



The Compass for Philanthropic Foundations

the result of a consultation with several experts outlining best practices for stimulate interest in philanthropy, enhance collaboration, strengthen the sector's self-regulatory nature, support professionalization and its governance.

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DISCLAIMER

- **DRAFT document**
This is the DRAFT version of a document that needs validation, more precisely from the members of the Belgian Federation of Philanthropic Foundations.
- **WORK in PROGRESS**
As mentioned later in the document: This document is “should be perceived as a starting point, not a static final product.”
- **TRANSLATION ERRORS**
This document was originally written in English. For this version both French and Dutch translations were generated by automatic translation tools and might contain wrongly translated concepts and wordings. Apologies for those. If you would come across them, the Secretariat would be appreciative of reporting them at info@lesfondations.be or info@stichtingen.be. Thank you for your understanding.

DRAFT



The Compass for Philanthropic Foundations

Philanthropy is the pursuit of improving the well-being of others typically through generous support to causes of general interest. It encompasses a broad range of activities. In addition to financial aid, philanthropy also involves advocacy and the sharing of knowledge and expertise to drive positive change. The ultimate goal is to address societal challenges and promote sustainable solutions that lead to a more equitable and just society, while also ensuring the continuity of resources that can benefit the broader community in the long term.

Philanthropic foundations are structured entities that play a pivotal role in the field of philanthropy. Some foundations operate as grant-makers, funding non-profit organizations and initiatives that align with their mission. Others are operating initiatives themselves. All vary in size and focus, with some targeting local issues and others working on a global scale. Regardless of the type, philanthropic foundations possess a unique opportunity to shape a better future by addressing complex societal issues with foresight and independence. This document is developed to empower philanthropic foundations to maximize their societal impact, providing a strategic framework for action.

Regardless of the type, philanthropic foundations possess a unique opportunity to shape a better future by addressing complex societal issues with foresight and independence. This document is developed to empower philanthropic foundations to maximize their societal impact, providing a strategic framework for action. It addresses four fundamental questions:

- **What is the role of philanthropy and philanthropic foundations within society?**
- **How does the sector ensure a truthful public portrait & stimulate enthusiasm for philanthropic work and its societal contribution?**
- **How can philanthropic foundations continue to professionalize and what does good governance of a foundation mean?**
- **How can collaboration within the philanthropy ecosystem be enhanced to create a greater collective impact?**

By addressing these questions, the compass aims to inspire philanthropic foundations to operate with transparency, integrity, and accountability. It is a call for action for foundations to take responsibility, foster a culture of excellence and cooperation that amplifies their collective ability to drive forward meaningful societal change.

Why a Compass for Philanthropic Foundations?

The philanthropic sector has the advantage of using foresight without the limitations faced by commercial organizations, associations, and governments. Unrestricted by election cycles or immediate market demands, Philanthropic foundations can focus on long-term goals. Its independence and wide-ranging connections across public, private, civic, and academic realms enable it to lead effectively. Philanthropic foundations can strengthen capacities, give a voice to local communities, and promote a forward-thinking approach for the greater good in a direct and powerful way.

Characterized by its commitment to social good, the sector is not immune to risks. Both external and internal factors pose significant challenges that can impede the sector's effectiveness and growth. This document explores the challenges within the philanthropic sector, considers how it can contribute to the face of society's future challenges, and suggests key principles for philanthropic foundations. These principles aim to increase trust, encourage partnership across the sector, and further strengthen its reputation with the public.



In order to ensure relevance and acceptance, several primary and secondary sources of information have been explored:

- **Sector consultation:** Conducting interviews with stakeholders in the BFFS (Belgian Federation of Philanthropic Foundations) ecosystem provides in-depth insights into the specific challenges and opportunities within the Belgian philanthropic sector. These stakeholders include foundation leaders, policy makers, beneficiaries, and members, sector federations, government, media, academics & relevant experts who have a deep understanding of the sector's dynamics. In addition, intergenerational workshops have been organised, which gathered individuals of different degrees of experience and perspectives from the philanthropic community to discuss and shape the most pressing themes in philanthropy and society in general. By using the study by Philea “Futures Philanthropy” as a starting point, participants engaged in structured discussions led by a facilitator. The intergenerational aspect ensures that the compass is both forward-looking and grounded in practical experience.
- **International Benchmarking:** Benchmarking involved examining existing codes of conduct from various international philanthropic organizations and extracting what can be complementary to the needs of the Belgian philanthropic landscape, and to identify best practices.

