JBWere

The Corporate Support Report

The evolution of corporate giving and community investment in Australia

By John McLeod, March 2022

Foreword

Recent history has shown us what is truly essential for our society, to survive, and in due course, thrive. Crises have a way of revealing strengths and weaknesses; and the things that matter most.

One revelation was the depth and complexity of the interconnection between the sectors that make up our society: Community, Business, For-Purpose and Government. The crisis demands that each rethinks and reimagines its role in creating the Australia, and indeed the world, in which we can all prosper.

This increasing interconnection is something that we first explored in 2016's "The Cause Report" – a first-of-its kind analysis into the evolution of the for-purpose (historically referred to as the "not-for-profit") sector in Australia. One of the keys issues identified in that report was the lack of quality information relating to the role of philanthropic support in the context of the sustainability challenges faced by the sector.

This led to the detailed analysis presented in 2018's The Support Report, an in-depth analysis of the changing face of giving in Australia. One of the key findings was the dramatic difference in who, why, where and the way support is provided across donor segments. In the many conversations that followed, it became clear the segment that was least understood was corporate giving and partnerships. Considering this, and high net worth giving were the fastest growing part of the non-government, non-service revenue funding pie, it became clear that more research was required.

And so, after two years of research we are proud to present '*The Corporate Support Report: The evolution of corporate giving and community investment in Australia*'. Our hope is that by bringing more clarity the understanding we provide the foundations for a larger number of quality partnerships between the corporations and for-purpose organisations, leveraging the strengths and capabilities of each to create real, lasting positive change.

This is part of our commitment at JBWere to fulfil our unique role in the ecosystem: to provide the trusted advice, support, and access to insight, so our clients have the confidence to do what matters. The opportunity to assist our clients in achieving their ambitions, and the ability to contribute to the broader social impact ecosystem, is what inspires and motivates the experienced specialists in our Philanthropic Services team. Specifically, we acknowledge the significant contribution of John McLeod, the author of these reports.

We look forward to engaging with our clients and broader network to explore how these insights can be turned into strategic initiatives and partnerships that deliver urgently needed outcomes. Please contact your JBWere adviser or the JBWere Philanthropic services team to discover how we can work together.

Enjoy the report.

> Corporate giving and community investment, alongside high net worth giving, is the fastest growing and least understood segment of social impact funding. By increasing knowledge and improving understanding, our hope is that this report will inspire quality partnerships between corporations and for-purpose organisations to create real, lasting positive change.

Justin Greiner
CEO
JBWere

Shamal Dass
Head of Philanthropic Services
and Family Advisory
JBWere

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“We’re in a time now where customers expect to see business make a positive difference. Purchase behaviour is increasingly becoming more correlated to the ethics, impact, and purpose an organisation stands for. As a brand with a predominately youth market, our customers look to us to make a statement, and support causes that are close to them. Organisation’s that don’t address our social & environmental needs as a human race will cease to exist.

The data that this report delivers, allows us to not only understand the wider impact we all make as businesses, but should drive us all to be ever better in our focus on doing good.”

Tim Diamond
General Manager,
Cotton On Foundation

Executive Summary

This report examines the growing relationship between the corporate sector and community in Australia and internationally. While not all of this support appears as cash donations to charities, the current enormous scale and even greater potential is not well recognised. There are new models emerging and innovations starting to occur from both corporate and for-purpose partners.

We firstly look at the long evolution of corporates from largely profit seeking towards purpose driven organisations. This is enhanced by an examination of the shape of corporate Australia in terms of industry and size of company and profitability, recognising that each has different stakeholder groups which influence where support might be provided. We then study what the sector has to offer the community including the most recent list of Australia's 50 largest corporate community investors. Finally, we look at the relationship from the perspective of both the corporate and the community organisation and the issues each should consider when contemplating a partnership.

We make the following observations:

- The timeline showing the issues and events which have helped shape the changing corporate-community relationship include an eclectic mix of academic, accounting, consumer, employee, Government, investor, media and public led initiatives over more than 50 years.
- The emergence of purpose as an overarching guide for corporate actions, while still in its early stages for most, offers a great opportunity for engagement by for-purpose groups who have always been driven by it.
- Corporate community investment is a part of overall corporate social responsibility and is becoming more integrated into all areas of company operations.
- The growth in all forms of company giving is strong in both Australia and internationally although available data has been rare until recently.
- The interconnection between business, households, Government and the for-purpose sectors is very strong with many underestimating the level of cross reliance each has on the others.
- Understanding the shape of Australian business by industry type, size and profitability and therefore different stakeholder mix, is an important part of the research needed when considering engaging with a potential partner.
- The scale and type of corporate expenditure and their asset base, whether physical or other is significant and dwarfs the for-purpose sector offering the opportunity for selective community use.
- The breakdown in giving between, cash (from either the company or their foundation), goods, services or other support such as voice varies by industry, country and size of business.
- Analysis of the top 50 Australian companies for community investment offers a view of the link between that company and the causes supported and also the growing diversity of operating models providing that support.
- There needs to be a clear understanding by corporates as to why they are engaging with community, what might be unique in their support and what causes make sense for their situation.
- Considerations for the corporate around issues such as internal structure, reporting lines, corpus, measurement and spending levels are important to achieve maximum impact. In addition, the inclusion of volunteering or workplace giving options and the choice of for-purpose partners to add skills needed in particular cause areas can add significantly to overall success.
- For community and for-purpose groups, the reasons to engage include the sheer scale and perhaps hidden existing connections to the corporates and the complimentary skills between the two sectors. The need to understand this sector to increase chances to partner is very important, research is key. Finally, understanding the potential demands on your organisation from the relationship and having a clear ethical policy for partnerships is vital.

"The JBWere Corporate Support Report is an insightful and idea generating read. Reports like this, and the series of which it is part, are crucial to the narrative and the story telling between the 'for-profit' and the 'not-for-profit' sectors – with this outdated wording being amongst the things that keep us in our own lanes and out of reach of sustainable impact. Both sectors are evolving to the place of real change where we all exist 'for purpose', and this is a giant leap forward.

This report confirms for us that powerful partnerships can only be built on a shared understanding of purpose – this is the first crucial step. Furthermore, it gives us pause to look up and out from our day to day and imagine what is possible by embarking on significant, collaborative innovation that brings us closer to the fulfilment of the purpose that compels us."

Nicola Stokes
CEO, Sydney Children's Hospitals Foundation

Introduction

In our studies of various elements of the for-purpose sector and how impact is generated, one of the areas of great interest has been the converging of the two ends of profit versus purpose spectrum. We've seen for-purpose organisations attempting to become more financially sustainable, sometimes through the generation of impact investments, to be rewarded, not just reimbursed for their efforts. Then we've seen the growth in defining purpose, interest and measurement of environmental, social and governance (ESG) factors and broader stakeholder recognition from the corporate sector leading, in part, to greater levels of community investment. While these ends of that spectrum are converging, there has been less progress in bringing the two sectors together to benefit from the substantial and complimentary physical and knowledge assets each group possesses. It is also significant because of the sheer scale of these two parts of Australian society.

In many ways, this report is continuing to follow and perhaps complete the circle from our co-authored *Impact Australia* report in 2013, *The Cause Report* in 2016 and *The Support Report* in 2018. *Impact Australia* looked at the emergence of the concept of investing for both profit and purpose in Australia while The *Cause Report* analysed the scale, shape, problems and opportunities for the for-purpose sector and The *Support Report* dived deeper into giving trends including corporate community investment.

This new report looks at the evolution of the relationship between the corporate sector and community. There are growing forces that are bringing them closer, some by desire and some through need, but either way, the recognition that each can be better working together is growing quickly. We also examine the scale of corporate Australia by various measures including industry, employment and profitability plus look at the current cause areas supported by each segment. We look at what corporates have to offer community from direct funding, goods, services, knowledge, influence and employee engagement. Finally, we examine the relationship from the point of view of the corporate and then from the for-purpose organisation and what issues or considerations they should each include both internally and in the potential partnerships.

The scale and growth in corporate community investment is gradually being recognised and even more slowly, understood by the for-purpose sector. Significant opportunities for what this relationship could bring to both groups will develop as their knowledge and skills grow.

"As part of our Sustainability strategy, Coles is focusing on how we can be 'Better Together', because when we work together, we can make a real difference to our team, our suppliers, our customers and to the communities in which we live and work.

Research like JBWere's creates a useful benchmark for companies to understand the broad impact they are having, while giving insight into creative ways their peers make a difference to those in need."

Thinus Keeve
Coles Chief Sustainability, Property and Export Officer

The evolution of the corporate community relationship

The tension between profit and a broader purpose is not new to the corporate sector with many commentators in the past and still currently wanting to shift focus further one way or the other.

What is new in more recent years has been the growing evidence that these two forces might be positively correlated and not in competition.

Timeline

The following timeline of various studies and events related to corporate community investment (more on terminology later) shows the multiple forces that have moved corporates towards purpose and their growing relationship and investment in and with community. It is now over 50 years since Milton Friedman's often quoted work about the social responsibility of business being to increase profits. We suspect today he would recognize that one way of increasing profits (or not lowering them), is to have other social responsibilities that are in line with investors, employees, customers and public opinion.

The place of the corporate today is vastly different to that in the 1950's when our timeline commenced. Their share of economic output in industrialised countries has risen from around 1/4 to almost 3/4. The centre of many people's social interactions is now largely with their work colleagues rather than perhaps their religion or church. Ownership of public companies is much wider spread now with the growth in superannuation and other broader investment options.

In both Australia and the USA, annual corporate spending is around 7-8 times that of Government spending and 20-25 times the for-purpose sector. With that has come a growing interest in how companies are operating and what effect that is having on society. Employees care who they work for and consumers who they buy from. The voices of major investors such as Blackrock's Larry Fink are advising CEOs to show their positive contribution to society and more recently around climate. The outperformance of environmental, social and governance (ESG) influenced funds are having an effect. Thanks to academic research conducted over recent years, there is a better understanding of broader factors that affect corporate performance and ultimately profitability and market valuations.

Without detailing each of the events in the timeline, it does paint a picture of the, often unrelated, forces that have all pushed, encouraged or led corporates to a place of greater connection to broader society. The range of groups from academic to accounting to financial markets to Governments, including collections of them under the United Nations (UN) banner, to philanthropy and purely impact driven players have, often unknowingly, combined over a long period to get us to this point.

Timeline of the events related to the growth in corporate community investment	
1953	Howard Bowen's *Social Responsibilities of the Businessman* published
1970	Milton Friedman's *The social responsibility of business is to increase its profits* published
1971	Klaus Schwab founds the World Economic Forum and the Davos annual meeting
1973	US Corporate Giving passes US$1 billion
1973	Davos releases Manifesto – The purpose of management is to serve clients, shareholders, employees as well as societies
1986	US Corporate Giving passes US$5 billion
1991	Archie B. Carroll's *The pyramid of corporate social responsibility* published
1994	London Benchmarking Group (LBG) established
1994	John Elkington originates the Triple Bottom Line reporting concept
1997	Business Roundtable issues Principles of Corporate Governance endorsing shareholder primacy
1997	Global Reporting Initiative (GRI) founded
1999	US Corporate Giving passes US$10 billion
1999	Dow Jones Sustainability Indicies (DJSI) launched
1999	Chief Executives for Corporate Purpose (CECP) established
2000	GRI guidelines launched
2000	Responsible Investment Association Australasia (RIAA) established
2000	Jed Emerson creates the Centre for Blended Value
2000	UN establishes the 8 Millenium Development Goals
2001	FTSE4Good Index launched to incentivise companies sustainability practices
2001	Workplace Giving launched in Australia
2002	Michael Porter and Mark Kramer's *The competitive advantage of corporate philanthropy* published
2003	Australian Centre for Corporate Social Responsibility established
2004	UN Global Compact formed
2005	ESG term coined in *Who Cares Wins* published by the Global Compact
2006	United Nations Principles of Responsible Investing (UNPRI) launched
2006	Net Balance established
2007	First Certified B Corporations
2009	Monitor Institute's *Investing for Social & Environmental Impact* published coining the term "Impact Investing"
2009	The Global Impact Investing Network (GIIN) established
2010	US Corporate Giving passes US$15 billion
2011	Michael Porter and Mark Kramer's *Creating Shared Value* published
2013	India's Companies Act mandated larger companies spending levels for CSR at 2% of net profits averaged over 3 years
2014	Pledge 1% founded
2015	UN establishes the 17 Sustainable Development Goals (SDGs)
2018	Blackrock advises major corporate CEOs to show their positive contribution to society
2019	Business Roundtable redefines the purpose of a corporation to include all stakeholders
2019	First edition of the AFR Boss's top 50 for Australian corporate community investment published
2020	Davos updates Manifesto – The purpose of a company is to engage all its stakeholders in shared and sustained value creation
2020	Alex Edmans *Grow the Pie – How Great Companies Deliver Both Purpose and Profit* published
2020	Virginia Munro's *CSR for Purpose, Shared Value and Deep Transformation* published
2020	Mark Kramer et al *Hybrid Metrics – Connecting Shared Value to Shareholder Value* published
2021	Paul Polman and Andrew Winston's *Net Positive – How courageous companies thrive by giving more than they take* published
2022	Third edition of the AFR Boss's top 50 for Australian corporate community investment published

