Blogs

Board charity comes in two flavors. Some companies have charitable foundations that directly donate. Many companies donate on a more ad hoc basis. These companies often have charitable giving policies even though it's not required that they have them. Why?

The reason why companies adopt charitable giving policies is to keep them out of hot water. Giving to the "wrong" charity (in the eyes of certain stakeholders) can really harm a company's reputation. Having said that, the parameters of these policies tend to be pretty broad, with limitations on the amounts given, the types of causes that can be supported, the types of recipients that are eligible – and ineligible.

1. **Tie your causes to your business**

When you're setting up what type of causes are acceptable for charities selected by the company for donations, it's smart to tie them to your business in some way. Whether it be to your customers, suppliers, the local communities where you operate. That enables you to stay on course and have an explanation for why you gave to the charity that you did.

Without this sort of discipline, it's easy to lose your way pretty quickly. People in high up places start directing funds to where they want it to go. You don't want that – it increases the risk that bad things can happen when people feel like they have a blank check. That they're not accountable for where the money goes.

2. **Treat your directors and employees the same**

A common thing for companies to do is give matching grants. They urge employees to donate to eligible causes and then they match that employee's donation.

Be careful here and treat your directors like any other employee. Don't match double for a director and single for an employee. In other words, treat your directors just like you would treat your employees when it comes to charity if you have a broad-based program. The optics of it don't look good for employee morale purposes. It would feel like the board is superior to the general workforce.

Do bear in mind that even if there is a single match – the same as other employees – that any match to a director's contributions is discloseable in the "Director Compensation Table" in the proxy.

3. **Don't entangle with a director's personal charity**

Don't entangle the company and the board with a director's personal desire to donate. You definitely don't want to blindly commit to giving to a director's charity of choice. Each charity has to be closely vetted to determine whether it may be controversial.

That's why it's smart to have hard and fast rules about what is an acceptable cause – so you don't hurt anyone's feelings. You can't not make exceptions. Stick to your guns: "According to the board's policy, any donations must be connected to our business in one of these five ways."

So when you say the company can't donate to a director's daughter's charity, there's no hurt feelings. You're just uniformly following the board's policy. Of course, you personally can donate as an individual to any charity if you want.

I'll throw in a reminder that if the company does get entangled with a director's preferred charity, you'll need to consider possible disclosures in the proxy statement for both the "Directors Compensation Table" and possibly even as a related-party transaction depending on the director's role with that charity.

4. **Get director input on your foundation's direction**

Every year or so, the head of the company's foundation should meet with the appropriate board committee to update them about how the foundation is fostering principles supporting the company's business, its employees and customers.

Having director views on future plans for the foundation can be useful. Good directors are good at seeing around corners about what might become controversial down the road. Some have an uncanny instinct to spot an issue that's not so evident from its face right now. Perhaps it's because they are having similar conversations on the other boards where they sit. Perhaps it's because they tend to be smart people.

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