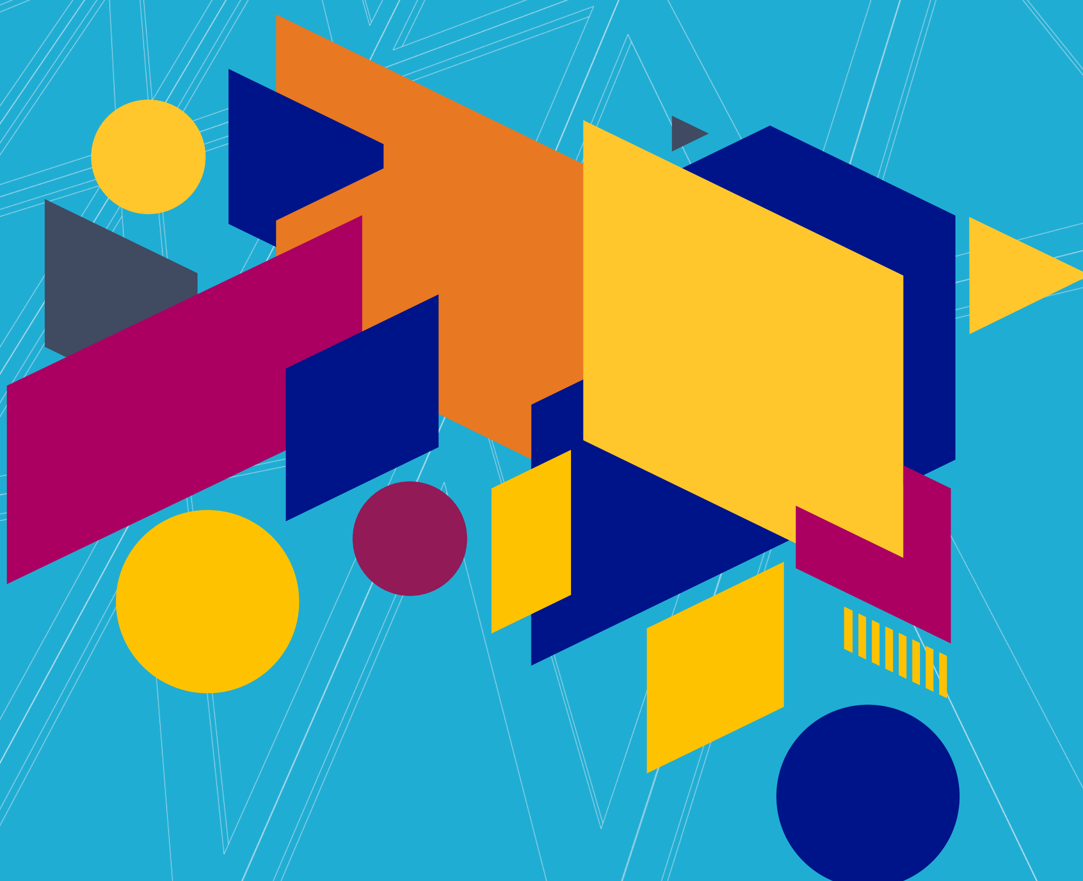
Corporate Foundations

DESIGNING FOR

IMPACT



Chief Executives for Corporate Purpose®

CECP

ABOUT CECP

Chief Executives for Corporate Purpose® (CECP) is a trusted advisor to companies on their corporate purpose journeys to build long-term sustainable value and tell their impact stories. Working with CEOs and leaders in corporate responsibility, sustainability, foundations, investor relations, finance, legal, and communications, CECP shares actionable insights with its CEO-led coalition to address stakeholder needs.

Founded in 1999 by actor and philanthropist Paul Newman and other business leaders, CECP is a movement of more than 200 of the world's largest companies that represent $7.7 trillion in revenues, $37.4 billion in total community investment, 14 million employees, 22.5 million hours of employee engagement, and $21 trillion in assets under management. CECP helps companies transform their strategy by providing benchmarking and analysis, convenings, and strategy and communications in the areas of societal/community investment, employee engagement, environmental social governance/sustainable business, diversity equity inclusion, and telling the story.

Download additional copies of this report at http://cecp.co

When referencing this report, please list source as Chief Executives for Corporate Purpose, *Corporate Foundations: Designing for Impact, 2022*.

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Preface

Since the first half of the twentieth century, corporate foundations in the United States have served as an institutional platform for philanthropic giving by the world's largest companies. Originating as a vehicle to disburse grants among an array of charitable causes, corporate foundations have strengthened the relationship between business and community. The impact corporate foundations have had on humanity and in communities around the world, particularly where companies hold business operations, is profound. However, there is also the untold impact of corporate foundations: long before Environmental, Social, and Governance (ESG) programs, reporting, and investing became prevalent, corporate foundations transformed corporations' understanding of their role in addressing society's most persistent challenges.

Today's corporate foundations serve as leading agents of change: building relationships, funding systemic solutions, collaborating with communities, and bridging the gaps in traditionally underinvested populations and regions. Present-day corporate foundations serve as tools to drive large-scale value for society that would have been inconceivable decades ago.

Over time, the paradigms of corporations' interaction and role within society have shifted from corporate philanthropy to various iterations of corporate responsibility (CR), in turn affecting the perceptions and usage of corporate foundations. Corporate foundations have increasingly integrated and aligned with their associated companies through strategic initiatives, innovation, and cross-functional partnerships. Chief Executives for Corporate Purpose (CECP), founded in 1999 as the Committee Encouraging Corporate Philanthropy, has partnered on this evolution with CEOs and CR leaders to advance the movement and corporate social strategies.

Companies lead with and value their corporate foundations because these foundations are an integral thread in the tapestry of CR strategy. CECP advises corporations on creating and refreshing their foundations since there is no cookie-cutter pattern for a corporate foundation. The CECP team leads corporate leaders through the dozens of decisions they need to make to craft their companies' distinct foundation design. Companies should not start or operate corporate foundations because they are now "grown up" or because they want to demonstrate seriousness about community investment strategy. Yet corporate foundations do signal to society a commitment to charitable purpose and communities, given that foundation management, governance, external reporting transparency, and regulatory competency are demands beyond those of a corporate community investment program.

> **"PRESENT-DAY CORPORATE FOUNDATIONS SERVE AS TOOLS TO DRIVE LARGE-SCALE VALUE FOR SOCIETY THAT WOULD HAVE BEEN INCONCEIVABLE DECADES AGO.**

Corporate foundations are more work to operate, but they yield opportunities corporate grantmaking alone cannot. Corporate foundations are separate entities from their associated companies and from that separateness comes a perception of professionalism, sincerity, and trustworthiness.

There are unique contributions to global and community outcomes that companies make with their customized corporate foundations. Each corporate foundation pushes boundaries with its social investments and creates impact because of its singular mission, which is aligned yet separate from its associated company. The substantial societal contributions of corporate foundations over the years, coupled with inquiries to CECP from the field, inspired CECP to take a closer look at the work of contemporary corporate foundations. This report showcases how companies and their foundations advance corporate purpose.

Again, and as the title of this report suggests, there is no one-size-fits-all corporate foundation model. Each corporate foundation is designed for its own vision of impact; there are many design decisions that corporate foundations weave together to create their distinctive color, texture, and flair. This report illuminates the range of strategies and tactics companies adopt when building, managing, and leveraging their corporate foundations to advance societal solutions. No one design choice alone determines success; each element contributes to the whole.

CECP is confident that this report provides CR leaders and corporations the information and design framework they need to make informed, strategic decisions about their corporate foundations. As Paul Newman said when he started his journey founding CECP: “Corporate philanthropy is down. Corporations have to step up. They have to do more.” Corporate foundations are truly tailored for purpose: boldly leading, demonstrably partnering with charitable purpose entities, and positively transforming communities. No less importantly, corporate foundations have profound and lasting effects on their associated companies, inspiring and empowering them to live up to the expectations and trust of societies around the world.

In partnership,

KARI NIEDFELDT-THOMAS
MANAGING DIRECTOR, CECP

“CORPORATE FOUNDATIONS ARE TRULY TAILORED FOR PURPOSE: BOLDLY LEADING, DEMONSTRABLY PARTNERING WITH CHARITABLE PURPOSE ENTITIES, AND POSITIVELY TRANSFORMING COMMUNITIES.

Context & Purpose

WHEN ASKED IN 2019 TO PREDICT THE CHANGES IN STORE FOR THEIR COMPANY'S CORPORATE FOUNDATION OVER THE NEXT THREE YEARS (I.E., THROUGH 2022), 70% OF RESPONDENTS ANTICIPATED THEIR COMPANY WOULD "INCREASE WAYS TO LEVER [THEIR] FOUNDATION."

CECP has worked with and tracked data on its coalition of corporations' corporate foundations since its inception. With an increasing number of companies seeking information on corporate foundations, CECP launched its Accelerate Community on the Future of Corporate Foundations in December 2019. This curated community examined how corporations are driving engagement, serving as social change catalysts, and creating impact through their corporate foundations. Additionally, corporate purpose practitioners among CECP's coalition of more than 200 large corporations across various industries have leveraged CECP's trusted advisory services for research, best practices, and insights on trends to operationalize their corporate foundation strategies.

Each year, CECP gathers corporate foundation data through *Giving in Numbers*, the unrivaled benchmarking survey, database, and report on corporate social investments, in partnership with companies. Companies that participate in the *Giving in Numbers* Survey have annual revenues of at least US$2 billion. For this report, CECP also conducted interviews with corporate foundation leaders, administered a series of CECP Pulse Surveys to gauge the nuances of corporate foundations, and reviewed company requests on corporate foundations to CECP's fast-track consulting services.

The Design Framework in Figure P-1 shows the design element decisions that every corporate foundation must make, stemming from the fundamental categories of Landscape, Operations, Strategy, and Innovation. Just as corporate foundation designs vary, so does the information that CR leaders seek on corporate foundations, as some leaders want a primer and others want to be challenged. Here are suggestions on how CR leaders may best use this report:

LANDSCAPE SECTION: frames design decisions on the funding types, tax status, and fund source for corporate foundations. *Emerging CR leaders who are learning the field and senior leaders aspiring to know more about the corporate foundations in their portfolios will benefit from understanding the basics.*

OPERATIONS SECTION: frames design decisions on the governance, finance, staff, and legal practices of corporate foundations. *Emerging CR leaders who are learning the field, CR leaders who are considering starting/merging corporate foundations, and senior leaders who now have corporate foundations in their portfolios will benefit from understanding foundations' operational needs and opportunities.*

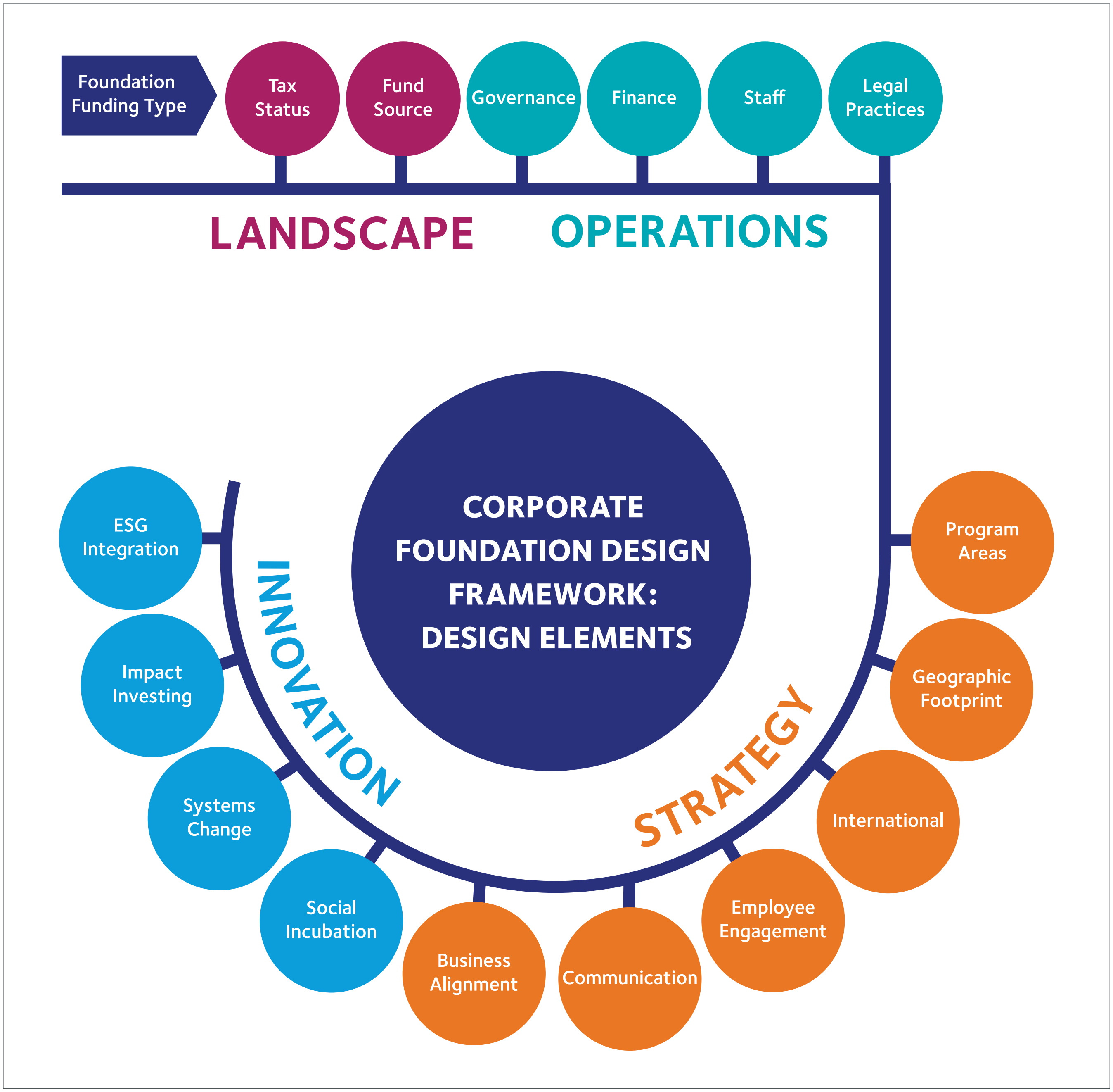
STRATEGY SECTION: frames design decisions on the program areas, geographic footprint, international, employee engagement, communication, and business alignment for corporate foundations. *CR leaders who want to refresh their corporate foundations will benefit from understanding the levers to advance impact and senior CR leaders will want to explore new insights for their work.*

INNOVATION SECTION: frames design decisions on the social incubation, systems change, impact investing, and ESG integration for corporate foundations. *Senior CR leaders who want creative inspiration on how to expand their corporate foundations' purpose and impact will benefit from learning these transformations.*

CECP knows that corporate foundation practitioners learn best, grow more, and think differently when peer insights and experiences are exchanged. The following data and case studies are shared to advance practitioners' understanding and planning. It is important to note that companies have many available charitable giving mechanisms, including donor-advised funds, trusts, and foundation equivalents in other countries. This report focuses on the operations, strategies, and innovation of corporate foundations in the United States. (In some instances, data may include references to other mechanisms.) Common community-investment topics, questions, and challenges are addressed.

Figure P-1

ELEMENTS OF CORPORATE FOUNDATION DESIGN



LANDSCAPE

In *Giving in Numbers: 2022 Edition™* (N=222), 80% of the companies participating in CECP's annual study had a corporate foundation. **Given the growth of corporate foundations' community investments, combined with the ongoing interest in creating new corporate foundations, CECP confirms that companies view and use the corporate foundation entity as a trusted, viable social purpose instrument.**

Companies choose to start or close a corporate foundation for many reasons. A company may choose to start a corporate foundation because there are significant profits in a year that could be invested in a new strategy or geography for future grantmaking. A company may choose to repurpose an existing corporate foundation or start an additional corporate foundation to achieve strategic outcomes. A company with its own associated corporate foundation may prefer to sunset and spend down over time, or combine with, the associated corporate foundation of a company that it acquires with the approval of the appropriate board of directors. Each company needs to assess its specific situation and circumstances to determine the role that a corporate foundation will ideally play in its portfolio and goals.

To explore options that companies have considered or executed, it is essential first to define the landscape design elements of corporate foundations, as these factors influence how companies contribute to social outcomes, nonprofits, and communities through their corporate foundations. In this section, there are three landscape design elements for corporate foundations: funding types, tax status, and fund source.

Funding Types

Companies provide corporate charitable community investments in three distinct funding types, as shown in Figure L-1 and tracked in *Giving in Numbers*: **foundation cash** is distributed from a corporate foundation, **direct cash** is distributed through a corporate community investment program, and **non-cash** is often distributed through a corporate community investment program. The Operations section shares how these decisions are made and staffed. The total amount of foundation cash, direct cash, and non-cash a company distributes annually makes up its **total community investments** (TCI). For additional details on funding types, please refer to *Giving in Numbers*. There are many terms used by the IRS and grantors to reference grant recipients such as nonprofit organizations, qualified recipients, and charitable entities; in this report, all recipients are referred to as "charitable purpose," since in certain circumstances with specific processes, funds can be granted to social enterprises, individuals, schools, government agencies, and other non-501(3)(c) organizations.

TERMINOLOGY

CORPORATE FOUNDATION DESIGN ELEMENTS: LANDSCAPE

Foundation Funding Type — Foundation cash, direct cash, and non-cash

Tax Status — Grantmaking foundation and operating foundation for private foundations and public charity as a public foundation

Fund Source — Company funds transferred as pass-through, endowed, or hybrid for private foundations; or multi-donor for public charity

According to CECP's Valuation Guide, **direct cash** is defined as any cash contributions given directly from a company for charitable purpose. **Non-cash** is defined as product donations, pro bono services, and/or other donated contributions assessed at Fair Market Value and given for charitable purpose. **Foundation cash** is defined as any cash contribution distributed from a corporate foundation for charitable purpose. Each company decides which funding type—direct cash or foundation cash—will serve as the match for employee matching-gift programs.

Giving in Numbers: 2022 Edition data reveals that companies with foundations leverage foundation cash more than direct cash overall. On average in 2021, TCI for companies with foundations consisted of 42.6% foundation cash and 37.1% direct cash (see Figure L-2). Companies with foundations also had markedly higher non-cash contributions overall compared to companies without foundations, with 20.3% and 12.4%, respectively. Average foundation cash percentage of TCI ranged from 34.6% to 57.5% of TCI based on foundation cash tier (the amount of community investments granted from a foundation), while average non-cash percentage ranged from 11.4% to 29.5% (Figure L-3). Among all corporate foundations with foundation cash exceeding US$5 million, foundation cash accounted for over 40% of the total community investment portfolio.