Source: John McLeod, JBWere Philanthropic Services

Purpose and employees, customers and investors as stakeholders

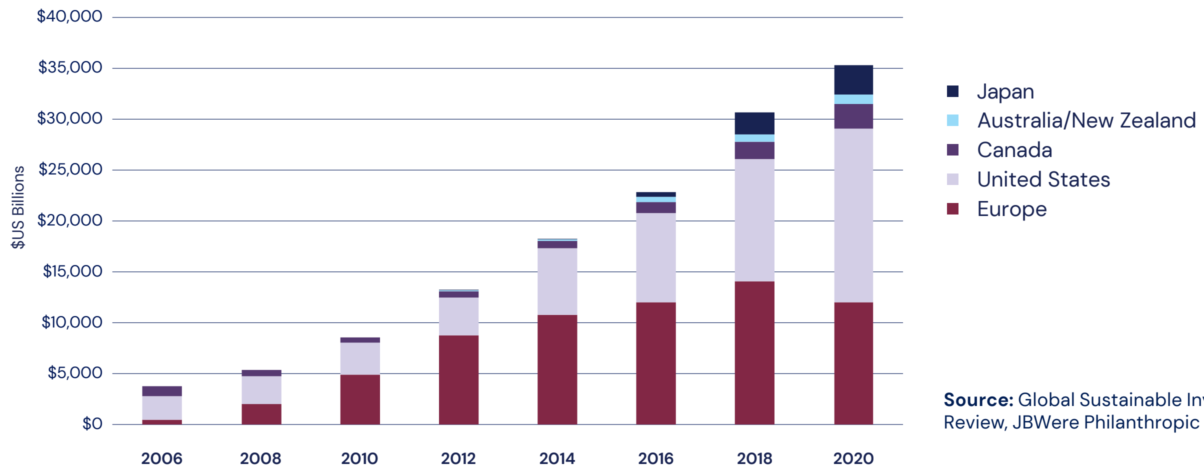
There has now been wide acceptance that companies are an increasing part of a broader ecosystem and can't thrive in the longer term unless that ecosystem is also thriving. To borrow the line from an old but still current environmental campaign poster, "no jobs on a dead planet". Issues such as poverty or racial inequality are not just social issues, they are business issues.

One of the more obvious examples of the corporate sectors increased understanding of their place in broader society has been the growth in those defining their "Purpose". Put simply, purpose is describing how the world is better for our company existing. To do this it should describe its important stakeholders (who it exists for) and what its advantage or solution is (why it exists). As Alex Edmans says in *Grow the Pie*, the ultimate objective for an enterprise should be to create value for society meaning that profits become an outcome rather than a goal. If it is just profits, then simply redistributing the same sized pie becomes the aim, whereas having a purpose of improving society in some way allows a much more ambitious agenda to be set which will also resonate with employees, customers and the broader public. The for-purpose world understands purpose and therefore is in a wonderful position to guide and partner this growing corporate interest.

Later in the report we refer to academic studies that highlight the positive relationship between companies acting with purpose and their employees, customers and investors. Terms like "Conscious Consumers" who are looking beyond labels to the practices of the company producing the product, the increasing competition for talent in employee recruitment and retention and what drives their choices are all examples of the importance of the emergence of purpose driven businesses.

The growth in interest for sustainable investing is one of the more obvious signs of this change with 36% of all professionally managed funds now using some sustainability strategy in their asset selection process, up from 28% in 2016. Australia/New Zealand are slightly higher at 38%.

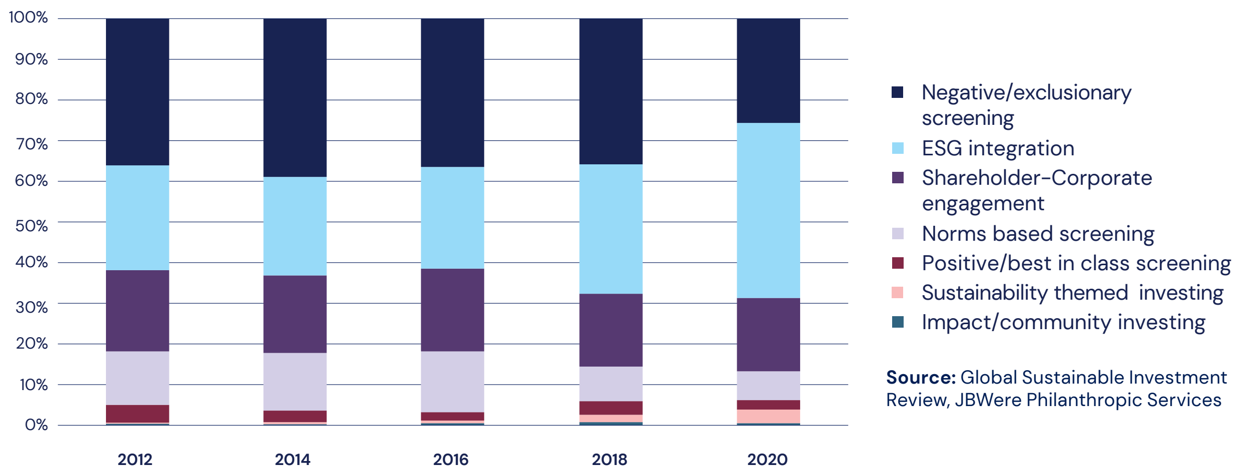
Sustainable Investment Assets



Source: Global Sustainable Investment Review, JBWere Philanthropic Services

In addition, the sustainability strategies used have changed with the broader measures of ESG now replacing negative or more ethically based screening as the most common. This has meant a much greater focus is being placed on companies to measure and publish details of an increasing range of non-financial data on their performance and be judged on those measures, alongside more traditional investment parameters.

Sustainability Strategy Used



Source: Global Sustainable Investment Review, JBWere Philanthropic Services

Where do corporate social responsibility and community investment fit

Where do corporate social responsibility (CSR) or corporate community investment (CCI) fit into this evolving corporate movement? Purpose provides the big picture answers of why and for whom a company exists, CSR is more the "how". While there are many definitions and there are country differences in its breadth and trends, the organisation Business for Social Responsibility, summarised CSR as meaning "to operate a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has for business." Additionally, the voluntary nature of these actions are considered an important factor of CSR.

In more detail, Carroll in 1991 in *The Pyramid of Corporate Social Responsibility*, discussed the four levels of CSR from bottom to top as:

Source: The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organisational Stakeholders

More recently Professor Kash Rangan from the Harvard Business School and JBWere's visiting Professor for our Social Leadership Program, identified his three theatres for CSR as:

Theatre 1: Philanthropy	Theatre 2: Value Chain	Theatre 3: Business Model
Donations/grants	Sustainable operations	Sourcing
Matching gifts	Responsible supply chain	Producing
Community support	Clean manufacturing	Distributing/selling and sustaining
Sponsorship	Employee welfare	
Strategic philanthropy	Post-sale stewardship	
	Customer cause marketing	

Source: Professor Kash Rangan, Corporate Responsibility Auditing and Building a Strategy

While almost two decades apart, the two descriptions share philanthropic activity as part of their CSR model, Carroll has it at the top of his pyramid and Rangan as Theatre 1. Dr Virginia Munro in *CSR for Purpose, Shared Value and Deep Transformation*, states that the term corporate philanthropy has evolved into Corporate Community Investment, which is also the term we have used in this report as it better describes the wide range of activities included, compared to just traditional donation models. It also better describes the more engaged community related social initiatives bringing more corporate assets to the table than just the cheque book. Munro's book provides an excellent history of CSR and includes descriptions of the numerous terms attaching and related to this activity, many of which are included in our timeline and a vision of where it might go.

Our focus in this report is particularly on corporate community investment rather than the other elements of broader CSR activity.

We have included a description of the common terms used in this broad corporate discussion, recognising the often strong overlap between some terms sometimes derived by their academic origin.

Glossary of terms

Term	Description
B Corp certification	B Corp Certification requires a business to demonstrate high social and environmental performance by achieving a minimum B Impact Assessment score and be accountable to all stakeholders, not just shareholders. There are currently over 4,000 Certified B Corporations in more than 70 countries and over 150 industries.
Benefit corporation	A benefit corporation is a traditional corporation with a legal structure of modified obligations committing it to higher standards of purpose, accountability and transparency. There are around 5,000 in the USA.
Blended Value	The idea that the value created by an organization is fundamentally indivisible between "economic value", "social value" or "environmental value". These quantities are simply parts of one essential value.
Cause related marketing	Used when a company allies itself with a specific cause, and contributes money, time, or expertise to an organisation or event in return for the right to make publicity or commercial value from that involvement. The corporate benefit is generally less overt than in a sponsorship arrangement.
Conscious capitalism	Conscious capitalism refers to businesses that operate with a purpose beyond just maximising profit, is managed for all their stakeholders and has embedded this way of operation across their leadership and organisational culture
Conscious consumers	Refers to consumers who "look beyond the label" to the company behind it and how they operate. They are interested and guided in their choices by the wider social and environmental impacts of their purchases.
Corporate citizenship	Corporate citizenship is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. The aim of this social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for its stakeholders both within and outside the corporation.
Corporate community investment (CCI)	Provision of cash, goods and services by a company voluntarily to parts of their or their stakeholders community. It is measurable and has globally accepted rules about what can and can't be included.
Corporate foundation	A separate legal structure, usually a charitable foundation, established by a company to support some or all of its social or environmental activities. It may have aims that differ from the company and separate directors but will generally be funded either annually or up front by the company. Some companies term their activities as a Foundation without forming a separate foundation.
Corporate partnership	A relationship between a corporate and a for-purpose organisation. While part of the activity will consist of the corporate providing cash, goods and/or services there will also be a deeper understanding of each others needs and result in actions/exchanges that benefit both partners.
Corporate philanthropy	Support through cash gifts, equipment, supplies, or other contributions by business firms to for-purpose institutions, sometimes through organized programs that may include corporate foundations.
Corporate social responsibility (CSR)	The idea that corporations – large or small – have a responsibility to the local community, broader society, and/or the environment.
Corporate sponsorship	As distinct to a corporate partnership, this is closer to marketing or advertising for the company and will usually come out of a separate budget with success measured against other forms of company promotion.
Environmental, social and governance (ESG)	A term applied to the measurement of non financial factors in a company for each of the environment (eg carbon intensity or waste), social (eg health & safety, slavery) and governance (eg compensation, diversity). Increasingly used as part of the investment analysis process.
For-Profit	The part of the economy concerned with organizations and businesses (private and public) that provide services and products based on market demands for a fee, with the intention of producing a profit for owners and shareholders.
For-Purpose	An organisation that is designed to achieve impact. Profits can only be reinvested in the organisation. Mostly they are registered charities but can also be other not-for-profit organisations such as sporting or community organisations. They are generally tax exempt.
Global reporting initiative (GRI)	A globally accepted group of standards for organisations to understand and report on their impacts on the economy, environment and people in a comparable and credible way, thereby increasing transparency on their contribution to sustainable development.
Hybrid metrics	A new approach that combines companies' social and environmental impact with standard measures of financial performance, making the connection between the two explicit and providing a combined measure of performance.