The combination of fresh ideas, proven international standards, and local expertise is the perfect ingredient to create a compass that supports ethical and effective philanthropy in Belgium. The compass is developed by the Belgian Federation of Philanthropic Foundations as an advisory & support tool. However, it should be perceived as a starting point, not a static final product. It should evolve over time, incorporating new insights, interactions, and developments within the philanthropic sector, ensuring it remains relevant and up-to-date. It should provide tangible benefits and actionable insights for philanthropic foundations, making it a resource that the organizations find useful and applicable in their operations and decision-making processes.

External impact: Crises, Compliance, and Public Portrayal

The philanthropic sector faces several external risks, including economic downturns, crises such as the pandemic, and escalating energy costs. These factors contribute to the deceleration of philanthropic foundation growth and can deter potential philanthropists due to the associated uncertainties in financial markets. Furthermore, the sector is grappling with increasing administrative obligations due to increasingly stringent regulations, which can discourage engagement in philanthropy. Despite these challenges, there is a growing interest in professionalizing the sector, as evidenced by a new "Philanthropic Wave" in Europe. Additionally, companies are increasingly striving to meet heightened compliance requirements in environmental, social, and governance criteria, influenced by directives such as the Corporate Sustainability Reporting Directive (CSRD).

Internal challenges: Conservative Boards and Slow Adaptation

Internally, the sector should ensure it can stifle its progress and impact. A recent Philea study on “Futures Philanthropy” identified concrete progress slowing factors: elite-driven conservatism, legitimacy concerns because of insufficient accountability and data, slow adaptation and lack of collaboration, threats to finances and conservative boards as the highest internal risks, followed by slow adaptation to change and a tendency to focus on mainstream topics.

Despite these risks, there is a consensus forthcoming from the study that philanthropy remains a vital force for driving action and collaboration. However, the identification of key composite factors from the survey underscores the need for strategies to cope with the challenges within philanthropic organizations.

The Role of a Compass for Philanthropic Foundations

The philanthropic sector is at a critical juncture, facing a multitude of challenges potentially hindering its ability to serve society effectively. The adoption of a compass for philanthropic foundations is a proactive measure that should fortify the sector against these challenges. By embracing such a compass, philanthropic foundations can enhance their resilience, augment relevance, and continue to be a transformative force for good in the face of a continuously changing global landscape.



The compass should stimulate interest in philanthropy, enhance collaboration, strengthen the sector's self-regulatory nature, and support professionalization. It provides a framework for best practices, ethical standards, and professional conduct. It can guide philanthropic foundations in navigating the complexities of compliance and regulation while fostering a culture of collaboration, innovation, agility, and long-term strategic thinking. The compass is built around 4 guiding principles:

- **Principle 1: Philanthropic efforts contribute to societal progress, hence are iteratively revamped to ensure long-term societal impact**
- **Principle 2: Truthful public portrait through assured accountability stimulates enthusiasm, validity & recognition for philanthropic work and its societal contribution**
- **Principle 3: Governance of philanthropic foundations focuses on transparency and ensures agility to allow foundations to realise their philanthropic purposes**
- **Principle 4: Collaboration in philanthropy ecosystem unlocks synergetic effects boosting greater impact together**

The ultimate purpose is to encourage philanthropic foundations to embrace risk-taking for greater impact, increase focus while leveraging existing competences, and ensure that governance structures are dynamic and responsive to societal needs.

In alignment with these objectives, the proposed principles that make up the compass serve as an initial framework for establishing guidelines that could lead to the development of a comprehensive code of conduct for philanthropic foundations. These principles are designed to provide a clear direction for ethical behaviour and decision-making, ensuring that foundations operate with transparency, accountability, and a commitment to the public good. By adhering to these foundational tenets, philanthropic organizations can foster trust among stakeholders, maximize the impact of their contributions, and navigate the complex landscape of charitable giving with integrity and purpose. As these principles evolve and become more refined, they can form the bedrock of a code that not only guides current practices but also shapes the future of philanthropy in Belgium.

