

Is your foundation well-grounded?

Five questions to analyse the consistency of the relationships
between foundations and the companies
they represent.

*A BlueRep survey of twelve company foundation managers
in France, Luxembourg and Switzerland.*

September 2017

BlueRep.

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A survey conducted in partnership with:



Editorial

Does your company have a strong foundation?

William Lebedel, *BlueRep Founder*

At a time when doubt is constantly cast on companies' good intentions, the relations they maintain with their foundations should always be relevant and consistent. Otherwise, their effectiveness is significantly reduced.

There is no doubt that corporate foundations play an increasingly important role in our rapidly changing world. In the face of major economic, social and environmental upheaval, governments can no longer address critical issues alone. Companies – regardless of their size, history, field of expertise or line of business – are increasingly called upon to do their part. This trend involves a paradigm shift: companies are now considered for their three-fold role in creating value for shareholders, employees and society as a whole. In France, companies donated €3.5 billion in 2015: 25% more than two years earlier.⁽¹⁾

This evolution reflects in part the ideals of a new generation of talents, who aspire for their work to be meaningful and ethical. Meanwhile, many companies justify their commitment by the wish to do their part in responding to social, sometimes global challenges, which could end up threatening their growth and even their survival. A survey conducted since 2016 by CECF⁽²⁾, in the USA, indeed demonstrated that companies involved in philanthropy are also the fastest growing.

Knowing this, are companies' philanthropic activities truly altruistic? Informed observers naturally point to possible conflicts of interest between the company's profit-making purpose and the foundation's efforts in the public interest. In practice, the boundary between the two can be blurred, causing both legal and reputational risks for the company and its foundation. These risks are especially strong when a foundation is led solely by representatives of the "parent" company, is active in the same field and/or relies on the skills of the company's employees.

To address this topical issue, our independent, self-financed survey is based on twelve interviews with managers of corporate foundations, including six French, three Swiss and three from Luxembourg. Our purpose was to provide bearing points that enable business leaders to assess pragmatically the relationship between their company and its foundation.

We hope you find this report informative and that our discussions to date will inspire a continued dialogue between peers.

(1) Admical/CSA barometer published in May 2016

(2) <http://cecf.co>

A few word

Should you develop synergies with the company or preserve the foundation's autonomy? This is the dilemma facing many corporate foundations, as they seek to increase their impact.

This survey makes the distinction between two broad models. **In one, the foundations consider that the risk of conflict of interest with the company is greater than the value created through potential synergies.** Though it bears the company's name, the foundation's purpose in the public interest requires separate management from the

private and primarily financial interests of the company. The foundation then operates in a **logic of complementarity** with the company's business role. It bears its social role while preserving its autonomy. Synergies with the company's employees and ecosystem of partners are therefore almost non-existing.

In the other model, the value of the synergies is considered to be higher than the risk of a conflict of interest. In these cases, the foundation seeks to work hand in hand with the company in a **logic**

of continuity, to develop the synergies that will maximise the impact of the foundation's work. The company's employees can then become considerably involved in the activities of the foundation, which also tends to interact with the company's external ecosystem.

Our purpose obviously isn't to place one of these models above the other, let alone to promote its development at the expense of the other. What's important is the overall consistency of the foundation with – on the one hand – its internal/external organisation and principles

to summarise...

of governance and – on the other – its mission. To evaluate this consistency, it is helpful to recall the foundation's history, the reasons that inspired the business leaders to create it, and therefore the **company's perception of its own role in society**.

In this respect, a company that aims to be more than a money-making venture and play a significant role in society will tend to work alongside its foundation to increase its positive impact. Mechanically, the two entities can generate strong synergies. On the other hand, when a

company sees its role as purely financial, the foundation must be the standard-bearer of its social action by addressing the challenges that go beyond the realm of business. This leaves less room for cooperation between the two organisations.

In these cases, it is essential to apply the principle of consistency to make the company's core business meaningful from a social – as well as financial – perspective. Reflecting on the social value created by the company therefore provides an opportunity to redefine the role it aims to play and thereby ensure

the consistency (and credibility) of its foundation's contribution to this broader vision.

Five key questions

1. The company's role in society:
the roots of its foundation's positioning? **9**
2. What model of governance
for the company foundation? **13**
3. Does the foundation require the company's employees
to get involved? **17**
4. What relationships do you seek
to foster with the company's external stakeholders? **21**
5. Is reputation a positive lever for both the company
and its foundation? **26**

THE COMPANY'S ROLE IN SOCIETY: THE ROOTS OF ITS FOUNDATION'S POSITIONING?

► ENSURING CONSISTENCY WITH THE FOUNDATION'S PURPOSE

There are no good and bad models, of course. There's an issue of consistency. First of all, the overall consistency between internal organisation, relations with partners and model of governance. But most important is consistency with the foundation's mission, the reason it was created, its purpose. And, naturally, the history of its purpose is strongly connected to the company that created it, as the strong arm of its social action. We therefore need to **go back to the company's perception of its role in society**. Only from this perspective can the foundation's model of governance and organisation ensure its consistency and relevance – to maximise impact.

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Why support one good cause rather than another? This question always resurfaces at some point, inside and outside the organisation. The best way to answer it is to retrace the **history of the company's social commitment**, to **understand its purpose** and **make its action meaningful**. **Know yourself to imagine your future**: this is a precondition to any long-term ambition. Consistency then becomes a true driver of performance, both for the company and its foundation.

► IS THE COMPANY'S ROLE IN SOCIETY RELATED TO ITS FIELD OF ACTIVITY?

The survey reveals two different models

1. FOUNDATIONS OF COMPANIES EXCLUSIVELY FOCUSED ON THEIR MONEY-MAKING ROLES

The vast majority of these companies operates **in the services sector; they are focused on their core business, which is usually disconnected from people's basic needs**. These business-centric companies look to their customers, without necessarily seeking to have an impact on society as a whole.

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1 • The company's role in society:
the roots of its foundation's positioning?

For these companies, a foundation is a way to complement their purpose of profitability through social action. The **principle of complementarity defines the relationship between the company and the foundation**. The foundation thereby contributes to the company's acceptability to citizens, providing a kind of *Licence to Operate* by demonstrating that the company can also create social value.

For instance, Atoz defines its mission as follows: *"To become the most trusted business advisor in the marketplace, offering its members the realization of their full potential."* Source: company website

Keith O'Donnell, of the **Atoz Foundation**, explains its role:

"To make a social contribution to the community through the foundation as an instrument of corporate philanthropy."