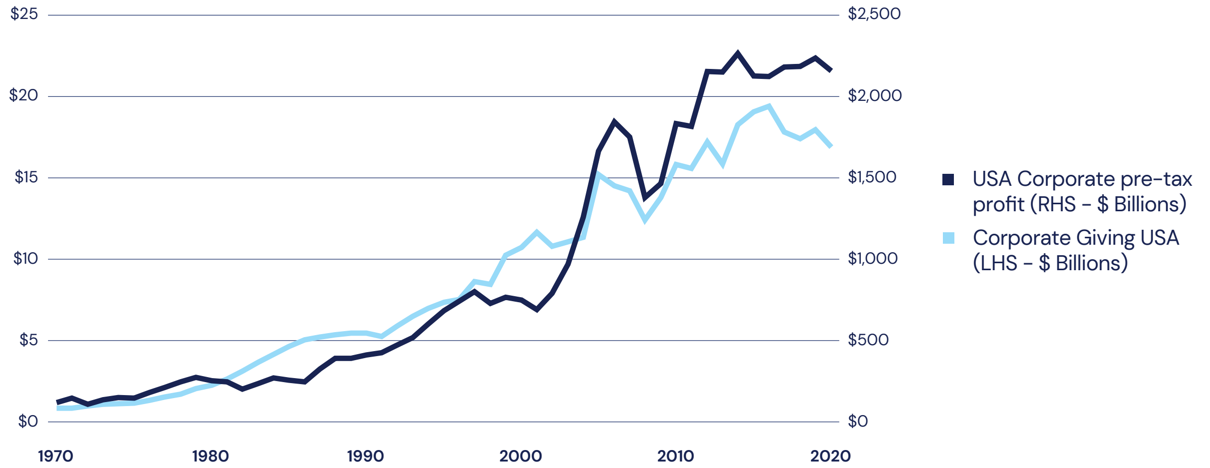
Term	Description
Impact investment	Impact investing refers to investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return.
Pledge 1%	Companies can pledge any combination of product, equity, profit, or time to whatever charity of their choice. Pledge 1% partners are leading organizations committed to encouraging the early stage companies they work with to make giving back a priority.
Pro bono	"for the public good". The provision of services at no or substantially reduced (low bono) cost with no expectation of a commercial return. Most commonly seen in legal and accounting firms.
Purpose driven business	A business that is guided by the knowledge of why and for whom it exists, what its advantage or solution is for society or its particular stakeholders. Profitability is a result of its purpose, not the driver itself.
Responsible investment	Socially responsible investment combines investors' financial objectives with their commitment to social concerns such as social justice, economic development, peace or a healthy environment. It describes investment that takes account of the investors' ethics, values and objectives, whether social or environmental, whilst also delivering a financial return.
Shared value	(Creating) shared value is creating profitable business solutions for social and environmental problems.
Social enterprise	A Social Enterprise is an organization that uses business solutions to accomplish social goals. In a Social Enterprise, the social objective is the primary driver. It is estimated there are 20,000 social enterprises operating in Australia.
Stakeholders	A stakeholder is an individual or group who could be affected either positively or negatively by a companies actions. It goes beyond just owners or shareholders and includes employees, customers, suppliers, community and government.
Sustainable development goals (SDGs)	Established in 2015 by the United Nations, they are 17 goals across social and environmental factors which provide a blueprint to achieve a better and more sustainable future for all people and the world by 2030.
Sustainable investment	Investments which are based on both financial and social/environmental returns. They include a wide spectrum from impact investment which places emphasis on impact to those doing less harm than others in a particular industry. Similar to responsible investments with less emphasis on ethical or values compared to social or environmental sustainability.
Triple bottom line	The triple bottom line (TBL) focuses corporations not just on the economic value they add, but also on the environmental and social value they add – and destroy. At its narrowest, the term "triple bottom line" is used as a framework for measuring and reporting corporate performance against economic, social and environmental parameters.
Workplace giving	Introduced in 2001, it offers a mechanism for employees to have regular donations to charities (DGR type 1s) deducted from salary and tax deductions to be applied at the same time.
Workplace volunteering	Similar to pro bono but including unskilled volunteering, often in corporate teams assisting for-purpose organisations for specific tasks. The company pays the employee for a specified number of days per year to volunteer in an organisation of either the employee or the companies choice.

Source: John McLeod, JBWere Philanthropic Services

Growth in corporate community investment

One of the measures now commonly seen in many corporate sustainability reports are summaries of their corporate community investment initiatives detailing the breakup of the type of support provided by value and cause area. In the USA, data over the last 50 years shows the growth in community investment and not surprisingly, the strong correlation to company pre-tax profits.

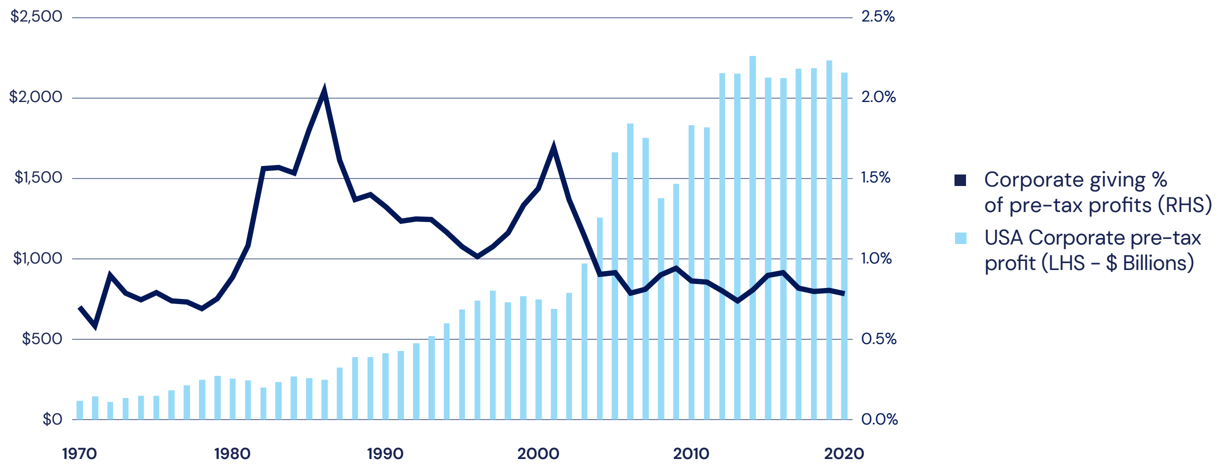
USA Corporate Giving 1970 - 2020



Source: Giving USA, JBWere Philanthropic Services

Over the last two decades, at a time of generally strong profits, the proportion given as community investment has levelled out at around 0.9% of pre-tax profit. At the same time strategies about where that investment is best placed have become more sophisticated taking into account stakeholder analysis and looking at the comparative advantages a corporate has in certain cause areas and perhaps those that a for-purpose partner might be better placed to provide. Also, their ability to multiply the returns from their spending and a slowly growing skill base in measuring those often non-financial returns. It is no longer just the Chairperson's spouse's favourite charity that benefits from corporate community investment.

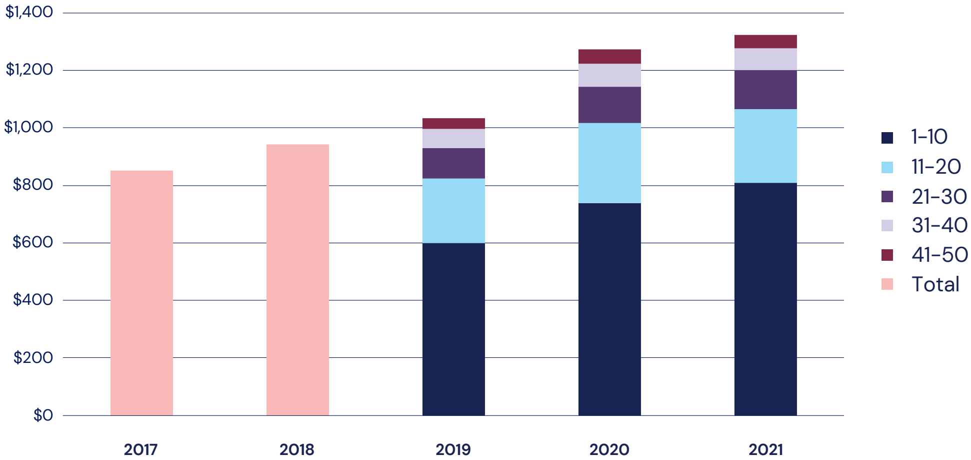
USA Corporate Profits and % given 1970 - 2020



Source: Giving USA, JBWere Philanthropic Services

In Australia, the data set is not as long but in more recent years, work by Jarrod Miles of Strive Philanthropy and partnered by JBWere Philanthropic Services in 2019 have produced a list of the top 50 companies for their levels of community investment. The annual list published in the Australian Financial Review's (AFR) Boss publication has helped knowledge and hopefully added some competition in this important space. The latest 2021 rankings along with the values of community investment and cause areas supported is included in a later section.

Top 50 Corporates for community investment 2017-2021 ($m)



Source: Jarrod Miles, Strive Philanthropy/Giving Large and John McLeod, JBWere Philanthropic Services

The growth seen over the past three years has been impressive. After a "normal" 2019 for profitability and social need, we moved into the devastating bush-fires of 2019/20 which saw great philanthropic support across the country and internationally plus a large increase in corporate support adding over 10% to corporate giving totals. Then as COVID hit profitability from March 2020, it was expected that corporate giving might decline from the new 2020 peak. Happily, this didn't occur as existing programs and further COVID support pushed community investment to a new record in 2021.

	Top 50 for Corporate Community Investment ($m)	Annual change (%)	Proportion of pretax profit (%)	Average support ($m)	Largest ($m)	Smallest ($m)
2019	$1,036		0.74%	$20.7	$134.6	$2.5
2020	$1,280	24%	1.24%	$25.6	$221.0	$4.3
2021	$1,327	4%	0.80%	$26.5	$234.1	$3.5

Source: Jarrod Miles, Strive Philanthropy/Giving Large and John McLeod, JBWere Philanthropic Services

In terms of total corporate community investment, later sections of the report show total annual business pre-tax profit in Australia at around $500 billion. At the average percentage provided for community over the past two years from the top 50 corporates and the global benchmark of 1%, this equates to around $5 billion per annum provided in support.

Impressive growth in a time of need.

After a "normal" 2019, we moved into the devastating bush-fires of 2019/20 which saw philanthropic support increase globally with corporate support adding over 10% to corporate giving totals.

Then as COVID hit profitability from March 2020, it was expected that corporate giving might decline from the new 2020 peak. Happily, this didn't occur as existing programs and further COVID support pushed community investment to a new record in 2021.