The Compass for Philanthropic Foundations as a toolkit

The compass is a versatile toolkit that aims to guide philanthropic foundations in refining their practices. It acknowledges the distinct character and characteristics of each foundation, celebrating the individuality that comes with their unique missions and structures. The compass is crafted with a nuanced understanding of the varied landscapes in which foundations operate, offering a collection of best practice guidelines. It subtly steers foundations towards introspection and self-guidance, allowing them to voluntarily integrate these insights in a manner that harmonises with their distinct operational *ethos*. While the compass refrains from imposing stringent obligations, it implicitly endorses a culture of accountability and reasoned decision-making, where foundations are encouraged to either align with the suggested guidelines or, in the spirit of transparency, share the rationale of not following this path. This flexible framework encourages foundations to set and share their yearly goals, fostering a gradual and voluntary adoption of the compass' insights, ideally through an open dialogue in an annual report. The recommendations within the compass are to be read with an appreciation for overarching values such as transparency, diversity, democracy, and accountability, which serve as guiding lights for a foundation's journey towards more effective governance.

The below principles and accompanying guidelines are meant to be adaptable, allowing each foundation to tailor them to their unique circumstances and goals.



Principle 1: Philanthropic efforts contribute to societal progress, hence are iteratively revamped to ensure long-term societal impact

The role of philanthropy within society is as critical as it is multifaceted. Philanthropic institutions are uniquely positioned to complement public authorities, commercial organizations and associations by injecting speed, resources, agility and innovation into the social fabric. They are the vanguards of long-term strategic vision, channelling private means for the public good and addressing key themes such as democracy and environmental sustainability. Their role encompasses a transformative influence that shapes societal trajectories. Philanthropic foundations are encouraged to venture into uncharted territories where public authorities have yet to tread. By doing so, they can fill critical gaps and pioneer initiatives that may later be scaled by other entities.

Future Societal Vulnerabilities:

As we look at the future of societal development, a myriad of vulnerabilities loom that threaten the stability and well-being of communities worldwide. Philanthropic foundations, with their unique position and resources, are to play a pivotal role in addressing these emerging challenges. Deducted from the “Futures Philanthropy” study by the European Association for Philanthropy (Philea) based upon a combination of qualitative and quantitative methods, some of the most pressing challenges are:

Climate Crisis

The climate crisis is a threat that encompasses environmental degradation, involuntary migration, resource competition, and biodiversity loss. Despite increased funding towards climate mitigation, the enormity of the crisis demands a more systemic response. Philanthropic foundations can lead by example, by fostering collaboration and scaling up funding to match the urgency of the situation. By supporting innovative solutions and engaging in advocacy, philanthropic foundations can help bridge the gap between awareness and meaningful action.

Democratic Recession

The decline of democratic norms and the rise of authoritarian tendencies represent a profound vulnerability to the social fabric. Philanthropic foundations have the capacity to invest in the preservation and promotion of democratic values. By funding research, supporting civil society organizations, and facilitating dialogues, foundations can contribute to a deeper understanding of the forces driving polarization and authoritarianism.

Mental Health

Mental health and well-being are increasingly recognized as critical societal issues, with the potential to become one of the leading causes of disease burden. Philanthropic foundations can take a proactive stance by supporting mental health initiatives. There is a particular need to address the impact of social media on youth mental health, and foundations can fund programs that promote resilience, social inclusion, and access to mental health services.

Societal inequality

Socioeconomic and ethnic disparities fuel poverty and hinder social equity. Philanthropy can counteract this by funding skill-building and advocating for systemic change. Investments in marginalized communities and support for policy reforms can level the playing field, tackling the roots of disparity and fostering fairness.

A systemic approach to strategic challenges is crucial

The future will present complex and interrelated challenges that require strategic and thoughtful philanthropic responses. Philanthropic foundations – each within their own circumstances and characteristics – must be prepared to navigate these issues with a long-term vision and a willingness to collaborate across sectors. By leveraging their resources and influence, foundations can help shift public narratives and perceptions, push for collective action towards a more resilient and equitable future and drive future social stability and progression.

In summary, philanthropic foundations are uniquely equipped to address the vulnerabilities that threaten future societal stability. Through strategic funding, collaboration, and advocacy, foundations can catalyse change and



provide the necessary support to mitigate the impacts of the pivotal challenges. As society evolves, the sector's role in safeguarding and enhancing the common good becomes ever more critical.