Vincent Faber, of the **Fondation Trafigura**, is unequivocal: *"The company is convinced it must play a broader role in society. It's no longer even a question."*

Stephen Nye, of the **Fondation KPMG Luxembourg**, goes into greater detail: *"Our goal is to play a role in society, particularly by addressing challenges outside the realm of our purely business interests."*

For these entities, the fields of operation and the nature of the activities of the company and the foundation are distinct and complementary. Similarly, the company's CSR policy is distinct from the foundation's activities: they are complementary but not necessarily coordinated.

2. FOUNDATIONS OF COMPANIES THAT DEFINE THEIR ROLES AS BOTH FINANCIAL AND SOCIAL

These companies operate in **industries more closely connected to basic human needs** – such as healthcare, food, education, etc. – and **"originally" considered their roles to be social**.

For instance, Danone clearly states that it aims to *"contribute to changing the world, on its own scale and with its spirit of enterprise."* Source: company website

The foundations are like amplifiers of their action. Here, the **logic of continuity shapes the relationship** between the company's and its foundation's efforts. The foundation amplifies the company's impact on society, often by operating in the company's broader ecosystem. Thanks to this partnership, *"The company gives an additional*

dimension to the foundation's work by enabling it to influence the system directly," **says Leslie Johnston, C&A Foundation.**

According to **Gilles Vermot-Desroches, of the Schneider Electric Foundation**, "The foundation is a tool, a global vehicle, that transfers the company's social commitment all over the world." This vision is shared by **AKUO Foundation's Katinka Rambert**: "AKUO decided to extend its impact beyond the boundaries of the company to deliver its expertise to as many people as possible by creating its own philanthropic organisation.

This vision of the foundation's role has two major implications:

- **The traditional distinction between private interest (the company's business) vs. public interest (the foundation's role) is not truly relevant here.** The company and its foundation address the same challenge: to find and develop together solutions that enable the greatest number of people to meet their basic needs.
- **The two entities optimise the synergies between their activities, in the spirit of a partnership benefiting both the company's customers and the foundation's beneficiaries.**

According to **Vermot-Desroches of the Schneider Electric Foundation**, *the foundation "sometimes acts as a scout" and even an R&D centre for the company. The company provides multiple resources to increase the impact of the foundation's work. In this respect, the distinction between CSR and philanthropy can be difficult to make. According to Philippe Legrez of the Michelin Corporate Foundation: "CSR and philanthropy both seek the public good. They are often combined. The boundary is unclear, except if you consider that philanthropy is just one element of corporate social responsibility."*

At the end of the day, however, regardless of the industry, the important question is how the company defines or redefines its financial and social role. Michelin's historical example offer useful insight. Indeed, the tyre-maker's stated mission is to *"contribute to the mobility of people & goods and – beyond this – to society's progress. We aim to satisfy the basic human need for encounters, exchange and discovery."* Source: translated from company's intranet

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1 • The company's role in society:
the roots of its foundation's positioning?

The answer will provide the key to the foundation's founding myth, based on which its mission is defined, entirely consistently with the company's broader mission in society. Depending on the case, the foundation will complete, extend or enhance the company's mission.

A question of strategy

- How does the company perceive or reinterpret its role in society, in addition to its role as a business venture?
-

WHAT MODEL OF GOVERNANCE FOR THE COMPANY FOUNDATION?

► A STANDARD DIVISION BETWEEN STRATEGIC AND OPERATIONAL ROLES

The governance bodies of the participating foundations fall quite naturally into two categories:

- **A decision-making body** in charge of defining the strategic orientations and making decisions on the supported projects. This is usually the Management Committee, the Council of the Foundation, the Board of Directors or the Executive Committee.
- **An operational management body.** In the simpler cases and in smaller entities, this is the operational team backed by one or several ad hoc committees in charge of facilitating and/or supervising, controlling or evaluating decisions on the projects to be supported (research, analysis, identification, proposals, project approval, consultative opinion, etc.)

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In addition, in all the foundations in the survey, the CEO or Chairman of the company is also a member of the foundation's Board of Directors. In most cases, he/she chairs the foundation. Similarly, many members of the companies' Executive Committee tend to be members of the foundations' Board of Directors.

According to **Jean-Jacques Goron**, of the **BNP**

Paribas Foundation: *"The operational team makes proposals, but it's the foundation's Executive Committee that decides. It is deeply involved in the actions."*

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This is the very concrete translation of the importance of the company-foundation relationship, which:

- ensures the consistency of the foundation's action with the company's vision or expresses the latter's involvement at the highest level in its CSR activities;
- establishes the foundation's legitimacy and strengthens its capacity of means and its ability to support change in the company.

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2 • What model of governance for the company foundation?

Leslie Johnston, of the **C&A Foundation** says: “It’s not at all a bad thing to have a Board made up of representatives of the company, because the foundation can then influence the way of doing business. In addition, it is very useful to have the voice of the CEO on the Board: it ensures that we’re well aligned on the reality of the industry.”

Thierry Vandeveld, **Veolia Foundation**, agrees: “It’s very good to have the whole Executive Committee on the foundation’s Board. That way, all these executives are aware of what we’re doing and feel involved in it.”

This strong presence is justified by the company’s parental bond with the foundation. It can, however, cause confusion between the mandate of the company and that of the foundation, when the two operate in the same field.

► A TREND OF OPENING GOVERNANCE TO THIRD PARTIES

Judging by our conversations with the foundation leaders, **the future will clearly bring more openness of the governance to third-party experts⁽³⁾ who can provide insight for the foundations’ decision-making.** In a complex, fast-changing world, foundations are constantly seeking to become more professional and increase their impact: what could be more natural than to open up to external stakeholders to increase their relevance and efficiency?

According **Philippe Legrez**, of the **Michelin Corporate Foundation**. “Just like it’s indispensable to have company representatives on your Board, it’s also very useful to complete the skills that exist within the company with skills from outside the world of business.”

Pascale de la Frégonnière, of the **Cartier Charitable Foundation**, adds: “It’s not out of the question that we create an Advisory Board in the future.”

Vincent Faber, of the **Trafigura Foundation**, expressed a similar wish: “Ideally, our Board would include three types of members: people with a history within the Group, who are bearers of its DNA, people who are still operationally active in the business, and outside people who have a vision of development.”

Whether they are directly members of the decision-making body or sit on an ad hoc committee, these experts enable the

(3) * In France, the law of July 4, 1990 requires the Board of Directors of French corporate foundations to include at least a third of qualified representatives of its fields of operation. ”

foundation to improve its understanding of the stakes and issues it faces, increasing the quality of its actions.

- In some cases, the foundation can turn towards professional profiles, representatives of the world of business.
- In others, it will seek academic/scientific stakeholders, even representatives of the humanitarian and development sector, who are experts in the issues it seeks to address.

In some jurisdictions, particular types of foundations are required to include external members in their governance bodies. This is the case in France, where the Foundations Reconnues d'Utilité Publique (foundations recognised as serving the public interest) must have a representative of the State, even as a simple observer.