Figure L-1

CORPORATE TOTAL COMMUNITY INVESTMENT FUNDING TYPES

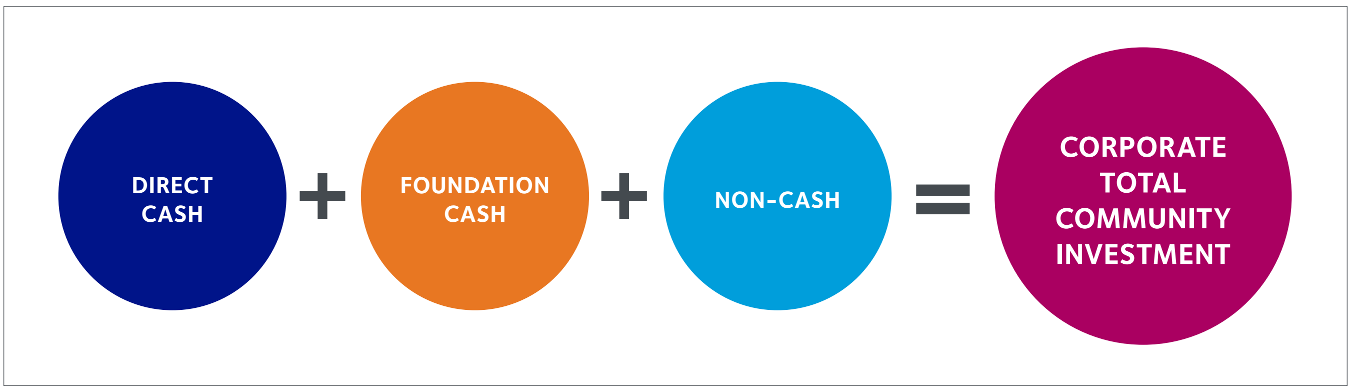
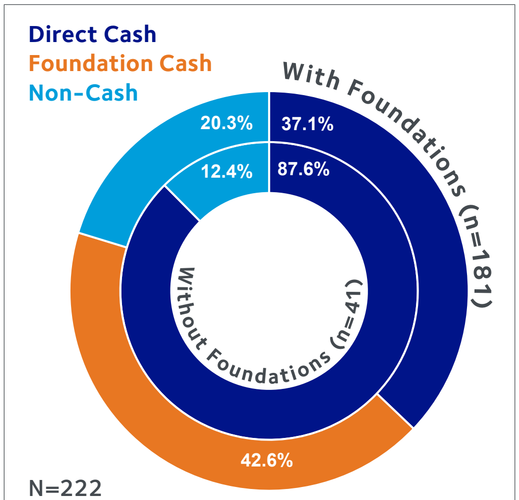


Figure L-2

COMPARISON: FUNDING TYPE BREAKDOWN OF TOTAL COMMUNITY INVESTMENT, 2021

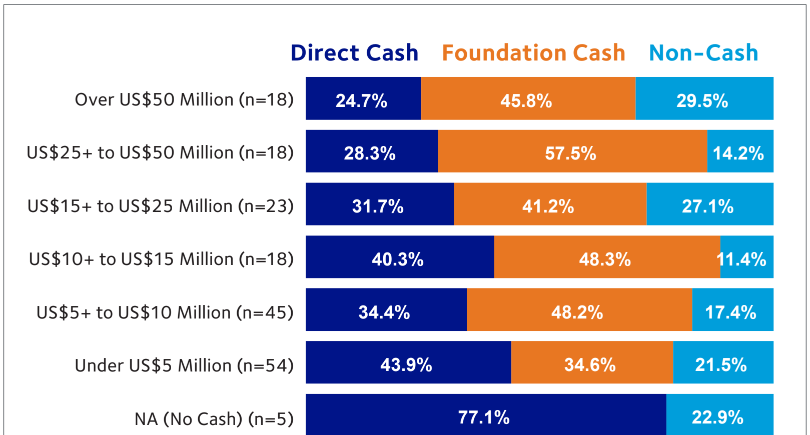


N=222

Source: CECP's *Giving in Numbers* data set

Figure L-3

FUNDING TYPE BREAKDOWN OF TOTAL COMMUNITY INVESTMENT BY FOUNDATION CASH TIER, 2021



n=181

Source: CECP's *Giving in Numbers* data set

Giving in Numbers: 2022 Edition

FUNDING TYPE SHARE

Within a five-year matched set of companies with corporate foundations between 2017 and 2021, companies demonstrated a waning reliance on direct cash to support community investment and an increased use of foundations and non-cash community investments (see Figures L-4 and L-5). Referring to a matched set of companies with or without a corporate foundation, Figure L-6 reports increases across all funding types.

Though the direct cash percentage within community investment portfolios is shrinking, direct cash allocations continue to grow as actual dollars. Of the companies that reported each funding type each year, the median direct cash dollar amount increased by 26% over the five-year period, from US$17.1 to US$21.5 million, while median foundation cash increased by 14%, from US$10.3 to US$11.7 million, and non-cash decreased by 16%, from US$4.3 to US$3.6 million, all adjusted for inflation (see Figure L-7).

Between 2017 and 2021, data from a matched set of companies showed that during that five-year period 4% of companies opened or started reporting on a foundation while 5% of companies stopped reporting on or potentially closed a foundation, indicated by introducing or eliminating reporting on foundation cash, respectively. It is important to note that if companies chose to pause on grantmaking from corporate foundations, this data would reflect that decision.

Figure L-4

CHANGES IN FUNDING TYPE,
FIVE-YEAR MATCHED SET, 2017-2021

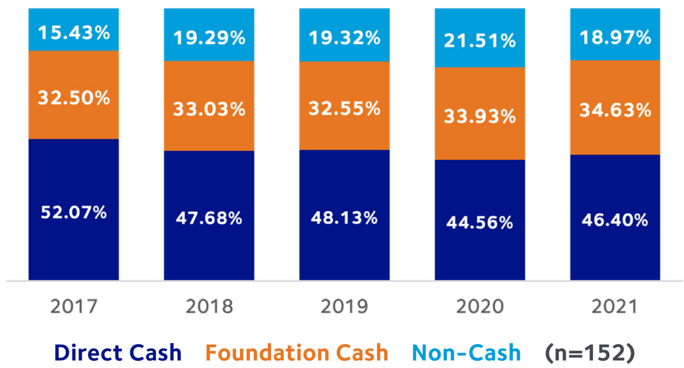


Figure L-5

2017-2021 MATCHED SET
CHANGES IN FUNDING TYPE BREAKDOWN

Direct Cash ↓ **6** percentage points
Foundation Cash ↑ **2** percentage points
Non-Cash ↑ **4** percentage points

Figure L-6

2017-2021 MATCHED SET
COMPANIES INCREASING INVESTMENTS

57% increased **Direct Cash**
57% increased **Foundation Cash**
53% increased **Non-Cash**

Figure L-7

2017-2021 MATCHED SET
COMMUNITY INVESTMENT BY FUNDING TYPE

Direct Cash ↑ **US$4.4**M
Foundation Cash ↑ **US$1.4**M
Non-Cash ↓ **US$0.7**M

Tax Status

There are three tax status choices for companies to consider if they fund charitable purposes outside the company's direct cash and want to hold decision-making and funding authority. A **corporate foundation, also known as a company-sponsored foundation**, is a separate legal entity formed and funded by its associated corporation for the purposes of supporting charitable recipients or for charitable purposes. Given that most corporate foundations receive funds from a sole donor, the company, corporate foundations are typically established as private foundations and thus subject to special rules directed at private foundations under the Internal Revenue Code (IRC). Corporations that establish a corporate foundation receive a tax deduction when funds and/or assets are donated to the foundation. Expenses of corporate foundations are tracked separately from the company's profit and loss statements (P&L). There are two primary tax status entities for corporate foundations: Grantmaking or Operating Foundations.

Giving in Numbers: 2022 Edition

CORPORATE FOUNDATION TAX STATUS

In 2021, an overwhelming majority of foundations (83.4%) were grantmaking. Operating foundations accounted for only 7.0% of foundations, while 9.6% of "foundations" were identified as "Other," which includes public charities, trusts, foundation equivalents in other countries, and donor-advised funds.

A Corporate Grantmaking Foundation makes grants to charitable recipients (e.g., nonprofits, equivalent charitable entities) and other charitable purposes.

A Corporate Operating Foundation functions as a nonprofit organization by meeting IRS-designated tests and offering charitable, educational, or other exempt services and programs directly to end-recipients. It is often referred to as a "private operating foundation" and while it may make grants as part of its programs, that is not its primary purpose.

Although not a private company-sponsored foundation, a **public charity** is another charitable tax status that is used by some companies. Occasionally referred to as a public foundation by some companies, a public charity is a charitable organization created by a company that often shares the company's name. A public charity is a nonprofit funded by multiple public sources and must meet a public support test to ensure that the company does not fund too much of its operations, which would tip it toward becoming a private foundation. In general, public charities must be able to demonstrate that at least 33.33% of their annual support over a rolling five-year period was received from public sources. Donors could be the general public, foundations, other charities, and individuals such as the company's employees, customers, and vendors.

Giving in Numbers: 2022 Edition indicated that 11% of companies surveyed had more than one foundation. This subset had a median of two foundations, with companies reporting as many as eight affiliated foundations. While the IRS sets specific requirements for designation as a "foundation," companies may use the term to refer to other affiliated giving vehicles, including a charitable trust or donor-advised fund, and/or foundation equivalents may be established in other countries. Companies may choose to do any combination of these options.

Fund Source

Corporate foundations operate with three core fund sources: **pass-through**, **endowed**, or **hybrid**. Companies report to CECP the predominate fund source that they use to acquire funds to disburse for charitable purposes. Three fund sources are used predominantly, although corporate foundations may receive funds from other institutions or individuals. Fund sources are often determined at the time of incorporation but may evolve to meet ongoing and emerging strategies.

Pass-Through Foundation: This corporate foundation receives reliable annual, or planned, periodically transferred funds from the company. Each company selects its formula and process for calculating the amount of funds to be transferred, such as an ideal threshold to maintain in the foundation bank account, or rolling average of earnings before interest, taxes, depreciation and amortization (EBITDA), then distributes those funds to the corporate foundation. The funds from the company are typically cash, but could be stock or bonds, and may be transferred from the company to the foundation once or incrementally over the course of a year or longer. Occasionally, pass-through foundations maintain reserve funds to cushion against company lean times when transfers may be paused, or to address smoothing of grant disbursements. These funds can also be invested, but often there is not as large a corpus as an endowed foundation might have, and funds may not be on hand long enough to be invested in productive ways. (This definition is not aligned with the IRS definition of pass-through/conduit.)

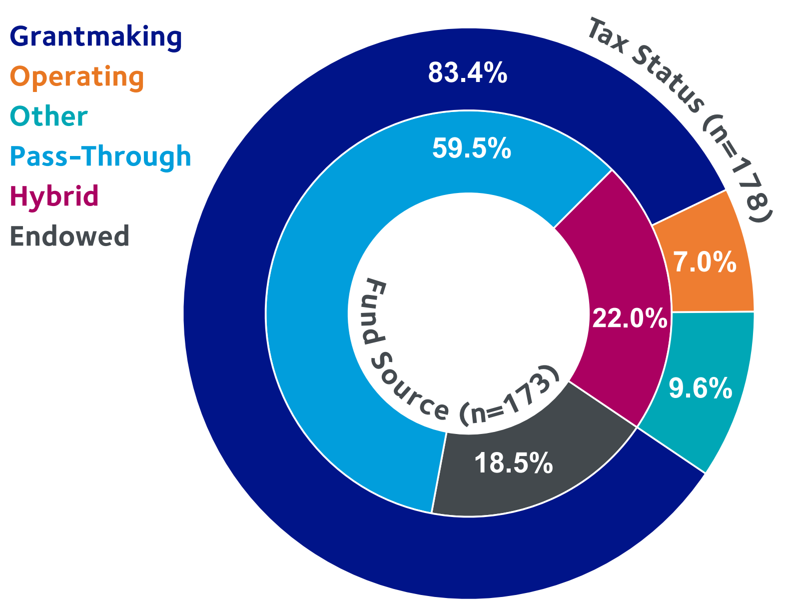
Endowed Foundation: This corporate foundation has asset reserves (e.g., cash, stocks, bonds) that are invested to make a return, with some permanently restricted in perpetuity or quasi-endowed with board-designated assets. Funds to distribute derive from the returns on assets each year and endowed foundations have qualifying distributions that they are required to make with minimum values, defined periods of time, and calculations on investment asset returns as defined by IRC. The minimum payout calculations are intricate yet often referred to as a minimum 5% payout requirement for corporate foundations, although this is not exactly the calculation over time. There is a limit on the asset type of investments and a maximum of company shares that may be held.

Hybrid Foundation: This foundation is a blend of the endowed and pass-through models, with neither model dominating. The endowed funds are disbursed per their requirements and additionally the foundation receives reliable annual or planned periodically transferred funds from the company as additional pass-through for use as designated and within the timeframe identified.

Figure L-8 details comparisons of Tax Status and Fund Source.

Figure L-8

FOUNDATIONS BY TAX STATUS AND FUND SOURCE, 2021



Source: CECP's *Giving in Numbers* data set

Giving in Numbers: 2022 Edition

FUND SOURCES

Among companies with foundations, sources of foundation funds vary. In 2021, 59.5% of companies had pass-through foundations, while 18.5% had endowed and 22.0% had hybrid fund sources. The median transfer amount was highest for those with endowed foundations, at US$15.8 million. Companies with hybrid foundations had a median transfer amount of US$14.0 million, while those with pass-through foundations had a significantly lower median of US$8.6 million.

CASE STUDY: *AmerisourceBergen Corporation (NYSE: ABC)*

	AmerisourceBergen Associate Assistance Fund (AAF)	**AmerisourceBergen Foundation** (ABF)
FOUNDED	2013	2015
TAX STATUS	Public Charity	Public Charity
FUND SOURCE	Pass-through and public; initial grant by company and sustained primarily through ongoing employee paycheck donations and company transfers.	Hybrid; ABF is endowed with periodic company transfers.
FOCUS AREAS	Support and provide relief and resources to ABC employees in need following natural or civil disasters or unable to pay costs that are unusual and uninsured.	Human health, animal health, prescription drug safety.
GOVERNANCE	Board is a mix of ABC C-suite and other employees.	Majority independent board of directors and C-suite/executive-level employees.
EMPLOYEE ENGAGEMENT	Provides ways for employees to assist other associates with expenses such as cancer treatment or hotel accommodations for those impacted by natural disasters.	ABF funds matching gifts and Dollars for Doers, also volunteer and board service grants.
INTERNATIONAL	Funds distributed to employees around the globe.	Conducts international grantmaking as a U.S.-based fiduciary; after a recent acquisition, the ABF international footprint has grown in both team-member representation and place-based nonprofit partnerships.
OPERATIONS	Grant Selection Committee works with a third party to manage applications and maintain confidentiality.	Employees serve on ABF Grantmaking Committee and subcommittees as a professional development opportunity.
STRATEGY	Provides a consistent, well-known resource: those who want to help others know where to go and those who need help know where to go.	ABF takes pride in going beyond writing a check by acting as a convenor, hosting a conference for nonprofit grantees to connect and collaborate, and funding continuing education for nonprofit partners.
INNOVATION	Recently supported team members in Ukraine and surrounding countries.	Commitment to health equity, including providing third-party audits and metrics across supply chain.

CASE STUDY: *Bank of America Corporation (NYSE: BAC)*

Bank of America Charitable Foundation Inc. (BOACF)

FOUNDED	2004
TAX STATUS	Grantmaking
FUND SOURCE	Pass-through; annual funds provided by BAC
FOCUS AREAS	Economic Mobility focused on needs of individuals and families (workforce development and education and basic needs/health), and Economic Mobility focused on needs of community (affordable housing, small business, neighborhood revitalization); generally same focus areas for company's community investments; foundation president also leads Racial Equality and Economic Opportunity for BAC to bring alignment.
GOVERNANCE	Board is BAC executives, including senior leaders and management team members who report directly to CEO.
EMPLOYEE ENGAGEMENT	BOACF funds matching gifts and volunteerism; employees are encouraged to donate to charities of their choice that align with culture, sustainability initiatives, and scale; once an employee has recorded at least 50 hours in total with any number of organizations, the employee is approved to direct a gift of up to US$1,000 annually to one of the charities.
INTERNATIONAL	Conducts international grantmaking; regions outside U.S. are funded and have foundation team members.
OPERATIONS	Culture of agility to change processes and approaches to operate more efficiently and effectively; operations team outside foundation handles backend with clear, open lines of communication.
STRATEGY	BOACF leverages public/private partnerships to amplify efforts and co-create meaningful change, seeking opportunities to engage with other foundations and organizations when it identifies organizations and initiatives that share its focus areas; honoring the past yet looking forward to where BOACF needs to be.
INNOVATION	BOACF's focus on health is atypical of banks because BOACF views health as the linchpin to economic security and mobility, as well as wealth building, via home and/or business ownership; BOACF's focus extends to access, mental as well as physical health, and education, as BOACF strives to support communities and individuals as healthy, whole persons; applies the lifecycle of BOA employees to care deserts, examining access to jobs, housing, and health centers. Also, while BOACF and BAC strategy for racial equality and economic opportunity are distinct, their missions and mandates align and the way that communities can connect to capital is different: corporate teams with equity investments will connect with BOACF to consider supporting capacity-building grants to community nonprofits.

CASE STUDY: *CenterPoint Energy, Inc. (NYSE: CNP)*

CenterPoint Energy Foundation Inc. (CPEF)

FOUNDED	1995
TAX STATUS	Grantmaking
FUND SOURCE	Hybrid; funds are transferred periodically from CNP; annual budget is based on percentage of CNP pre-tax profit. CPEF invests in stocks and bonds to maintain asset balance; however, spending is based on budget, not investment earnings.
FOCUS AREAS	Education and community vitality with sub-focus areas of literacy, STEM, workforce development, affordable housing, thriving communities, and environment.
GOVERNANCE	Board currently includes CNP executive leadership.
EMPLOYEE ENGAGEMENT	Manages all volunteerism and matching gifts.
INTERNATIONAL	Focus on U.S.-based charities.
OPERATIONS	CPEF's staff members are employed by the company, which CPEF then reimburses. CNP community relations team is separate from CPEF operations.
STRATEGY	Based on alignment with industry with an emphasis on equity issues within focus areas in its grant portfolio; goal is 30% of CPEF budget to fund minority-led and/or minority-serving nonprofit organizations. CPEF continues to refine its outcomes/metrics tracking, reflecting on what it hopes to achieve and why.
INNOVATION	Place-based community development investment over the last decade has led to creative, innovative partnerships. Example: CPEF initial investment in one geography of providing laptops for families with a digital connectivity organization, now expanding into three new states to expand digital literacy independent of school devices and is attracting government and private funding to bridge the digital divide. CPEF is increasingly investing in STEM to support diversity in the workforce of the future, with both education pathways from high school to college or career. CPEF has relationships with minority-serving institutions (MSIs) including historically Black colleges and universities (HBCUs) to support recruitment efforts and capacity building with engaged employee alumni.

OPERATIONS

To be effective, corporate foundation operations must align with the desired societal outcomes. This alignment requires companies to assess strategy and innovation alongside operations to craft the right balance of the foundation's design, even though operations provide the support structure for strategy and innovation. Every corporate foundation must make the same decisions, yet the resources, assets, and distributions of corporate foundations are each slightly different.

Corporate responsibility leaders seek best practices by benchmarking their systems, processes, and procedures against their peers'. Corporate foundation leaders' biggest opportunities and challenges are to drive societal impact through the foundation, remain connected to their company, and steer these two separate entities. There are four key operational design elements for corporate foundations: **governance, finance, staff,** and **legal practices**.

BOARD GOVERNANCE VARIES BROADLY ACROSS CORPORATE FOUNDATIONS

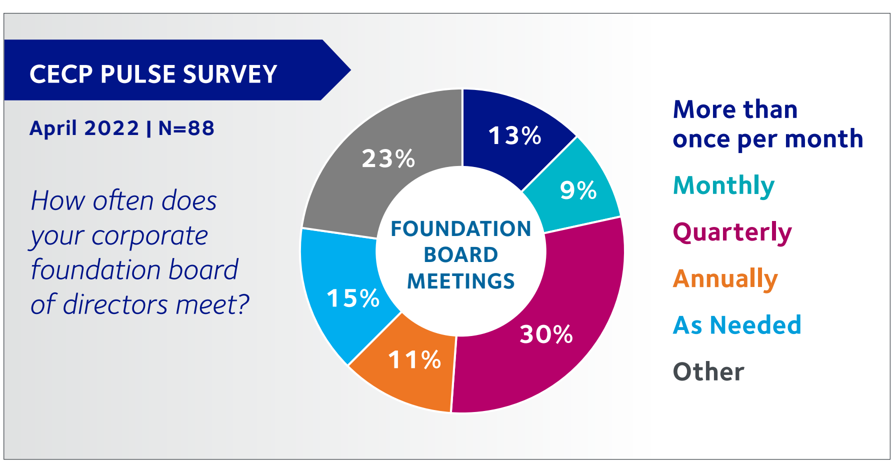
Governance

Corporate foundations are governed by boards of directors, which vary in meeting cadence, nomination process including prioritization of board diversity, board selection, and board terms.