The interplay between philanthropic foundations and the government

In Belgium, the interplay between philanthropy and the government is pivotal in addressing societal challenges. Philanthropy, characterized by private initiatives for the public good, brings agility, innovation, and the capacity to take risks in its interventions. It often acts as a catalyst for change, supporting experimental projects and filling gaps that the public sector may not immediately address. On the other hand, the government provides a structured and regulatory framework, ensuring the equitable distribution of resources and the protection of citizens' rights. It also has the ability to scale solutions and implement long-term policies. Together, these sectors complement each other: philanthropy can pilot and refine approaches that, if successful, can be adopted and scaled by the government, leading to a more robust and comprehensive tackling of societal problems. This synergy is essential in creating a resilient and responsive social fabric that can adapt to the evolving needs of the Belgian population.

Guidelines for setting course to fight societal vulnerabilities:

Foster complementarity with public authorities:

- Identify and collaborate in areas where public authorities have constraints, offering support and resources to create a synergistic effect for the benefit of society.
- Actively monitor and engage with emerging societal challenges that are not yet on the public agenda, providing innovative solutions and support.

Develop strategic long-term vision:

- Craft a forward-looking strategic plan that directs philanthropic initiatives, ensuring they are in harmony with long-term societal aspirations and immediate needs.
- Maintain a flexible approach to philanthropy, which allows for quick adaptation to social changes while preserving the core mission and long-term impact of the foundation.

Prioritize prevention over curation for sustainable outcomes:

- Focus philanthropic efforts on preventive measures that tackle the underlying causes of social issues, fostering long-lasting benefits and resilience in communities.
- Allocate resources judiciously and ethically, aiming to achieve the greatest possible positive impact on society with each philanthropic investment.

Drive systemic change and uphold accountability:

- Aim to catalyse significant, systemic transformations that transcend temporary fixes, targeting the root structures that perpetuate societal issues.
- Implement comprehensive accountability frameworks that measure the effectiveness of philanthropic actions, ensuring transparency and the ability to respond to changing societal needs while maintaining a consistent presence.



Principle 2: Truthful public portrait through assured accountability stimulates enthusiasm, validity & recognition for Philanthropic work and its societal contribution

Given the sector's nature and its pivotal role within society, its position & public perception are inherently forthcoming from its operations and commitment to its mission. A strong reputation is not merely an asset but a central pillar for the philanthropic foundation's ongoing success and viability. To this end, foundations must nurture their reputation through a strong commitment to philanthropic accountability and transparency, which should be at the centre of their communication strategy.

Challenges faced regarding the public portrayal often stem from an unawareness of the profound impact these organizations have, due to a lack of storytelling that highlights successes. Criticism to philanthropic work often touches on:

Unequal dynamics within philanthropy: power imbalance is imminent in philanthropy and therefore needs to be addressed. It can be described in a few dimensions:

Donor versus beneficiary imbalance: donors leverage their resources to support causes, however there's a need for more collaborative engagement to ensure that the beneficiaries' insights and priorities are thoroughly considered. Building a strong, reciprocal relationship between donors and beneficiaries is crucial.

Communication of initiatives versus impact of initiatives imbalance: the potential of philanthropic initiatives is often highlighted. Nevertheless, there's an opportunity to better align these narratives with the tangible outcomes experienced by the communities served.

Source of resources versus use of resources imbalance: contributions to philanthropy may come from a variety of sources. There's a chance to refocus attention to the actual use and impact of resources deployed, rather than debating the origin.

Accountability of philanthropic foundations:

As philanthropic organizations strive to fulfil commitments, they encounter increased scrutiny and scepticism about their practices. Among these concerns are issues such as the influence of a concentrated few on policymaking, engaging in transparency without substantive outcomes, the need for greater accountability in achieving philanthropic objectives & proving efficacy, and shaping public policy without sufficient stakeholder participation and democratic procedures.

These narratives are vital and must be addressed thoroughly. Patsy Kraeger and Robbie Waters Robichau (2016) proposes a new philanthropic accountability model with the aim to boost legitimacy of the sector. The model includes components such as transparency accountability, performance accountability and democratic accountability, which provide valuable lessons summarized below. More recently, a study by Nair, Arshad, and Co. (2023) emphasizes the significance of transparency in reporting as a crucial factor for maintaining and increasing stakeholder trust and engagement within the sector.

Guidelines to ensure and embed philanthropic accountability:

Transparency Accountability:

Proactively disclose financials and decisions:

- Regularly publish detailed financial reports and explain decision-making processes
- Clearly communicate the foundation's objectives, expected outcomes, and criteria for grant selection



Ensure concise & clear communication:

- Present information in a straightforward manner, avoiding jargon and technical language, to ensure it is accessible and comprehensible.
- Provide context and relevance for all communications, enabling stakeholders to engage effectively and make informed decisions.

