practice the elements of ethical conduct.
d. Develop a policy to handle good-faith complaints about violations of foundation/giving program policy or the conduct of their governing body and staff.

<u>Corporate foundations only</u>
e. Keep abreast of the self-dealing laws; avoid self-dealing and even the appearance of self dealing.

6. We respect our nonprofit partners' missions and expertise and strive for relationships based on candor, understanding and fairness.

Practice Options
a. Develop transparent grants management processes:
    i. Create clear and complete program guidelines and application procedures (if unsolicited applications are accepted); consider accepting common grant applications.
    ii. Request only information (pre- and post-grant) that will actually be used in decision-making and corresponds appropriately to the size or purpose of the grant.
    iii. Specify the steps and timing of the review process.
    iv. Acknowledge grantseeker inquiries and submissions promptly.
    v. Use grant agreement letters to outline mutual expectations.
    vi. Explain rationale for declined grants and give constructive feedback when appropriate.
b. Conduct site visits when appropriate, guided by the size and purpose of the grant and the impact on the grantee.
c. Acknowledge and minimize the effects of the imbalance of power in grantee/grantor relationships.
d. Seek feedback (including anonymous) on foundation/giving program performance from current and former grantees and denied applicants.
e. Respond to and act promptly on complaints.

7. We welcome public interest and communicate openly.

Practice Options
a. Make public (on the Internet and/or in print) the foundation/giving program's governing body, mission, guidelines, grant process (including whether unsolicited proposals are accepted), finances, procedures, timetable, grantee list with amounts and purpose, etc.
b. Identify and make public a point of contact for the foundation/giving program.
c. Respond to requests for information promptly, and in no more than 30 days.
d. Prepare and distribute either online or in print an annual report (or letter for small foundations/giving programs).
e. Train governing body and staff on how to respond to the media, legislators and other audiences.
f. Develop a strategy for reaching out to the media, legislators and other audiences.

8. Our philanthropic activities are aligned with the company's vision, mission, values, culture and strategies.

Practice Options
a. Develop a mission and strategic direction for the foundation/giving program that reflects the values and interests of the company *and* of the communities in which the company operates and employees live.
b. Integrate philanthropic activities into the company's overall corporate social responsibility strategy.

9. We provide opportunities for the company's employees to participate in charitable activities, recognizing that benefits accrue to the employees, the company and the community.

Practice Options
a. Develop programs such as dollars for doers, matching gifts and employee giving campaigns.
b. Define and communicate employee involvement rationale, strategies, goals and outcome measures.
c. Establish criteria and process for linking employees to volunteer opportunities.
d. Create internal incentive programs to increase employee involvement.
e. Provide training and tools for employee engagement.
f. Create employee grantmaking or advisory committees.
g. Designate an employee liaison/ambassador for grants.