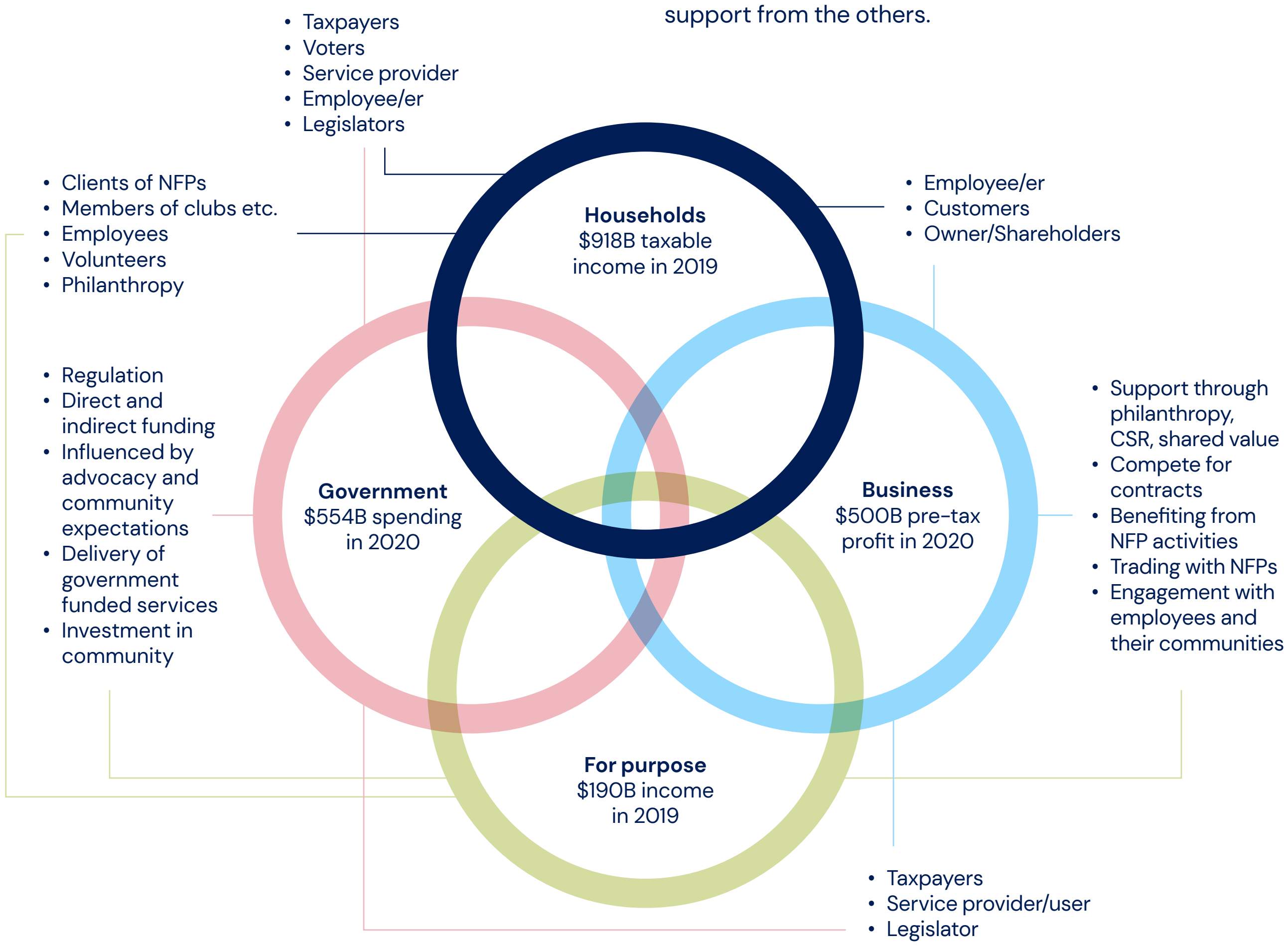
The shape of corporate Australia

When for-purpose organisations are considering partnering with corporates, it is important to understand what may influence the corporates and who are in their circle of stakeholders.

This will vary greatly depending on factors such as industry, competition, size, number and type of employee, location, customers, suppliers, owners, funders and relationship to Government. While there is no simple or exact formula for each situation, an understanding of these issues will greatly assist in being able to target the most likely partners for each particular situation.

Where business fits into broader society

A good starting point for understanding the scale of corporate Australia is by seeing where it fits with the other three broad sectors of society, Government, Households and for-purpose organisations. Although the dollar values for each of the sectors are similarly in the hundreds of billions, it is the strong connections between each sector that is important. None operates without support from the others.



Source: Productivity Commission, ABS, ATO, ACNC, JBWere Philanthropic Services

The link between business and the for-purpose sector is the one that is perhaps the least understood and the reason for this report.

Business by Industry type

The next level of understanding required is the type of industry that each corporate represents. This will determine much about their particular stakeholder groups and allow analysis to begin on the potential reasons for partnerships. As shown, the range of industries by number of businesses is very diverse with a good spread across a wide range of activities. There are many other factors, particularly size, location and profitability which will also need to be included, but industry type is perhaps the most important. Data presented in the final section of the report shows the most common causes supported by corporates from each industry.

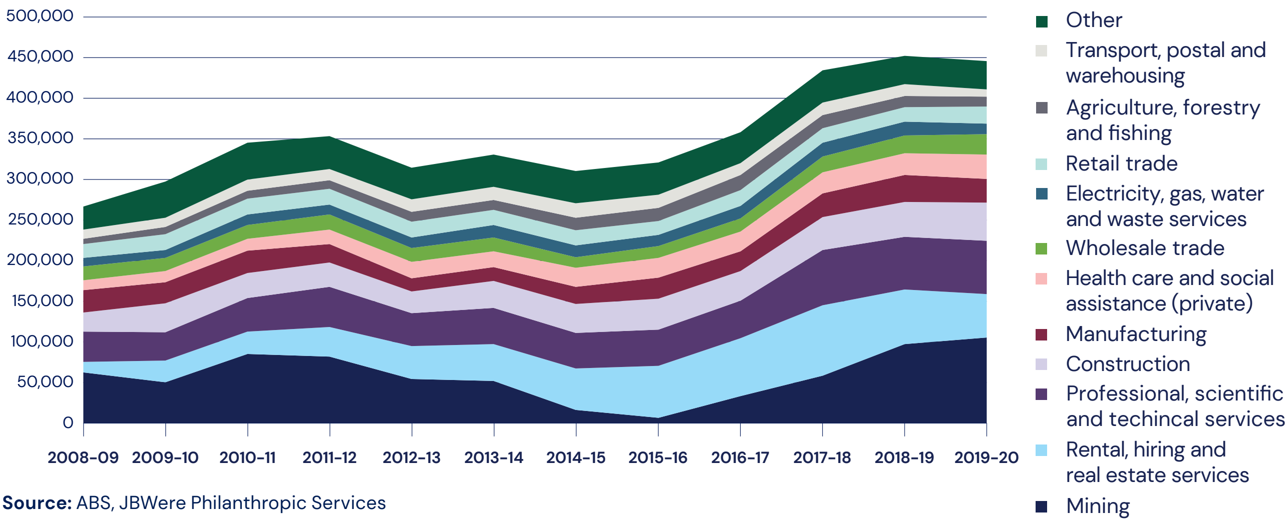
Business by profitability

Almost as important as industry type is profitability. Corporates or industries with low profits are less likely to use discretionary funds, particularly over longer time frames, to support community. Although we might argue that this is a good way to potentially improve their financial performance, management and Board pressure to survive is likely to win out. The following analysis looks at corporate pre-tax profits by industry since 2009. Most global comparisons of community investment compare it to pre-tax profit, hence that measure being used here. The ABS analysis excludes finance and insurance services which would add around $50 billion annually, taking the total pre-tax profit of corporate Australia to around $500 billion. At the global standard of 1% of pre-tax profits now targeted by many companies, this represents $5 billion in community investment, around 10 times that given to charities from any of private or public ancillary funds, charitable trusts or bequests.

Understanding the scale of industry profitability and its volatility in particular sectors is an important part of the analysis required. In addition, when looking at a particular individual corporate, their own position in their industry is significant for understanding what they may be trying to achieve versus their peers. Are they newly established or fighting off newcomers? What is their own profitability trajectory and history of community investment?

Source: Australian Bureau of Statistics, JBWere Philanthropic Services

Corporate pre-tax profit by industry 2009-2020 $m (excludes financial and insurance services)



Source: ABS, JBWere Philanthropic Services

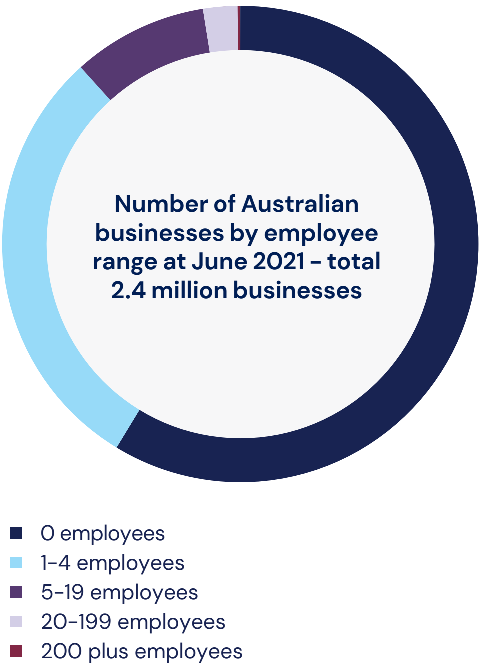
Business by employee numbers

The next area to consider is what scale of company is the right partner for a for-purpose organisation and vice versa. Although there are 2.4 million businesses in Australia, there were only 4,368 or 0.18% in 2021 who had over 200 employees and 59% who had no employees. This doesn't mean that all ideal partners are large. For example, many larger, national corporates and smaller regional charities will likely each struggle to create a workable partnership.

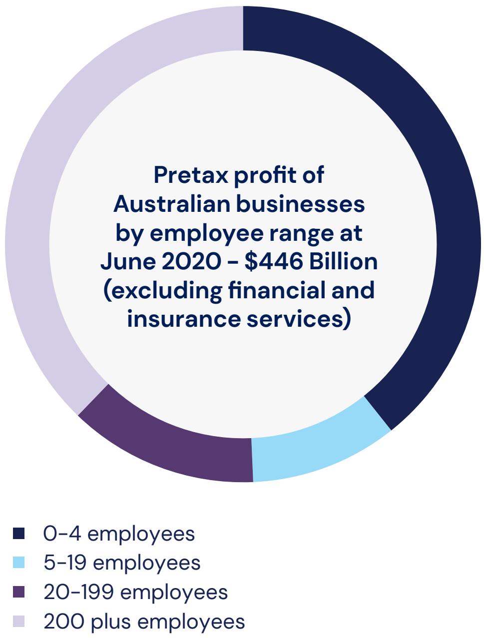
If one of the potential benefits for a corporate in a particular partnership is staff engagement, then obviously having staff is an important part of that equation. Looking at corporate Australia from the number of people employed, the shape changes significantly. Of the 11.3 million people employed by businesses in 2020, 58% work for companies with 20 or more employees and 34% are in businesses with 200 or more employees. So, if a for-purpose organisation offered strong, broad based staff engagement, only a smaller group of corporates might be targeted. Only 2.5% of businesses have 20 or more employees. That still totals over 60,000 businesses.

Finally, when considering the ability to fund partnerships from corporate pre-tax profitability, larger businesses become even more important with over 50% of pre-tax profits in Australian corporates coming from those with 20 or more employees and 38% with 200 or more employees.

Source: Australian Bureau of Statistics, JBWere Philanthropic Services



Source: Australian Bureau of Statistics, JBWere Philanthropic Services



Source: Australian Bureau of Statistics, JBWere Philanthropic Services

A critical part of a great corporate/for-purpose partnership is having a good understanding of the ecosystem and dynamics of your potential partner.

What do corporates have to offer the community

We previously examined the shape of the corporate sector in terms of scale, industry, employee numbers and profitability. However, the full set of assets that corporates control which can benefit community is much larger than these simple measures might suggest.

These include direct funding, goods, services, knowledge, influence/advocacy and employee engagement including low or pro-bono support/volunteering plus a strong and diverse asset base.

The corporate and charity sector income statements

Comparing the corporate and charity income statements provides some guidance on available support areas. We've used 2019 data to avoid COVID payment distortions for both sectors. While wages and salaries make up only 19% of corporate costs, they are still 7.4 times the value of the charity sector where wages make up 55% of costs, highlighting the potential for skilled and unskilled volunteering and pro bono assistance, particularly in areas where the corporate has complimentary skills to that residing in the for-purpose sector.

Obviously, this works both ways with most for-purpose groups possessing greater skills, knowledge and trust in many areas compared to the corporate who also wants to support that cause.

Of greater contrast between the sectors is the non-wages spending. The corporate sector sees 81% of all expenses on buying goods and services, 37 times that of the charity sector. There are many examples where this can be a potential benefit for impact seeking roles. The significant food rescue support offered by various corporates are an obvious example. The sheer scale of this part of corporate spending compared to the levels of pre-tax profit highlight why corporate community investment often comes from areas other than just cash donation support. However, we still see for-purpose organisations only interested in a straight donation and not fully appreciating the other large types of support available.

Finally, although a topic for another report, we should all notice the pre-tax profit to income ratio for corporates is 12% compared to only 6% for charities. Another part of the evidence base that charities are only reimbursed for their impact, not rewarded for the true worth of the impact created. They are price takers, not price makers, even when compared to the often highly competitive corporate landscape.