MEETING CADENCE

As noted in Figure O-1, a CECP Pulse Survey (N=88) from April 2022 asked, "How often does your corporate foundation board of directors meet?" The respondents, whose companies each had at least one corporate foundation, shared a range of meeting schedules with the largest number of companies (30%) meeting quarterly.

Figure O-1 **FOUNDATION BOARD MEETINGS**



TERMINOLOGY

CORPORATE FOUNDATION DESIGN ELEMENTS: OPERATIONS

Governance — Decisions surrounding the foundation board meeting cadence, board nomination and selection including DEI, and board terms

Finance — Budget, management and program costs, fund transfers, and grant disbursements

Staff — Employment of headcount

Legal Practices — Regulatory compliance, self-dealing, and partnership agreements

Corporate foundations utilize board governance and hierarchy of authority to drive efficiency and distribute decision-making for their community investments. Boards may determine approval requirements and decision-making thresholds based on grant size, geographies, and staff titles; for example, grants below a specific dollar amount may be approved by designated staff members, while larger grants may be reviewed and approved by a committee within the board of directors. Other approaches may include:

- Using consent resolutions to approve large grants by email between meetings as needed;
- Reviewing specific focus areas (e.g., disasters);
- Informal meetings between formal board meetings, special committees, strategic planning sessions, and specific program meetings.

BOARD NOMINATION AND SELECTION

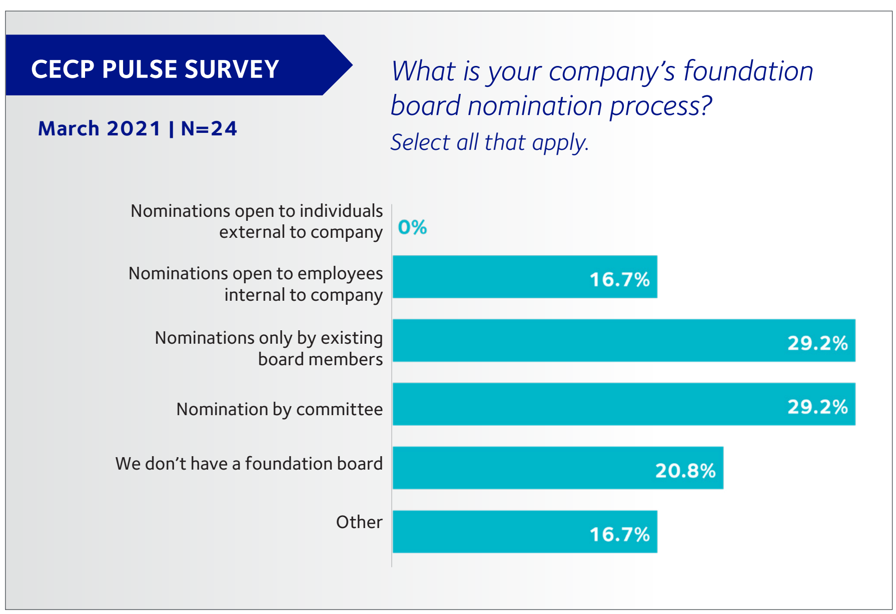
A CECP Pulse Survey (N=24) from March 2021 asked, "What is your company's foundation board nomination process?" Figure O-2 shows that 29.2% of respondents indicated that nominations could be made only by existing board members and 29.2% by committee. Other responses indicated that only employees internal to the company may nominate foundation board members; these internal company figures include the CEO, executive leadership, existing board officers, the foundation's Executive Director, and/or members of Human Resources. No survey respondents indicated that nominations were open to candidates external to the company or foundation.

CORPORATE FOUNDATIONS SHOULD ADDRESS THE DIVERSITY GAP IN BOARD GOVERNANCE

Corporate foundation bylaws often designate the CEO as Board Chair or President; other corporate executives and officers also serve on the board. This practice is not universal, however; occasionally, the C-suite is barred from serving on the corporate foundation board. Corporate foundation board selection is universally a self-perpetuating model and governed by the corporate foundation bylaws, which also include provisions for term length, number of terms, and election of new board members. The selection of board members from the list of nominated candidates varies from company to company.

Corporate foundations need to align with their companies' diversity, equity, and inclusion (DEI) goals. Internal DEI policies, procedures, and initiatives have increased within companies, especially since 2020. Companies regularly ask nonprofit grantees about the diversity (e.g., race, ethnicity, gender, LGBTQ+, socioeconomic indicators) of the organizations' boards of directors, staff members, and nonprofit programs' participants. Corporate foundations have an opportunity to increase their societal credibility and accountability by holding themselves to the same standards and efforts for DEI and then benchmarking accordingly. For example, corporate foundations should assess if the individuals making the grant decisions reflect the participants and communities that the grants will serve. Doing so may require rethinking

Figure O-2 **FOUNDATION BOARD NOMINATIONS**

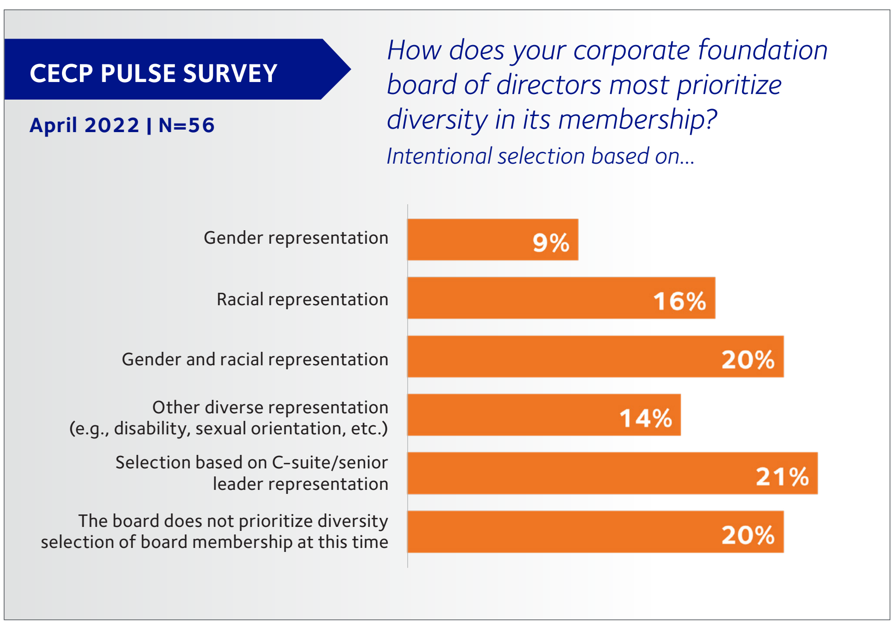


the foundation board's composition if senior management lacks representation across race, gender, and other factors.

A CECP Pulse Survey (N=56) from April 2022 asked, "How does your corporate foundation board of directors most prioritize diversity in its membership?" The responses displayed in Figure O-3 indicate that there has been progress, with more needed. Forty-five percent of respondents prioritize gender and/or racial representation. Other priorities in representation may include disability, sexual orientation, and business unit geographies worldwide, among others. Some respondents noted that DEI is connected to corporate hiring and promotion practices but not specified for the corporate foundation board. CECP views prioritization of DEI in board nominations as an opportunity for corporate foundations to have their board members mirror the communities they represent and serve through their investments. By including diverse voices at the decision-making table, corporate foundations can share power and expand their understanding of the communities and societal issues that need their support.

Many companies consider service on the corporate foundation board or grantmaking advisory committees as a professional development opportunity for high-performing leaders across business units, global geographies, corporate functions, and service/product lines. Beyond developing corporate leaders, this decentralization of the corporate foundation board of directors expands company buy-in and engagement on the foundation's priorities, deepens leadership's understanding of societal needs, and broadens the company's corporate responsibility remit and mandate in its operating communities. These outcomes are invaluable as companies address stakeholder needs and expectations in both business and social decisions.

Figure O-3 **FOUNDATION BOARD DIVERSITY**



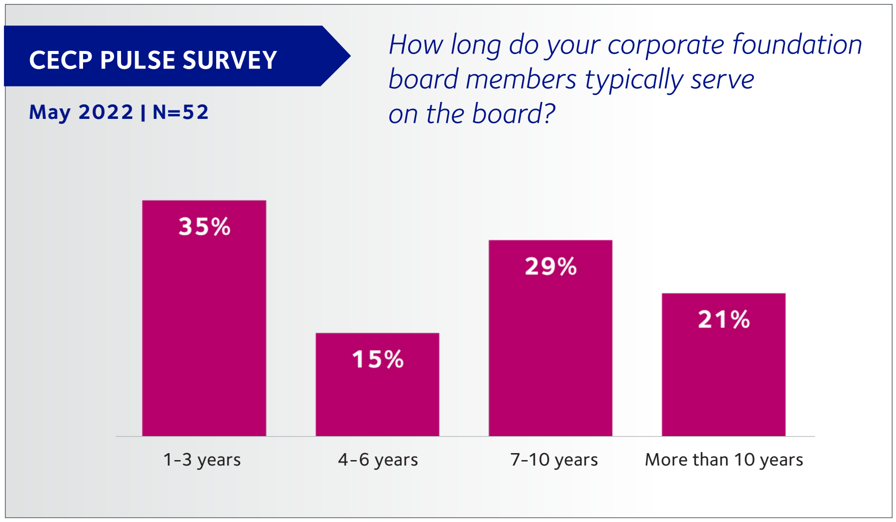
Pioneering corporate foundation boards are updating organizational bylaws to include non-employees of the company. Traditionally, non-employees are former/retired executives of the company. In some cases, though, companies leverage the expertise and perspectives of independent, or public, non-company-affiliated board members from community and civic leaders, thereby advancing the foundation's decision-making strategy with the representation of diverse, new voices who have deep knowledge and lived experience in the community. The next era of corporate foundation leadership is likely to begin adopting this model in alignment with trust-based philanthropy and participatory grantmaking practices.

BOARD TERMS

A foundation board's term lengths and limits reflect its strategic priorities. Some boards favor the fresh perspectives afforded by staggered rotations and shorter tenure. Others favor consistency and a more longitudinal familiarity with societal outcomes and partners, so they leverage indefinite board appointments. These approaches require protocols and procedures to balance the tradeoffs of agile adaptability and institutional knowledge. Board term lengths and limits are often regulated by the statutes of the state in which a corporate foundation is incorporated.

A CECP Pulse Survey (N=52) from May 2022 asked, "How long do your corporate foundation board members typically serve on the board?" Fifty percent of respondents indicated that foundation board members typically serve six years or fewer on the board, and 50% indicated seven years or more. Foundation board members most commonly served 1-3 years (35%) (Figure O-4).

Figure O-4 **FOUNDATION BOARD TERM LENGTHS**



CORPORATE FOUNDATIONS PROVIDE FLEXIBILITY FOR FINANCIAL ACTIVITY YEAR-TO-YEAR

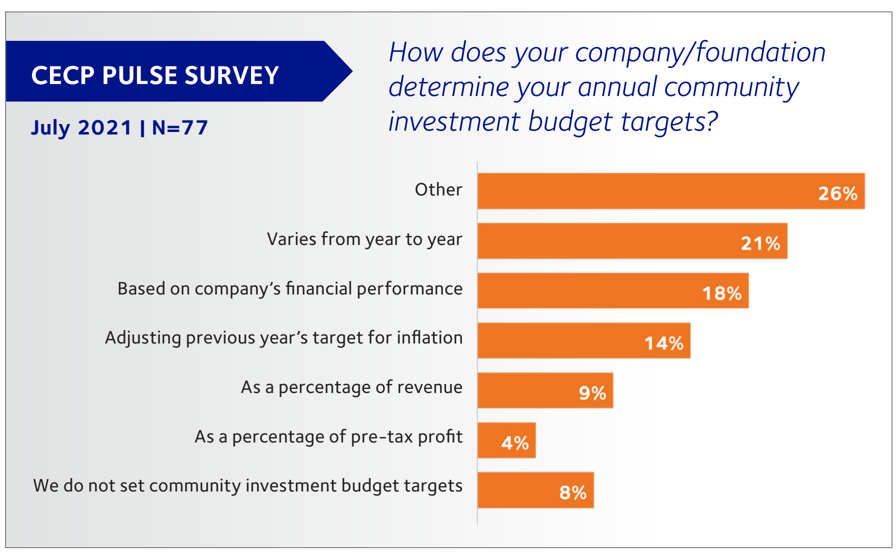
Finance

Finance operations of corporate foundations include budget, management and program costs, fund transfers, and grant disbursements. Tactical decisions in these areas drive operational excellence.

BUDGET

Foundation staff provide budget recommendations to their boards of directors for approval and staff oversee financial management of the corporate foundation, which must budget for both grants and operational expenses. Decisions about annual corporate foundation community investment budgets depend on many variables. Figure O-5 displays the results from a CECP Pulse Survey (N=77) from July 2021 that asked, "How does your company/foundation determine your annual community investment budget targets?" No singular approach "wins"; 21% note that budget rationale varies from year to year, while 18% base budget on the company's financial performance. Factors influencing community investment budgets include: minimum disbursement requirements for endowed foundations; program or focus area changes; special circumstances (e.g., disaster relief, pandemic, company entering a new geography) or milestones (e.g., centennial celebration of a

Figure O-5 **COMMUNITY INVESTMENT BUDGET TARGETS**



company's founding); multi-year grantee commitments; total customers/members in specific geographies as a percentage of overall budget; and multi-year backward rolling average of revenue or pre-tax profits to smooth budgeting.

Based on its *Giving in Numbers* research, CECP encourages companies to strive to commit 1% or more of pre-tax profits to total community investment; this 1% includes direct corporate cash, foundation cash, and non-cash. The exact percentage split in the budget between the corporate direct cash and foundation cash may vary from year to year.

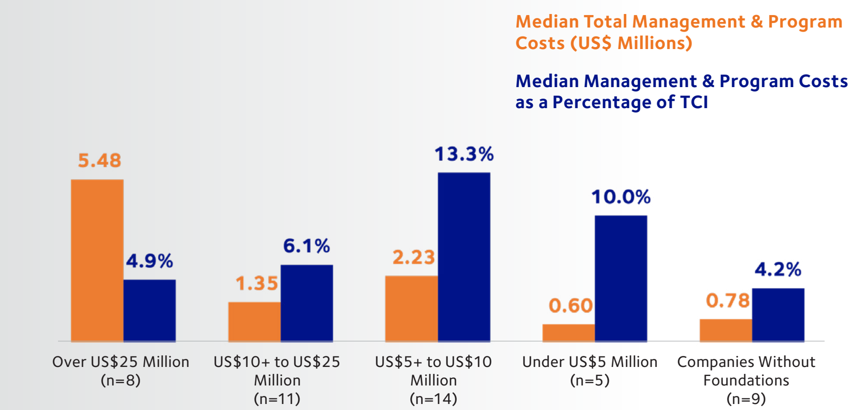
MANAGEMENT AND PROGRAM COSTS

All corporate community investment programs—with or without corporate foundations—have management and program costs. Management and program costs include corporate foundation staff compensation, administration, evaluation, and programmatic expenses; legal, tax, audit, regulatory filings, investment management/banking expenses; and other operating costs. The data reveal that companies with corporate foundations have additional management and program costs for corporate foundations. Median total management and program costs for companies with foundations is US$1.5 million, compared to US$0.78 million among companies without foundations. Median management and program costs as a percentage of total community investment (TCI) are also higher for companies with foundations than those without, at 7.6% and 4.2%, respectively.

As shown in Figure O-6, management and program costs increase as foundation cash increases to the US$10 million threshold, yet these costs as a percentage of TCI decrease as foundation cash increases due to economies of scale. Among companies

Figure O-6

MEDIAN MANAGEMENT AND PROGRAM COSTS BY FOUNDATION CASH TIER, 2021



n=55

Source: CECP's *Giving in Numbers* data set

LEGAL PIN

TAX BENEFITS

Corporate foundation transfers allow associated corporations potentially up to a five-year carryover period for charitable contributions in excess of deduction limits. Additionally, with pass-through corporation foundations, corporations' fiscal managers have the flexibility to transfer more to the corporate foundation in highly profitable years and to transfer less to the corporate foundation in less profitable years, relying on reserves for grantmaking.

LEGAL PIN

DONATED CORPORATE ASSETS

The company may donate office space, equipment, and other assets (depreciated or appreciated) to its affiliated corporate foundation, but the company cannot accept payment by the corporate foundation for its use of company assets. The company may not transfer a company-mortgaged property to the corporate foundation for it to assume those payments. The corporate foundation may not transfer any of its income or assets to, or designate any of it for use by, its affiliated company.

with foundation cash exceeding US$25 million, the median percentage of 4.9% management and program costs of TCI is only slightly larger than that of companies without foundations. It is important to note that these costs may be easier to itemize for the corporate foundation than those associated with direct cash and absorbed by the corporation.

FUND TRANSFERS

In *Giving in Numbers: 2022 Edition*, companies with grantmaking foundations had a slightly higher median transfer amount than those with operating foundations, at US$9.7 million and US$9.6 million, respectively. Those that selected "Other" had a higher median of US$14.8 million. A CECP Pulse Survey (N=45) from June 2021 asked, "For those companies with at least one foundation: how often are corporate funds transferred to your foundation(s)?" Figure O-7 shows 31% of respondents as "Other," which encompasses non-time-specific intervals and/or transfers on an as-needed basis, and 24% of respondents have quarterly transfers. Non-endowed corporate foundations may keep reserves and have board-approved reserve limits and/or spend-down timeframes. Non-endowed corporate foundations may also choose to keep their funds invested until each payout and withdraw only the amount needed for grantee disbursements. Companies often transfer cash, yet they are allowed to donate stock and other assets.

GRANT DISBURSEMENTS

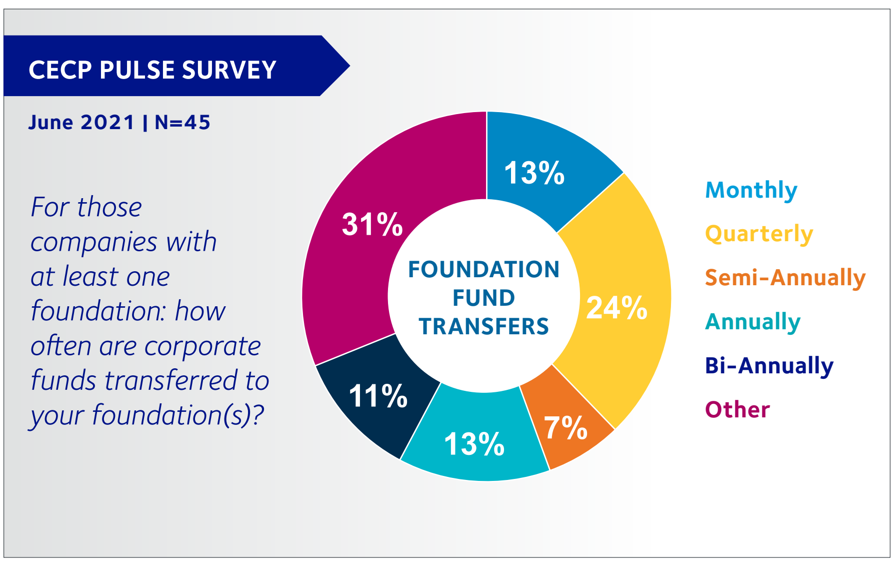
Companies use grant management systems—internal platforms, external vendors, or a combination thereof—to facilitate grant processes and coordinate with finance systems for issuing and tracking payments.

