Social Ventures Australia
Funding • Investment • Advice

AMP

Key trends and best practice in philanthropy

An AMP Foundation and SVA perspective





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AMP Foundation

As the main vehicle through which AMP invests in the community, the AMP Foundation is helping to create a better tomorrow for everyone.

With a strategic approach to philanthropy, the AMP Foundation forms long-term partnerships with charities, particularly those providing educational and training programs to young Aboriginal Australians, and invests in in-depth community projects that make a tangible and positive difference.

The Foundation also supports a range of initiatives that strengthen and build the capacity of the not-for-profit sector.

Since 1992, the AMP Foundation has distributed more than $80 million to charities in Australia and New Zealand. The Foundation also helps people to help others in their community through volunteering, fundraising and by providing AMP Tomorrow Fund grants.

Social Ventures Australia (SVA)

SVA works with partners to improve the lives of people in need in Australia. A non-profit organisation, SVA was established in 2002 by The Benevolent Society, The Smith Family, WorkVentures and the AMP Foundation.

It focuses on keys to overcoming disadvantage in Australia, including great education, sustainable jobs, stable housing and appropriate health, disability and community services. By offering funding, investment and advice, SVA supports partners across sectors to increase their social impact.

SVA Consulting is the organisation's specialist consulting practice that partners with non-profit organisations to strengthen their ability to address social issues and achieve results. It supports leaders to make hard decisions, galvanises teams to sustain success and shares insights with the social sector.

Since 2007, SVA Consulting has developed unique, on-the-ground experience to work on society's most challenging issues, including health, disability, housing, employment, education and Indigenous disadvantage.

Our approach

In 2015, the AMP Foundation engaged Social Ventures Australia (SVA) Consulting to review its approach to philanthropic giving and social investment.

As part of this review, the AMP Foundation commissioned SVA Consulting to investigate the trends and best practice in philanthropic giving and social investment in Australia and across the world.

This report has been completed through a review of publicly available literature, analysis of the social investment activities of corporate and non-corporate philanthropic entities, and consultations with representatives of these organisations as well as interviews with subject matter experts. While attempts were made to ensure full accuracy in this report, AMP Foundation and SVA Consulting recognise that the information shared in this report may contain some inaccuracies.

The research undertaken for this report highlighted the lack of comprehensive and consistent information available about the structure, activities and impact of many philanthropic entities, particularly in Australia. Until greater transparency and openness is achieved among Australian philanthropic entities, we will not have a deep understanding of what works and how together, we can have the most impact.

Executive summary

Analysis of the global philanthropic landscape shows that while total cash giving is increasing, it is growing at a slower rate for corporates compared to non-corporate philanthropic donors.

This may be partly explained by the rise in non-cash giving by many corporate donors, including through skilled volunteering. It may also be explained by corporate donors reaching their giving cap, which is commonly 1–2% of revenue, compared to non-corporate donors who have no obligations to shareholders and therefore no restrictions on their giving.

Globally, there has been an evolution of philanthropy from a traditional approach of offering multiple, small grants that support particular programs to a more engaged and strategic approach due to:

- A belief among philanthropic entities that becoming more focused on a single issue or set of issues will achieve greater impact.
- A desire to leverage existing resources more, and work with other funders, to solve systemic social issues.
- An understanding of the importance of ensuring greater sustainability among non-profit organisations and the non-profit sector in general.
- A recognition of the importance of measuring social outcomes to drive decision-making.

For corporates in particular, other key drivers include:

- Increased employee expectations of their involvement in corporate philanthropy.
- Recognition of the value of aligning social activities with corporate purpose and values.

The result of this shift is that best-practice corporate and non-corporate philanthropic entities are operating in a way that more closely mirrors a venture philanthropy model and can be characterised as:

- Greater application of business practices and principles to social investment activities.
- Increased focus on capacity building of non-profit organisations and the sector more broadly.
- Greater focus on systemic issues and change, as opposed to solving a part of one problem, including implementation of place-based solutions.
- Support for more collaboration in the sector between non-government funders, government and non-profit organisations.
- Increased integration and alignment of social activities with corporate business, including shared value.
- The growth of impact investing, including social impact bonds, and more intermediary organisations managing more social impact funds.
- Greater transparency and accountability, particularly online.

Analysis of the Australian context shows similar dynamics, with overall giving increasing but cash contributions by corporates slowing. Actors in the sector are responding in the same way to these change drivers by becoming more strategic in their operations. Many corporate philanthropic entities in Australia are increasingly aligning their social activities with their corporate purpose and providing opportunities for employee engagement as a core part of their giving approach.

Many, however, still lack focus in their activities and measurement of results is limited. Collaboration in the sector is acknowledged as important, but as yet this approach is not widespread and is recognised as being challenging to achieve. This is particularly the case for corporates for whom the prospect of collaborating with a commercial competitor for a non-profit is new and the implications for their competitive advantage are unclear.

