

Corporate foundations and their connected businesses:

Key insights from our roundtable

We were delighted to welcome representatives from a variety of corporate foundations and the Association of Charitable Foundations to our roundtable on 30 June. The event brought together a wealth of different experiences and provided an opportunity for peer learning and the sharing of practical insights.

Legal principles

Bates Wells partners, [Philip Kirkpatrick](#) and [Lucy Rhodes](#), opened the roundtable with an introduction and a reminder of the key legal principles that corporate foundations should consider when assessing and managing their relationship with connected businesses. In particular:

- The public benefit requirement. Corporate foundations often generate positive outcomes for their connected corporates, for example, enhancing reputation. However, any benefit to the business must be no more than an incidental or necessary result of the foundation furthering its own charitable purposes.
- Trustee duties. The foundation's trustees are responsible for the charity and must take care to make decisions in the best interests of the foundation. Trustees who are connected to the corporate (through employment, for example) should be alert to conflicts of loyalty and, where appropriate, withdraw from decision-making in line with the foundation's governing document and conflicts of interest policy.

Key guidance from the Charity Commission - [A guide to corporate foundations](#) (2010) and [Guidance for charities with a connection to a non-charity](#) - GOV.UK (2019) and from the Association of Charitable Foundations - [Good Practice Guide for Corporate Foundations](#) (2016) was discussed.

Balancing alignment and independence in strategy

Partner, [Oliver Hunt](#), then launched our breakout discussions by inviting attendees to consider the role of the corporate in shaping the foundation's strategy. While corporate input can be valuable in ensuring the foundation's work aligns with the company's values and ambitions, participants noted that any influence must be exercised appropriately. A common approach is for the corporate to provide funding subject to restrictions on the charitable purposes it supports. However, when developing strategy and considering any such restrictions, it is essential that the foundation's trustees retain independent judgment and make the final decision on whether to accept what has been proposed.

Collaboration on activities

The discussion then moved on to the different ways in which foundations and corporates can collaborate. Participants shared examples that had worked well in practice, including employee engagement initiatives, grant-making programmes and secondments.

There was broad consensus that collaboration can strengthen relationships and deepen engagement among employees and other stakeholders. At the same time, participants emphasised the importance of ensuring that both internal and external audiences understand the foundation's independence and its distinct role from that of the corporate.

It was noted that any collaborative activity should be structured with the relevant legal principles in mind. Where appropriate, specific arrangements should be documented, either separately or within the framework agreement between the foundation and the corporate which should be in place in line with Charity Commission guidance.

Managing tensions before they arise

We rounded off the breakout sessions by exploring some of the common tensions that can arise in relationships between corporate foundations and their connected businesses. Participants recognised that challenges often stem from misunderstandings about roles

and responsibilities. Difficulties can arise where a corporate views the foundation as an extension of the business, or conversely where a foundation adopts an overly cautious approach and seeks to create unnecessary distance from its corporate partner.

A number of practical solutions emerged from the discussion. These included putting in place a clear framework agreement between the foundation and the corporate, setting out expectations, ways of working and processes for resolving any disagreements. Participants also highlighted the value of training for trustees and key corporate representatives on trustees' legal duties and Charity Commission expectations, as well as maintaining regular and open channels of communication.

Many noted that managing a relationship with a corporate supporter is not unlike managing any other significant donor relationship. While preserving the foundation's independence is essential, so too is fostering trust, mutual understanding and constructive engagement. The most successful relationships are often those in which both parties have a clear understanding of their respective roles and objectives, coupled with a shared commitment to the foundation's charitable mission.

Looking ahead

The roundtable concluded with a lively discussion on a range of practical issues, including the implications for foundations when a corporate parent undergoes a private equity-backed restructuring and the challenges that can arise where trustees hold confidential information obtained through their connection to the business.

We thoroughly enjoyed bringing together colleagues from across the corporate foundation sector and are grateful to everyone who shared their insights and experiences.

If you would like to discuss any of the issues raised during the roundtable, or would like advice on managing the relationship between a foundation and its connected business, we would be delighted to hear from you.

Get in touch

If you would like to discuss any of the topics raised during the roundtable or are looking for further advice on how to manage the relationship between your foundation and its connected business, we would be delighted to speak with you.



Lucy Rhodes

Partner

T: 020 7551 7604

E: l.rhodes@bateswells.co.uk



Oliver Hunt

Partner

T: 020 7551 7629

E: o.hunt@bateswells.co.uk



Philip Kirkpatrick

Partner

T: 020 7551 7762

E: p.kirkpatrick@bateswells.co.uk



Olivia Woodward

Associate

T: 020 7551 7731

E: o.woodward@bateswells.co.uk