	Corporates 2019 ($ Billions) (excl. finance & insurance)	Charities 2019 ($ Billions) (ACNC publicly reported)
Profit and Loss		
Sales and service income (incl. Gov't for charities)	$3,566	$134
Other income	$201	$30
Total income	**$3,767**	**$165**
Wages and salaries	$635	$86
Other operating expenses	$2,685	$72
Total expenses	**$3,320**	**$157**
Pre-tax profit	**$446**	**$10**

Source: Australian Bureau of Statistics, JBWere Philanthropic Services

Corporate sector assets

Another aspect of corporate activity is their annual spending on building their asset base. We've shown the annual capital expenditure for various categories in 2019. Obviously, the accumulated total asset value is much larger and so for-purpose organisations should consider their ability/desire to partner, utilizing available corporate assets. Consider the availability of assets, potentially from excess capacity, such as transport or material handling, manufacturing facilities, office space or still useful equipment being upgraded. Interestingly, the value of all charity assets in 2019 was $348 billion with their net assets sitting at $234 billion, lower than one year of corporate asset expenditure.

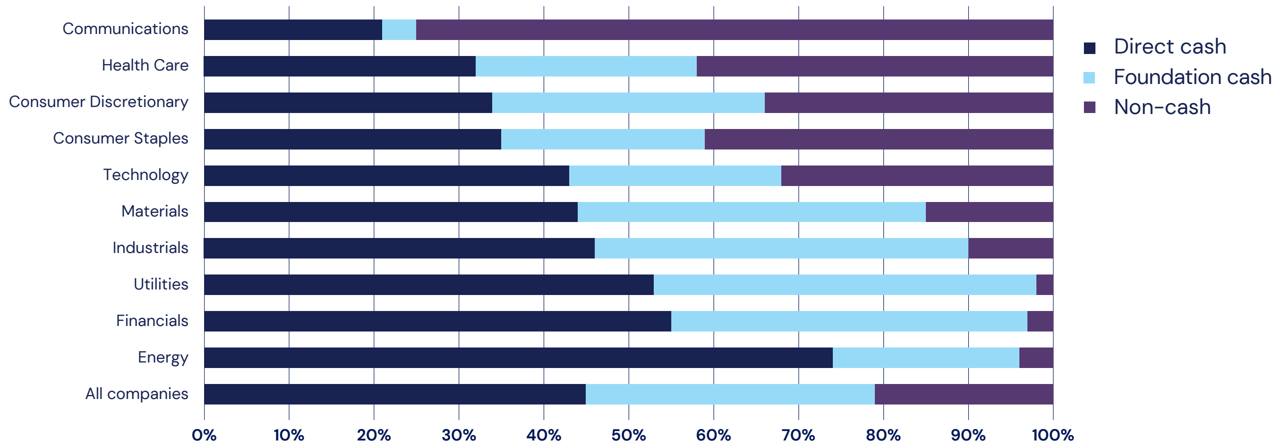
	Corporates 2019 ($ B) (excl. finance & insurance)
Capital expenditure	
Plant, machinery and equipment	$78
Dwellings, buildings and other structures	$122
Other (including land and intangible assets)	$55
Total	**$255**

Source: Australian Bureau of Statistics, JBWere Philanthropic Services

Breakdown of corporate community investment by type

The breakdown for corporate community investment by industry and type of giving provided has been examined in detail by the Chief Executives for Corporate Purpose organisation (CECP) established in 1999. While there are many differences, including the prevalence of separate corporate foundations sitting beside, not in, the company, it is worth noting the large range of cash versus non cash giving depending on industry. Cash (direct and through their foundations) comprised between 25% and 96% of giving with an average of 79%, for the US$23 billion of total support accounted for in the survey of 230 companies.

Global Industry Breakdown of Community Investment by Funding Type – 2020



Source: CECP Giving in Numbers 2021, JBWere Philanthropic Services

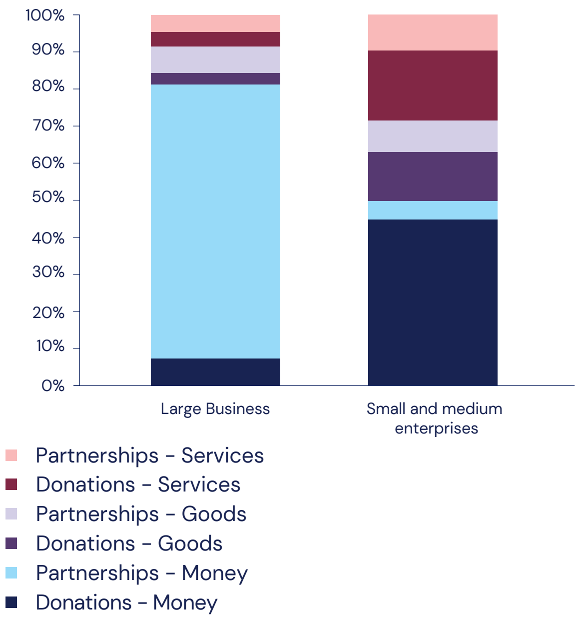
Analysis of almost 150 larger global companies in 2019 using the LBG Corporate Citizenship methodology found 69% of contributions was cash, 10% was time with the balance as in-kind and other such as management cost.

Data for Australia is not yet as deep, however the Giving Australia survey in 2016 broke up corporate support by business size (Large being over 200 employees). We've excluded sponsorships here, which were around 20% of support for both large and SME businesses, due to their more business/promotion/advertising role. The analysis separated giving into donations and partnerships as well as cash, goods and services and overall, it showed cash comprising over 60% of total giving, lower than the 79% in the CECP global study. Also, if looking at just cash from purely donations it was around 20% of total giving, albeit weighted to SME's where the ability to resource partnerships is lower. Although this is below the proportion seen by the CECP, it is still a very significant part of the way corporate community investment is done in Australia. It should also be remembered that this is not all given to charities, but often either directly to community or to other Non-Government Organisations (NGOs) or even other for-profits who conduct projects/programs for the corporate.

Due partly to lack of CSR resources, small and medium enterprises were more likely to provide cash through donations rather than partnerships. Also support through goods and services was more common than cash, and also through donations rather than partnerships.

The data also seems to contradict the often made claim that "very little corporate support is cash that is available to, or relevant for, us". This is too narrow a view and risks ignoring a huge opportunity available through a broader lens of what assets can be used to produce impact and the prevalence of partnerships over donations for many larger businesses.

Australia corporate giving by type – Giving Australia 2016



Source: – Giving Australia 2016, JBWere Philanthropic Services

Apart from giving cash through either direct donations or under a partnership arrangement, there are significant levels of goods and services available. Data from *Giving Australia 2016* suggested services (e.g. pro or low bono from law and accounting/advisory firms) provided 20% of corporate community investment and goods (e.g. food, pharmaceuticals etc.) a further 15%.

Smaller, private and family business

For family businesses, rather than publicly owned, the dynamics of giving often sits somewhere between private philanthropy and business related giving. An Ernst & Young report, *Family business philanthropy: creating lasting impact through values and legacy*, surveyed 525 family business owners and managers in 21 countries and found that 50% conducted their philanthropy directly through the business. However, 40% were through a family foundation or trust and the remainder through a family office 30% or individually by family members 21%. Respondents were able to choose more than one option.

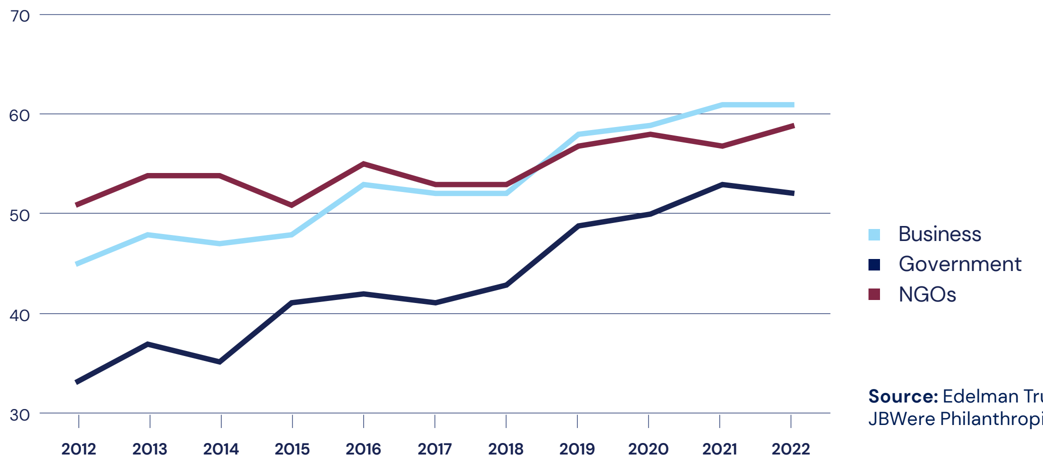
This means when dealing with smaller private businesses, potential for-purpose partners firstly need to understand how their community support is organised and whether the owners think of it as part of the business or part of the family, or more likely, a combination of the two. They also need to recognize that often the structure and resources to enter into deeper, more engaged relationships might not always be available in a smaller enterprise and donations of either cash, goods or services are more likely simpler.

> Whilst cash comprises 60% of total giving (79% is the global figure), only a third of this (20%) are pure donations – and small and medium enterprises (SMEs) are much more likely to make cash donations.

Support other than cash, goods and services

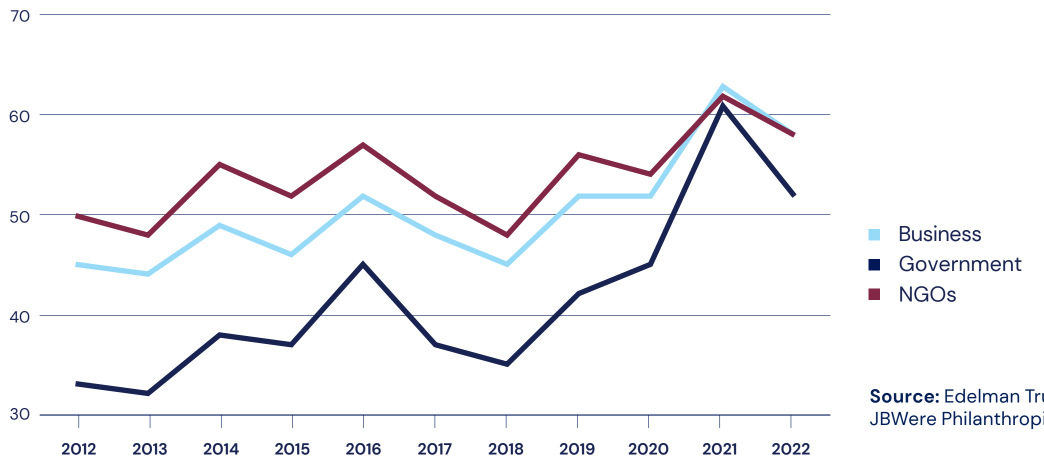
In addition to these more easily analysed areas of cash, goods and services, further support for a cause might also be gained from a corporate's own business actions. There has been a trend of increasing corporate voice on a number of social issues from climate change, indigenous recognition to marriage equality. Part of their rationale and ability to promote certain causes is because of the growing levels of trust being placed in business, both globally and in Australia, by the general population as highlighted by the annual Edelman surveys. While there can be debate about whether a social voice leads to trust or vice versa, having corporate sector support for a social cause is likely to enhance broader community support, which can often lead to the level of advocacy needed to make the changes required for impact.

Edelman Survey – Global Trust in Institutions 2012-2022 (general population)



Source: Edelman Trust Barometer, JBWere Philanthropic Services

Edelman Survey – Australian Trust in Institutions 2012-2022 (general population)



Source: Edelman Trust Barometer, JBWere Philanthropic Services

> It is important to understand the connection between the industry and particular assets each corporate brings to the causes supported. The reason for partnering should go beyond mutual interest in a cause and identify what advantage is brought by each organisation to the partnership.

Business is usually good at business. So, perhaps an ideal place to start social enterprises is either inside or at least in partnership with business. For-purpose groups will generally be strong on the "social" side but not necessarily on the "enterprise" side of these endeavours.