Additionally, there remains a lack of funding for non-profit organisations' core operations and a lack of investment in capacity building as funders prefer to support specific programs and initiatives.

Finally, while the level of transparency in Australia in recent years appears to have increased, many Australian philanthropic entities still do not voluntarily publish basic information (i.e. general contact information and mission statement), a financial report and an annual report (if they have one).

The implications of these discrepancies for Australian non-profit organisations and the broader non-profit sector are:

- Learnings are not identified and shared between funders.
- The reporting burden of non-profit organisations to funders remains high, diverting efforts from their core business.
- Due to a lack of co-funding, non-profit organisations have to go to multiple funders for funding across their life cycle and may struggle to get funding, preventing scaling of operations.
- The sustainability of non-profit organisations continues to be challenged as funding for core operations is limited.

As with the global landscape, in Australia the evolution of philanthropy is resulting in philanthropic organisations having to address a more complex interplay of decisions than before regarding how and what their philanthropic investment focus, style, infrastructure and risk profile should be and, for corporate philanthropic donors, what the relationship with their business should look like.

The successful execution of this new approach by corporate philanthropic donors in particular is critical to ensure that all resources are leveraged to produce maximum social benefit and in some instances targeted commercial returns.

Introduction

SVA has a longstanding relationship with the AMP Foundation. With WorkVentures, the Benevolent Society and The Smith Family, AMP Foundation established SVA in 2002.

In 2015, the AMP Foundation engaged SVA Consulting – SVA's specialist consulting practice – to review its approach to philanthropic giving and social investment.

SVA Consulting analysed the external environment to identify trends in philanthropic giving and social investment, what other philanthropic entities are doing and best practice examples of philanthropic giving from Australia and across the world.

Literature related to the activities of corporate and non-corporate donors was reviewed. Additionally, extensive consultations with advisory organisations, foundations and other corporate giving entities were conducted (see page 15).

Both AMP Foundation and SVA believe the insights gained from this review into the philanthropic landscape were worth sharing with the Australian philanthropic community.

Global philanthropic giving trends

Worldwide philanthropic giving has risen in recent years, although with some differences between corporate and non-corporate donors.

Individual philanthropic giving has increased, driven largely by the rapid wealth-creation seen throughout the world and its uneven distribution. In 2005 Forbes magazine reported there to be 691 billionaires in the world compared with 423 in 1996. In the past 10 years that figure has almost trebled to reach 1,826 billionaires globally with an aggregate net worth of $7.05 trillion.[1] The result has been an increase in individual philanthropic giving, which is estimated to grow by five points on average in 2015.[2]

Globally, we are also experiencing a period of unprecedented intergenerational transfer of wealth, which includes large amounts of bequests to foundations and specific causes.[3]

At a corporate level, giving is also on a positive trend albeit at a more moderate rate. From 2010–13, giving increased amongst the majority of corporates (64%) however, amongst 30%, giving decreased.[4]

As part of the ongoing evolution of philanthropy, a more strategic approach to giving among sophisticated funders is occurring and new tools to drive social investment are being developed. This in turn has led to a more complex set of decisions that need to be considered by philanthropic entities to shape their approach to giving.

The evolution of philanthropy

Until recently, philanthropy was generally characterised by small and short-term grants given in response to immediate, pressing needs. This traditional approach brought increased resources to social problems and was a simple model for philanthropic entities to apply.

Figure 1: Traditional philanthropy model

Traditional philanthropy	
Focus	– Giving is broad-based and spread across several issues. – Resources are allocated to specific programs or equipment.
Style	– Typically, many funding recipients receive relatively small amounts – generally in one-off grants in response to requests or crises. – Organised, reactive funding rounds based on charities submitting ad hoc grant requests.
Infrastructure	– Management resources for the operation of the philanthropic organisation is limited. – There is limited collaboration amongst funders.
Corporate	– In the case of corporate philanthropic entities, there is limited integration of social activities with the business. Primarily money and some time, in the form of employee volunteering, are given.

In recent times, however, more strategic philanthropic entities have come to realise that the small size of grants, lack of evidence-based and strategic decision-making as well as limited measurement and evaluation of outcomes have constrained the depth and sustainability of their social impact.

1 Dolan. K, Kroll. L, 2015 Billionaires List: Facts and Figures, Forbes magazine, Available at: http://www.forbes.com/sites/kerryadolan/2015/03/02/inside-the-2015-forbes-billionaires-list-facts-and-figures/, Accessed: 10.03.15

2 BNP Paribas Wealth Management, 2015, 2015 BNP Paribas Individual Philanthropy Index—A Wealth of Choices: Complexities of Today's Philanthropy, Available at: http://www.forbes.com/forbesinsights/2015_BNP_philanthropy_index/index.html#sthash.zn8XgGmW.dpuf, Accessed: 10.03.15

3 Pro Bono Australia, Global Billionaires Interested in Philanthropy – Census, Available at: http://www.probonoaustralia.com.au/news/2014/10/global-billionaires-interested-philanthropy-census, Accessed: 25.05.15

4 CECP and the Conference Board, 2014, Giving in Numbers 2014 Edition, Available at: http://cecp.co/pdfs/giving_in_numbers/GIN2014_Web_Final.pdf, Accessed: 25.05.15

In response, philanthropic entities have sought a deeper level of engagement with causes they want to support, and a more sophisticated understanding of social issues and what is required to solve them.