LEGAL PIN

PLEDGES

A corporate foundation may not use its resources to fulfill a pledge made by its affiliated company to a charitable entity. However, the reverse is allowed: the company can fulfill a pledge made by the corporate foundation to a charitable entity.

Figure O-7 **FOUNDATION FUND TRANSFERS**



LEGAL PIN

LOANS

Once funds are transferred to the corporate foundation, the company no longer has access to those funds, which also means that the corporate foundation cannot lend money to the company, regardless of the loan terms. However, the corporate foundation is allowed to provide loans for charitable purpose as a form of impact investing, as noted in the Innovation section.

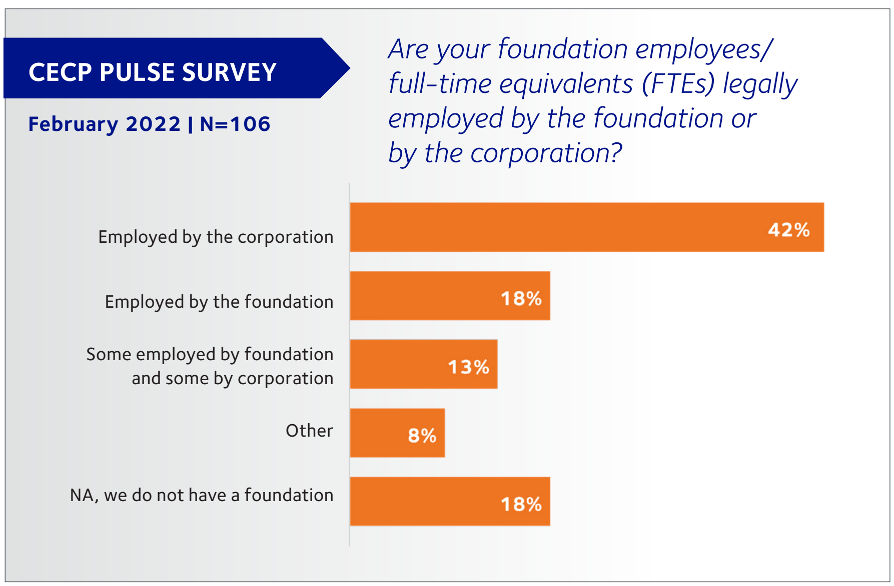
MAJORITY OF CORPORATE FOUNDATIONS UTILIZE CORPORATE EMPLOYEES AS FOUNDATION STAFF

Staff

The allocation of full-time equivalents (FTEs) for corporate foundation priorities is a critical operational decision. A corporate community investment program is a function within the company that distributes company direct cash and non-cash; some companies have staff who work on both corporate community investments and corporate foundation priorities, while some companies have separate teams.

A CECP Pulse Survey (N=106) from February 2022 asked, "Are your foundation employees/ full-time equivalents (FTEs) legally employed by the foundation or by the corporation?" Figure O-8 shows that 42% of respondents reported that corporate foundation staff are employees of the corporation. These corporate employees receive compensation and benefits from the company; all or a portion of their time is allocated to work on foundation responsibilities. In the survey, staff who are "employed" by the foundation noted that their companies are reimbursed for their foundation FTEs. Other approaches include having a consultant or third-party vendor managing the foundation, or a combination of corporation-covered and charge-back. Companies may choose to cover other management, administrative, and operational resources for the corporate foundation beyond payroll expenditures, and corporate foundations may reimburse the corporation for these types of expenditures per the IRC. A few examples are provided here in Legal Pins.

Figure O-8 **FOUNDATION EMPLOYEE EMPLOYMENT**



LEGAL PIN

STAFF

Corporate foundations may pay reasonable compensation or reimburse expenses for personal services essential to carry out the foundation's charitable purpose. These expenses are reimbursable to the company from the corporate foundation, but the company may also provide staff at no cost to the foundation, similar to a "loaned" executive. If the foundation will be reimbursing the company for personal services carried out by company employees, it is essential that accurate and detailed time records are maintained to show the hours spent working by employees on foundation-related business.

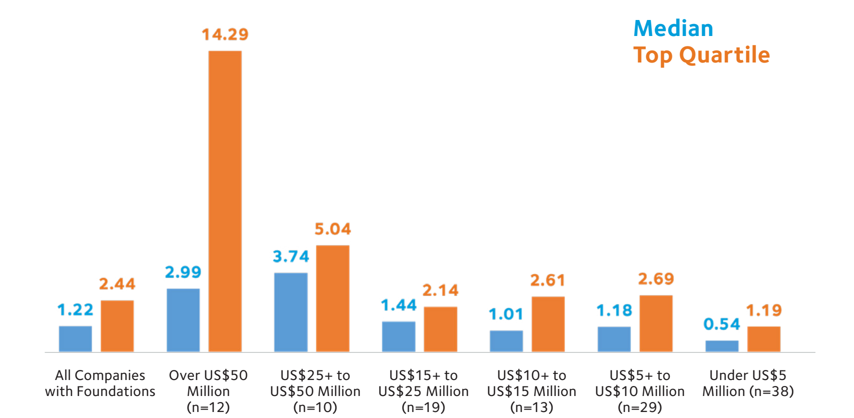
Figure O-9 examines foundation cash per FTE, which doubles from the median, US$1.22 million, to the top quartile, US$2.44 million.

As seen in Figure O-10, the median total FTEs leading corporate foundation work increases sharply when foundation cash exceeds US$10 million and again when foundation cash exceeds US$50 million. Foundation cash per FTE among companies with foundation cash exceeding US$25 million is more than double that among companies with smaller foundations. As noted earlier, there are economies of scale for larger foundations and there is operational efficiency, making it possible for foundation staff to oversee larger grantmaking portfolios.

In addition to grantmaking responsibilities, corporate foundation staff generally oversee additional board, corporate records management, operating procedures, legal, tax, investment, and audit requirements. Corporate foundation staff manage technology platforms as an interface for various needs, including grantee applications and reporting and grantor reviews and approvals; they may also be responsible for employee volunteer management. Some of these leaders serve on nonprofit/organizational and community boards and committees, and/or lead cross-sector collaborations. Each of these roles integrates the corporate foundation into the community and deepens investments. Yet, when considering the efficiency of a corporate

Figure O-9

FOUNDATION CASH PER FTE (US$ MILLIONS) BY FOUNDATION CASH TIER, 2021

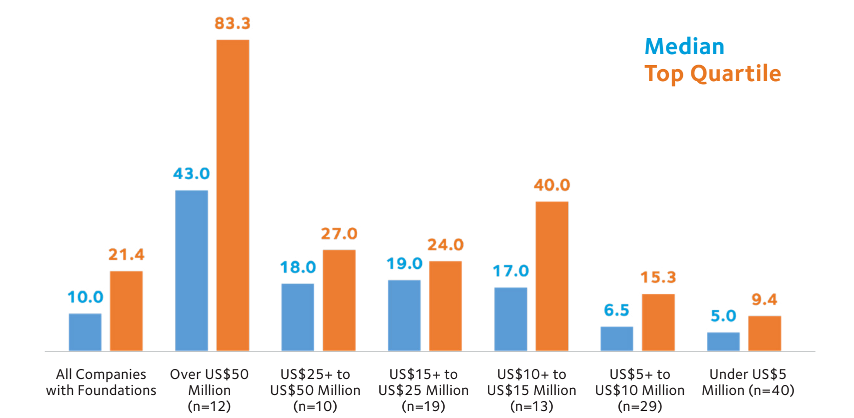


n=121

Source: CECP's *Giving in Numbers* data set

Figure O-10

TOTAL FTEs DOING WORK FOR CORPORATE FOUNDATIONS BY FOUNDATION CASH TIER, 2021



n=125

Source: CECP's *Giving in Numbers* data set

foundation, one must consider time investments beyond processing grants, not just how much funding is granted.

Many corporate foundation leaders and staff also have broader corporate duties. Balancing the demands of the corporation with the time and energy needed to develop meaningful relationships in communities is challenging and requires tradeoffs. Corporations may choose to outsource tasks to vendors and utilize consultants to assist with projects to position staff on more strategic and community-based work.

Corporate foundation leaders must also balance corporate decision-making orthodoxies and equitable service to the community. For example, corporate foundations may gather copious amounts of data and intricate measurement outcomes to convey grantmaking results to the board, but that approach may not provide better community outcomes or be a good use of staff time, for either the foundation or the grantee. Additionally, staff must assess if the operations are facilitating equity in decision-making, for example by allowing time spent with prospective grantees to learn about their programs and by sharing power with community partners.

LEGAL PIN

NONPROFIT BOARD SERVICE AND GRANTMAKING

A corporate foundation's board member may serve on the board of directors of a nonprofit that receives a grant from the corporate foundation as long as the board member's conflict of interest was disclosed and the member abstains from decision-making.

Giving in Numbers: 2022 Edition

STAFFING

Corporate foundations may be resourced with designated foundation staff or employees who balance responsibility across both corporate and foundation grantmaking. In 2021, 54.7% of corporate foundations relied on both foundation and corporate employees, counted as full-time equivalents (FTEs). For companies with foundations reporting FTE count, median total headcount was 9 FTEs. Within that subset, 99 companies reported designated foundation staff, with a median of 3 FTEs. Median corporate headcount among companies with foundations was 9 FTEs, exceeding the median of 8 FTEs for companies without foundations.

Total cash per FTE also differs between companies with foundations and those without. Median total cash per FTE was US$1.68 million among companies with foundations, US$200,000 more than median total cash per FTE at companies without foundations. Among top quartile companies, this difference in total cash per FTE is nearly US$700,000. Staff at companies with foundations handled more cash community investments, whether in number or size of grants or both.

COMPARISON: TOTAL CASH PER FTE

Total Cash per FTE	Companies with Foundations (n=146)	Companies without Foundations (n=29)
Median	US$1.68M	US$1.48M
Top Quartile	US$3.73M	US$3.05M

ALIGNED LEGAL SUPPORT IS CRITICAL TO MAINTAINING A CORPORATE FOUNDATION

Legal Practices

Corporate foundations carry risks due to regulatory concerns and should retain appropriate legal counsel (internal, external, or both) to ensure compliance and mitigate risks of exposure. This section highlights the legal practices of regulatory compliance, avoiding self-dealing risks, and developing partnership agreements.

REGULATORY COMPLIANCE

Corporate foundations must submit annual federal and state tax filings and in some jurisdictions there are annual audited financials required. As noted throughout this report in Legal Pins, there are many regulatory expectations for private foundations. Corporate foundations often leverage both internal and external tax counsel to ensure compliance.

SELF-DEALING

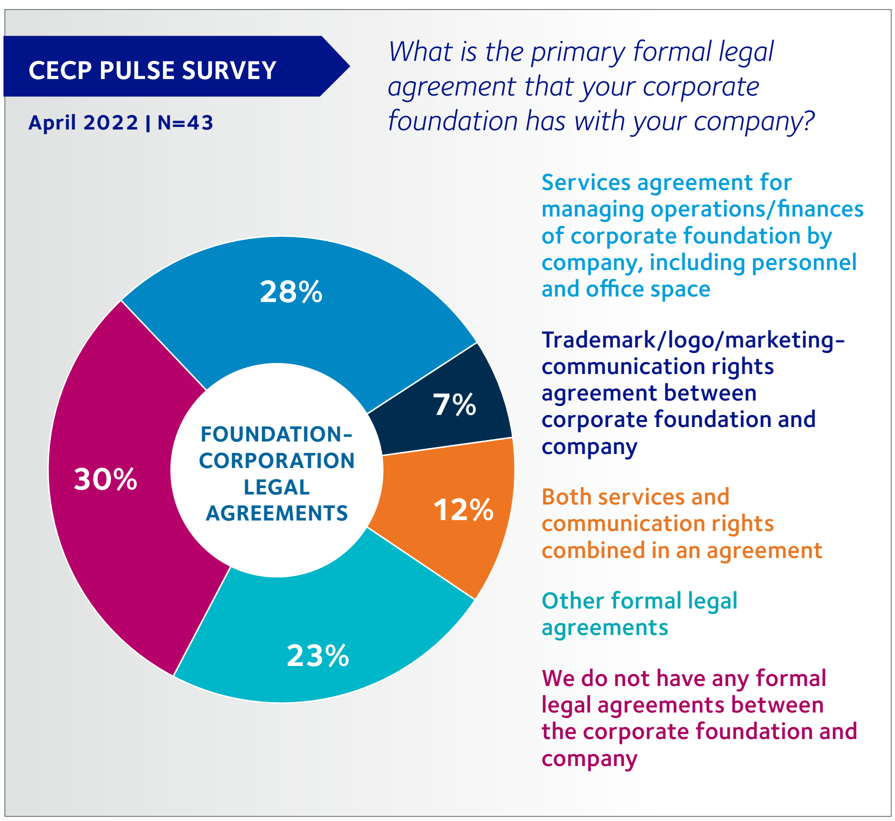
Corporate foundations, like all private foundations, must avoid self-dealing, meaning that the corporation and its representatives must not benefit directly from foundation activities. Several examples are provided in this report's Legal Pins. Acts of self-dealing can result in excise tax penalties and corporate leaders should verify that all foundation transactions fulfill charitable purpose.

PARTNERSHIP AGREEMENTS

Formalized partnerships help corporate foundations deliver on their strategic priorities. Service agreements between the corporate foundation and the company provide clear expectations and division of roles and responsibilities. Grant agreements between the corporate foundation and its grantees clarify funds to be disbursed, metrics to report, term of grant for the charitable purpose, evaluation needs, and communications expectations.

A CECP Pulse Survey (N=43) from April 2022 asked, "What is the primary formal legal agreement that your corporate foundation has with your company?" The results in Figure O-11 show that 30% of reporting foundations did not have a formal agreement, 28% had an agreement specifically for operations/finance management responsibilities, 7% had an agreement detailing trademark/communications rights, and 12% indicated agreements that outlined a combination of operations/finance management and communications rights.

Figure O-11 **FOUNDATION-CORPORATION LEGAL AGREEMENTS**



LEGAL PIN

SPONSORSHIPS

Corporate foundations may be a sponsor of an event, program, or other charitable purpose, but not accept any sponsor benefits of material cost such as gala tickets. For this reason, corporations typically provide sponsorships, not corporate foundations. Charitable naming rights policies generally are not considered a material benefit.

CASE STUDY: *Medtronic PLC (NYSE: MDT)*

	Medtronic Communities Foundation (MCF)	**Medtronic Global Health Foundation** (MGHF)
FOUNDED	1977	2016
TAX STATUS	Grantmaking	Operating
FUND SOURCE	Pass-through; transfer from MDT every three years, spend until 6-9 months' reserves remain.	Pass-through annually
FOCUS AREAS	Underserved/underrepresented populations where employees live and work, COVID-19 and disaster response, employee engagement, equity-based youth programs in key locations.	Expanding access to health in low-income settings through technology innovation; program-related investment (PRI) in Medtronic LABS.
GOVERNANCE	Board is comprised of MDT C-suite and executive team members with commitment to diversity at the board level, with 70% women and 50% racially/ethnically diverse members.	MDT C-suite and executive team members with commitment to diversity.
EMPLOYEE ENGAGEMENT	MCF supports Dollars for Doers and matching gifts.	Volunteer opportunities in field operations.
INTERNATIONAL	Conducts international grantmaking through MCF as expenditure responsibility (ER).	90% of impact focused on Sub-Saharan Africa and South Asia.
OPERATIONS	MCF team reports to Human Resources and has a separate leader from MGHF. With a major focus on data in the last two years, aggregating employee engagement and grantmaking into one data warehouse to realize the power of analytics and right-sizing data collection from nonprofit partners, MCF limits its grantee scorecard to four metrics, with only 3-5 key performance indicators (KPIs) each. Also has two DAFs: one for disaster relief and one for legacy commitments in specific geography and migrated to a new grantmaking platform that will invite employees and others as external reviewers.	MGHF is a conduit for funding global health innovations through PRI in Medtronic LABS.
STRATEGY	MCF has moved from a separate social justice pillar to embed equity in every element of its portfolio and operations and prioritized smaller organizations nominated by local MDT employees. For example, MCF's equity-based STEM program design focuses on underserved and underrepresented students. MCF is assessing its strategy across MDT geographies with MGHF. Health equity, youth focus, and STEM investments globally and in local operating communities are leading to a new model.	By bridging hyper-local services with cutting-edge technology, MGHF provides sustainable and localized health care solutions that yield measurable patient outcomes for all.
INNOVATION	MCF plans to review and reinvent its employee engagement portfolio by working closely with HR across the business. MCF is mindful not to create programs solely for high-performing employees. MCF and MDT also align business strategy: MCF funds scholarships at the Thurgood Marshall College Fund, which also partners with MDT on internships.	Health systems innovation to develop community-based, tech-enabled solutions for underserved patients, families, and communities around the world. Funding distributed by MGHF to Medtronic LABS is used for PRIs for a virtuous investment cycle.

CASE STUDY: *PricewaterhouseCoopers LLP (PwC)*

PricewaterhouseCoopers Charitable Foundation, Inc. (PwCCF)

FOUNDED	1942
TAX STATUS	Public charity
FUND SOURCE	The majority of PwCCF funding comes from the many partners of PwC as part of their annual commitment to PwCCF's charitable efforts. PwC staff also contribute to PwCCF.
FOCUS AREAS	PwCCF supports the people of PwC in times of unexpected hardship and invests in innovative solutions to longstanding problems including equitable access to education and building community resilience in the face of natural disasters and humanitarian crises.
GOVERNANCE	Independent Board of Trustees comprised of active and retired PwC partners (and excludes members of the firm's Leadership Team, per Foundation bylaws). The board is committee-based. The Executive Committee comprises PwCCF President, the People Who Care Fund Chair, and the Board Secretary and Treasurer. Also has an Investment Committee as well as two working committees to inform and drive its education and humanitarianism grantmaking strategy.
EMPLOYEE ENGAGEMENT	Engaging the people of PwC is a core element of PwCCF work; commitment includes the People Who Care Fund (PwCF), which delivers assistance directly to people of PwC experiencing emergency financial hardship. Additionally, across its programs, PwCCF works with local PwC leaders, Inclusion Network members, and volunteer champions to amplify impact of its investments and support organizations that matter to the people of PwC. Reimagine grants program enables PwC US partners and principals to nominate charities in their communities that are driving greater equity in education. Matching gifts and volunteerism (including pro bono support and ScopeAthons) are managed separately by PwC.
INTERNATIONAL	Grantmaking is focused primarily in the U.S. Some funds, especially in cases of disaster response, are distributed internationally through U.S.-based organizations with operations overseas.
OPERATIONS	PwCCF staff are employees of PwC LLP and formally part of the firm's Purpose & Inclusion team. PwCCF also takes on Fellows, employees from other areas of PwC who want to learn about other areas of the firm's work. Support for operations, such as marketing/communications, human resources, legal, risk and compliance, and tax and finance support are from PwC. PwCCF takes a curated approach to identifying prospective nonprofits aligned to its focus areas and priorities and identified through: recommendations from PwC partners and employees, landscape research and outreach, request for proposal (RFP) processes, and connections surfaced through other PwCCF programs. Also collaborate with Purpose & Inclusion team programs, including pro bono work, board seat program, Inclusion Networks, tech impact office, Access Your Potential, and other volunteer engagement programs. PwCCF does not accept unsolicited requests for funding and proposals are considered on a quarterly basis.
STRATEGY	In 2001, PwCCF pivoted its strategy after September 11th when five PwC employees aboard planes were tragically killed. At the time, employees wanted to help PwC families, so leadership shifted PwCCF's structure from a grantmaking foundation to a public charity. Prioritizes DEI and supporting people and organizations dedicated to systemic change and sustainable impact.
INNOVATION	People Who Care Fund program provides assistance through tax-free grants to individual PwCers and family members experiencing emergency financial hardship. Employee applications are reviewed by a PwCF Administrator and then presented to an Advisory Committee for a grant decision. Program protects applicants' privacy and vulnerability during times of need.