► THE FOUNDATION, A LEVER OF AGILITY AND CHANGE?

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Foundations' governance is not exempt of the momentum of transformation affecting companies. In our changing world, agility is king. The most agile companies, not the largest, are the ones that adapt and survive. This requires harnessing collective intelligence. And yet, without the awareness of the need for change, there can be no effective transformation – and therefore no openness to third parties.

This trend towards more open governances is a strong indication of the foundation's potential role as a changemaker. This approach would put **skills above ego** and **adaptability (of open models) above control (in closed governance systems)**.

The issue is the trade-off between the increased impact and credibility provided by external stakeholders and the relative loss of control over the foundation. One may speak of a form of “letting go” to accept that an outside expert helps guide the social action of the company, which remains – in all cases – represented by its top management.

It's also a matter of **the company's and its management's maturity and self-confidence**. All organisations naturally seek to maintain control of their destinies – and hence their governance. So a company that decides

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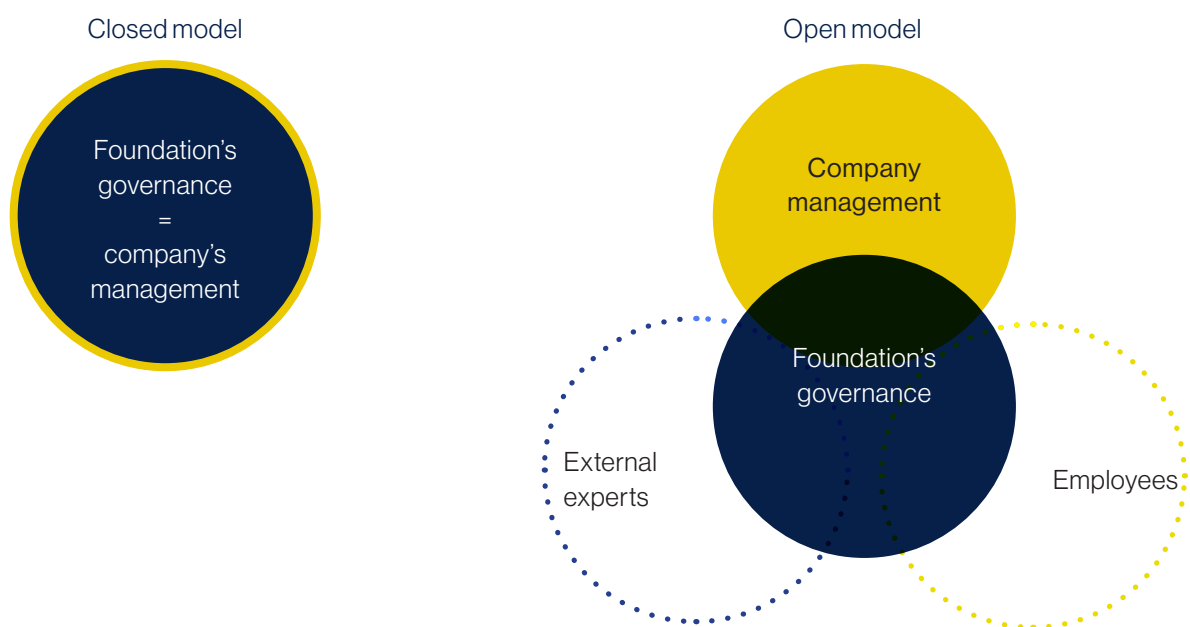
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2 • What model of governance
for the company foundation?

to include third parties in its decision-making bodies is demonstrating a spirit of openness that illustrates the level of evolution of its corporate culture.

Companies' will to remain agile, so they can continuously adapt to society's changes, is often expressed through their ability to welcome external stakeholders in their governance bodies.

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A question of strategy

- For the foundation, what would be the operational and reputation benefits of opening its governance to external experts, who are not part of the company's management?

DOES THE FOUNDATION REQUIRE THE COMPANY'S EMPLOYEES TO GET INVOLVED?

► EMPLOYEE INVOLVEMENT: A GROWING TREND

All the business leaders we met expressed a growing desire to involve the company's employees in the foundation's work.

Although the level of engagement varies significantly from one organisation to another⁽⁴⁾, all the leaders we met highlighted the importance of the role employees play. They have already put in place (or are exploring how to put in place) schemes enabling employees to get involved. The goal is twofold:

On the one hand, to provide the company with a highly effective tool for strengthening internal cohesion, pride of belonging, motivation and fulfilment.

On the other hand, to respond to the growing desire of the young generation to find their work meaningful and to commit to building a better world.

(4) " In France, the law of 4 July 1990 requires corporate foundations to have employee representatives on their Boards of Directors. "

► THE 5 KEY FACTORS IN DETERMINING THE LEVEL OF EMPLOYEE INVOLVEMENT

The level of employee involvement depends on the nature of the roadmap set out – explicitly or implicitly – by the company for the foundation, in terms of *esprit de corps*, employee retention and appeal of the company as employer.

The **size of the company** can play a role. Indeed, the larger and more global the company, the more important the commitment of employees for the foundation. On the other hand, one needs to consider the nature of employees' commitment, the practical aspects of their contributions and the methods of adaptability in each country and culture. As Pascale de la Frégonnière says: "You don't get employees on board the same way in France as in China, for instance. There's a thousand ways of addressing this issue – and you

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3 • Does the foundation require the company's employees to get involved?

must consider the culture of the countries where the Group operates.”

Beyond the “size effect”, it is important that the foundation acts in harmony with both:

- on the one hand, the **company's managerial culture**: an intra-preneurial and decentralised culture will encourage employee involvement where a centralised and controlled culture will limit it.
- on the other hand, the **mission and scope of the foundation**: if the issues addressed and the programmes put in place are highly specialized, they will only be able to mobilise specialised expertise. If the field of action is wider, the programs will be able to accommodate a more diverse range of employees.

Finally, one should take into account the **foundation's maturity factor**. When the foundation benefits from an established history and credibility, delegating part of the

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Questions of strategy

→ What role does the company wish to give the foundation in terms esprit de corps and engagement among employees, without creating a reputation risk for either?

→ What value can the involvement of company employees create for the foundation?

→ What practical rules govern employees' involvement in the foundation's activities?

mission to employees is far smoother for both the foundation and the company alike. When the foundation is either young or is in a phase of repositioning/exploration, it will be more inclined to ensure the quality of the actions it carries out through a tighter control of the use of internal stakeholders.

Taxation is another factor to consider. Companies can be encouraged to involve their employees in the activities of the foundation through particularly advantageous tax breaks, as may be the case in France.

Support from the HR team will help ensure an optimal balance between employee involvement (with the ensuing effect on pride of belonging) and effective governance.