Globally, non-corporate funders have generally led these trends. Conversely, in Australia both non-corporate and corporate entities lead these trends.[5]

There are a number of key drivers for these trends:

- A belief among philanthropic entities that becoming more focused on a single issue or set of issues will achieve greater impact.
- A desire to leverage existing resources more and work with other funders to solve systemic social issues.
- An understanding of the importance of ensuring greater sustainability among non-profit organisations and the non-profit sector in general.
- A recognition of the importance of measuring social outcomes to drive decision-making.
- Increased employee expectations of their involvement in corporate philanthropy.
- Recognition of the value of increased integration of social and commercial activities.

These drivers have led to the emergence of new approaches and tools that are shaping how investments are made by corporate and non-corporate philanthropic entities.

Applying venture capital tools and techniques

Analysis of global trends highlights the strong influence of the venture philanthropy model on both corporate and non-corporate philanthropic entities since the 1990s.

Venture philanthropy involves taking techniques from venture capital and applying them to achieving philanthropic goals.[6] Despite only a few philanthropic organisations pursuing a pure venture philanthropy model, the vast majority have applied some core elements, often with the support of, or in partnership with, social impact advisers.

There are many examples of new approaches and tools being implemented by philanthropic organisations, based on the venture philanthropy model. It should be noted that the examples in this report represent only a part of the philanthropic giving and social investment activities of the organisations profiled.

Application of business practices and principles

Increasingly, best-practice corporate and non-corporate philanthropic organisations are applying the same discipline to social activities as they would to corporate affairs by:

- Investing strategically based on an evidence base of what works and a clear theory of change.
- Measuring and evaluating outcomes and changing their approach based on results.
- Investing for longer term in line with their strategic vision.

The result is greater clarity for philanthropic organisations on what success looks like for their investments, what they have to do to achieve that success and how they can improve over time and better leverage available resources.

Case study

One of the areas of focus of the Singapore-based **Lien Foundation** is elder care. To support the design of activities and investments in this area the Lien Foundation has commissioned research into the current situation and options for improvement of healthcare of the elderly. It also commissioned The Economist Intelligence Unit to conduct a survey that ranked 40 countries on their provision of end-of-life care, known as the Quality of Death Index.

Through sharing the results of the Quality of Death Index, it caught the attention of newsmakers, the public, policymakers, hospice professionals and academics. This work compelled policy makers and stakeholders to review the state of care for the dying.

5 SVA Consulting interviews with global social impact advisers.

6 Stanford Social Innovation Review, Blog: Has Venture Philanthropy Passed Its Peak?, Available at: http://www.ssireview.org/blog/entry/has_venture_philanthropy_passed_its_peak, Accessed: 22.04.15

Focus on capacity building

Capacity building of individual non-profit organisations and the non-profit sector in general is an approach that has been adopted heavily by strategic philanthropic entities around the world over the past decade in a bid to ensure more sustainable change and impact.

Case study

After years of functioning much like a traditional grant-making foundation, in March 2009 **The Salesforce.com Foundation** decided to leverage the assets of Salesforce in a commercial manner for social benefit and began selling the company's software to non-profit and higher education customers at a discount.[7] According to the Salesforce.com Foundation, 85% of all non-profit organisations pay nothing to use the Salesforce Customer Relationship Management (CRM) and clouding software.

The result for non-profit clients has been increased operating efficiencies and better relationship management with stakeholders. Salesforce also experienced an added benefit from this initiative. Customers in this category rose from approximately 5,000 organisations in 2008 to more than 20,000 organisations in 2014, significantly increasing the revenue generated from the non-profit sector. In this respect, the experience of Salesforce is both an example of a corporate focusing on capacity building within the non-profit sector and also shared value creation, as both non-profit clients and Salesforce benefited from increasing access to CRM products.

Greater focus on systemic issues and change

In line with a more strategic investment approach, increasingly investors are looking to address the root causes of social problems rather than the symptoms. This has been evidenced by a shift from funding one organisation in isolation to supporting complementary initiatives that target a range of complex, systemic issues occurring for a particular population group.

Case study

In 2013, the **Robin Hood Foundation** invested $132 million in over 200 poverty-fighting programs in New York City.[8] This was borne out of the belief that New Yorkers in need face a daily struggle due to interconnected issues such as chronic illness, unemployment, homelessness, hunger and poor performance at school.