STRATEGY

Strategy is the driving force behind a corporate foundation's results and effectiveness. While corporate foundation operations provide the governance and administrative backbone, strategy shapes the impact, including why the foundation exists and how it prioritizes, which partners for what causes, where funds are granted, and the distribution of foundation resources to achieve established goals. As corporate foundations have evolved over the past several decades, so have their strategic priorities and social outcomes through intentionally targeted community investments.

Grounded by a set of core focus areas, foundation strategies have expanded to include and better engage the companies' most valuable stakeholders: operating communities in the U.S. and globally, company employees, supply chains, and customers. How a company and its corporate foundation decide the strategic approach and identify outcomes is a set of design element decisions. There are six key strategy design elements for corporate foundations to consider: **program areas, geographic footprint, international, employee engagement, communication, and business alignment.**

CORPORATE FOUNDATION AND CORPORATE COMMUNITY INVESTMENT STRATEGIES MAY ALIGN OR DIVERGE

Program Areas

Corporate community investment programs and corporate foundations have focus areas, including top priorities and strategic programs, sometimes referred to as signature programs. These program areas are designed to direct the charitable purpose of the company and its corporate foundation. Giving priorities are often similar across both the company and its foundation but may occasionally differ.

Setting a foundation's program areas and determining how and where to take action to actualize impact are essential tasks for foundation leaders. With societal challenges, public

TERMINOLOGY

CORPORATE FOUNDATION DESIGN ELEMENTS: STRATEGY

- **Program Areas** — Focus area categories that reflect the priorities and purpose of grants for end-recipients, not the "type" of nonprofits
- **Geographic Footprint** — Place-based priorities in operating communities and other locations
- **International Grantmaking** — Support provided to geographies outside headquarters country and in communities around the world
- **Employee Engagement** — Volunteerism, matching-gift programs, employee assistance funds, and employee resource groups
- **Communication** — Methods to communicate strategy, partnerships, and results
- **Business Alignment** — Solving societal issues that are also concerns for the company

health crises, and consumer demands at an all-time high, the increased pressure on companies to respond to community needs also has implications on corporate foundations, sometimes challenging the very interests, approaches, and community investments corporate foundations have established. Each company and corporate foundation approaches disaster response and relief differently.

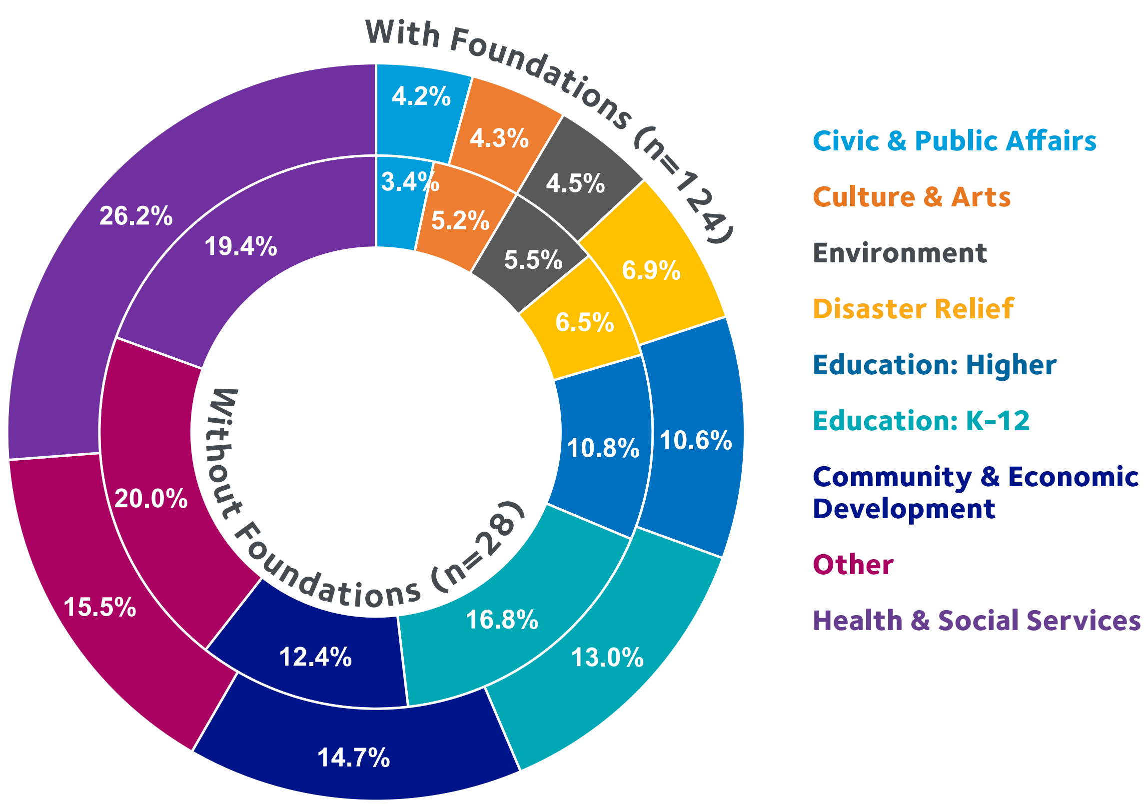
Figure S-1 details how program-area allocations among companies with and without foundations diverge in four areas. Health and social services and community and economic development had higher allocations among companies with foundations than among those without. K-12 education and "other" allocations were higher among companies without foundations. The 4.5% difference in "Other" may reflect a clearer alignment of allocations with strategic priorities among companies with foundations.

Giving in Numbers: 2022 Edition

FOUNDATION STRATEGY

In 2022, CECP introduced new questions to understand companies' foundation strategies. Corporate foundation and corporate community investment strategies may align or diverge, and companies may select a combination of options to understand the variety of choices, so percentages total more than 100%. Among companies with foundations, 35% indicated that they do not differentiate between corporate foundation and corporate community investment strategies, while 26% differed in strategic focus areas and 37% differed in type of programs supported (e.g., matching-gift programs vs. strategic programs).

Figure S-1 **COMPARISON: GIVING BY PROGRAM AREA, 2021**



n=152

Source: CECP's *Giving in Numbers* data set

CORPORATE FOUNDATIONS BUILD IMPORTANT REGIONAL RELATIONSHIPS

Geographic Footprint

Corporate foundation grants build awareness, expand relationships, and draw top talent by demonstrating that the company cares and invests where its employees and stakeholders live, work, and play. Many corporate foundations' place-based initiatives maintain a legacy of grantmaking in operating communities, which makes employees and executives proud to work for a company committed to giving back. Corporate foundations certainly improve brand visibility, perception, and reputation when they are invested in specific geographies, especially when they do not have a vested corporate presence but are doing so because of significant community disparities.

International Grantmaking

If a company has a global presence or supports charitable causes outside its headquarters country, international grantmaking is a complementary option for a corporate foundation's grant portfolio. Per *Giving in Numbers* 2021 data, as noted in Figure S-2, companies with foundations distribute more of their TCI internationally than do those without, with a 13.2% median international percentage of TCI, compared to 10.1%. International investment is also higher, with a median of US$3.76 million among companies with foundations, compared to US$0.56 million among those without a corporate foundation.

Each country has different laws on how companies may financially support the social sector and each country has its own foundation equivalents. Companies must be careful to develop relationships in emerging or current markets without

Figure S-2

COMPARISON: INTERNATIONAL COMMUNITY INVESTMENTS, 2021

	Companies with Foundations (n=103)	Companies without Foundations (n=27)
Median International Investments as a Percentage of TCI	13.2%	10.1%
Median International Investments	US$3.76M	US$0.56M

Source: CECP's *Giving in Numbers* data set

Giving in Numbers: 2022 Edition

INTERNATIONAL CONTRIBUTIONS VALUE

Companies that establish more than one foundation often do so outside their headquarters country to support global grantmaking programs. Companies with more than one foundation continue to have a significantly higher median international community investments level than those with just one foundation: US$14.9 million compared to US$2.5 million.

LEGAL PIN

GOVERNMENT AGENCY GRANTMAKING

Corporate foundations may provide grants to government agencies without completing expenditure responsibility (ER) or equivalency determination (ED), through formal grant agreements that outline a demonstrable charitable purpose. Corporations may also provide grants to government agencies, with greater flexibility in defining charitable purpose, although companies must be careful of regulations when considering opportunities outside the U.S.

violating the Foreign Corrupt Practices Act (FCPA) or company policies. Corporate foundations may grant directly to non-U.S.-based organizations for charitable purpose; to make international grants, corporate foundations must use equivalency determination (ED) or expenditure responsibility (ER) to ensure international grantees are using funds for charitable purposes. Corporate foundations may partner with a third-party intermediary or outsource ED or ER activities to ensure that the IRC requirements are met for all grantees. These restrictions apply only when the foundation is a private foundation. Public charities are not generally subject to the ED or ER requirements, except when the grants are made from a donor-advised fund (DAF).

As seen in Figure S-3, a CECP Pulse Survey from May 2022 asked, "How does your company conduct international grantmaking?" Twenty-four percent of respondents indicated that they use ER in their corporate foundations, while only 12% use ED. Foundations may also use a U.S.-based charity, an intermediary, or a donor-advised fund for international grantmaking.

Figure S-3 **INTERNATIONAL GRANTMAKING**

LEGAL PIN

ED AND ER

Equivalency determination (ED) is a formal, legal process followed by a U.S. grantor to determine if a prospective grantee is the equivalent of a U.S. public charity. Expenditure responsibility (ER) is a formal, legal process followed by a U.S. grantor with documentation of expenditures to confirm that funds were used in a charitable manner and within the timeframe outlined in the grant agreement. ED and ER may be used for international entities, and ER may be used for international and domestic entities, including social enterprises as impact investing.

CORPORATE FOUNDATIONS ARE INTERNAL CHANGE AGENTS

Employee Engagement

Strong community engagement programs are part of a company's employee value proposition to both current and prospective employees. This section addresses volunteerism, matching-gift programs, employee assistance funds, and employee resource groups.

VOLUNTEERISM

Leading companies have developed strategic engagement opportunities for employees. As agents of community change inside large companies, corporate employees seek out their corporate foundations; the corporate foundation staff play a broker role by connecting company leaders who are passionate about helping society with the community organizations seeking their help. The corporate foundation itself may create clarity and gravitas around program area pillars and it may be responsible for delivering employee engagement programs or it may be a liaison between them and the company. CECP's *Value Volunteering* report highlights companies' "built-in and built-for" business results of corporate volunteerism programs, many of which are led by the corporate foundation.

As noted in Figure S-4, companies with foundations, on average, have 4.5% higher volunteer participation rates and 0.5 more volunteer hours per employee than companies without foundations. The percentage of companies with foundations offering skills-based volunteer programs is also 11.5% higher than that of companies without foundations.

To examine further use of corporate foundation cash for employee engagement programs, CECP asked companies in a CECP Pulse Survey from February 2022, "Are your volunteering and matching-gift programs through your foundation?" The results shared in Figure S-5 show most companies are using their foundation to support employee engagement activities. Twenty-eight percent conduct all employee engagement (volunteering and matching gifts) through the foundation, and another 45% use the foundation for either volunteering or matching-gift programs. The company or the corporate foundation may cover program costs such as t-shirts or technology.

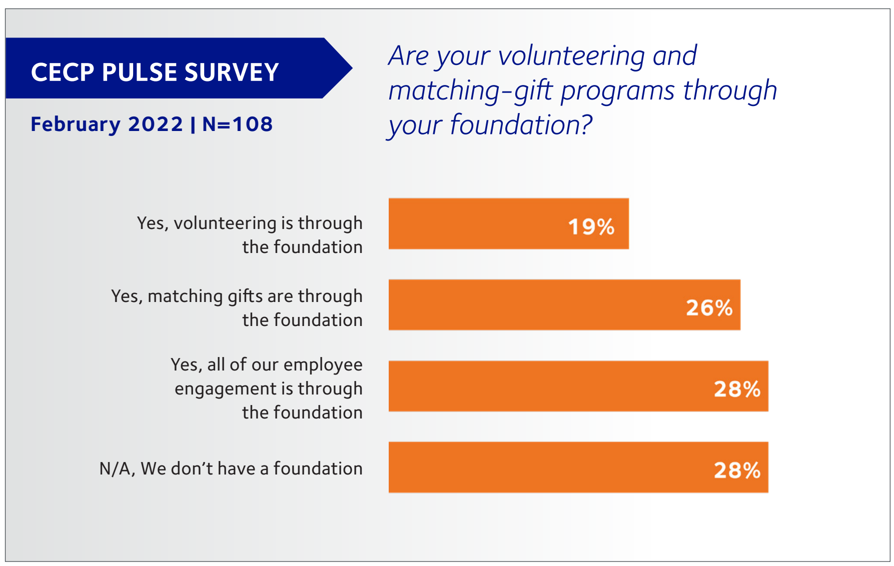
Configurations of support to employee engagement efforts vary, but CECP discovered that some companies are beginning to treat employee engagement as the impetus for establishing a corporate foundation.

Figure S-4 **COMPARISON: EMPLOYEE ENGAGEMENT, 2021**

	Companies with Foundations	Companies without Foundations
Offer Skills-Based Volunteer Programs	65.2% (n=181)	53.7% (n=41)
Volunteer Participation Rate (Average)	17.4% (n=125)	12.9% (n=31)
Volunteer Hours per Employee (Average)	1.85 (n=136)	1.36 (n=29)

Source: CECP's *Giving in Numbers* data set

Figure S-5 **FOUNDATION EMPLOYEE ENGAGEMENT**



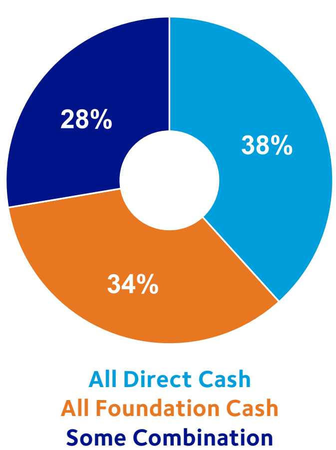
COMPANIES WITH CORPORATE FOUNDATIONS LEAD IN STRATEGIC EMPLOYEE ENGAGEMENT

MATCHING-GIFT PROGRAMS

Corporations sponsor matching-gift programs to amplify and support employees' personal charitable giving. These programs may be funded through direct cash, foundation cash, or combined funding. CECP's *Giving in Numbers* Survey and report track a range of matching-gift programs.

Matching-gift programs, whereby eligible company employees donate to a charitable purpose that is matched by a corporate contribution, have seen a gradual shift in oversight by corporate foundations. As seen in Figure S-6, in 2021 use of foundation and direct cash for matching gifts was almost evenly split: 38% of companies relied exclusively on direct cash for matching gifts while 34% used only foundation cash. Another 28% of respondents indicated use of both direct and foundation cash. Median total matching gifts was approximately US$700,000 higher among companies that used at least some foundation cash for matching-gift programs. Matching gifts also made up a slightly smaller percentage of total cash among companies that used at least some foundation cash for matching-gift programs; median percentages were 9-11% of total cash regardless of source.

Figure S-6
USE OF FOUNDATION AND DIRECT CASH FOR MATCHING GIFTS, 2021



n=188
Source: CECP's *Giving in Numbers* data set

Determining how the company and foundation will work together to manage employee engagement is important. Through partnerships and community support, the foundation can serve as an essential liaison among employees, the company, and the community. Designating interest and commitment through hands-on volunteer experiences, skills-based volunteer activities, matching gifts, workplace-giving campaigns, or employee board service with respect to program management by the company or the corporate foundation contributes to deeper results and solidifies another potential aspect of a foundation's collective community impact.

EMPLOYEE ASSISTANCE FUNDS

Employee Assistance Funds (EAFs), also known as Employee Relief Funds, provide short-term financial support during times of financial hardship resulting from emergencies such as natural disasters, home fires, or unexpected medical expenses. Many companies revisited their EAFs or established new ones early in the COVID-19 pandemic as employees and their immediate family members faced illness and some industries such as retail and hospitality were forced to furlough workers. Some corporate foundations are their company's EAF.

These funds afford a method for companies to offer monetary relief to qualified employees that is considered charitable by the IRS and therefore is not taxed in the same manner that direct employee compensation through the company would be. In addition, because these funds meet IRC guidelines for charitable purpose, U.S. donors can generally enjoy charitable tax deductions. This benefits corporations issuing support to the fund and individuals such as employees wishing to provide support to fellow colleagues in need and may allow employee donations to be matched.

Companies approach the governance, management, and funding of EAFs in a variety of ways and may elect to outsource some or all elements of management. Because managing incoming donations, providing customer service, reviewing applications in an objective manner—something that carries risks of self-dealing for employer-sponsored private foundations—and disbursing funds can require significant administrative resources, many companies elect to use third parties such as donor-advised funds. A CECP Pulse Survey from August 2020 asked companies to indicate whether their company's EAF is managed in-house or by an outside organization. While 29% of companies indicated they do not have an EAF, 33% of respondents shared that their EAFs management is all internal, with another 31% using all external management and 7% employing a combination of internal/external resources to manage their EAF.

EMPLOYEE RESOURCE GROUPS

Employee Resource Groups (ERGs) within companies can be valuable assets and partners to corporate foundations. While often initiated as an internal network of support for employees, ERGs can be instrumental in providing guidance on community investments and deepening the awareness of cultural competencies essential to authentic community engagement. As ERGs gain traction within companies, corporate foundations may partner with them to identify new nonprofit partners, deepen community relationships, and guide leaders in making culturally appropriate decisions and more equitable investments. Aligning with ERGs on potential partnership and grant reviews shifts power dynamics and fosters deeper stakeholder engagement on community-related matters. Many companies that moved away from employee grant review/recommendation committees are reimagining the opportunities for this engagement through the ERGs; ERGs that review grant proposals and steward partnerships help to include diversity voices at the decision-making table and in turn foster equitable grantmaking practices.

LEGAL PIN

SCHOLARSHIPS

Corporate foundations may offer scholarships, and it is important to consult with legal as scholarships serving employees and their children require a different set of rules than scholarships for the general public. General public scholarships emphasize publication of the scholarship, selection completed by an independent party, discrimination statements, and other rules. Employee scholarships have a seven-part requirement on facts and circumstances for pre-approval: inducement, selection committee, minimum requirements, objective selection standards, continuation of employment, course of study, and personal benefit. The test for employee scholarship grants is: 10% of the number of employees who were eligible, applied for scholarships, and were considered by the selection committee for that particular year. Additionally, scholarships for the children or dependents of employees must pass a two-part percentage test under which the number of employees (or children of employees) annually receiving scholarship grants does not exceed:

- Twenty-five percent of the number of employees (or their children) who were eligible, applied for scholarships, and were considered by the selection committee for that particular year; and
- Ten percent of the number of employees (or their children) who were eligible, regardless of whether they submitted applications.

CORPORATE FOUNDATIONS BUILD TRUST INTERNALLY AND EXTERNALLY

Communication

Corporate foundations' public disclosure, independent structure, and charitable purpose can promote credibility and generate trust among stakeholders, including nonprofits and the community writ large. Some nonprofits are sensitive to accepting funds from a company yet are less concerned about a corporation's influence if the grant comes from the corporate foundation. It is the perception of distance from the company that provides trust in corporate foundations' mission to serve charitable purposes and not sell products or services.