Australia's top 50 corporates

Finally, we have included the latest list of the top 50 Australian corporates for their level of community investment in 2021. This is now the 3rd year of producing these ranking in the AFRs *Boss* publication. A great exercise is to understand the connection between the industry and particular assets each corporate brings to the causes supported and also consider which group of stakeholders might be more interested in the impacts created. Those factors will form a significant part of the "business case" both internally for the corporate and for any potential for-purpose partner to present as their argument for enhancing the chances of success. This latter element, the reason for partnering, should also identify what advantage is brought to the partnership, beyond just a mutual interest in the cause.

	Company	Community Investment ($m)	Proportion of pretax profit (%)	Date	Cause areas
1	BHP Group	$234.1	0.71%	Jun-21	Human capability & social inclusion, environment, education, indigenous communities
2	Coles Group	$124.0	8.58%	Jun-21	Food rescue, health, education, disaster relief, social welfare
3	CSL	$74.3	1.87%	Jun-21	Patient communities, biomedical research & education, emergency relief
4	Rio Tinto	$68.1	0.31%	Dec-20	Health, education, environmental protection, housing
5	Commonwealth Bank Group	$59.9	0.48%	Jun-21	Social & financial wellbeing, indigenous support, education, health, social inclusion
6	Westpac Group	$53.9	0.63%	Sep-21	Financial inclusion, climate change, equal rights, housing, social enterprise
7	National Australia Bank Group	$52.6	0.58%	Sep-21	Indigenous, natural disaster recovery, disadvantaged/ social welfare, community sport
8	Macquarie Group	$51.7	1.33%	Mar-21	Crisis relief, social justice & innovation, for-purpose capacity build, community sport
9	Newcrest Mining	$49.5	2.22%	Jun-21	Community infrastructure, economic development, health, education
10	Fortescue Metals Group	$42.7	0.22%	Jun-21	Health, education & development, environment, arts & culture
11	Woolworths Group	$37.0	1.67%	Jun-21	Food rescue, health, economic development, emergency relief
12	ANZ Banking Group	$33.6	0.38%	Sep-21	Financial wellbeing, housing & environmental sustainability
13	South32	$29.8	53.00%	Jun-21	Education, economic opportunity, health & social wellbeing
14	Telstra Group	$28.7	1.18%	Jun-21	Digital inclusion, climate change, disadvantaged communities
15	Woodside Energy	$25.7	1.07%	Dec-20	Education, environment, social & public welfare, health
16	Wesfarmers	$24.7	0.73%	Jun-21	Medical research & social wellbeing, education, arts
17	Deloitte Australia	$20.9	na	May-21	Climate action, first nations people, resilient communities, diverse & inclusive culture
18	Oil Search	$20.8	68.02%	Dec-20	Gender equity, health, education, social & public welfare

	Company	Community Investment ($m)	Proportion of pretax profit (%)	Date	Cause areas
19	Cotton On Foundation	$18.4	na	Dec-20	Health, education, social & public welfare, human rights
20	KPMG Australia	$17.5	na	Jun-21	Indigenous Australia, climate action, mental health, lifelong learning
21	Santos	$17.0	3.07%	Dec-20	Regional community, health, education, indigenous communities, environment
22	Optus	$16.8	na	Mar-21	Education, employment, digital connection & access
23	EY Australia	$16.0	na	Jun-21	Youth education, environment, mental health, indigenous, social impact
24	PwC Australia	$14.5	na	Jun-21	Homelessness, indigenous
25	IAG	$13.4	na	Jun-21	Community safety, climate & disaster resilience
26	Atlassian	$13.4	na	Jun-21	Education
27	Hearts and Minds Investments	$12.6	7.98%	Jun-21	Medical research
28	Future Generation companies	$11.7	27.34%	Dec-20	Mental health, children & youth at risk
29	Thankyou Group	$10.0	na	Jun-21	Extreme poverty
30	Crown Resorts Foundation	$9.9	na	Jun-20	Indigenous education, arts, culture, community welfare & medical research
31	Tabcorp	$9.0	1.86%	Jun-21	Emergency relief, health, community sport
32	Suncorp Group	$9.0	0.60%	Jun-21	Emergency relief, financial & social resilience & natural hazard resilience
33	Star Entertainment Group	$7.8	9.77%	Jun-21	Emergency relief, community general and sport & culture
34	GPT Group	$7.8	na	Dec-20	Health & wellbeing, inclusivity, employment & skilling
35	Brambles	$7.4	0.70%	Jun-21	Food Security, Food Waste, environment, education
36	Colonial Foundation	$7.4	na	Jun-20	Healthy ageing, youth opportunity, rural & regional vitality
37	AMP	$7.3	14.36%	Dec-20	Financial wellbeing, education, employment, for-purpose capacity building
38	QBE Insurance Group	$7.2	na	Dec-20	Health, climate action, poverty, vulnerable communities, emergency relief
39	Mirvac	$7.0	0.75%	Jun-21	Community infrastructure, social enterprise, health & wellbeing, disaster recovery
40	Springfield City Group	$6.5	na	Jun-21	Health & medical research
41	Goodman Group	$6.3	0.26%	Jun-21	Local community, emergency relief
42	Sargents Pies Charitable Foundation	$6.0	na	Jun-20	Health, poverty, food rescue
43	OceanaGold Corporation	$5.9	na	Dec-20	Education, training & employment, community health
44	Sonic Healthcare	$5.4	0.30%	Jun-21	Health, community
45	AGL Energy	$5.2	0.71%	Jun-21	Education, environment, social welfare
46	Stockland Corporation	$4.2	0.39%	Jun-21	Health & wellbeing, education, community connection
47	Northern Star	$4.0	0.25%	Jun-21	Health, community, indigenous, education, environment
48	Lion	$3.7	na	Dec-20	Environment, health, social & public welfare, education
49	Medibank Private	$3.6	0.58%	Jun-21	Health & medical research, loneliness
50	Petbarn Foundation	$3.5	na	Jun-20	Animal welfare

Source: Jarrod Miles, Strive Philanthropy/Giving Large and John McLeod, JBWere Philanthropic Services

Societal leadership is now a core function of business.

We see an even greater expectation of business to lead as trust in government continues to spiral. But this is not a job business can do on its own. Business must work with all institutions to foster innovation and drive impact.

2022 Edelmen Trust Barometer

Considerations for corporate community investment initiatives

From the perspective of a corporate considering what, if any, community initiatives they might consider, there are a number of factors to analyse.

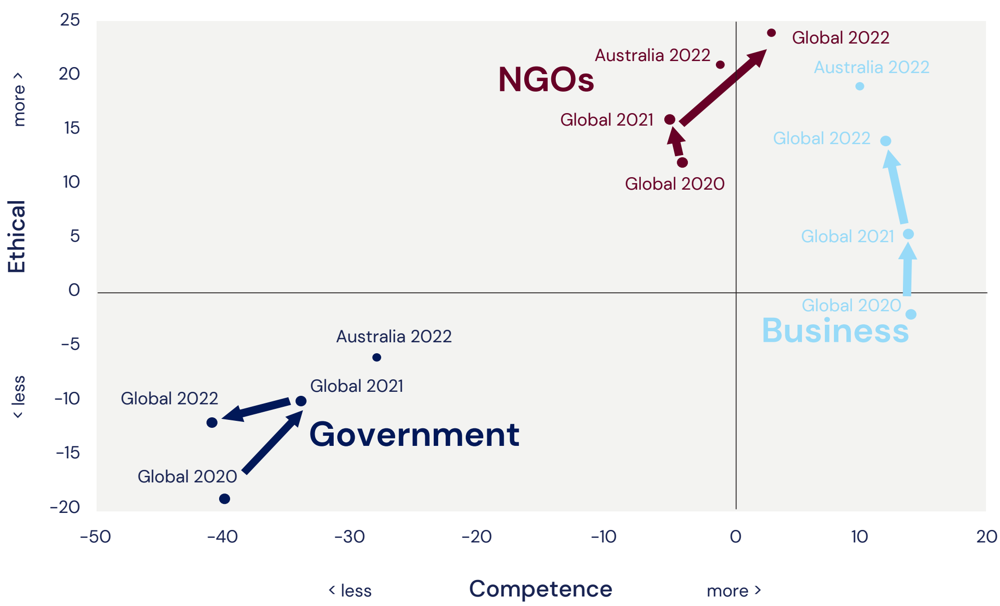
These factors range from understanding why they are doing it and what success looks like, how integrated it is with the business operations, what type of partners might be engaged, where it sits within the company or is it a separate structure, how funding is managed and what related elements might be included such as volunteering, workplace giving, asset/equity or other promotion of the cause being supported. This section of the report provides thoughts on each of these areas although with the variety of corporate situations, much more detailed analysis is required for each unique circumstance and will likely change over longer time horizons.

Why we are doing it?

The first section of this report looked at corporate evolution from a focus on profit alone to a broader understanding of the wider societal factors that influence their performance, particularly over the medium term and the emergence of corporate purpose as a central element of that understanding. This means that to succeed, among other things, a corporate has to be highly competent in their operations, have a productive and engaged workforce and have consumers who align to their product/brand.

Another pointer towards this convergence of business and NGOs is found in the annual Edelman surveys of both operational competence and ethical behaviour for institutions over the last three years. In Australia business is now rated as the only sector seen as both competent and ethical. The low ratings for Governments globally highlight that many in society are looking for business and NGOs to address the critical environmental and social challenges facing us.

Edelman Survey – Institutions Competency versus Ethics



Source: Edelman Trust Barometer, JBWere Philanthropic Services

Partly, corporates need to engage with community because more of their competitors are doing it and they are being rewarded in numerous ways. The competition for and retention of staff is highly linked to social perceptions of the company. A review of various studies by Alex Edmans in *Grow the Pie* found that the survey of the 100 Best Companies to Work for in America had their share price beating their peers by 2.3% to 3.8% per annum over a 28 year period. It also found 60% of customers are willing to pay a premium for socially responsible products and pay 17% more for them.

Finally, several studies have looked at the relationship between corporate philanthropy and share returns. In 2007 (*Does the market value corporate philanthropy*) Patten found a statistically positive relationship following the Asian tsunami donations. In 2018 (*Corporate philanthropy, reputation risk management and shareholder value: A study of Australian corporate giving*) Hogarth, Hutchinson and Scaife found a positive relationship to shareholder value when there was an interplay between corporate giving and reputation risk management. In 2020 (*Disaster Relief, Inc.*) Liang, and Vansteenkiste found corporate donations for larger disaster relief efforts produced strategic benefits. They also observed that corporate giving that was assessed as too small or excessively large triggered negative market reactions - so getting the scale and the focus right was also important.

These studies point to both the numerous benefits of providing community support but also the need for it to be done well and aligned with each particular corporate circumstance bearing in mind their industry and position within it.

> In the US, data suggests giving from corporate foundations was around 1/3 of total corporate community investment and CECP surveyed companies found 79% had a corporate foundation as part of their corporate giving program. We estimate that to be considerably lower in Australia, reflective of the more established concept of charitable foundations and structured giving in the US.

How wide reaching across the business, what structure to use and what levels of funding?

There are two areas to consider, operational and structural. The aim should be to have these activities embedded and shared across the whole organisation. It is only then that the whole of a company's assets and stakeholders can be considered in the analysis of focus areas. This is more easily achieved when reporting is higher in the organisation and decisions can be made with the entire business activities and strategy understood and the full group of stakeholders considered.

Analysis by Professor George Serafeim of the Harvard Business School, author of *Purpose and Profit: How Business can light up the world*, showed that having middle management buy in on purpose had an even stronger relationship to long term outperformance than just having company leaders as it was a better indication that it was more fully integrated across the organisation. A CSR or community investment team "bolted on" to public or human relations may be less effective in considering how all of a corporate's assets and influence can be integrated. Porter and Kramer, authors of *The Competitive Advantage of Corporate Philanthropy* and *Creating Shared Value*, have even suggested that it should be seen as a profit centre, rather than a cost centre.

Another factor to consider is the materiality of the corporate support to both the corporate and to the cause or social issue. The degree to which you make a difference is important both internally and externally. It is far better to focus on a small number of major issues where the corporate and their partners have some unique advantage than trying to cover too many cause areas too thinly.