Greater focus on collaboration

Collaboration in philanthropy, which can range from sharing information about best practice to co-funding, is emerging as an increasingly popular way of being more effective with philanthropic giving as well as scaling up activities. Although there is widespread recognition of the need for increased collaboration, due to the challenge of managing different agendas and ensuring mutual benefits for all involved it is not as common as some of the other trends. Where instances of collaboration have been realised, it is commonly with the support of third party experts, such as social impact advisers, who provide assistance in the design and delivery of initiatives.

Case study

The **Edna McConnell Clark Foundation** (EMCF) frequently partners with other funders in an effort to transform the life trajectories of vulnerable and economically disadvantaged youth.[9] Since 2007, it has leveraged over $113 million of its own resources to help 16 grantees secure almost $252 million in growth capital from more than 45 philanthropic co-investors and $30 million from the US Government's Social Innovation Fund. EMCF also has a strategic collaboration with non-profit advisory The Bridgespan Group, which helps EMCF grantees with business, scenario and strategic planning.[10] In addition, EMCF has a strong focus on sharing what it has learnt about evidence, evaluation, building capacity and aggregating capital to encourage other funders to provide support to programs that work.

7 Beato. G, 2014, Growth Force, Available at: http://www.ssireview.org/articles/entry/growth_force, Accessed: 10.03.15

8 Robin Hood Foundation, 2015, Available at: https://www.robinhood.org/problem#section-2 Accessed: 12.03.15

9 Edna McConnell Clark Foundation, 2014, Organisation website, Available at: http://www.emcf.org/, Accessed: 12.03.15

10 Edna McConnell Clark Foundation, 2014, The Bridgespan Group, Available at: http://www.emcf.org/about-us/advisers-collaborators/the-bridgespan-group/, Accessed: 25.05.15

Integration and alignment of social activities with corporate business

Increasingly, corporates are integrating and aligning their social activities and corporate affairs for the benefit of both internal and external stakeholders and are achieving targeted, commercial outcomes including increased brand promotion, staff retention and customer loyalty.

Employee engagement initiatives are growing as corporates respond to workforce expectations in a bid to attract and retain talent. Between 2010–13, non-cash contributions accounted for more than 90% ($2.11 billion) of the aggregate giving increase of corporates.[11]

Many corporates have come to align some of their giving with the areas of interest of their business. Such an approach enables them to leverage internal knowledge, resources and expertise while investing in issues relevant to their business and delivering a consistent strategic message.

Case study

Through **Cisco's Corporate Social Responsibility** (CSR) program, the company invests in scalable and sustainable programs that use technology to meet social challenges in the areas of access to education, healthcare, economic empowerment and disaster relief.[12] Cisco has designed programs that make use of its networked technology to prepare people of all ages worldwide to succeed in a technology-driven society as part of its education focus, and has used the company's collaborative technologies to bring healthcare specialists to patients that need them as part of its focus on healthcare.

Place-based solutions

A focus by funders on solving the social issues in a particular geographic location is emerging as a popular tool for effecting social change.

Case study

Since 2001, global healthcare company Abbott has worked with its foundation, the **Abbott Fund**, and the Government of Tanzania to strengthen the country's healthcare system, with the assistance of global social change consultancy FSG.[13] Using an investment of more than $100 million from the Abbott Fund and more than $5 million through corporate donations from Abbott, the public-private partnership has been working in the town of Muhimbili to comprehensively modernise the Muhimbili National Hospital through improvements to the emergency department, outpatient treatment centre, IT system and training for hospital workers.

Shared value

Many corporates are approaching social impact from the lens of shared value, which considers how businesses can create competitive advantage and deliver better returns to shareholders through actions that also deliver a social or environmental benefit.[14] Global proponents of this approach include Nestlé, Unilever, Wholefoods and Southwest Airlines.

Case study

The **Unilever Foundation** in Europe was launched in 2012 as part of a campaign to double the size of Unilever's business while reducing its environmental footprint and increasing its social impact.[15] This is being actioned through six pillars: creating partnerships with leading global organisations; connecting with consumers on social issues; advocating for policies designed to address certain global health challenges; providing resources in response to emergencies; supporting programs in communities where employees live and work, and identifying new ways to engage employees in important social issues.

The company approaches social issues such as poor sanitation, water scarcity and under-nutrition both as a moral duty and a business opportunity. Sales in emerging markets grew in 2012 by 11.4% (comparing to 6.9% across the business), representing 55% of Unilever's turnover.