► TWO MODELS OF INTERNAL ENGAGEMENT

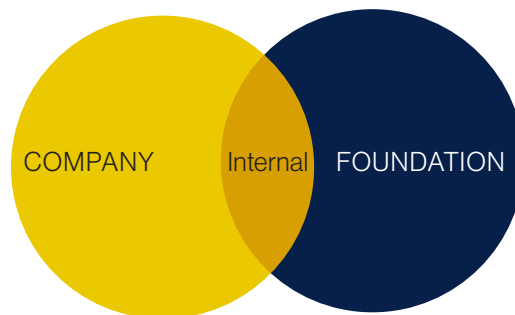
The study reveals several approaches to engaging employees.

1. A HIGHLY INCLUSIVE MODEL, marked by a strong desire on the part of the company to involve employees in the activities of the foundation. Employee participation is an integral part of the foundation's roadmap.

According to **Jean-Jacques Goron, BNP Paribas Foundation**:
“The foundation should clearly be there where employees are.”

The level of engagement varies significantly from one foundation to another. Some foundations adopt a logic that can be described as **participatory**: employees vote for the projects they wish to support, while others go as far as **working together** with employees in the management of the foundation and putting their skills at the service of projects supported by the foundation, voluntarily or during their working hours.

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2. A MORE EXCLUSIVE MODEL, in which the level of employee involvement is determined by the foundation, according to specific needs. The foundation calls upon internal experts when they are required to assist with specific issues.

According to **Béatrice Garrette, of the Pierre Fabre Foundation**: “The foundation is not there for employees to go out and try out new things, that’s not its role. The role of the foundation mustn’t become skewed. At the same time, it mustn’t be prevented from utilising the skills within the company that help it achieve its mission.”

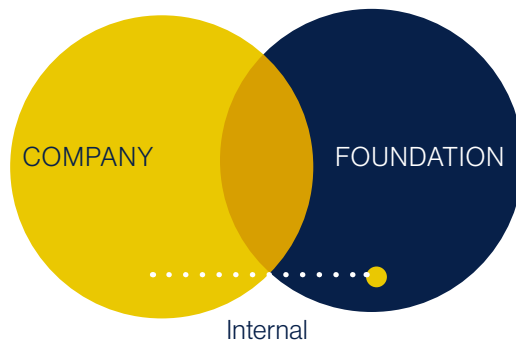
According to **Leslie Johnston, C&A Foundation**: “Today, the involvement of employees in the activities of the foundation •/••

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3 • Does the foundation require the company's employees to get involved?

varies greatly from one country to another, depending on the needs expressed, but we want to use these resources more in the future. That's why we are currently looking for inspiration from what other players in the sector are doing."

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WHAT RELATIONSHIPS DO YOU SEEK TO FOSTER WITH THE COMPANY'S EXTERNAL STAKEHOLDERS?

► WORKING TOWARDS A STRENGTHENED PARTNERSHIP ECOSYSTEM

To optimise the use of resources and enhance the effectiveness and impact of their actions, corporate foundations have significantly expanded cooperation with their external partners. Rather than being “charitable” and providing short-term financial support, they seek to **build long-term relationships with select partners, capitalising on a variety of strengths**: financial resources, human input (expertise/skills), and the power of networks.

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In this respect, some corporate foundations are more interested in supporting projects with the potential to become financially self-sustaining. To complement their range of actions, they support social entrepreneurs whose models are economically viable. As **Katinka Rambert** of the **Akuo Foundation** puts it, “*Perhaps philanthropy can do without philanthropy in the long run?*”

► THE DILEMMA: STRENGTHEN SYNERGIES OR PRESERVE THE FOUNDATION'S INDEPENDENCE?

The trend of activating partnerships to maximise impact naturally raises the question of interactions with the company's ecosystem. The decision whether to develop synergies with the company's external stakeholders (customers, suppliers, authorities, investors, etc.) can become a dilemma. Is it possible for the disinterested actions of the foundation to benefit from synergies with the company, without creating a conflict of interest? What then is the acceptable and appropriate level of synergies to strengthen impact? The creation of impact value through such synergies can undermine the foundation's creation of reputational value through its independent actions. The pitfall to be avoided is precisely the confrontation between the two forms of value creation.

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4 • What relationships do you seek to foster with the company's external stakeholders?

In any case, it is essential to distinguish between the activities of the foundation and those of the company to avoid any risk of real or perceived conflict of interest, such as possible misuse of corporate assets: a distinction that is therefore of both legal and reputational importance.

For **Vincent Faber** of **Trafigura Foundation**, “It is important to distinguish between the actions of the foundation and those of the company, to avoid any risk of confusion with the company, because its reputational issues are extremely important.”

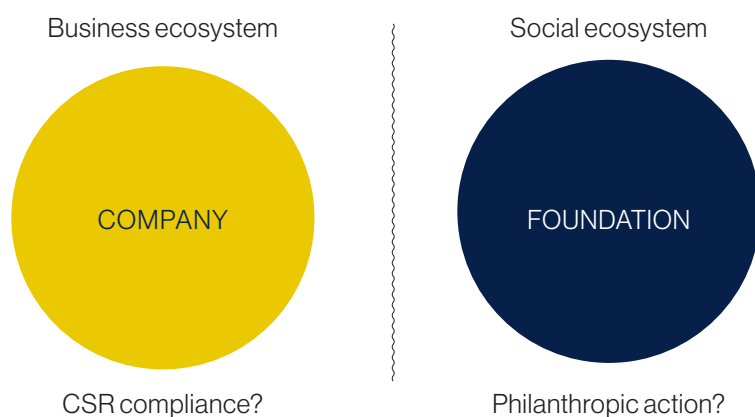
Two key models.

1. KEEPING THE CORPORATE AND FOUNDATION ECOSYSTEMS SEPARATE.

The activities of the corporate foundation are thought of as purely social, not to be influenced by the company's business. There's an airtight separation between the commercial and the social roles. The foundation's ecosystem is clearly independent of the company's.

According to **Pascale de la Frégonnière**, of **Cartier Charitable Foundation**: “The foundation's role is not to develop synergies with the company, it's completely independent of the business and isn't intended to help the company grow. Initially, the foundation only supported partners in countries where the Group did not operate.”

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Nevertheless, Pascale de la Frégonnière adds that a program of employee engagement was initiated, enabling them to engage in workplace volunteering or one-off support, for example for fundraising operations.

Other foundations also subscribe to this logic, though seeking to seize opportunities for synergies with the company, to increase the overall impact of their actions.