A further issue is whether a separate legal structure or charitable foundation is desired and if so, is it funded by an annual donation from the corporate (a flow through type arrangement) or by a larger one off donation, or combination of the two. There are many examples in Australia and internationally of corporations both using a foundation for part of most of their community investment and those doing it all under the company umbrella. In the US, data from Foundation Centre (now Candid) had suggested giving from corporate foundations was around 1/3 of total corporate community investment and CECP surveyed companies found 79% had a corporate foundation as part of their corporate giving program. We estimate that to be considerably lower in Australia, reflective of the more established concept of charitable foundations and structured giving in the US. However, it is likely that funding through corporate foundations will grow in Australia.

The best structure will depend on a number of factors. The following presents some of the positives and negatives of establishing a separate corporate foundation with a fully or partly funded corpus.

Reason for funding through a corporate foundation with corpus	Reasons against funding through a corporate foundation with corpus
It can demonstrate a greater commitment to charitable causes and can help remove a perception that the donations may be only for one year or for a short term.	There will be extra compliance/reporting requirements with a separate charitable vehicle.
There may be some charitable cause areas that a foundation can fund but the corporate itself may struggle to gain tax deductibility for that expenditure.	Some care needs to be taken with the type of benefit provided to the corporate and any perceived or actual "self-dealing" from the operation of the foundation. A corporate foundation needs to operate somewhat independently of the corporate itself but can use their relationship in many positive ways if the correct balance is found.
The funds will generally produce income and grow in a tax-free environment.	Once a gift is made to a corpus it cannot be recovered by the business even if business conditions deteriorate.
A corpus can be presented as having greater substance. A $100m foundation providing $5m per year dedicated to specific charities is more impressive than an intention to provide $5m from profits each year to those charities.	There may be more ability to 'turn on and off the tap' of funding if it was drawn from annual profits. This may provide greater financial flexibility, although a corpus once established would not necessarily need to draw on future profits, leaving these unencumbered.
The ability to smooth 'giving levels' from a corpus, compared to providing a percentage of a variable profit, increases the degree of "funding certainty" and should allow the program to better commit to and support causes. This can be important in more volatile industries such as mining/resources.	An annual drawdown from profit may possibly provide a stronger lobbying tool than a corpus (e.g. adverse regulation may result in community funding capacity being constrained)
Where some shareholders question the value of annual giving, the establishment of a foundation with corpus prevents this becoming an ongoing issue.	If a corpus is established, it must have an investment policy which usually must follow the 'prudent person' principles meaning that the assets should be diversified and avoid concentration in any one specific investment type or company. While normally a positive for corpus management some companies may prefer to focus investment on themselves only.
The foundation can be protected to the extent that it has been funded. It is unlikely that the foundation can ensure a continuation of funding in the event of a takeover if a foundation with corpus has not been established.	The operation of the corpus may be determined partly by independent (not company employees) trustees. This does not imply that they will be able to direct funds entirely at their discretion as they will be bound by the scope of the trust deed.

In terms of funding levels, global comparisons suggest 1% of pre-tax profit is a goal for many and slightly above current global and Australian averages. Where earnings are volatile, this might be set as a rolling multi-year average. Although this is an excellent starting point, we would suggest a more sophisticated analysis of the marginal value produced for stakeholders for each extra dollar spent, would be a better measure. Of course, this approach requires much better measurement of outcomes and impact than most companies currently achieve. Recent work by Mark Kramer, *Hybrid Metrics – Connecting Shared Value to Shareholder Value*, is part of the efforts underway on closing this measurement gap. Until then, 1% is a nice round number to aspire to!

What should we be measuring?

Measurement of social impact and the ability to record the company's community investments is important both inside the company and for external parties to understand the depth and breadth of activity. Efforts have been made in this area for many years with John Elkington's Triple Bottom Line reporting concept and the establishment of the London Benchmarking Group (now Business for Societal Impact or B4SI) and the Global Reporting Initiative (GRI) all commencing in the 1990s. More recently, efforts have been able to progress faster with the emergence of stronger and more detailed ESG metrics and the growing acceptance of the UNs Sustainable Development Goals (SDGs) as a common cause area or matrix framework. Recent analysis by Jarrod Miles in the 2021 *Giving Large* report found 88% of larger companies analysed had adopted either GRI or B4SI standards with GRI the most common, although 32% used both standards.

The measurement of the financial value of community investment requires a discussion of what is able to be included and what is not counted. While a breakup of the relative value of each area was included in the previous section, particular inclusions and exclusions are listed below.

Included in the value of corporate community investment	Not included in the value of corporate community investment
Amounts spent on donations including matching or other purchases related to the activity	Amounts provided to the activity by others but facilitated by the company, e.g. workplace giving or customer donations
The wages of staff participating in pro bono volunteering and other management costs associated with the activity	Revenue which would have been earned had the service or product been provided commercially, e.g. medicines made available are valued at cost, not market value or interest foregone by banks had loans been made at full market rate is not included
The value of product, services or assets made available for the activity	Political donations or commercial sponsorships
	Payments to community which were not voluntary but part of a contract e.g. indigenous mining royalties

Other important areas to measure, depending on the nature of company activities, include staff engagement, customer recognition and reaction and even market performance around significant announcements. Importantly, impact being achieved is the ultimate measure and in most cases, might be better done though for-purpose partners, funded of course by the corporate.

There is still a gap and largely separate audiences for financial and non-financial (social and environmental) reporting despite the growth in interest in ESG, but attempts are currently being made to combine the fields. Mark Kramer's *Hybrid Metrics – Connecting Shared Value to Shareholder Value*, while in its early stages, provides potential examples such as EBITDA/CO2 intensity for energy companies or cost of goods sold/value of waste avoided for retail companies.

What external partners or skills might we need for success?

In whatever area of community investment being considered, one of the first questions should be "what expertise don't we have?". What is our competitive advantage in this area and what might we outsource to potential partners? If a transport and distribution company's stakeholder analysis suggested providing meals would be their targeted activity, then perhaps a for-purpose organisation with knowledge of local need and skills in related need areas such as health, counselling or housing would be a great match for the company's distribution activities. In addition, another partner might have food preparation skills, perhaps training unemployed youth in yet another company's excess production facilities.

Larger companies may have the ability to bring together others and even Governments, that smaller for-purpose groups often can't convene themselves but are needed alliances for wider social problems.

Do we provide a volunteering opportunity for employees?

While it does depend on the nature of the business including location, scheduling options, skills match and the need of the causes supported, it is becoming more common for corporates to offer an annual level of volunteering time. Often this is highly organised, and teams and projects are coordinated and selected by the company, although there are a smaller but increasing number of examples where this is left to the discretion of the employee.

For some industries, this form of activity is a crucial part of their operations. The Australian Pro Bono Centre survey for 2020 reported that of the 38 law firms responding (of a total of 58 firms with over 50 staff), that pro bono legal work equated to 254 FTE lawyers or almost 2% of total staff time or around 5 days per year. Similarly, for the major accounting firms, their community investment is predominantly done through pro bono, skilled and other volunteering.

In too many cases, corporate volunteering doesn't reach the potential it could. Effort is needed by each partner to find opportunities that are both useful to the for-purpose organisation and fulfilling and impactful for the corporate volunteer and provide a benefit to the company paying the volunteers. More creative thinking around the type of volunteering offered, rather than just accepting the hours available, can produce extraordinary results. An example is the annual hackathon, Vanhacks, started in Vancouver in 2016, to create tech solutions that solve challenging problems facing their community organisations.

In whatever area of community investment being considered, one of the first questions should be "what expertise don't we have?"

Do we provide a workplace giving program?

Workplace giving started around the same time as the Private Ancillary Fund structure was introduced by Government in 2001. It was seen as a way to simplify and encourage more employees to give. The program has gradually seen an increase in the number of employees using the facility with those doubling over the last decade to now exceed 200,000. Total donations have also doubled to $52 million annually, in many cases matched by the employer. Participation rate among workplaces offering the scheme remains stubbornly low at around 5% indicating that just having the facility available isn't enough. In the US, 92% of companies surveyed by CECP provided matching programs and 24% of employees participated. The more successful programs involve not just having the mechanics in place but also its promotion among the workforce and a lead from senior management along with company matching of donations. The recent merger in Australia of Good2Give and Workplace Giving Australia hopes to boost this substantially with a target of over 1 million donors and $500 million pa in contributions and the most recent data for 2019/20 did show new records for both the number and value of donors.

A further option for corporates to consider is supporting ShareGift Australia. Following the UK model, ShareGift Australia's purpose is to make it easy and cost effective for shareholders to grow philanthropy in Australia through the donation of shares and related proceeds to charity. It has donated $3.65 million to community to date.

Workplace Giving in Australia

Year ending June	Employees using workplace giving programs	Employees of workplaces with workplace giving programs	Employers with workplace giving programs	Donations ($m)	Employees using workplace giving when available	Average donation per donor through workplace giving	Median donation per donor through workplace giving
2010	101,373	2,322,572	na	$23	4.4%	$225	na
2011	157,385	3,158,980	na	$30	5.0%	$191	na
2012	130,754	2,813,915	na	$27	4.6%	$208	na
2013	141,910	2,928,725	na	$28	4.8%	$197	na
2014	156,289	3,173,802	na	$31	4.9%	$201	na
2015	162,573	3,319,105	na	$43	4.9%	$261	$76
2016	169,714	3,601,066	na	$35	4.7%	$206	$75
2017	173,466	3,553,057	na	$36	4.9%	$208	$78
2018	181,456	3,825,871	4,386	$38	4.7%	$210	$75
2019	201,237	4,230,951	5,382	$43	4.8%	$215	$75
2020	211,316	na	6,590	$52	na	$246	na

Source: ATO, JBWere Philanthropic Services

Do we go beyond cash, goods and services support?

There are a number of new approaches to community investment that are attempting to embed these principles in companies from the earliest stages. The pledge 1% movement is one of the better known approaches, particularly for new start-up companies and the entrepreneur and IT industry. Since its genesis in 2014 by Salesforce Foundation, Atlassian and Entrepreneurs Foundation of Colorado, there are now over 10,000 companies from 100 countries, including over 100 from Australia now signed up to pledge 1% of equity, time, product and profit to community. Recent announcements from two of the founders of Canva of their intention to donate the majority of their 30% private holdings into the Canva Foundation, potentially sets a new benchmark for both private and corporate philanthropy with the company's latest raising valuing it at US$40 billion and their holding at A$16.5 billion. Recent research by fidelitycharitable.org showed entrepreneurs gave and volunteered at higher rates and found they believed there was a link between this and professional success.

Another support for causes available from corporates is their voice and actions around social issues. While this can be a differentiator within an industry, it is even more powerful when multiple participants of an industry join forces to promote or even force change. Climate action is currently the most widespread example across many industries with a 2021 report by the Energy and Climate Intelligence Unit and Oxford Net Zero, claiming 21% of the world's 2,000 largest public companies have net zero commitments. A 2021 study by the World Wildlife Federation, in their *Power Forward* report said 60% of the Fortune 500 companies had adopted emission targets and 76% of the top 100. While these actions may not directly support individual for-purpose environmental organisations, they certainly promote a common cause and over time there may opportunities to assist in either offset programs or in consultant work to aid operational improvements within the corporate.

Learning and creating impact together.

Both corporates and the for-purpose sector are still learning about the value the other can bring to a relationship. As their positions on the spectrum between for-profit and for-purpose moves closer, it provides an opportunity for both sides to gain from the other's assets and skills.

Considerations for community and the for-purpose sector

This report has highlighted the gradual widening of "who matters" for corporate success. The move from shareholder to stakeholder primacy means a broadening of the factors to be considered in setting business strategy with many now overlapping with the causes that for-purpose organisations were established to serve or solve.

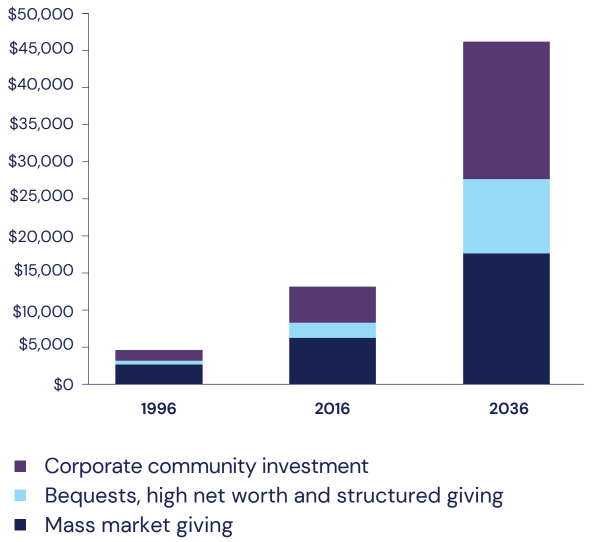
This provides an increasing opportunity to engage with a huge but diverse sector that in the past hasn't been a focus for most community or for-purpose groups.