Another example is Lifebuoy soap, one of Unilever's fastest-growing brands, which reached 71 million people in 16 countries in 2012, achieved double digit-growth over 2010-12. Lifebuoy soap was a key element in the company reaching 224 million people with programs to reduce diarrhoeal disease through hand washing, the provision of safe drinking water and the promotion of oral health.[16]

11 Committee Encouraging Corporate Philanthropy (CECP), 2014, Giving in Numbers: 2014 Edition,

12 CISCO, 2015, About Us, Available at: http://csr.cisco.com/pages/csr-programs, Accessed: 25.05.15

13 The Abbott Fund, 2015, Organisation website, Available at: http://www.abbottfund.org/project/17/68/Modernizing-Muhimbili-National-Hospital-in-Tanzania, Accessed: 11.03.15

14 Nestle, 2015, Organisation website, Available at: http://www.nestle.com/csv/what-is-csv, Accessed: 11.03.15

15 Unilever Foundation, 2015, Foundation website, Available at: http://www.unilever.com/aboutus/foundation/, Accessed: 11.03.15

16 Godelnik. R, 2013, Unilever's Progress Report Provides Important Lessons in Mainstreaming Sustainability, Available at: http://www.triplepundit.com/2013/04/unilevers-progress-report-important-lessons-mainstreaming-sustainability/, Accessed: 12.03.15

Impact investing

An investor placing capital in enterprises that generate social or environmental benefits as well as expected financial returns (ranging from highly concessional to above market)[17] is attracting strong interest from a range of philanthropic organisations.

Case study

Goldman Sachs in the US is a global leader in the social impact bond market, and was one of the first US major financial institutions to sponsor an impact investing vehicle. In 2013, Goldman Sachs launched a $250 million social impact fund to mobilise new sources of private capital for social impact investing. The new fund was the first of its kind, enabling wealthy individuals and companies to invest directly in projects that provide quality affordable housing, healthcare facilities, schools and retail space; businesses and social enterprises that catalyse job creation and economic growth; and the delivery of social and educational services for low and moderate income communities.[18]

Prior to this, in 2012 Goldman Sachs also invested approximately $10 million in a social impact bond to help fund a program in New York City in partnership with the City of New York, Bloomberg Philanthropies and MDRC, a social services provider.[19]

Greater transparency and accountability

Globally, a shift in societal expectations and technological advancements have pushed philanthropy towards greater transparency, predominantly online.

Case study

Glasspockets, a service of the Foundation Center in the USA, was established in 2010 to champion transparency in philanthropy in a digital era.[20]

Glasspockets provides the data, resources, examples and action steps that foundations require in order to understand the value of transparency and apply greater transparency within their organisation. It also profiles foundations on its 'Who Has Glass Pockets?' online profile section', which uses 23 elements to assess transparency. Through these activities, Glasspockets aims to provide a road map to guide internal discussions about what level of transparency makes sense for a foundation, and a platform for foundations to share their profiles and demonstrate their commitment to greater transparency.

According to the sector, this evolution of philanthropy and application of new approaches and tools is resulting in better outcomes. It is, however, increasing the complexity and interplay of decisions to be made by philanthropic entities – both corporate and non-corporate. The decision matrix in Figure 2 (next page) sets out a number of key questions corporate and non-corporate philanthropic organisations need to answer.

17 Brest. P, Born. K, When Can Impact Investing Create Real Impact?, Available at: http://www.ssireview.org/up_for_debate/article/impact_investing, Accessed: 11.03.15

18 Philanthropy News Digest, 'Goldman Sachs Launches $250 Million Social Impact Fund', November 2013, Available at: http://philanthropynewsdigest.org/news/goldman-sachs-launches-250-million-social-impact-fund, Accessed: 11.03.15

19 Goldman Sachs, Urban Investments: Social Impact Bonds, http://www.goldmansachs.com/, Accessed: 11.03.15

20 Glasspockets, Available at: http://glasspockets.org/about-glasspockets, Accessed: 26.10.15

According to the sector, this evolution of philanthropy and application of new approaches and tools is resulting in better outcomes. It is however, increasing the complexity and interplay of decisions to be made by philanthropic entities – both corporate and non-corporate. The decision matrix in Figure 2 sets out a number of key questions corporate and non-corporate philanthropic organisations need to answer.

Figure 2: Decision matrix for corporate and non-corporate philanthropic organisations

Decision areas	Traditional philanthropy	Current philanthropy
Investment focus	– National/international – Multiple locations – Invest in range of issues and groups – Not seeking systemic change	– Do we want to invest nationally/internationally, in one location or multiple? – What sector(s) do we want to engage with? – What issue(s) do we want to tackle and where are gaps we can usefully address? – Do we want to solve a problem (systemic approach) or merely reduce it? – How specific do we want to be about who we help? Who are those groups?
Investment style	– Typically, many funding recipients receive small amounts, generally in one-off grants in response to requests or crises – Minimal advice sought	– At what stage do we want to fund an organisation? Start-up or scaling up? – Do we want to build our profile in the sector? Be seen as an expert/advocate? – What sort of time-frame do we want to invest for? Do we want to tackle multi-year or even intergenerational issues? – Are we a funder or will we run our own programs? – How will we fund? Directly/through an intermediary? – Who will we collaborate with and seek advice from?
Investment infrastructure	– Measurement is not widespread – Management of activities is limited as is collaboration with other funders	– How will we measure our results and hold ourselves accountable? – What internal calibre of resources do we need? With what skills and capabilities?
Corporate link	– Limited integration of social activities with the business – Money is primarily given; there is some employee giving and volunteering	– What employee engagement opportunities will we offer to attract and retain talent? – How can we align our social activities with our core services? – How can we leverage our existing expertise, products and services to drive social impact?