The company benefits from having a separate entity: the corporate foundation has a brand-building halo for a company, both in its operating communities and in communities around the world where it sells its products and services. The corporate foundation's work lends substance and a window into the values of the company. The reputational benefits with key stakeholders are often-cited examples of how a marketing campaign might not have the same impact as a corporate foundation community investment in building trust and loyalty. Social reputation surveys document stakeholder perceptions and relationships, and corporate foundations' contribution to those results can be analyzed. Corporate foundations provide a seriousness to a company's commitment to community, and since few corporate foundations have their own exclusive communications staff but partner with corporate communications teams, the interconnected narrative bridges the corporate purpose narrative.

As Changing Our World noted in its paper "The Authenticity Opportunity" (2018), companies and their corporate foundations demonstrate substance with long-term commitment and strategy, skin in the game through their own investments, leveraging core assets, and third-party advocates. As corporate foundations build trusting partnerships internally and externally, their genuine work becomes clearer; sharing results in sustainability reports, media releases, and other communication channels conveys the authenticity of the corporate foundations' intentions. Clearly defined communication expectations with partners are best infused into grant agreements. Corporate foundations will share grant announcements, nonprofits' progress, and achievements on employee-facing channels while also ensuring that external audiences learn about partners' work.

Business Alignment

For leaders creating a new framework for a corporate foundation or refreshing an existing strategy for greater clarity and broader sharing with the field, CECP recommends leveraging the Intent Matrix, Issue Monitor, and Impact Models shared in *Simplifying Strategy: A Practical Toolkit for Corporate Societal Engagement*, a report by FSG in collaboration with CECP. The Intent Matrix guides discussion on the engagement approach and business motivations. The Issue Monitor provides a model to assess the company context of opportunities/constraints, as well as unique contributions alongside the external context of peers and community factors to help identify the best issues to address. These frameworks assist corporate foundations and corporate community investment programs together or separately. They also provide a visualization for corporate foundations to see where current programs fall and to assess if emerging strategies should consider other approaches.

Corporate foundations often work on challenges such as educational disparities and workforce pipeline development. The corporate foundation can fund societal needs but cannot guarantee employment of individuals by the company. Often the president of the corporate foundation is also the Chief DEI Officer for the company, and at those companies the blending of DEI priorities for the corporate foundation is aligned with company priorities even as they each have distinct models for delivering results. Often there are community development infrastructure investments that the corporate foundation will make to support society as a whole. Corporate foundations work in new and emerging company markets on charitable purpose. Companies must work very closely with their legal teams to ensure alignment does not cross the self-dealing line.

Corporate foundations facilitate stronger grantee relationships and partnerships through a direct connection and provide an accessible community presence for the company. Corporate foundations often also coordinate inside companies and support a broader range of investments (including in-kind donations and pro bono), complementing grantmaking. In certain instances, corporate foundations may choose to partner with third-party entities on fiscal sponsorships for funder collaboratives supporting catalytic impact. By bringing others to the table and pooling financial, staff, and other resources toward a shared passion, foundations improve the coordination of outcomes over time.

CASE STUDY: *CarMax, Inc. (NYSE: KMX)*

The CarMax Foundation (CMF)

FOUNDED	2003
TAX STATUS	Grantmaking
FUND SOURCE	Pass-through; KMX accrues funds throughout the year and then distributes to CMF to grant in the following year.
FOCUS AREAS	CMF's mission has evolved from driving-related causes to promoting the causes its associates care about to impact the communities where they live and work. Focus areas include resilient communities, health and wellness, and education and workforce success. KMX's direct corporate giving is aligned with these issue areas, as well as disaster relief and strong military families.
GOVERNANCE	Board membership includes KMX leaders at the AVP level and above; members are appointed by CEO.
EMPLOYEE ENGAGEMENT	Focus on giving aligned with volunteerism and employee engagement with most funds distributed via Volunteer Team-Builder program, matching gifts (hours and dollars), board services grants, and Care Cards.
INTERNATIONAL	CMF supports only U.S.-based nonprofits and schools.
OPERATIONS	Staff share responsibilities for both foundation and corporate community investments; KMX VP of CSR reports to the company's General Counsel and Chief Human Resources Officer.
STRATEGY	Supporting causes most important to KMX associates increases equitable access and employee engagement; employee voice is an integral component of CMF's strategy of enabling and empowering employees to give back.
INNOVATION	Applying KMX business model of innovation including pilot-testing to CMF with a focus on reducing barriers to engage employees resulted in enhancements and new programs. CMF recognized that employees often have greater access to their phones than computers and sought mobile-friendly innovations. An annual service award evolved from employee essay submissions to 90-second applications for employees to nominate a cause/organization for funds that other employees may then vote to support. CMF also uses crowdsourcing and voting to encourage employees in selecting transformational volunteer projects that increase participation, even by call center employees who have less flexibility to volunteer. Recognizing that employees may not have disposable income to donate, CMF provides all employees with US$50 virtual care cards to contribute to causes they care sabout.

CASE STUDY: *Kimberly-Clark Corporation (NYSE: KMB)*

Kimberly-Clark Foundation Inc. (KCF)

FOUNDED	1952
TAX STATUS	Grantmaking
FUND SOURCE	Pass-through; 1% U.S. pre-tax profit budget for KCF, accrued and spent on quarterly basis.
FOCUS AREAS	Supporting global causes that create lasting social change in the areas of maternal and child health, empowering women and girls, access to clean water and sanitation. Additional programs include disaster relief, DEI, environmental, and local services community investments.
GOVERNANCE	Board is comprised of KMB executives including CEO, CFO, Treasurer, Tax leader, and Corporate Treasury leader; there are both senior and mid-management leaders.
EMPLOYEE ENGAGEMENT	U.S.-based, employee-facing programs such as volunteer grants, matching gifts, workplace giving, and college scholarships for KMB dependents are managed and funded by KCF; majority of KMB business is outside U.S., so KCF provides giving toolkits including volunteer engagement and suggestions to global regions.
INTERNATIONAL	KCF makes international grants through U.S.-based charities with international networks.
OPERATIONS	KCF partnership with KMB focuses on support and flexibility. In-kind donation operations exemplify this agility, as KCF owns policies and procedures and serves as an advisor for the millions of in-kind donations and financial grants across the global business; regional and local businesses, brands, and warehouses hold products and advise on granting decisions. Operations are also adaptable as locally driven programs in some countries are self-sufficient and do not need funds from KCF.
STRATEGY	KMB is defining a path to become a purpose-driven company, with a goal of serving one billion people by 2030. KCF recognizes that this goal will not be achieved through traditional grantmaking alone and works closely with KMB global brand portfolio to determine brands' impact goals and integration with the consumer-facing side. KCF manages risk and financial concerns through periodic benchmarking; leveraging data has reaffirmed that KCF is advancing its impact goals and helped KCF identify opportunities for even greater progress on purpose.
INNOVATION	KCF develops partnerships with nonprofits, sets up grant agreements, and establishes long-term outcomes metrics. KCF co-creates and advises KMB brands around the world on how KCF partnerships can be embedded within the business to address regionally important issues. Example: KCF funded maternal and child health programs in 13 countries and the Huggies brand activates the program commercially through social media, digital ad campaigns, local activations, and at point of purchase as "No Baby Unhugged." Over the last several years, KCF has narrowed from a broad "strengthening families" focus with smaller impact to big bets that provide a robust structure, evolving from philanthropy to corporate social responsibility, shared value, bottom of the pyramid, and more transformations ahead with KCF and brand alignment.

CASE STUDY: *Comcast Corporation (NSDAQ: CMCSA)*

	The Comcast NBC Universal Foundation (CNUF)	**Universal Orlando Foundation Inc.** (UOF)	**Universal Studios Hollywood Discover A Star Foundation** (DASF)
FOUNDED	1999 (as Comcast Foundation; merged with endowed NBC Universal Foundation and Dreamworks Foundation in 2018)	1998 (tax exempt since June 1999)	1994
TAX STATUS	Grantmaking	Public Charity	Public Charity
FUND SOURCE	Pass-through; reviewed annually with funding decisions based on timing and availability of cash/investments to align with grantmaking commitments.	Funded from corporate, Team Member workplace giving, and annual fundraising activities.	Funded from annual fundraising activities, corporate "round up" the change program, and employee donations.
FOCUS AREAS	Commitment to digital equity with three strategic areas: connectivity, skills and creativity, and small business and entrepreneurship.	Promote quality of life in central Florida community, addressing needs and concerns primarily in areas of education, children, family, and basic needs.	Support local organizations and projects that empower individuals and families to lead more productive and fulfilling lives with a focus on addressing issues surrounding alleviating poverty and children facing critical illness.
GOVERNANCE	Board is comprised of C-suite and executives from across the business units and functions at Comcast and NBCUniversal, including a retired Comcast executive.	Board is comprised of executives from Universal Studios Resort, Universal Parks and Resorts, and external leaders; separate from CNUF board.	Board is comprised of executives from Universal Studios Hollywood.
EMPLOYEE ENGAGEMENT	CNUF is the funding source for the Comcast NBCUniversal Matching Gift Program; employee volunteerism is managed by both CNUF and CMCSA.	Universal Orlando employees may participate in the Comcast NBCUniversal Matching Gift Program and are encouraged to contribute; community partners are recommended by employees.	Universal Studios Hollywood employees may participate in the Comcast NBCUniversal Matching Gift Program and elect to match their donation to the DASF should they choose. Employee volunteer engagement opportunities is a consideration when evaluating partnership/grantmaking.
INTERNATIONAL	CNUF makes some international grants where CMCSA has theme parks and business units, and, from time to time, makes international grants for humanitarian efforts.	UOF focus is on central Florida.	DASF focus is to support organizations directly impacting Los Angeles County.

(continued)

CASE STUDY: *Comcast Corporation (NSDAQ: CMCSA) continued*

	The Comcast NBC Universal Foundation (CNUF)	**Universal Orlando Foundation Inc.** (UOF)	**Universal Studios Hollywood Discover A Star Foundation** (DASF)
OPERATIONS	CNUF does not accept unsolicited requests; CNUF works closely with the nonprofit sector to identify local needs across its footprint and programs/services to address them.	UOF does not accept unsolicited requests; UOF works closely with the nonprofit sector to identify local needs and programs/services to address them.	Applications are accepted year-round.
STRATEGY	CNUF is primarily focused on supporting Project UP, the company's comprehensive initiative to advance digital equity and help build a future of unlimited possibilities. CMCSA also leverages in-kind contributions, such as airing PSAs, in concert with CNUF funds, to benefit partner organizations.	UOF invites nonprofits to apply for grants from UOF's Issue Focused funds, which target arts and culture, basic needs, supporting children with critical illnesses or disabilities, and education; UOF also takes a holistic strategic approach to marry UOF's funding with the company's in-kind resources; UOF grant partnerships and strategic programs strengthen the Universal Orlando community.	In addition to alignment with DASF mission additional considerations include overall impact on the community (number of clients served/results), operating budget, overhead, previous support and volunteer/engagement opportunities.
INNOVATION	CNUF President also serves as CMCSA Chief Diversity Officer, which ensures equitable grantmaking and integration of DEI goals in philanthropic giving. Strategic focus on evaluation and reporting alongside intentional investments in local organizations and proximate partnerships.	Longstanding relationships with schools and nonprofit partners allow for iterative, innovative approaches to support education, youth, and basic needs in central Florida.	Long-term partnerships with several organizations that are addressing some of the most critical needs in Los Angeles County including affordable/accessible housing, food insecurity, and childhood wellbeing.

CASE STUDY: *New York Life Insurance Company (NYLIC)*

New York Life Foundation (NYLF)

FOUNDED	1979
TAX STATUS	Grantmaking
FUND SOURCE	Hybrid; NYLIC provides funding in addition to funds already in reserves; yearly targeted distribution of NYLF net investment assets; periodic strategic review to determine appropriate funds for expenditure or enlarging NYLF assets.
FOCUS AREAS	Childhood bereavement, educational enhancement, and social justice, while corporate community investments support disaster relief, event sponsorships, field/department grants, and other grants.
GOVERNANCE	Board is comprised of NYLIC CEO as Board Chair, one agent, and other role-dependent directors including General Counsel, NYLF President, and other NYLIC functions. Based on a recommendation from the corporate responsibility team, the NYLF board will soon expand its size for more employee representation to increase racial diversity and provide development opportunities to director-level employees.
EMPLOYEE ENGAGEMENT	NYLF manages and funds employee engagement, including annual giving campaign, individual grants, team grants, acts of kindness, and matching gifts. Limits matching gifts to organizations that align with focus areas.
INTERNATIONAL	U.S.-focused with some grantmaking in Mexico. NYLIC has asset-management boutiques in other countries and any grantmaking in those locations operates outside NYLF.
OPERATIONS	NYLF team handles grant disbursements and makes a slate of recommended grants to board for approval. When NYLF makes a grant, it also has an agent network of 150 offices to leverage for deeper engagement and volunteerism. Matching-gift program is limited to focus areas; all other engagement programs are open.
STRATEGY	NYLF's focus on childhood bereavement is unique and has made a huge impact as its primary, newer focus area over the past 10 years. Education has always been a priority for NYLIC and NYLF. NYLF's focus on educational enhancement for middle school students includes out-of-school programs (both after school and summer enrichment) and social emotional learning (SEL); this aligns with childhood bereavement and has assisted with on-time grade level attainment, which has long-term impacts on financial health. NYLF works closely with the company's office of DEI and employee resource groups (ERGs) and partners with ERGs on their partnerships, including sponsoring tables at fundraising events of ERGs' choice. Team manages a weekly "Cheers for Charity" event where proceeds benefit a nonprofit, generally aligned with one of the ERGs. While always providing for the underserved, NYLF intentionality on social justice and racial equity grantmaking provides more flexibility to move beyond bereavement and education in its funding.
INNOVATION	Continuing efforts launched as a result of COVID-19, NYLF recognizes and supports employee and agent acts of kindness in providing employees with a cause card for nontraditional volunteerism conducted outside of a formal nonprofit (e.g., checking in on an elderly neighbor) or for participating in DEI-related programming; the cards can be used to donate to organizations of their choice. NYLF worked closely with NYLIC marketing team on *Kai's Journey*, a book series about a child who loses a parent, to increase its outreach on childhood bereavement. NYLF launched the Brave of Heart Fund with Cigna Foundation to provide charitable relief grants to families of frontline health care workers and volunteers who lost their lives because of COVID-19. The fund aligned with the company's mission of providing continuing support for people who have lost loved ones. NYLIC team's specialized insurance skills supported the Fund with the claims team providing management of the verification process for grant applications of families of frontline workers.

CASE STUDY: *Prudential Financial, Inc. (NYSE: PRU)*

Prudential Foundation Inc. (PF)

FOUNDED	1977
TAX STATUS	Grantmaking
FUND SOURCE	Pass-through; multi-year reserves are invested and deployed for grantmaking and program-related investments (PRIs).
FOCUS AREAS	PF provides grants to advance economic mobility and create shared prosperity by: • Building equitable pathways to wealth creation • Transforming urban systems to drive inclusive economic growth • Strengthening organizational capacity of nonprofit organizations to manage change effectively and achieve sustainability • Supporting global disaster relief and recovery efforts. PRU corporate contributions support business-aligned partnerships that advance both business priorities and social impact.
GOVERNANCE	Half of the board of trustees is comprised of PRU board of directors; the other half is CEO and senior PRU executive leaders reporting to the CEO.
EMPLOYEE ENGAGEMENT	PF funds matching gifts and volunteer grant programs for U.S.-based employees and manages a robust employee engagement program for all employees including both skills-based and hands-on volunteering globally.
INTERNATIONAL	Conducts international grantmaking as expenditure responsibility (ER) and equivalency determination (ED) through U.S.-based third-party intermediaries. Additionally, PRU business units around the globe sometimes provide grants in their local communities.
OPERATIONS	Delegation of authority establishes a decision threshold of high grant levels go to PF board, middle grant levels to PF President and PF Board Chair, and smaller grants to PF President. Majority of social investments are strategic philanthropy.
STRATEGY	Founded on the principle that financial security should be within reach for everyone, PRU is guided by a core belief that profits and social progress, working together, can benefit all stakeholders. In February 2020, PRU reached US$1 billion in assets under management in the impact investing portfolio. PF provides catalytic capital for organizations on the frontlines of creating inclusive workplaces, thriving communities, and accelerating economic mobility for all.
INNOVATION	PRU's place-based community investments are robust, particularly in Newark where PRU was founded and is still headquartered. PRU identifies as an anchor institution and takes its role and responsibility in the local economy seriously, from procurement to human resources talent acquisition to community investments. In Newark, PF makes deep and wide investments ranging from citywide intermediaries to affordable housing to small business development to arts and culture. PF/PRU actively engage with Newark's leadership, the mayor's office, local government leaders, nonprofit partners, and community members. PF/PRU capacity-building efforts include a Prudential Nonprofit Accelerator where senior leaders were paired as coaches for local community development corporation (CDC) CEOs, pro bono programs for nonprofits and small businesses, and a board service program for executive, diverse, and emerging leaders. There are also two lines of impact investments: PRIs only to nonprofits are made by PF from its reserves, while PRU corporate impact investment sources, underwrites, and invests PRU capital funds in for-profits.

CASE STUDY: *United Services Automobile Association (USAA)*

	USAA Educational Foundation (USAAEF)	**The USAA Foundation Inc.** (USAAF)
FOUNDED	1986	2005
TAX STATUS	Operating	Grantmaking
FUND SOURCE	Endowment; portfolio held by independent custodian and managed by USAA investment team; interest on endowment is funding source for all operations in alignment with IRS minimum spend requirements.	
FOCUS AREAS	Financial readiness education for military and local community.	Military family resilience and supporting local communities.
GOVERNANCE	USAAEF board of governors consists of five USAA executives and one external individual. Board meets 3-4 times per year and maintains two advisory committees. The only C-suite member is Chief Strategy and Brand Officer. Serving on board is a development opportunity for USAA executives. The same individuals serve on the USAAEF board and the USAAF board. Of note, USAA's Chief Communications and Corporate Responsibility Officer, Chief Accountant, and Chief Actuary also serve on the USAAEF board of governors.	
EMPLOYEE ENGAGEMENT	N/A; employee matching gifts and volunteerism managed by USAA Corporate Responsibility.	
INTERNATIONAL	N/A	Focus on U.S.
OPERATIONS	Staff dedicated to work of USAAEF are employees of USAAEF; operates its own programs and creates own materials.	USAAF's grantmaking operations are in alignment with USAA Corporate Responsibility strategy and all grants to qualified nonprofits are aligned with strategic focus areas and impact targets. USAAF is committed to grantmaking best practices and due diligence in support of its purpose and in compliance with all applicable governing law. All grant agreements include KPIs for philanthropic impact areas; only grant to 501c3 nonprofits. Staff working on USAAF are employees of USAA.
STRATEGY	USAAEF offers extensive online, free, education materials to benefit financial choices at every stage of life, including videos, articles, courses, publications, and infographics on a variety of subjects. USAAEF works directly with the U.S. military, per a gratuitous services agreement with the Department of Defense.	USAAF's vision is to be the leading military-focused foundation; USAAF strategy aligns with corporate responsibility (CR) strategy. USAA's CR strategy was created in 2014 informed by extensive research to align its CR and grantmaking strategies with USAA stakeholder priorities. USAAF, USAA corporate, and USAA bank now all have policies, standards, and procedures aligned with the CR strategy. USAA reviews and adjusts its CR strategy periodically to remain agile, leveraging ongoing quantitative and third-party research to reflect evolving stakeholder expectations and evolving needs within the military and local community.
INNOVATION	USAAEF's partnership with Texas A&M University is the first of its kind to provide educational content to active-duty U.S. military personnel on financial planning and build financial readiness immediately in life and in leading troops. The curriculum prepares future military leaders to both make sound financial decisions for themselves and counsel others.	USAAF has gone through a transformation over the years, evolving from a more "confetti" approach to grantmaking (see p. 49) to a signature cause/ecosystems change model tackling large issues for military families. USAAF is involved in public-private partnerships, research investments, and a significant commitment to military caregivers. In 2022, USAAF launched a new initiative focused on military and veteran suicide prevention and champions mental health and wellbeing for military service members and their families.