2. DEVELOP SYNERGIES WITH THE BUSINESS ECOSYSTEM.

Some foundations make the company their main partner and seek to **contribute to the improvement of its ecosystem**. This is the case of the Danone Ecosystem Fund. As the foundation's Director, **Jean-Christophe Laugée**, says: *"The two entities work together to find the best solutions to drive the intended change, with a very high degree of interdependence between the business and the social dimensions."*

These foundations/funds operate in markets where the company operates, alongside its ecosystem, and they work closely with CSR departments in an integrated approach to sustainable development. According to **Leslie Johnston** of the **C&A Foundation**: *"The C&A Group has a global strategy. There is no CSR on one side and philanthropy on the other: they form a whole, which aims to improve the sector in its entirety."*

The foundation **thereby amplifies the actions of the company and generates a systemic impact**. Harnessing a greater capacity for innovation and long-term effect, *"the foundation can trial, replicate and scale up promising initiatives"* says **Leslie Johnston**.

For **Thierry Vandavelde**, of the **Veolia Foundation**, this is a win-win partnership: *"The foundation can benefit from the innovations developed by the company for its actions in the field – just as the company can benefit from its innovations."*

The advantage of this approach is that *"the foundation is sometimes perceived as a laboratory of ideas for the company,"* according to **Katinka Rambert** of the **Akuo Foundation**.

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4 • What relationships do you seek to foster with the company's external stakeholders?

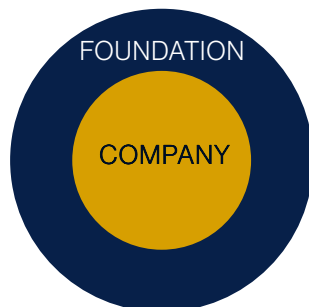
For **Thierry Vandevelde, Veolia Foundation**: “The foundation plays a significant role in the field of social innovation, which the company might not be able to fulfil on its own, because of the associated risk. The foundation can thus support pilot experiments which, if scaled up, then enter the field of business.”

The foundation can be a lever for change in the company. According to **Vincent Faber, Trafigura Foundation**: “To increase the impact of the foundation, we want to get the company involved too. The foundation acts as a “scout” for the company, it shows where the business should be in a few years’ time.”

For some, however, **synergies must be delineated, in order to contain the risk of conflict and reputational damage**. It is about seizing opportunities but **not pooling the entirety of the ecosystems**. Synergies may be about the business networks’ insights on the industries and geographies where the company and the foundation operate, about access to expertise on the issues addressed, or even about partners/customers.

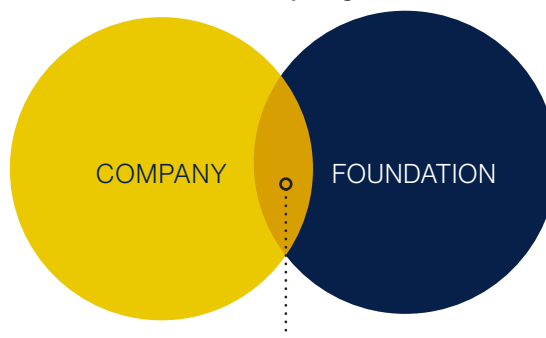
Some organisations are therefore active in the same field as the company, but seek to distinguish clearly between the company’s business activities and the foundation’s social action. The aim is to develop activities “consistent with the Group’s business, in particular to benefit from its expertise and to act – on occasion – as a link between the Group and its external environment,” according to **Philippe Legrez, Michelin Corporate Foundation**.

A logic of amplification
for a systemic impact



Integrated approach

Selected synergies



Industries/geographies/stakes

Is your foundation well-grounded ?

Depending on the answer to this question, the foundation will be able to determine the type of relationships to be developed with the company's stakeholders, without compromising its governance or reputation.

A question of strategy

→ What's the best return on synergies with the company's ecosystem, without jeopardising the foundation's autonomy?

IS REPUTATION A POSITIVE LEVER FOR BOTH THE COMPANY AND ITS FOUNDATION?

► THE FOUNDATION BENEFITS FROM AND CONTRIBUTES TO THE REPUTATION OF ITS PARENT COMPANY

Reputation is considered very important and often vital to foundations. Without a solid reputation, it can be difficult to create a lasting impact.

According to **Vincent Faber**, of the **Trafigura Foundation**:
“Reputation is the key to efficiency, the means of ensuring our action is effective. It enables us to build a relationship of trust with partners and beneficiaries”

One of the factors in the foundation’s reputation is that it inherits the company’s reputation through its name, regardless of its level of independence. The company’s reputation directly impacts the foundation’s activities, its effectiveness and its development potential. When this is well-managed, it can act as a lever to:

- shore up the company foundation’s operational resources (financial, human resources, etc.)
- contribute to the credibility, and therefore to the attractiveness of the foundation,
- generate, foster and nurture relationships of trust with partners
- generate greater impact in the field, in the long term.

The foundation is also a net contributor to the company’s reputation. On an external level, the foundation contributes to:

- society’s acceptance of the company based on its commitment to the public good
- its attractiveness to future talent
- its legitimacy with its business partners (leading to better results).

Internally, it contributes:

- to pride and internal cohesion
- to employee loyalty
- to give (greater) meaning to professional activities.

5.

According to **Keith O'Donnell**, of the **Atoz Foundation**: “I don't think the reputation of the company hurts the foundation. Rather, I'm sure that the foundation brings something positive to the reputation of the company. The foundation has a unifying effect internally. It makes people proud of the company. Younger generations are particularly receptive to this kind of initiative”.

Stephen Nye, of the **KPMG Luxembourg Foundation**, adds: “The foundation strengthens staff commitment. That's important because more and more employees are getting involved and taking ownership of the foundation, which is positive for the company's reputation”.

Therefore, one of the major challenges for the foundation is not to negatively impact the reputation of the company through its activities in the field. It can be relatively risky for a large, highly exposed company to have a foundation that innovates and takes risks. The maturity of the foundation therefore has a direct impact on the nature and scope of its activities. At the outset, a foundation will generally favour partners with a solid reputation so as not to risk that of the company.

Both the foundation and the company therefore play a dual role of contributor and beneficiary of the other's reputation. Their reputations are interdependent, one impacting and nourishing that of the other.

According to **Philippe Legrez** of the **Michelin Corporate Foundation**, “A corporate foundation is necessarily linked to the company and its challenges, particularly in terms of communication and image. The foundation cannot take a disinterested approach to these issues.”

Finally, it should be noted that, beyond the company foundations surveyed, there are family foundations that bear the name of their founding families and their companies. The Mérieux Foundation is one example in France. These foundations are faced with a complex triangular management of reputation: the surname has a direct effect on the reputation of the foundation. The foundation's activities may, in turn, strengthen or weaken the reputation of the family and that of the company.

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5 • Is reputation a positive lever for both the company and its foundation?