Philanthropy in Australia

Within Australia almost $2 billion is given by philanthropic entities on an annual basis.

Of these, approximately 3,000 are structured as Public and Private Ancillary Funds (PuAFs and PAFs) and 2,000 as charitable trusts and giving entities administered by trustee companies. Together their giving constitutes around 50% of the total, or $1 billion per year.[21]

The remaining 50% comes from contributions made by corporates (over $850 million between 2012–13) and payroll giving by staff (estimated to be $33 million in 2010–11).[22]

Driven by a desire to support social causes with the assistance of employers and a tax incentive stemming from streamlined employee payroll giving, philanthropic contributions (both cash and non-cash) made by employees have flourished with over 50,000 new employees joining corporate schemes between 2010–11. In this same year, the total value of workplace giving increased by 44% compared with the previous year.[23]

In addition, from 2012 to 2014 a number of significant endowments and philanthropic entities were established, including Paul Ramsay's $3 billion bequest.

Structure of philanthropic entities in Australia

Within Australia the term 'foundation' is commonly used to describe a range of structures, however, it has no particular legal meaning. There are four main structuring options for philanthropic giving in Australia (see Appendix 1) each with relative advantages and disadvantages:

– Internal funds
– Private charitable funds
– PuAFs
– PAFs.

There is no 'one-size-fits all' approach to deciding which structure is appropriate. The structure of many entities today is due to historical reasons rather than to a strategic rationale establishing them a certain way. Entities may also use more than one type of structure to manage their giving.

For example:

– **Internal fund:** To oversee the management of all corporate community activities, and
– **Private charitable fund:** To enable employee volunteering activities within the overarching community strategy.

In many ways, private charitable funds are the most flexible and innovative of the three structures because they can fund charitable entities that do not have DGR (deductible gift recipient) status, such as early-stage social enterprises. Due to the existence of a corpus, the use of capital through mechanisms such as impact investing is also possible. However, this structure is limited in that decisions must be made solely for the public benefit and without regard to the commercial interests of the corporate.

Australian philanthropic giving trends

In line with global trends, philanthropic giving is growing in Australia, driven largely by the establishment of PuAFs/PAFs, new tax incentives streamlining employee giving and tax deductions on gifts of land[24] and property.[25] Corporate financial giving is, however, not growing at the same rate as non-corporate giving due to economic constraints and many corporate giving entities reaching their giving cap.[26]

In recent years, despite their flexibility, the establishment of private charitable funds has declined while PAFs have gained popularity due to the relative ease and cost-effectiveness of setting them up.

A review of the Australian context shows the presence of some of the same giving trends identified in the global context.

Focus on capacity building

A small group of Australian philanthropic entities are focused on building capacity in the non-profit sector in a range of ways including assisting community organisations to scale, supporting non-profit organisations and social enterprises that may be suitable for impact investing, and improving leadership in the non-profit sector.

21 Philanthropy Australia, 2015, Fast facts & stats, Available at: http://www.philanthropy.org.au/tools-resources/fast-facts-and-stats, Accessed: 12.03.15
22 ABS, 5256.0 – Australian National Accounts: Non-Profit Institutions Satellite Account, 2012-13; http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5256.02012-13?OpenDocument
23 Philanthropy Australia, 2015, Fast facts & stats, Available at: http://www.philanthropy.org.au/tools-resources/fast-facts-and-stats, Accessed: 12.03.15
24 Tax concessions are available to land owners who enter into conservation covenants to protect areas of high conservation value. A land owner who receives some capital proceeds for entering into a conservation covenant, on or after 15 June 2000, may qualify for concessional capital gains tax (CGT) treatment. ATO, 2015, 'Conservation covenant concessions', Available at: https://www.ato.gov.au/non-profit/gifts-and-fundraising/how-supporters-claim-tax-deductions/claiming-conservation-covenant-concessions/, Accessed: 30.03.15
25 Philanthropy Australia, 2015, Fast facts & stats, Available at: http://www.philanthropy.org.au/tools-resources/fast-facts-and-stats, Accessed: 12.03.15
26 SVA analysis

Greater focus on systemic issues and change

As in the global context, in Australia there has been a trend among philanthropists towards becoming more focused so that funds are channelled towards a particular issue or issues that the funder wants to have a significant impact on.