Enhance information accessibility:

- Create and maintain user-friendly platforms where all relevant information is readily available and easy to access

Commit to transparency excellence:

- Adopt transparency practices that exceed standard requirements, demonstrating a proactive approach to openness and accountability in all aspects of the foundation's work.
- Engage with stakeholders to continuously improve transparency measures, fostering a culture of trust and mutual respect.

Performance Accountability:

Prioritize outcome accountability:

- Implement monitoring and evaluation systems to track progress and outcomes of funded projects.
- Set clear, measurable goals for philanthropic initiatives and hold the foundation accountable for achieving these targets.

Report public benefit impact:

- Regularly measure and report on the tangible benefits that philanthropic activities have on society, using data and evidence to illustrate the foundation's contribution to social progress.
- Share impact assessments with stakeholders through transparent reporting, highlighting both successes and areas for improvement.

Learn and improve from failures:

- Cultivate an organizational culture that views failures as opportunities for learning, openly discussing setbacks and analysing the causes.
- Review and apply lessons learned from unsuccessful endeavors to refine strategies and approaches

Democratic Accountability:

Facilitate inclusive participation:

- Engage a wide range of voices, including those from marginalized and underrepresented communities, in the policy-making process
- Create and maintain open channels for dialogue and feedback

Make responsive decisions:

- Conduct assessments to understand the evolving needs of the communities served, using these insights to inform decision-making processes.
- Remain flexible and adaptable



Empower stakeholder influence:

- Establish mechanisms that allow stakeholders to play an active role in setting priorities and influencing the direction of philanthropic policies
- Provide resources and support to build the capacity of stakeholders to effectively engage and advocate for their interests

Principle 3: Governance of philanthropic foundations focuses on transparency and ensures agility to allow foundations to realise their philanthropic purposes

Good governance is the cornerstone of any philanthropic foundation's success, serving as both a compass and a blueprint for its operations. It ensures that a foundation remains agile and efficient, capable of adapting to the ever-changing landscape of societal needs and internal and external challenges. By embedding transparency into its core practices, a foundation not only earns the trust of its stakeholders but also paves the way for professionalisation and open and honest communication. Transparency and agility are crucial for the foundation's longevity, as it allows for continuous self-assessment and improvement, ensuring that the foundation's practices remain aligned with its mission. Moreover, good governance is instrumental in the foundation's pursuit of its mission, providing a structured yet flexible approach that enables the foundation to navigate complexities while staying true to its purpose. By prioritizing good governance, a foundation not only safeguards its perpetuity but also ensures the fulfilment of its philanthropic purpose, making a lasting impact on the communities it serves.

In the pursuit of philanthropic excellence, foundations are confronted with a series of governance challenges that are as diverse as they are complex. These challenges are not merely operational hurdles but are fundamental to the integrity and impact of the philanthropic mission. From the composition and stewardship of the Board of Directors to the intricate dance of regulatory compliance, and from the imperative of inclusive stakeholder engagement to the alignment with broader societal and environmental goals, each challenge presents an opportunity for growth and reaffirmation of the foundation's commitment to the greater good. As we delve into these challenges, it is essential to recognize that they are the crucibles within which the mettle of philanthropic governance is tested and strengthened.

Leadership and Board Dynamics

The challenge of cultivating a diverse and strategically insightful Board of Directors is compounded by the need for effective leadership succession planning. Foundations must navigate the complexities of board composition, functionality, and the seamless transition of leadership roles to ensure governance continuity and the upholding of the foundation's mission and values.

Tailoring governance

Adapting governance structures to the unique type and objectives of a philanthropic foundation, while ensuring a governance approach that is inclusive from the bottom up, presents a complex task. It requires a nuanced understanding of the foundation's mission, the diversity of its stakeholders, and the dynamics of its operational environment. Establishing a governance model that is both reflective of the foundation's distinct character and conducive to grassroots participation demands thoughtful strategy and a commitment to participatory leadership.

Strategic Communication and Transparency

Philanthropic foundations grapple with the challenge of determining the optimal level and method of communication regarding their activities, both to the public and internally among staff. Striking the right balance between the necessity for transparency and the protection of sensitive information is a delicate task that requires careful consideration and strategic decision-making. Foundations must navigate this complex landscape, ensuring they meet their obligations for openness without undermining their operational effectiveness or stakeholder trust.