INNOVATION

In this report, corporate foundation innovation describes new ideas, methods, practices, technologies, and partnerships to lead in society, pushing boundaries beyond what is typically expected. There are many types of innovation, including incremental, disruptive, and radical, and each corporate foundation must find its own innovation path; ideally the entire enterprise pursues it and wants the corporate foundation to be a part of that journey.

A corporate foundation may be:

- Integrating seamlessly with multi-sector stakeholders and the company;
- Innovating on company values;
- Discovering new ways to put innovative practices into action through the foundation;
- Testing different concepts;
- Adopting fresh engagement strategies; and
- Transforming the ways business and community drive results and improve outcomes together.

Corporate foundations are fulfilling corporate purpose and setting the stage for companies to expand their future work in the marketplace and society. Leading corporate foundations respond with agility to changing community and business needs. There's no one universal method for innovation in corporate foundations, yet there are four core design elements that foundations share: social incubation, systems change, impact investing, and ESG integration.

Social Incubation

Corporate foundations can be a mechanism for innovation in corporate purpose. They can be nimbler than corporations and have the flexibility to spearhead ideas, test hypotheses, and build community relationships for collective social action across the business and its stakeholders. Corporate foundations are integral to developing multi-stakeholder relationships, partnerships, and collaborative frameworks; they afford companies the latitude to pilot and investigate new approaches in corporate purpose.

RISK CAPITAL

Innovation in corporate foundations is parallel to providing "risk capital" for innovation across the social sector. In for-profit investments, risk capital is dedicated to speculative business opportunities with varying yields, maturity, and transparent risks. Whereas companies' high-risk, high-reward investments target financial returns, corporate foundations' social investments target social change. Corporate foundations understand that for their social investments to have a positive impact on societal issues and those most in need, they must address accompanying risks with enough money and time to achieve success. For example, the returns for investing in employing formerly incarcerated individuals or providing education for an underserved population in a developing country outweigh the risks because the value to society when the

TERMINOLOGY

CORPORATE FOUNDATION DESIGN ELEMENTS: INNOVATION

Social Incubation — Risk capital, seed capital, and partner-centered capital

Systems Change — An ecosystems change that advances equity

Impact Investing — Instruments that achieve financial returns and positive, measurable economic, social, or environmental returns

ESG Integration — Business integration on Environmental, Social, and Governance (ESG) initiatives and reporting initiative proves successful is so high. This perspective runs counter to the traditional corporate foundation model of making only "safe bets."

SEED CAPITAL

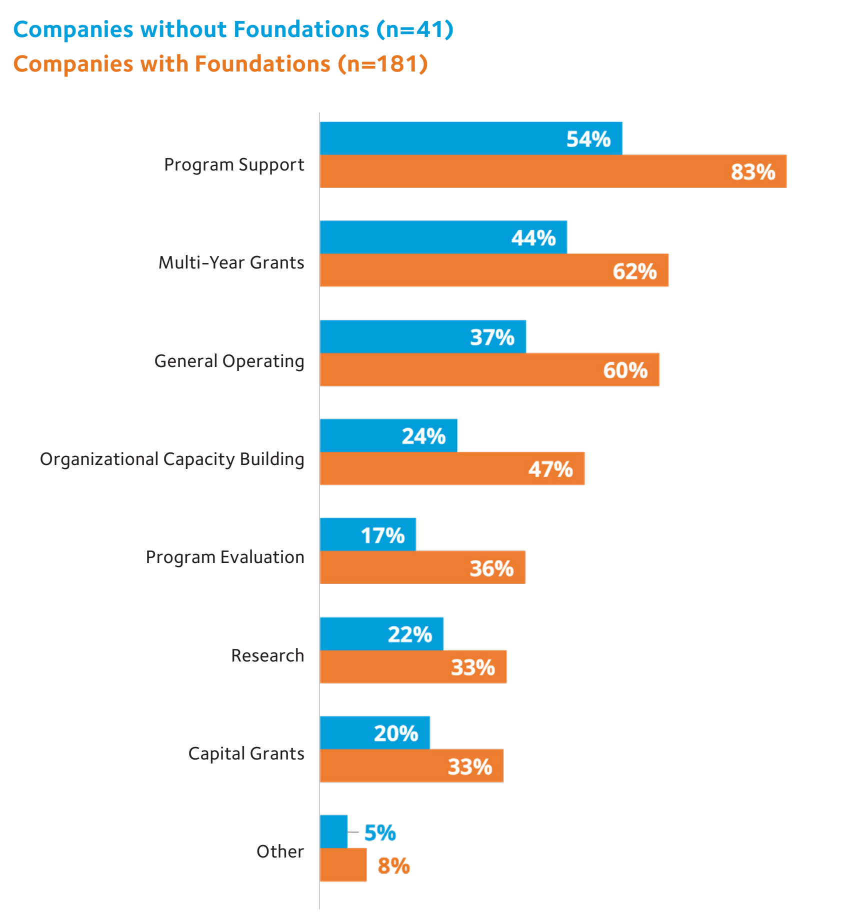
Leading corporate foundations treat their social investments as seed capital for unproven social sector innovations. Corporate foundations are serving as incubators for new ideas and catalysts for experimentation. They offer a playground and a platform to explore concepts, finance hypotheses, and uncover improved systems to support communities. As distinct entities from their companies, corporate foundations have the advantage of, and have demonstrated success in, building the trust needed to work with and for communities as true community partners. Together, corporate foundations and communities are identifying and offering proven solutions that can shift to the company for more significant investments without corporate expectations and thresholds for returns from the onset.

PARTNER-CENTERED CAPITAL

One way that corporate foundations incubate ideas is to expand and evolve grantmaking to support their trusted partners and communities that need capital to explore and solve big problems. CECP research shows that companies with foundations were much more likely to issue grants beyond program support than were companies without foundations. Figure I-1 shows how, in a 2021 *Giving in Numbers* Survey, 83% of companies with foundations indicated that they fund grants for program support, while only 54% of companies without foundations did. Companies with foundations were also much more likely to fund multi-year and general operating grants (62% and 60%, respectively) compared to companies without foundations (44% and 37%, respectively). Corporate foundations are also more likely to fund capacity building, program evaluation, research, and capital grants. These types of grants offer grantees flexible funding or opportunities to experiment on a new idea. Grants beyond program support also help grantees drive organizational and operational excellence.

Corporate foundations are increasingly recognizing the unintended disparities caused by selectively funding programs and not providing general operating support to advance societal needs. CECP advises corporate foundations to consider the ripple effects grantmaking may have on nonprofit partners. Research by The Bridgespan Group on the "Nonprofit Starvation Cycle" and implementation plans led by Fiscal Management Associates (FMA) elucidate the consequences of prevailing grantmaking conventions.

Figure I-1 **COMPARISON: TYPES OF GRANTS FUNDED, 2021**



N=222
Source: CECP's *Giving in Numbers* data set

The insights show the project funding that nonprofits continually receive leads to a lack of true-cost accounting on what is required to provide the programs. Many funders avoid covering indirect costs, which leads to persistent deficits for the nonprofits, which must then dip into operating reserves. Amidst this inadvertently caused financial instability, grantees may also feel pressure to underreport and unable to advocate for their needs, given the power imbalance. Many grantees lack the financial acumen to foresee the long-term effects of this dysfunctional funding paradigm. Corporate foundations are implored to pay at least a program's fair share of indirect costs (ask for grantees' indirect costs rate) and, with a true-equity lens, to provide nonprofits with flexible, multi-year, unrestricted enterprise-level support.

Systems Change

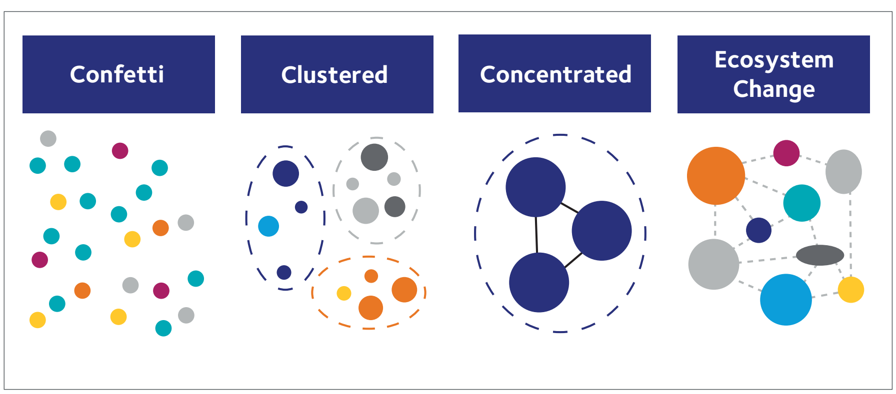
ECOSYSTEMS CHANGE

Companies and their corporate foundations have many ways of engaging with society to address issues. Figure I-2 shares the Impact Model framework from the *Simplifying Strategy* report by FSG in collaboration with CECP. This framework provides options on how to determine engagement in issues and helps to create the implementation and execution plans based on the chosen model. The more a corporate foundation moves from the left (Confetti Model) to the right (Ecosystem Model), the more that corporate foundation shifts away from funding the symptoms of problems and toward addressing the root causes of those problems.

Corporate foundations that are leading systems change share a few characteristics of their priorities and partnerships. These include:

- Leveraging multi-stakeholder, multi-sector coalitions and partnerships to identify root causes and address problems holistically;
- Assessing potential approaches as well as potential barriers; supporting government and academic partners, national agencies in countries abroad, and hyper-local agencies in operating communities;
- Addressing complex policy barriers through field-expert research and advocacy on scalable solutions;
- Relinquishing control and attribution of progress; sharing credit with partners;
- Taking a long-term view and making sustained, multi-year commitments;
- Integrating cross-enterprise values and assets.

Figure I-2 **IMPACT MODELS**



EQUITY

Many corporate foundations have initiated and led equity-focused systems change for decades. Additionally, there are many corporate foundations assessing how to lead their work with a greater prioritization of equity. Leading corporate foundations have identified the systemic and historical barriers that stand in the way of equity and develop partnerships, programs, and new systems to replace structural impediments with opportunities and possibilities to advance civic engagement, education, employment, health care, housing, and other cultural and socio-economic institutions and the communities they serve.

Equity is a long-term goal and requires a level of commitment beyond the basic model of community investments. Equity is not suggested for corporate foundations that prefer to measure the inputs, activities, and outputs of their nonprofit partners; the basic model has a significant volume of work, absolutely creates change, and makes a difference in many lives. Often corporate foundation teams are asked about the "return on the investment"; it is important to reframe those conversations. A commitment to equity requires significant planning, a honed vision, and patience for realizing results longitudinally. CECP advises all companies to adopt long-termism in their approach to capital markets, setting long-term goals and providing transparency on their progress. CECP advises corporate foundations that this same approach can yield greater value in their social investments. Corporate foundation teams and boards are in a unique position to bridge internal corporate goals, assets, and insights into external societal needs with meaningful engagement by the full enterprise to achieve large-scale impact beyond five years, ten years, and more.

When companies issued statements about social injustice and committed to expanding equity-related investments in 2020, leaders at many of those companies looked to their corporate foundations for guidance. Corporate foundations that had existing partnerships were equipped to activate quickly, deepen those partnerships, and provide support to organizations addressing inequities within communities of significant need. Corporate foundation grants have seeded research studies, pilot programs, and community-based initiatives to drive access to resources and opportunities. Corporate foundations have leveraged relationships with key stakeholders such as government agencies, nonprofits, and academia to understand universal challenges and collectively work to address historical injustices. Corporate foundations are supporting and catalyzing change through grants, solutions, and partnerships, often in disinvested areas.

As defined in CECP's 2018 report *Diversity and Inclusion in Corporate Societal Engagement*, equity is the "just and fair inclusion into a society in which all can participate, prosper, and reach their full potential." CECP observed that over the past four years companies have increasingly been addressing their diversity, equity, and inclusion (DEI) through their corporate responsibility programs, and that corporate foundations have increased their share of this work. Corporate foundations measure diversity metrics for prospective and current nonprofit participants, their staff, leadership, and board members, yet this assessment of representation, though necessary, is not sufficient. A more sophisticated measurement assesses whether programming is inclusive, if there are long-term outcomes, and how the missions of nonprofits are powering change forward and across communities. **The corporate foundations that build equity into their work are doing the following:**

- The staff in corporate foundations serve as external ambassadors who understand the complexities of community issues and have a larger stakeholder lens on their work; these staff members are also able to bring their insights back to the company and drive other changes internally.
- The leading corporate foundations integrate DEI strategy into their portfolio; it underpins their decision-making rubrics, evaluation models, and partner meetings. Some corporate foundations consider racial equity its own pillar, whereas others are clear they want to embed it in all that they do.
- Increasingly, the corporate foundation board and staff members wrestle with difficult questions: How can the corporate foundation provide grants to nonprofits to increase financial wellness while corporate practices might limit access to financial tools, investments, and wealth-building? How can the corporate foundation invest in charitable employment and social safety net programs while the company regularly hires contract/gig workers without benefits? And how can the corporate foundation provide funding and volunteers to support public schools if the corporation also lobbies against corporate taxes that provide revenue for schools?
- Nonprofit partners, using investments by corporate foundations, pursue outcomes that will have generational impacts, such as geographically targeted health care screenings for disease-burdened groups with limited access to health care services.
- Evaluation and measurement best practices track longitudinal outcomes, using disaggregated data to ensure specific populations needing services are being reached.
- These corporate foundations partner with nonprofits and other charitable purpose entities as equals, eschewing a power dynamic in which the funder thinks it knows best.
- The data is community-centered, not rolled into a few metrics dictated by the corporate foundation; the long-term systems change may have a few indicators that drive those metrics, but the real insights share both quantitative metrics and qualitative stories that help to provide the narrative on the realization of a shared vision.

Impact Investing

Corporate foundations are expanding their assets to increase community investments through impact investing. As defined in CECP's *Investing with Purpose* report and noted in Figure I-3, impact investing is "the use of traditional debt and equity instruments to pursue investments to achieve a financial return and positive, measurable economic, social, or environmental return." Impact investing may take the form of program-related investments (PRIs), mission-related investments (MRIs), or other tools. Corporate foundations may use a permanently restricted endowment or their investment reserve portfolios for impact investing; these are additional assets outside their broader community investment grantmaking budget. Whether the desire is to begin a place-based initiative within a particular business market or to enhance an existing community development strategy, corporate foundations are learning ways to multiply charitable purpose with impact investing.

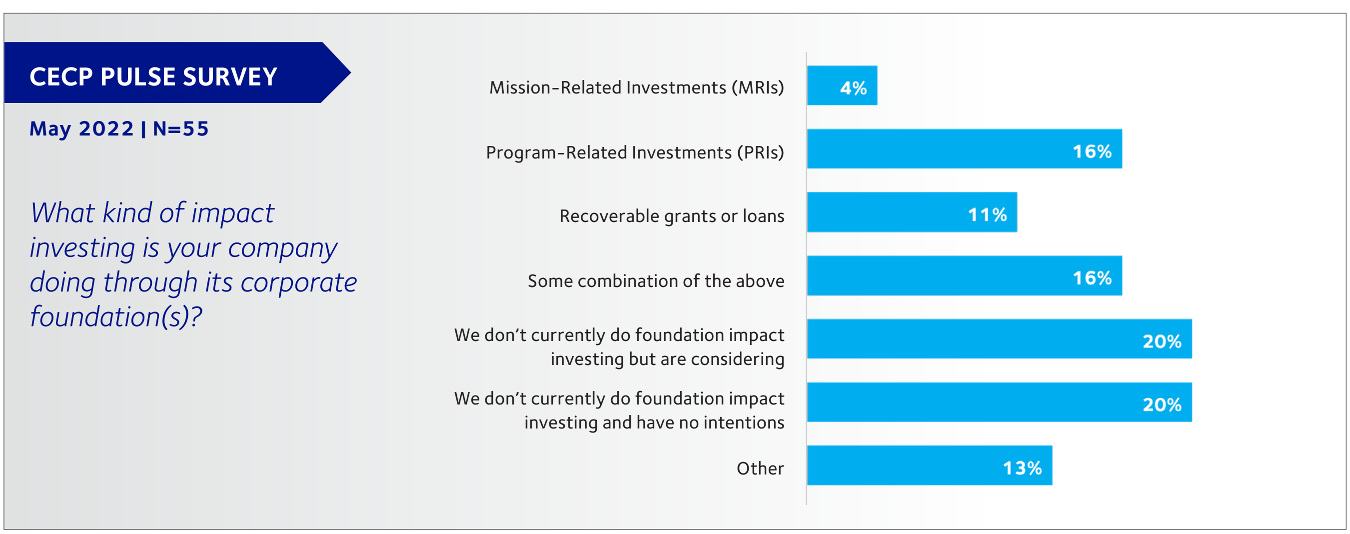
The most significant difference between impact investing and grantmaking is the expectation of a financial return. The return for impact investing is typically lower than that of traditional investments, as the primary goal is to incubate social impact and achieve systems change. Any financial return is reinvested into the social change initiatives of the corporate foundation. Charitable purpose must remain at the center of these investments. As seen in Figure I-4, a CECP Pulse Survey (N=55) from May 2022 asked, "What kind of

Figure I-3 **THE INVESTMENT SPECTRUM**

SOCIAL ⟷ **FINANCIAL**

Philanthropy	Venture Philanthropy	Program-Related Investment	Impact Investing	Sustainable Investing	Socially Responsible Investing	Traditional Investments
Pure charitable giving with no expectation of financial return	Donations used as seed capital for catalytic effect with expectation of operational sustainability over time through earned income models	Loans or equity investments focused on preservation of capital or below-market returns in exchange for social or environmental performance	Investments in companies, organizations, and funds to produce social and environmental impact alongside financial returns	Investments in companies that integrate Environmental, Social, and Governance practices into long-term strategy	Negatively screened investment portfolios that exclude companies or industries deemed "harmful"	Investments in financial assets for maximum risk-adjusted financial returns

Figure I-4 **FOUNDATION IMPACT INVESTING**



impact investing is your company doing through its corporate foundation(s)?" 16% of respondents favored PRIs over recoverable grants/loans and MRIs, while another 16% used some combination of the three. CECP encourages curious corporate foundation leaders to explore impact investing as a viable option to expand the impact of their community investments.

ESG Integration

Corporate foundations are shifting from business alignment to business integration through their ESG initiatives and reporting. Corporate foundations and companies are unifying over shared social concerns—those most likely to impact long-term business success and risk to societal stability—and collaborating on resource solutions for targeted populations or markets. For the corporate foundations leading ESG integration, social issues are business issues; they deepen work across business functions.

A CECP Pulse Survey (N=26) (see Figure I-5) from May 2022 asked, "How aligned is your corporate foundation to the ESG priorities of your company?" Eighty-one percent of respondents indicated a basic or intermediate level of alignment, with 19% of respondents indicating advanced strategic alignment. ESG integration is a continuum for corporate foundations, who enact their strategies at different rates and times.