Greater focus on collaboration

Some Australian philanthropic entities are beginning to see the importance of collaboration even though most organisations are still operating largely independently.

Integration and alignment of social activities with corporate business

A global trend being mirrored in a number of philanthropic entities in Australia is greater integration and alignment of social activities with corporate business through focusing on issues of importance to staff or their business and leveraging corporate resources for non-profits.

Placed-based solutions

Mining and resources companies in Australia have been at the forefront of place-based solutions in Australia due to a desire to ensure that communities where they undertake operations are supported.

Shared value

Shared value is increasingly becoming a focus for some corporates in Australia.

Impact investing

Some Australian philanthropic entities have recognised that the impact investing market needs to be developed before further investments can be made, while others have invested in early social impact bonds.

Greater transparency and accountability

Some of the larger philanthropic entities in Australia voluntarily share basic information about their organisation (i.e. general contact information and mission statement), a financial report and an annual report (if they have one) while many others share little or no information online.

Discussion of trends in philanthropic giving in Australia

At an aggregate level, philanthropic organisations in Australia have evolved their approach to one of seeking a deeper level of engagement with causes they want to support and a more sophisticated understanding of social issues and what is required to solve them.

However, there are also discrepancies in the practice of Australian philanthropic organisations and corporate community programs and what is identified to be best practice.

Continued broad focus, short-term funding and lack of measurement and evaluation

Many philanthropic entities still have a broad focus rather than seeking to address a specific issue or issues for a particular population group. Programs and organisations are generally supported for less than three years at a time.

The majority of Australian funders are not measuring the outcomes of their philanthropic programs or giving in a comprehensive way. Some funders measure outputs (e.g. the amount of money spent, amount of non-profit organisations supported) and internal metrics (e.g. the amount of employees who volunteer) rather than outcomes. Others have clarity on outcomes but have yet to evaluate their activities against those outcomes.

Low-level investment in capacity building

The majority of philanthropic entities prefer to fund specific programs and initiatives rather than contribute to core operation costs. This makes it challenging for non-profit organisations to achieve a sustainable model.

Limited application of new tools

The application of new tools, including impact investing, shared value and delivering place-based solutions, is not commonplace. The structure of philanthropic entities is a factor that limits some organisations from engaging in them.

Lack of collaboration

Despite recognition of the value of collaboration, there is little of it both in terms of co-funding initiatives and sharing information. Corporate entities in particular report finding it challenging to conceive how they could collaborate on non-profit activities with the same organisations that they compete with in the marketplace.

The result of these discrepancies for non-profit organisations and the broader non-profit sector are:

- Learnings are not identified and shared between funders (although does happen at an informal, one-on-one level).
- The reporting burden of non-profit organisations to funders remains high, diverting efforts from their core business.
- Due to a lack of co-funding, non-profit organisations have to go to multiple funders for funding across their life cycle and may struggle to get funding, preventing scaling of operations.
- The sustainability of non-profit organisations continues to be challenged as funding for core operations is limited.

Conclusion

Over the past decade, the philanthropic landscape has evolved.

Globally, there is now an understanding among philanthropic entities of the need to become more focused on a single issue or set of issues; leverage existing resources; work with other funders; ensure sustainability among non-profit organisations; measure social outcomes; and become more transparent. This has led to the development of new approaches and tools such as place-based solutions, investing in capacity building, creating shared value and applying business principles and practices to social investment.

In Australia, many of these new approaches and tools have been adopted by innovative and large-scale philanthropic organisations but on a smaller and more disparate scale than that seen overseas.

The majority of organisations have increasingly applied business principles and practices to their approaches and there is strong acknowledgement of the value of collaboration and a number of instances of it occurring. Many organisations, however, still have a broad focus and engage in shorter-term partnerships. Measurement of results is not widespread and many are still yet to achieve strong alignment of their social activities with their corporate purpose and values. Lack of transparency of technical information and vision/impact information is still not widespread.

The implications of giving being unfocused, not measured, short-term, not collaborative and lacking transparency are that resources are not being adequately leveraged to deliver greater social impact.

For all philanthropic entities, these new approaches and tools have meant decision-making has become more complex. Philanthropic organisations now need to decide how and what their philanthropic investment focus, style, infrastructure and risk profile should be and, for corporate philanthropic donors, what the relationship with their business should look like. The successful execution of this new approach is critical to ensure that all resources are leveraged to produce maximum social benefit.