Guidelines to ensure good governance:

The below recommendations are meant to be adaptable, allowing each foundation to tailor them to their unique circumstances and governance goals.

We have incorporated an asterisk next to each provision that is mandatory under the Belgian Code of Companies and Associations (BCCA), for precise references, please refer to the index.

Leadership and Board Dynamics – Composition

Diversity and inclusiveness of the Board: Foundations might consider striving for a Board composition that reflects a broad range of profiles, perspectives and backgrounds – age, gender, generation, etc. - which can enhance the Board's decision-making capabilities.

Varied yet complementary expertise: It may be advantageous for foundations to ensure that their Board members (also called “directors”) possess varied yet complementary expertise, contributing to a well-rounded and effective governance body. **In this respect, effective Board member selection and renewal processes** prioritizing competence, personal profiles, and commitment to the organisation's mission/vision may be put in place.

Optimisation of the size and composition of the Board: Regularly reviewing the size and composition of the Board to ensure efficient management of tasks and effective decision-making might be a practice worth considering for foundations, while bearing in mind that there is no one ideal size and composition and each foundation needs to adapt to its own particular circumstances.

Independent director: The inclusion of independent directors could be considered to provide impartial insights and oversight, which may enhance the governance structure of the foundation.

Single director: It may be beneficial to establish clear guidelines and accountability mechanisms to support effective governance for foundations having only one director. The question arises, however, as to the unnaturalness of a single-director foundation, which is in practice not generally advisable.

The dichotomy between the need to renew the Board and maintaining continuity and perpetuity of the Foundation: To strike a balance between fresh perspectives and continuity on a foundation's Board, a staggered election approach is recommended. Electing a portion of the Board, such as half, on an (bi)annual basis can prevent a complete turnover, preserving valuable institutional knowledge while welcoming new insights. Additionally, term limits and a subsequent "cool off" period after a set number of terms can ensure regular rejuvenation of the board's composition.

Attractiveness and retention of directors: To attract and retain high-calibre directors, foundations are encouraged to foster a culture of professional development and recognition. By offering skill-building opportunities and valuing directors' contributions, foundations can create a compelling and rewarding environment that appeals to committed governance professionals. These strategies should be tailored to fit the unique *ethos* and aims of each foundation.

Leadership and Board Dynamics – Roles

Loyalty *: Directors (i.e. the members of the Board) must prioritize the foundation's interests above any personal or associated company interests. This is especially pertinent for corporate foundations or when legal entities are directors. Directors are expected to make decisions that benefit the foundation's mission and to be actively engaged in its governance. Foundations may implement policies and training to ensure directors understand and commit to these responsibilities, thereby maintaining the foundation's focus on its philanthropic goals.



Avoidance of accumulation of roles and conflict of interests: Foundations are advised to clearly delineate roles within their statutes to prevent the accumulation of multiple positions by any one individual, which could lead to conflicts of interest. For instance, the statutes might explicitly state that “*the Secretary General shall not serve concurrently as a director*”, or that “*the President shall not be an employee of the foundation*”. By embedding such rules, the foundation ensures a transparent and conflict-free governance structure.

Onboarding directors: Foundations are encouraged to offer comprehensive orientation for new directors, detailing their roles, responsibilities, and the scope of their liability coverage. This could include providing access to relevant documentation, training sessions, and opportunities for ongoing education. By equipping directors with this knowledge, foundations can promote informed and responsible governance.

Leadership and Board Dynamics – Functioning

Decision-making process – Attendance quorum: To encourage director’s involvement, foundations could set a high but reasonable attendance quorum for meetings to ensure robust participation while avoiding overly stringent requirements that could lead to deadlocks. The attendance quorum may of course be determined on the basis of the total number of directors on the Board. In instances of unavoidable absence, limited proxy voting might be permitted to maintain decision-making continuity. Should a director consistently fail to participate without adequate justification, after a certain number of absences, it may be appropriate to address the issue on the agenda for discussion rather than resorting to automatic dismissal, although this remains a recognised practice in some organisations.

Decision-making process – Voting majority: Consensus should be regarded as a valuable decision-making method, fostering a collaborative environment where diverse viewpoints are harmonised. However, when consensus cannot be reached, foundations could have predetermined mechanisms in place, such as voting majority or a structured deliberation process, to ensure decisions are made effectively and in a timely manner.