Why engage with the corporate sector?

Simply and as highlighted in earlier sections, it is large and brings assets, skills and influence most for-purpose organisations lack. It is also growing at a faster rate than most other forms of giving in Australia as shown by our long term projections for each donor segment.

The decline in mass market giving relative to other forms is a consistent issue across most countries which we highlighted in *The Support Report*. Michael Moody observed in *It's getting harder and harder to distinguish philanthropy and business*, that potentially a younger generation see the best path to social change employees and customers guiding the direction of the marketplace in what they buy, how they invest and who they work for. So, in a way perhaps the reflection of the past donors from the mass market is now starting to be seen through employees and customers guiding the direction of corporate community investment, again highlighting the growing and significant role of corporates in society today.

Projected change in giving to for-purpose causes ($m)



Source: ATO, ABS, ACNC,, JBWere Philanthropic Services

Another important factor is the potential for longer term relationships compared to many other supporters. While private foundations often have multi-year programs potentially over 3 and possibly 5 years, many corporate relationships have run for much longer. Once a corporate and for-purpose organisation have formed a partnership and got over the "relationship hurdle", support can be embedded for many years. For example, Bakers Delight have partnered with Breast Cancer Network Australia for 20 years.

Importantly, both corporates and the for-purpose sector are still learning about the value the other can bring to a relationship. As positions on the spectrum between for-profit and for-purpose move closer, it provides an opportunity for both sides to gain from the others assets and skills.

What do we and our cause want from the relationship?

Most groups quickly answer, "a no strings attached cash donation". While understandable, this ignores that the likelihood of success in having a transaction only relationship is much lower and that the potential of a full partnership type relationship to provide greater impact is higher.

Indeed, if support was only in the form of cash, what would you use it for, and might the corporate be better placed to provide the goods or services you would have purchased?

How might the corporate enhance your cause beyond just financial support?

- Does the potential support of their employee or customer base help your broader fundraising support or the cause you are engaged with?
- Does the potential for the corporate to be influenced in their own operations by your knowledge of the cause, enhance the overall impact achieved? Eg around areas such as gender balance, lending or insurance restrictions for certain beneficiary groups or emission levels. A recent report from Australians Investing in Women (AIIW) *Sharpening our focus on corporate giving: Keeping gender equality in the frame*, offered a number of examples of actions and support that could be used across a number of individual cause areas to support gender equality.
- Might their advocacy help sway minds and change regulations or other industry participants actions?

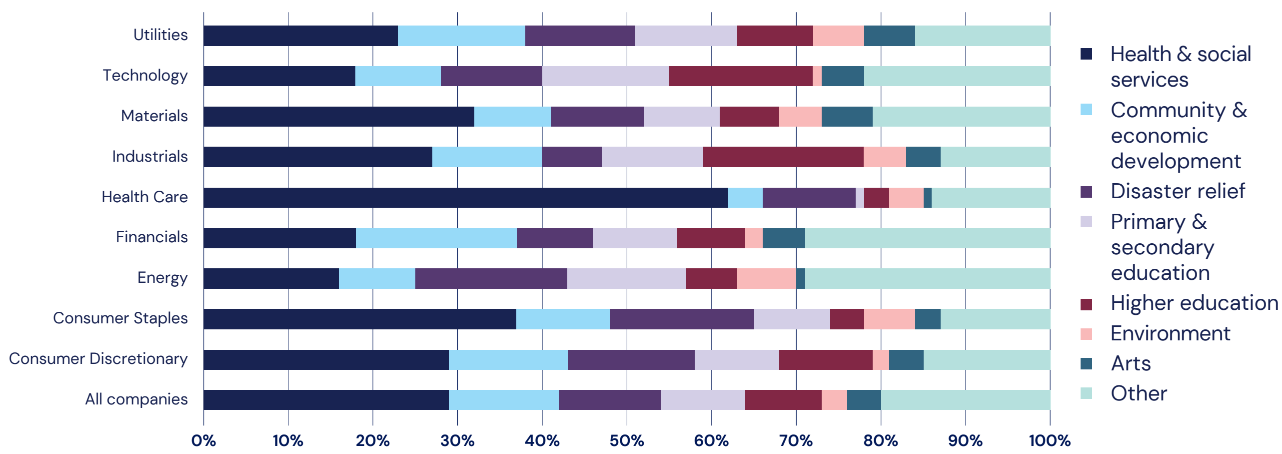
How to approach the potential partnership?

Research is the catchall answer for how to attract a corporate partner. Other areas of support can be more focussed on promotion of your organisation and the cause and looking for personal connections or "who you know". For corporates, it will be much more about "what you know". Thinking of how you would justify the partnership from inside the corporate and effectively writing their business case can be a great start.

We detailed in an earlier section the breakup of corporate Australia by size, industry, employment and profitability. It showed the wide range of potential partners, so where to begin? For many reasons, it is unlikely that the biggest companies will be a good fit for most for-purpose organisations, partly due to regional versus national coverage issues. Have you considered partnering with other State based groups to form an alliance to present a national face to an Australian wide corporate? Finding those overlaps of stakeholder groups between the corporate and for-purpose groups is key. What cause might their employees or customers care about that you assist? For example, is climate change or perhaps mental health a more significant issue for their particular stakeholders. Perhaps, your higher net wealth donors overwhelmingly drive their brand of car. Big data today allows that type of analysis to be done.

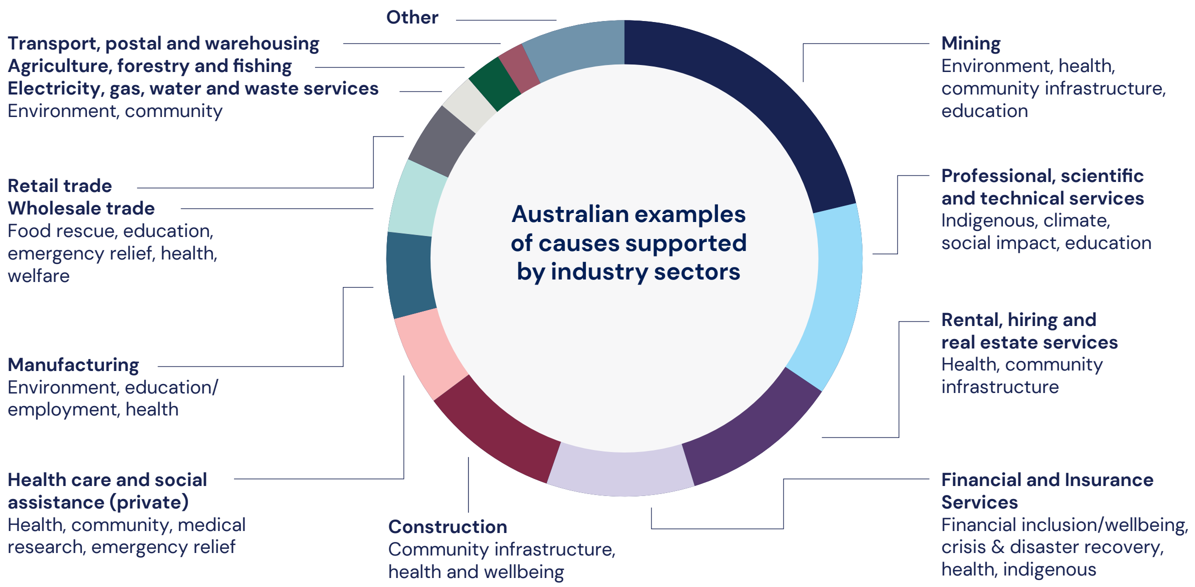
The following study of both large global corporates and then companies shows the breakup of causes most commonly supported by companies from various industries. The global study is weighted by the level of support for each cause.

Global Industry Breakdown of Community Investment by cause – 2020



Source: CECP Giving in Numbers 2021, JBWere Philanthropic Services

The Australian study is weighted by industry pre-tax profitability. In both studies, health and education ranked highly while community development and environment were larger causes in Australia.



Source: John McLeod, JBWere Philanthropic Services

Another related issue to consider is highlighting and reinforcing what you bring to the issue that they care about. Your expertise will be higher in most areas. They want to have an impact and your knowledge of the cause will greatly assist. Also consider that partnering with one group from an industry may well exclude you from others in that industry.

Can we manage the relationship?

Corporate partnerships are generally more demanding on the resources of a for-purpose organisation. There are likely to be power imbalances and it is possible that not all operations of the business or all their stakeholders will be fully aligned to your cause. The ability to handle requirements such as reporting, promotion and volunteering opportunities need to be considered from a resourcing and potentially "mission drift" angle.

The skills needed to source corporate partners are also very different to traditional fundraising activities and even to individual high net worth approaches and so extra resources are likely to be required. It is also important to understand the return on investment you are getting from the partnership. The time, cost and potentially loss of focus in organizing a volunteering program for a corporate may well outweigh the benefits it provides. Knowing the return you are getting as well as trying to estimate the return the corporate is seeing will help you understand the overall value of the relationship and how that share is being split. Understanding your worth to them is important.

The target should be that a smaller number of much more significant partnerships is established compared to other fundraising activities where often volume rather than value is targeted.

What concerns should we have?

The reputation of a for-purpose organisation is vital. It will also be one of the factors which attracted the corporate in the first place. Any association or partnership that harms your mission costs more than any income or support it provides. Consider the reaction of beneficiaries, staff and other donors and funders. Might there be a perception of influence, control, or redirection on your activities? Are there issues of client data or donor contacts that could be a problem?

Having a partnership, gifts and sponsorship policy in place before the $1 million cheque is handed over is important. A policy should talk to the types of gifts and the terms of the gifts, partnerships or sponsorship that are unacceptable. Would we be happy with our name inside all their stores or a logo on each bottle sold? Do their operational activities harm or discriminate against people we are trying to help? We strongly recommend and now see the vast majority of for-purpose organisations having an ethical overlay as part of a broader responsible investing framework. Guidelines for accepting donations in any form is no different.

About the author

John McLeod

John co-founded JBWere Philanthropic Services in 2001. Prior to this he spent 16 years as a financial analyst and manager of the Resource Research group within the firm's top-ranking strategy team.

John produces leading research reports into the trends in the for-purpose and philanthropy sectors. In 2013, John co-authored the *IMPACT Australia - Investment for social and economic benefit* report with the Federal Government, highlighting the current practice and growth potential for Impact Investing. In 2017, John co-authored *Growing Impact in New Zealand*, released at the Social Enterprise World Forum held in Christchurch.

John has also produced the following research insights:

- The Cause Report (2016) examining the evolving shape of the for-purpose sector in Australia and
- The Support Report (2018) focusing on the dramatic trends occurring in Australian giving and the implications for recipients over the coming decade.
- New Zealand Cause Report (2017 and 2021)
- New Zealand Support Report (2020)

In addition, John has compiled the list of Australia's largest philanthropists for the Australian Financial Review's (AFR) annual special, Philanthropy 50 since 2016; and co-authored the list of Australia's top 50 companies for corporate community investment published in the AFRs Boss magazine since 2019.

John serves on a volunteer basis as:

- Non-Executive Director Summer Housing; and
- Non-Executive Director Philanthropy Australia.

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As a trusted partner we will develop a deep understanding of our for-purpose client's mission, needs and circumstances. We then proactively leverage our experience, expertise and networks to provide tailored advice, build capacity and facilitate valuable connections to ensure our clients are positioned to fulfil their ambitions.

If you are a for-purpose organisation who would like to understand not only how to navigate corporate opportunities but also fulfil your organisations ambition, or a corporate organisation who would like to understand the advantage of investing in community and the strategies and structures to establish or enhance your programs please contact your JBWere adviser or email philanthropic.services@jbwere.com.

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