Appendix 1: Common structures for philanthropic giving in Australia

Structure	Description	Advantages	Disadvantages	Examples
Internal fund	– An operating branch or activity of the corporate handling all or some of its community or philanthropic functions. – Typically doesn't have a corpus (but may do). – Grants made by, and the costs of the other activities of the fund, will be part of the expenditure of the corporate and are tax deductible through the company. – Simple vehicle to achieve employee engagement objectives. – Unlikely to do impact investing as would be deemed an inefficient asset.	– Grants can be made to further the commercial interests of the corporate. – Accountability is minimal, and can be established without legal and accounting fees. – Can make grants to organisations that are not charities (e.g. sporting clubs, state schools and certain public hospitals). – Can be established and maintained without ATO approvals and without legal or accounting fees except for the preparation of the management accounts. – Can make grants to overseas organisations or for overseas purposes. – Can carry out its own programs.	– Unlikely to be able to attract significant gifts or other support from staff or the public because it is part of a profit-making business entity. – Can be viewed cynically by staff and the public as a year-to-year program, seeking short-term outcomes, and subject to the annual funding 'whims' of the corporate. – Cannot accumulate capital in a tax-free environment or receive refunds of franking credits.	– ANZ – Macquarie Group Foundation – NAB – IAG – Rio Tinto – PwC – Telstra Foundation – Origin Foundation (has corpus) – Commonwealth Bank Foundation (has corpus)
Private charitable fund	– Privately controlled trust established solely for charitable purposes. – The trust is entitled to be endorsed as a tax concession charity and exempt from income tax (including capital gains tax). – Care needs to be taken to ensure that significant contributions to the trust by the corporate are not of a capital nature. – Able to invest in new forms of social finance such as impact investing using corpus. – Greater flexibility in amount of annual disbursements than PuAFs and PAFs.	– Can make grants to a wide range of Australian charities, whether or not they are deductible gift recipients, including early stage social enterprises. – Can carry out its own charitable programs. – Can be controlled by the corporate and does not need 'public control' (unlike a public ancillary fund). – Can accumulate capital in a tax-free environment subject to some distributions each year, and receive refunds of franking credits.	– Must make decisions solely for the public benefit and without regard to the commercial interests of the corporate. – Needs to exercise care in making overseas distributions – generally will be able to make grants to overseas aid funds.	– AMP Foundation – Westpac Buckland Fund (part of Westpac Foundation) – Westpac Bicentennial Trust – Colonial Foundation Trust – Myer Foundation
Public Ancillary Fund (PuAF)	– A public charitable trust that can only provide donations to DGR type 1 organisations. – Fairly simple and straightforward mechanism for giving. – Must seek gifts from the public, not just gifts from its employees. – Must ensure minimum distribution of 4% of net assets each year. – Entitled to be exempt from income tax.	– Has DGR status so can receive workplace giving and gifts from the public. – Can accumulate capital in a tax-free environment and receive refunds of franking credits (subject to the minimum distribution of 4% of net assets at the end of the previous financial year).	– Must make decisions solely for the public benefit and without regard to the commercial interests of the corporate. – Involves public control. – Cannot carry out its own programs. except for volunteering for employees.	– NAB Ancillary Fund – Westpac Community Trust (part of Westpac Foundation) – Commonwealth Bank Staff Community Fund – ANZ Staff Foundation – Sydney Community Foundation – The Walter and Eliza Hall Supplementary Trust – Lord Mayor's Charitable Fund – Australian Philanthropic Services Foundation
Private Ancillary Fund (PAF)	– A privately controlled trust that can only provide donations to tax exempt entities and item 1 deductible gift recipients. – Fairly simple and straightforward mechanism for giving. – Must ensure minimum distribution of 5% of net assets each year. – Private ancillary funds are exempt from income tax and entitled to receive refunds of franking credits.	– Has DGR status so can receive workplace giving. – Can accumulate capital in a tax-free environment subject to the minimum distribution requirement of 5%, and receive refunds of franking credits.	– Must make decisions solely for the public benefit and without regard to the commercial interests of the corporate. – Cannot carry out its own programs.	– Eureka Benevolent Foundation – The English Family Foundation – Matana Foundation For Young People

‘Key trends and best practice in philanthropy’ was compiled by SVA Consulting for the AMP Foundation by:

Hannah Chadwick

Allegra Day

Nick Elliott

The following individuals and organisations were interviewed:

AMP Foundation

- Richard Grellman
- John King
- Paul Leaming
- Helen Liondos
- Matthew Percival
- Julia Quinn
- Fiona Wardlaw

Asian Venture Philanthropy Network

Commonwealth Bank Foundation

FSG

Jon Huggett

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Origin Foundation

PwC

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The Bridgespan Group

Information was also gained from the following publications and organisations:

Australian Bureau of Statistics

BNP Paribas Wealth Management

CISCO

Committee Encouraging Corporate Philanthropy (CECP)

Edna McConnell Clark Foundation

Forbes Magazine

Glasspockets

Goldman Sachs

Nestle

Philanthropy News Digest

Pro Bono Australia

Robin Hood Foundation

Stanford Social Innovation Review

The Abbott Fund

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Contact us

phone +612 9257 5000
web amp.com.au/amp/in-the-community
email AMP_foundation@amp.com.au
connect on Facebook.com/AMPAustralia or Twitter @ampfoundation

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