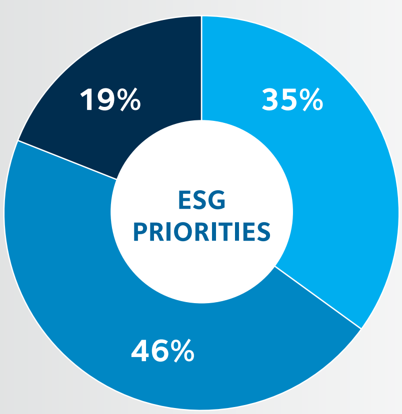
As the line between companies and their corporate foundation work narrows, companies learn about the broader aspects of society and the greater community role business can play in meeting societal needs. At the same time, corporate foundations navigate as a charitable entity, exercising all its functionalities to maximize community value and impact. Many companies and corporate foundations no longer view charitable grants and initiatives as simply being the right thing to do but as a business imperative, corporate catalyst, and community resource encouraging quantifiable social returns. As multiple stakeholders from consumers and employees to investors voice their expectations, corporate foundations are integral to sharing this value. Foundation data, initiatives, relationships, and outcomes often inform and always enhance ESG indicators, programs, reporting, and a company's sustainable investments.

Figure I-5 **ESG PRIORITIES**

CECP PULSE SURVEY

May 2022 | N=26

How aligned is your corporate foundation to the ESG priorities of your company?



BASIC (e.g., Community partner stories in sustainability report)

INTERMEDIATE (e.g., Foundation focus areas related to corporate priorities such as educational/workforce pipeline development, equity, sustainability)

ADVANCED (e.g., ESG framework shared by company and foundation for place-based, impact, and/or sustainable investing)

Corporate Foundation Archetype Matrix

There are benefits and challenges to any corporate foundation design. There is no one right way for a corporate foundation to lead. Additionally, corporate foundations may iterate their strategies with new leaders and as the company enters new markets or leaves product portfolios. While many corporate foundation teams want to lead ecosystems of change for their and the company's legacy, the reality is that every corporate foundation has the potential to do remarkable work.

CECP provides a Corporate Foundation Archetype Matrix (see Figure I-6) as a framework for companies to assess their model and consider how that model might change or evolve. The Archetype Matrix has two axes: one represents low-to-high integration in corporate purpose; the other represents low-to-high focus on ecosystems change. Corporate foundations will not necessarily fall neatly into one quadrant; their work will probably move fluidly along the matrix's continuums as they make and enact strategy decisions. Identifying where they are and want to be on the matrix will help companies become more intentional in deepening their strategies and ensure greater coordination enterprise-wide. A full portfolio likely affords many of these opportunities, which include programs that are strategic, market-responsive, employee-informed, and business development-driven; moreover, the programs might be funded by different budgets (foundation, sponsorships, HR, business lines). CECP has identified four archetypes of corporate foundations:

Community Collaborator: This corporate foundation prioritizes and is responsive to the communities where there are business operations; it has low integration in corporate purpose and low focus on ecosystems change.

Employee Organizer: This corporate foundation prioritizes the passions of employees and aligns across geographies and ERGs; it has a high level of integration in corporate purpose and low focus on ecosystems change.

Business Networker: This corporate foundation prioritizes the alignment of business strategy and societal needs; it has a low level of integration in corporate purpose and high focus on ecosystems change.

Impact Driver: This corporate foundation prioritizes societal systems change and work cross-enterprise and cross-sector; it has a high level of integration in corporate purpose and high focus on ecosystems change.

There are a few questions that leaders should ask to assess readiness and ripeness for the current and proposed archetype model:

- How ready is the corporate foundation team, in terms of skills and time, for the type of work needed internally to adjust leadership and employees?
- How ripe is the company to evolve externally with respect to its brand, reputation, and societal integration?
- How supportive will the company culture be of this model?
- How ready are communities for the corporate foundation to have a presence on these issues in the ways proposed?
- How intensely do multi-stakeholder leaders in the societal issue field want the corporate foundation's involvement?

Figure I-6 **CORPORATE FOUNDATION ARCHETYPE MATRIX**

LOW — *FOCUS ON ECOSYSTEMS CHANGE* — HIGH

HIGH — *INTEGRATION IN CORPORATE PURPOSE* — LOW

EMPLOYEE ORGANIZER

Focus areas and signature programs prioritize passions of employees (may be across many global geographies and/or headquarters)

Customize funding to align with ERGs and to engage employees as brand ambassadors to achieve systemic change and equity in society

IMPACT DRIVER

Cross-sector, cross-enterprise, initiatives integrated with business strategy and aligned on societal outcomes

Customize funding to center on corporate purpose across business units, and functions to achieve systemic change and equity in society

COMMUNITY COLLABORATOR

Focus areas and signature programs prioritize needs of specific geographies and/or headquarters

Customize funding to meet specific needs of communities to be responsive to where business operations are located

BUSINESS NETWORKER

Focus areas and signature programs prioritize initiatives that deliver both on company priorities and community needs

Customize funding to align with products, supply chain, and markets, including sustainability and societal needs

CASE STUDY: *Bristol-Myers Squibb Company (NYSE: BMY)*

	Bristol-Myers Squibb Foundation Inc. (BMSF)	**Bristol-Myers Squibb Patient Assistance Foundation Inc.** (BMSPAF)
FOUNDED	1965	1999
TAX STATUS	Grantmaking	Operating; in-kind contributions of prescription drugs.
FUND SOURCE	Pass-through; fund transfer is based on cashflow needs typically over three years, then reserves are spent down.	Pass-through
FOCUS AREAS	Health equity; cancer, cardiovascular and immunologic disease; clinical trial diversity in U.S.; and prevalent cancers in Brazil, China, and nine countries in Africa.	Provides certain BMY medicines to eligible patients free of charge in select geographies; medicines are donated in-kind by company to BMSPAF.
GOVERNANCE	Board is BMY C-suite with global health expertise.	Board is BMY non-C-suite leaders with expertise in medical and legal fields.
EMPLOYEE ENGAGEMENT	Funds matching gifts; no role in day of service and skills-based volunteerism.	N/A
INTERNATIONAL	Conducts all international grantmaking through BMSF as expenditure responsibility (ER) with extensive grantee reporting.	Eligibility residence in the U.S., including Puerto Rico and the U.S. Virgin Islands.
OPERATIONS	BMSF manages grant requests through one global portal and then determines if foundation will invite full proposal; BMSF deploys contractors including higher education partners and nonprofit consultants working with state/national governments to assist with grant success.	Management is outsourced to a vendor that assesses applications by individuals for eligibility to receive prescription drugs.
STRATEGY	BMSF focuses on health equity strategy and strengthening health systems linked with community capacity development to ensure that all vulnerable populations benefit from medical innovations. Long-term partnerships and commitments demand extensive monitoring and evaluation to ensure people get care they need. BMSF has built a web of long-term partnerships and commitments across public health agencies around the world and transfered learnings across many health needs. As BMY has changed its portfolio of diseases and associated treatments over time in response to changing public health issues and solutions, BMSPAF is able to redeploy its relationships to tackle new public health challenges. For example, with partners BMSF built the largest pediatric HIV network in the world; now it is collaborating to establish the largest pediatric cancer and blood disorder treatment program on the continent of Africa.	Patients have specific eligibility requirements for treatments based on annual household income; there is no charge for application, participation, or delivery.
INNOVATION	Aligned with its long-term view of outcomes and following the emergence of COVID-19 and the murder of George Floyd in 2020, BMSF began to think more broadly about health equity and medical training, focusing on increasing diversity in clinical trials by training 250 diverse clinical investigators and creating a pipeline program of 250 URM medical students.	

CASE STUDY: *Cisco Systems, Inc. (NASDAQ: CSCO)*

Cisco Systems Foundation (CSF)

FOUNDED	1997
TAX STATUS	Grantmaking
FUND SOURCE	Endowed primarily; occasionally receives annual pass-through funding for large initiatives.
FOCUS AREAS	Support nonprofits to leverage technology to benefit underserved and underrepresented populations. To reach people who are left behind and reduce the digital divide, CSF seeks tech-enabled solutions, whether programs delivered using technology or technology to drive organizational capacity and operations. CSCO corporate grantmaking shares this focus and is strategically aligned. CSF global grants program has four focus areas: crisis response, which includes humanitarian aid and access to food, shelter, and water; STEM education for school-age children and teacher-capacity building; economic empowerment via technical and professional skills for career development, entrepreneurship, and supporting the unbanked; and climate regeneration and sustainability solutions, a focus area unique to the CSF and that can be integrated into the other focus areas (e.g., skills development for green jobs under the economic empowerment pillar). Select place-based grantmaking for CSF includes local Bay Area grants and other partnerships.
GOVERNANCE	CSF board is primarily of CSCO employees, with one exception: the former CEO of CSCO. CSF board member selection focuses on diversity across grade levels, geographies, and business functions, and members hold director-level and above positions, serving two- to three-year terms.
EMPLOYEE ENGAGEMENT	Volunteerism and matching gifts supported by CSF, using a third-party vendor to distribute international matching gifts.
INTERNATIONAL	Conducts international grantmaking primarily using equivalency determination (ED) with occasional expenditure responsibility (ER) in specific instances (e.g., support in Ukraine).
OPERATIONS	Staff working on CSF spend half their time on foundation and half on corporate social impact and innovation team projects.
STRATEGY	CSF mission is to power an inclusive future for all, focusing on people who have been marginalized or do not have access to resources. CSF also examines the leadership and management of nonprofit partners, prioritizing those that mirror the communities they serve. The CSF global grants program has a long, successful track record of supporting tech-enabled, early-stage solutions. CSF investments are catalytic with equity outcomes, so CSF invests in a long-term strategy beyond check writing to include strategic coaching, technology donations, and other expertise to advance the grantees' pricing, organizational structure/governance, and impact measurement.
INNOVATION	CSF foray into impact investing is new in 2022, with CSF board-approved direct grant funds and climate impact investment funds to supplement grants for early-stage, high-potential organizations addressing CO2 emissions-reduction innovations. Largely through program-related investments (PRIs), CSF will develop an investment strategy and focus evaluation on environmental and social impacts, ideally expanding beyond the climate sector. Also, CSCO including CSF has committed to positively impact one billion people by 2025 and has engaged in an assurance audit to validate the number of unique people impacted and demonstrate positive impact. The number of individuals positively impacted to date is over 70% of the goal and the impact is proving to be deep.

CASE STUDY: *Citigroup Inc. (NYSE: C)*

Citi Foundation (CF)

FOUNDED	1994
TAX STATUS	Grantmaking
FUND SOURCE	Pass-through; transfer from Citi on annual basis.
FOCUS AREAS	Promote economic progress and improve the lives of people in low-income communities worldwide to increase financial inclusion, catalyze job opportunities for youth, and reimagine approaches to building economically vibrant communities. CF's "More than Philanthropy" approach leverages expertise of Citi and its people to drive thought leadership and innovation.
GOVERNANCE	Board is comprised of members of Citi's management team.
EMPLOYEE ENGAGEMENT	Matching gifts and volunteerism are funded by the company, not CF.
INTERNATIONAL	Conducts international grantmaking through CF, which 20 years ago was one of the first corporate foundations to develop a full system for funding international nonprofits. CF works with an external intermediary to distribute international grants but conducts all due diligence in-house first.
OPERATIONS	Driven transparency with more open Requests for Proposal (RFPs), which have increased volume of reviews but reduced the "Who do you know?" inequity. Reporting requirements for grantees are focused on impact (not pass/fail) to build learning and evaluation into the investment considerations. Large signature programs, such as Pathways to Progress, provide a long-term plan to create partnerships and see results.
STRATEGY	CF has prioritized multi-year, capacity-building, and core operating support/unrestricted funding to provide grantees with the opportunity to scale and innovate, since change does not happen in 12-month increments. This is trust-based philanthropy and allows nonprofits and their leaders to serve hard-to-reach, diverse communities with stable funding. CF seeks opportunities for Citi volunteers to engage with grantees of CF. COVID-19 was a significant social disruptor and the organizations CF works with play a critical role in an increasingly polarized civil society. Through strategic planning, CF is determining how to leverage its grantees' social role.
INNOVATION	Through its catalytic grant investments, the Citi Foundation has long supported innovations by community leaders and organizations that have propelled the field forward. Sharing the learnings from those innovations and listening to the evolving needs of communities help inform the philanthropic field at-large, as well as how Citi thinks about its impact as a global business. As social impact/ESG considerations are increasingly woven into how companies operate, learnings from the innovations funded by philanthropy help lay the foundation for greater scale through public and private sector interventions.

CASE STUDY: *Mastercard Inc. (NYSE: MA)*

Mastercard Impact Fund (MIF)

FOUNDED	2018
TAX STATUS	Grantmaking
FUND SOURCE	Pass-through; MA is sole donor.
FOCUS AREAS	Support inclusive growth: small business impact, financial security, impact data science.
GOVERNANCE	MA appoints MIF's independent board; current composition: former MA CFO, former Vice Chair, current Vice Chair, President Center for Inclusive Growth.
EMPLOYEE ENGAGEMENT	Employee match (other than PAC match and volunteer incentive agreements) is made through MIF. MIF also funds employee dependent scholarship program.
INTERNATIONAL	MIF provides grants to U.S.-based charities and foreign equivalents or to non-charities, both U.S. and international, in furtherance of MIF's charitable mission (for the latter, through expenditure-responsibility grants). Grants have been made in the U.S., Europe, Africa, and Asia.
OPERATIONS	MIF has been operational since 2018 based on a MA public commitment of US$500 million dollars to scale up MA philanthropy. MIF acts in furtherance of its charitable mission and is administered primarily by Mastercard Center for Inclusive Growth (MCIG), a separate corporation founded in 2013 to foster insights, impact, and influence around financial inclusion and inclusive growth. MA employees lend pro-bono hours to administer MIF, which has no FTE. MIF provides the matching financial support for some employee match programs.
STRATEGY	MIF supports inclusive growth-related insights, investments, innovation, and impact. MIF supports MCIG to build an evidence-based model of impact through programmatic work and create actionable insights on programmatic work and around inclusive growth generally. MIF investments sometimes fund pilot projects and incubation. Other, larger investments fund scaling efforts, focused on impact and evaluation. In the height of the COVID-19 pandemic, MIF's guiding principle was to stay flexible and nimble to respond to a changing world. In that spirit, MIF changed its relationships with grantees and expanded relationships with other organizations to focus more on pandemic and post-pandemic crisis management, financial security for workers, and digitization for small businesses.
INNOVATION	MIF assesses how changes in financial systems have impacts on inclusion with social sector theory of change: how and who is impacted by digitization; how and when people work/are paid/have portable or not-portable benefits; how finances/benefits move with people; and connections in a digital economy. Its future strikes a balance between long-term investments and shorter-term programs. Innovation lies in MIF's big bets in research and programs on small business growth and the future of work and banking.

CASE STUDY: *Visa Inc. (NYSE: V)*

Visa Foundation (VF)

FOUNDED	2017
TAX STATUS	Grantmaking
FUND SOURCE	Pass-through; VF receives periodic transfers from Visa as needed. VF allocates financial assets that seek to advance measurable impact, and it has consistently exceeded its required minimum disbursement both through grants and program-related investments; funds are board-designated, not permanently restricted.
FOCUS AREAS	Inclusive economies where individuals, businesses, and communities can thrive, with special focus on small and microbusinesses, communities where Visa employees live and work, and response to natural disasters.
GOVERNANCE	Board is comprised of Visa senior executives and has audit and investment committees. The board works with external counsel and investment advisors when necessary but is primarily supported by Visa's legal, treasury, and finance functions.
EMPLOYEE ENGAGEMENT	Matching gifts are generally funded by the VF and employee engagement is supported by Visa.
INTERNATIONAL	Conducts international grantmaking, typically using equivalency determination (ED) directly or through an intermediary; where appropriate, VF utilizes DAF platforms.
OPERATIONS	VF is supported by an outside firm to provide back-office administration and grant payments. VF has dedicated staff who are Visa employees. Both Visa and VF use the same grants management system for line of sight. VF outsources impact investing due diligence to a third party to offer operational efficiencies, so VF program officers spend their time overseeing the diligence. VF investment strategy is supported by its investment policy statement (IPS), which aligns to VF's values. The VF investment committee adheres to the IPS when reviewing opportunities. All private investment is impact aligned; public securities are values aligned, if not impact aligned.
STRATEGY	VF strives to build a portfolio of partners and has an array of tools to achieve its social impact objectives, especially its signature focus on small and microbusinesses. These tools bolster and extend beyond foundation grants and include impact investments from its endowment. VF wants to drive inclusion and equity for small and microbusinesses and communities, and its impact investment and grantmaking strategy help to differentiate by: intentionally promoting investment in gender-diverse and underrepresented investors, maximizing flexibility with multiyear, unrestricted funding; to ensure intentionality so there is the greatest impact possible in its signature work; considering the totality of assets to advance the mission for the ecosystem; and to be a catalyst (and get out of the way) for sector-agnostic drivers with subject matter expertise in inclusive economies.
INNOVATION	VF's approach is an evolution in corporate philanthropy and reflects the utilization of all the tools necessary to advance its mission. The scale and nature of need has required VF to identify its goal and execute against it. More broadly, VF's efforts align with Visa's larger purpose, whereby the company's capabilities and people drive measurable social and environmental impact. VF conducts impact investing with distinctive, separate investment-management processes for its impact investing asset classes (venture/seed, private equity, public securities, private debt). VF knows that allocating capital to gender-diverse and underrepresented communities is critical to advancing more equitable opportunities for small and microbusinesses globally.

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Corporate foundation leaders interviewed shared their specific designs:

- **CHARU ADESNIK**, Executive Director of Cisco Systems Foundation; Director of Social Impact and Innovation, Cisco Systems
- **GINA CLARK**, Executive Vice President and Chief Communications and Administration Officer, AmerisourceBergen Corporation
- **JOHN DAMONTI**, President of the Bristol-Myers Squibb Foundation and Vice President of Corporate Philanthropy and Patient Assistance
- **SARAH KEH**, Vice President, Inclusive Solutions, and Vice President and Secretary, The Prudential Foundation
- **JENNY LEWIS**, Vice President, Kimberly-Clark Foundation
- **LIZ LUND**, Director of Strategic Operations and Community Investment, Medtronic Philanthropy
- **GRAHAM MACMILLAN**, President, Visa Foundation
- **BRANDEE MCHALE**, Head of Citi Community Investing and Development, President of the Citi Foundation
- **HEATHER NESLE**, President of the New York Life Foundation and Senior Vice President, Corporate Responsibility
- **LESLIE PARPART**, Director of Community Relations, CarMax
- **AMANDA SCHMITT**, CenterPoint Energy Foundation President
- **JUSTIN SCHMITT**, Assistant Vice President, Corporate Responsibility, USAA
- **SHAMINA SINGH**, Founder and President of the Mastercard Center for Inclusive Growth, EVP of Corporate Sustainability
- **MICHAEL SUTPHIN**, Partner at PwC US and President of the PwC Charitable Foundation
- **EBONY THOMAS**, President of Bank of America Foundation
- **DALILA WILSON-SCOTT**, Executive Vice President and Chief Diversity Officer, Comcast Corporation, and President, Comcast NBCUniversal Foundation

CECP sources referenced in this report are publicly available at https://cecp.co: *Giving in Numbers™*; Valuation Guide; *Value Volunteering*; *Diversity and Inclusion in Corporate Societal Engagement*; *Investing with Purpose*; Pulse Surveys; and *Simplifying Strategy: A Practical Toolkit for Corporate Societal Engagement*, a report by FSG in collaboration with CECP. Additional sources referenced in this report: Internal Revenue Code (IRC) and The Authenticity Opportunity.

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