► THREE SPECIFIC ISSUES

A foundation's reputation is key. It must therefore consider three specific issues:

1. **THE FOUNDATION'S SCOPE:** the wider the scope, the greater the exposure to reputational risks. Where scope is smaller and/or circumscribed, reputation is more manageable.
2. **DEPENDENCE ON THE REPUTATION OF THE FOUNDATION'S PARTNERS.** Depending on the proximity and depth of the foundation's involvement with its partners (purely financial support vs. in-depth relationship and wide-ranging provision of support: financial, skills, network, etc.), exposure to reputational risk will be lesser or greater.
*According to **Thierry Vandeveld** of the **Veolia Foundation**: "The reputation of the foundation depends largely on the quality of operational partners such as NGOs"*
3. **THE GOVERNANCE ARRANGEMENTS** and the nature of the relationship with the company to which it is attached are key, particularly in terms of the ethics of cooperation and the management of potential conflicts of interest.

Finally, there are varying degrees of access to budget and financial information, which may raise issues of transparency, and therefore of reputation – particularly with regard to citizens, who are indirect stakeholders in the financing of foundations.

► REPUTATION, A PRECIOUS BUT UNMANAGED ASSET

Despite its importance and the essential role it plays in the relationship between the foundation and the company, reputation is often managed in a timid fashion, if at all. No tools are in place to evaluate, protect and strengthen this vital intangible asset.

This can be explained by the fact that foundation managers are keen not to appear as instruments of the company's PR. In the context of bringing about social change, the role

and the legitimacy of a foundation is in the field and in its actions.

However, there remains a risk of confusion between the foundation's reputation, i.e. its footprint, and its communication, what people say about it.

This is likely what leads some interviewees to consider above all the quality of actions and partners, project execution and governance. What matters is what we do, not what we say. We must say what we do, nothing more.

According to **Béatrice Garrette**, of the **Fondation Pierre Fabre**:
“The foundation contributes to the company's good reputation if it does its job well, nothing more.”

And **Stephen Nye**, of **KPMG Luxembourg Foundation** says:
“The more impact you create, the more you generate positive reputation.”

There is one exception among the foundations surveyed. The BNP Paribas Foundation part of the Group's communication department.

Jean-Jacques Goron, **BNP Paribas Foundation**, explains: “We have been attached to the communication department since the creation of the foundation, 33 years ago. The initial idea was to enhance the image of the company beyond that of its banking business. It's about showing that the company is not disconnected from a changing world.”

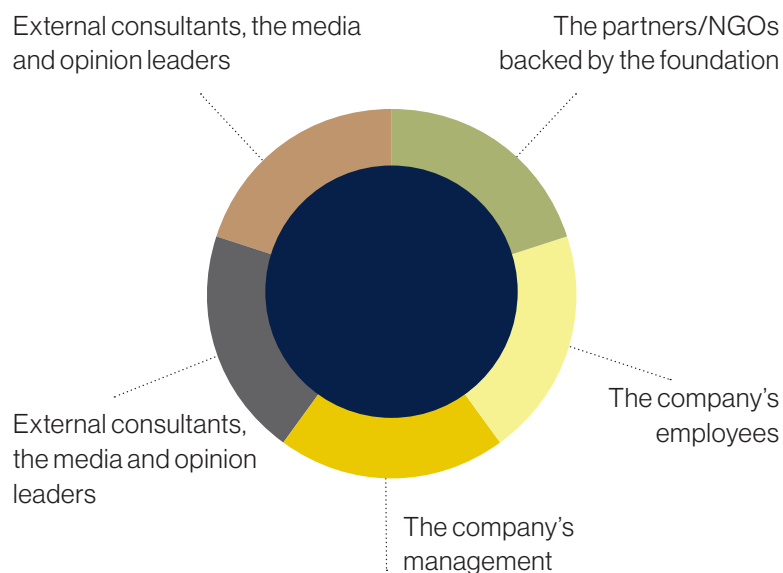
Elements of a roadmap for managing foundations' reputations emerge from the discussions, based upon structural questions:

- **WHO?** Which audiences make or break the foundation's reputation? Which audiences should the foundation prioritise?
- **WHAT?** What are the pillars of the foundation's reputation?
- **HOW?** On which pillars should we focus to strengthen our audiences' engagement with our foundation?

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5 • Is reputation a positive lever for both the company and its foundation?

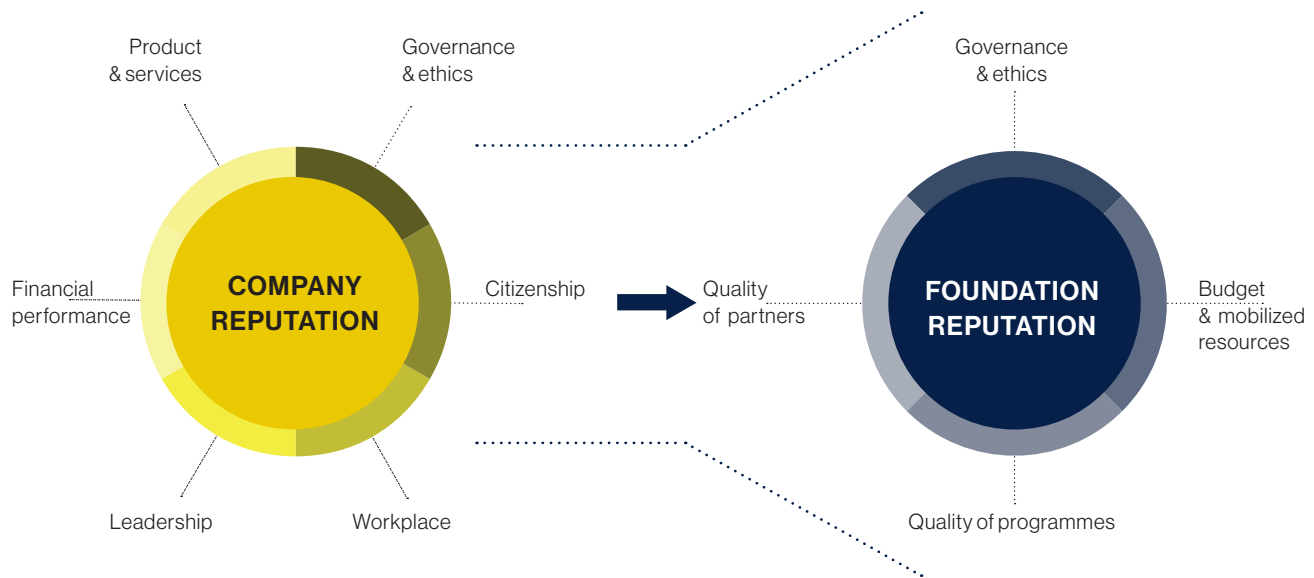
► FIVE PRIORITY AUDIENCES



► FOUR PILLARS OF REPUTATION

1. **Quality of the programmes:** relevance of the choices, perceived social and environmental utility, long-term commitment.
2. **Quality of partners/NGOs:** expertise, credibility, independence, effectiveness.
3. **Relationships: governance and ethics:** rigor, clarity of rules, transparency, evaluation.
4. **Budget and resources allocated:** financial amounts, employee volunteers, participating experts, etc.

► THE FOUNDATION CONTRIBUTES TO ONE OF THE SIX FUNDAMENTALS OF THE COMPANY'S REPUTATION



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Measuring Programmes' Impact

Many indicators now exist to measure the impact of programmes on the benefiting communities. In this respect, it's interesting to consider the way foundations develop these indicators, with or without their partners.

We observe three levels of synergy:

- The foundation develops its own tools and asks the partner to adopt them to measure their common project,

- The foundation and the partner co-build tools specifically adapted to their partnership and the project at hand,

- The partner offers the foundation directly its own tools, based on which it will assess the impact of the supported project.

Questions of strategy

→ What are the main pillars of the foundation's reputation?

→ What reputation capital is transferred by the company to the foundation?

→ Which stakeholders can make or break the foundation's reputation?

STRATEGIC DECISION TREE

**HOW TO ENSURE THE MISSION OF THE FOUNDATION
IS CONSISTENT WITH THE SOCIAL ROLE
THAT THE COMPANY HAS SET FOR ITSELF?**

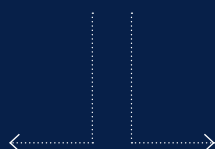
Logic of complementarity



Logic of continuity

**TO WHAT EXTENT DOES THE FOUNDATION HAVE THE WILL/ABILITY
TO OPEN ITS GOVERNANCE?**

Governance exclusively by
members of the company's
management



Governance open to other
stakeholders (employee
representatives and/or
external experts)

**WHAT ROLE IS EXPECTED IN TERMS
OF INTERNAL INVOLVEMENT?**

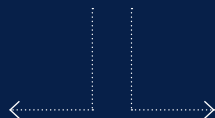
Exclusive model



Inclusive model

**WHAT IS THE BEST RETURN ON SYNERGIES
WITH THE COMPANY ECOSYSTEM,
WITHOUT JEOPARDISING THE FOUNDATION'S INDEPENDENCE?**

Complete separation between
the company's and the
foundation's ecosystems



Development of select or total
synergies between the two
ecosystems

REPUTATION

What footprint do we want our social action to have?
What are the priority pillars and audiences?

ANNEXES

► PROFILES OF THE PARTICIPATING FOUNDATIONS

Criteria for selecting corporate foundations:

- **Maturity:** created at least 2 years ago
- **Size:** an annual budget above €250,000
- **Scope of action:** international activities in humanitarian and/or development fields.

NAME	ANNUAL BUDGET	CUMULATED BUDGET	CREATED IN	HEAD OFFICE IN
1 Fondation AKUO	-	-	2011	Luxembourg
2 Fondation ATOZ	-	-	2012	Luxembourg
3 Fondation BNP Paribas	€ 9.4M (2016)	-	1984	France
4 Cartier Philanthropy	-	CHF 36 M (from 2012)	2012	Switzerland
5 Fondation C&A	€ 55.5M (2016)	-	2011	Switzerland
6 Fonds Danone pour l'écosystème	€ 100M (total fund)	-	1999	France
7 Fondation KPMG Luxembourg	€ 250K (2016)	-	2009	Luxembourg
8 Fondation d'Entreprise Michelin	€ 12.5M (2016)	-	2014	France
9 Fondation Pierre Fabre	€ 4.2M (2016)	-	1999	France
10 Fondation Schneider Electric	€ 4M (2015)	-	1998	France
11 Fondation Trafigura	€ 5M (2016)	-	2007	Switzerland
12 Fondation Veolia	€ 2M (2016)	-	2004	France

► **BENEFITS/LIMITATIONS OF THE VARIOUS MODELS OF ORGANISATION**

OF CORPORATE FOUNDATIONS

1. WHAT LEVEL OF INVOLVEMENT OF COMPANY EMPLOYEES?

Inclusive models with a strong involvement of company employees		
	BENEFITS	LIMITATIONS
FOR THE COMPANY	<ul style="list-style-type: none">• Strengthening of <i>esprit de corps</i> and pride of belonging• Development of the role of employee ambassador• Internal dissemination of the company's social values• Strengthening of the company's appeal <p><i>“Involving the company’s employees in the activities of the foundation promotes the commitment and development of Group employees. They gain a sense of pride, even gratitude, for the company that employs them.”</i> Philippe Legrez, Michelin Corporate Foundation</p> <p><i>Employees “recognize themselves in the actions of the foundation, they are proud to belong to the Group. The company also gains a means of empowering its employees who have a moral responsibility to get involved in the success of the project.”</i> Keith O'Donnell, Atoz Foundation.</p>	<ul style="list-style-type: none">• The cost of employee salaries for time allocated• HR and managerial costs related to managing missions• Cost related to internal communications

► **BENEFITS/LIMITATIONS OF THE VARIOUS MODELS OF ORGANISATION OF CORPORATE FOUNDATIONS**

•/••

1. What level of involvement of company employees?

	BENEFITS	LIMITATIONS
FOR THE FOUNDATION	<ul style="list-style-type: none"> Benefit from the resources and expertise of employees to increase the quality and impact of actions. <p><i>“Akuo Energy employees volunteer to support the Akuo Foundation, which benefits from the talents and energy of Akuo Energy Group’s businesses.”</i> Akuo Foundation, website</p> <p><i>“It is also a way to ensure the quality, commitment and sustainability of the organisations supported.”</i> Keith O’Donnell, Atoz Foundation</p>	<ul style="list-style-type: none"> Supporting many employee-led projects can impact the overall consistency of the foundation’s action <p><i>“This can give the impression of having a random project selection strategy that can impact the overall consistency of the foundation’s mission.”</i> Keith O’Donnell, Atoz Foundation</p>

Exclusive models, involving a limited number of employees in the foundation's activities		
	BENEFITS	LIMITATIONS
FOR THE COMPANY	<ul style="list-style-type: none"> • Involvement of employees with a moderate investment in terms of time and salary. • Light and agile management 	<ul style="list-style-type: none"> • Feelings of frustration among those employees not involved in the foundation's actions. • Weaker esprit de corps and pride
FOR THE FOUNDATION	<ul style="list-style-type: none"> • Control and consistency of the actions and efforts undertaken (less dilution of the action by many proposed projects) • Independence in terms of actions, choices and operating methods with respect to the company. 	<ul style="list-style-type: none"> • Cost (time or money) associated with the solicitation of external experts • Management of refusals addressed to internal suggestions • Qualified human resources not harnessed.

2. WHAT LEVEL OF INVOLVEMENT OF THE BUSINESS ECOSYSTEM?

"Sealed" models - company ecosystem separate from foundation ecosystem		
	BENEFITS	LIMITATIONS
FOR THE COMPANY	<ul style="list-style-type: none">• Reduce the risk of conflict of interest or being accused of using the foundation for commercial purposes	<ul style="list-style-type: none">• Deprived of a lever for R&D• Less insight into its own ecosystem• Less amplification of its business activity
FOR THE FOUNDATION	<ul style="list-style-type: none">• Large degree of independence in its operations, which are not affected by issues related to the company's ecosystem	<ul style="list-style-type: none">• Not able to take advantage of company expertise, particularly in the field of partner selection.• Medium to long-term risk of corporate disengagement

Models developing synergies between the foundation and business activities		
	BENEFITS	LIMITATIONS
FOR THE COMPANY	<ul style="list-style-type: none">Enables increased impact of actions, able to reach audiences that cannot be reached via the business activity.Develops a systemic and long-term approach to its businessFosters a buoyant environment for its future economic activity	<ul style="list-style-type: none">Risks of confusion between commercial and social activity, particularly among the publicReputational impact
FOR THE FOUNDATION	<ul style="list-style-type: none">Increased opportunity to generate a systemic impactCan benefit from the expertise and geographic footprint of the company	<ul style="list-style-type: none">Loss of the foundation's independence, which can be constrained by the company's agenda and objectivesRequirement for appropriate governance rules to manage conflict of interest risksReputational impact

3. HOW OPEN SHOULD GOVERNANCE BE?

Governance model involving company representatives only		
	BENEFITS	LIMITATIONS
FOR THE COMPANY	<ul style="list-style-type: none"> Control of foundation's key decisions and strategy Endorsement of the foundation by the company 	<ul style="list-style-type: none"> Reputational risks (use of the foundation for business purposes, conflicts of interest) Shortfall in terms of: <ul style="list-style-type: none"> inspiration for social innovation engagement of external audiences credibility provided by third parties
FOR THE FOUNDATION	<ul style="list-style-type: none"> Benefit from the involvement, the decision-making power and the expertise of the company's managers Opportunity to influence leaders on how to do business 	<ul style="list-style-type: none"> Reputational risks (use of the foundation for business purposes, conflicts of interest) Shortfall in terms of: <ul style="list-style-type: none"> inspiration for social innovation engagement of external audiences credibility provided by third parties Reduced independence No opportunity to benefit from the expertise of development experts at a strategic level

Governance models open to company employees		
	BENEFITS	LIMITATIONS
FOR THE COMPANY	<ul style="list-style-type: none"> • Increase the involvement of employees in the foundation, and thus their sense of belonging and pride 	<ul style="list-style-type: none"> • Managerial issues • Costs related to employee engagement • Risk of lack of control or alignment with strategy in case of disagreement between employees and management
FOR THE FOUNDATION	<ul style="list-style-type: none"> • Benefits from internal support • Increases the impact of the foundation's actions on Group employees 	<ul style="list-style-type: none"> • Risk of diluting the foundation's mission • More significant managerial role

Governance models open to external stakeholders		
	BENEFITS	LIMITATIONS
FOR THE COMPANY	<ul style="list-style-type: none"> • A lever for credibility and reputation 	<ul style="list-style-type: none"> • Reputational risks related to the experts' history and activities
FOR THE FOUNDATION	<ul style="list-style-type: none"> • Benefit from the vision and expert advice of those sectors in which it operates, improving the quality of its actions • Able to consolidate: Its credibility (scientific, academic, etc.); the quality of its partner network; its understanding of local situations; its expertise in impact measurement and project monitoring; its capacity for social innovation 	<ul style="list-style-type: none"> • Less control of strategy management • Investment in terms of time and possibly financial resources (identification, management)

THE EXPERT COMMITTEE MEMBERS



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Philippe Depoorter

Philippe Depoorter is a member of the board of directors at the Banque de Luxembourg. He is mainly devoted to assisting family owned companies as the Head of Corporate Services or within the Family Practice that he founded in 2012. He also played a decisive role in the bank's actions promoting the development of philanthropy, social entrepreneurship and impact financing in Luxembourg. In addition he is counsellor and administrator of many other non profit foundations.

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Béatrice de Durfort

After coordinating several culture programs for the City of Paris, Béatrice de Durfort took the lead of the Napoleon Foundation in 1994. In parallel, Béatrice de Durfort was the chairwoman of the association Cultural Heritage without borders (Patrimoine Sans Frontières) from 1997 to 2009. She is now the executive officer of the French Center of Funds and Foundations since January 2004.

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**Benoît Miribel**

Benoît has been, since January 2007, the Director General of Fondation Mérieux, an organization dedicated to the fight against infectious diseases mainly in developing countries. He has also been the Honorary Chairman of Action against Hunger (ACF) since June 2013, an association that he chaired from 2010 to 2013 and directed from 2003 to 2006.

He has chaired the Centre Français des Fonds et Foundations (CFF) since June 2015.

Benoît Miribel is also President of Bioport, a humanitarian logistics platform in Lyon, since June 2015. He is co-founder of the Forum Espace Humanitaire (FEH), of the bilingual journal, Humanitarian Alternatives, and a co-founding member of the association, Friendship France, which operates in Bangladesh.

In 2010, he co-authored with Alain Boinet a report commissioned by the Minister of Foreign and European Affairs (B. Kouchner) on the development of humanitarian action and its challenges.

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Etienne Eichenberger

Cofounder and WISE's managing partner, Etienne is an expert in high impact philanthropy as he has been working directly with families and foundations across Europe and some emerging countries, elaborating their strategy and realizing their projects. Before creating WISE, he collaborated with the Foundation Avina for the social entrepreneurship, supported the development of the Schwab Foundation and worked for the Swiss Development Cooperation. He also is the cofounder of Sustainable Finance Geneva. Today, he serve as the chairman of the Swiss Philanthropy Foundation, as an expert in Philanthropy for the Family Firm Institute and as a member of the advisory board of the Debiopharm Chair on Family Philanthropy in the IMD.

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ABOUT BLUEREP...

BlueRep advises decision makers and their teams who want to give sense to their collective project, in aligning the organisation with its vision, identity, know-how and behaviour.

Founded in 2011 by William Lebedel, BlueRep is active in France and Europe in economic and philanthropic sectors.

We share with our clients a positive and human vision of the companies and organisations. We mobilise a network of teams to accompany decision makers in:

- co-designing the corporate or foundation's strategic project,
- change management,
- CSR and philanthropic strategy,
- customer experience,
- internal and external communication,
- reputation management.

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