Sharing information to increase efficiency: It is recommended that a reasonable notice period be established for meetings, allowing directors ample time to prepare for discussions and decision-making. Providing agendas and relevant documents well in advance ensures that directors can familiarize themselves with the material and contribute effectively during meetings.

Optimisation of meeting schedules and thematic meetings: Foundations are recommended to streamline their meeting schedules and consider holding thematic meetings (e.g. annual Board meeting, strategic planning, evaluation, etc.) to improve productivity and concentrate on strategic matters.

Importance of minutes: Decisions should as far as possible be meticulously documented and justified in the meeting minutes. The minutes should be crafted to be as clear and comprehensive as possible, capturing the essence of discussions, the *rationale* behind decisions, and any dissenting opinions. To facilitate transparency and accountability, it is advisable to distribute the minutes to all Board members promptly following the meeting.

Direct or indirect influence of the founder in the decision-making process: When a foundation's decision-making process requires the (joint) affirmative vote(s) of its founder(s) or the sole decision of the founder (e.g. appointment of Board members), it is recommended to establish guidelines that ensure such a requirement supports the foundation's long-term interests. The foundation may encourage the founders to provide transparent reasoning for their pivotal votes, aligning their influence with the foundation's mission and strategic goals and a well-functioning board dynamic. Periodic reviews of the decision-making process are beneficial to maintain the foundation's adaptability and effectiveness.

Allocation of tasks and roles within the Board and non-enforceability vis-à-vis third parties: To enhance the functionality and efficiency of the Board, it is recommended to clearly define and document the allocation of tasks and roles among its members. This delineation may be reflected in the statutes or governance internal rules/policies, ensuring that each Board member understands their specific duties and the expectations placed



upon them. It is important to note, however, that while this internal allocation is crucial for the Board's efficiency and effectiveness, it is not enforceable against third parties and the joint liability of the Board remains the principle.*

Tailoring governance – daily management

Best practices in daily management: It is recommended that the Board defines the scope of daily management powers/tasks, identifying which decisions and actions fall under these powers. Establishing clear financial and material thresholds can also provide a framework for daily operations, allowing for efficient and autonomous management within defined limits.

Evaluation and supervision: In parallel, the Board might find it beneficial to implement a system of oversight for those responsible for daily management. This could involve setting up routine check-ins or review processes to ensure that management activities align with the broader goals and policies of the foundation.

Differentiation between administration/strategy and management/operational: It is beneficial for the foundation to distinguish between strategic and operational roles. The Board typically focuses on governance and strategic direction, setting long-term goals and policies. Management, on the other hand, handles the day-to-day operations, executing the board's strategy and managing the organization's affairs within the established framework.

Tailoring governance – additional bodies advising and counterbalancing

Given the absence of Members/general assembly, it is advisable to integrate alternative mechanisms to ensure checks and balances, diversity, and specialized knowledge within the foundation's governance structure. This could involve the inclusion of external advisory panels or internal committees that bring together individuals with varied backgrounds and expertise. These bodies can provide valuable insights, offer different perspectives, and contribute specialized skills, thereby enhancing the foundation's decision-making processes and overall effectiveness.

Examples of internal bodies:

- **Committees** (acquisition committee in an artistic foundation, scientific/research committee in a scientific foundation), remuneration committee, nomination committee, anti-money laundering committee, committee of wise persons (i.e. advisory committee).
- **Internal auditor(s)** to provide independent and objective evaluations of the organisation's financial and operational business activities.

Examples of external bodies:

- Jury (elections).
- (Statutory) auditor.

Importance of not entrusting decision-making powers to bodies: It is crucial that the decision-making power entirely remains with the Board to maintain clear accountability and compliance with Belgian law. Additional bodies such as mentioned above can provide valuable input and expertise, however, ultimate decision-making authority should rest with the Board.

Strategic Communication and Transparency – Conflict of interests

Rules provided by law - conflict of interest of a patrimonial nature*: Belgian law provides that Board members must disclose any patrimonial interests that may conflict with the interests of the foundation when the Board is considering a relevant decision or operation. The conflicted director should inform their peers prior to the decision-



making process, and their disclosure, along with a detailed explanation, must be included in the meeting minutes. The director with the conflict is then excluded from both deliberation and voting on the particular issue. In cases where the entire Board or the sole director faces a conflict of interest, they are still permitted to proceed with the decision. This rule is waived for routine transactions that are carried out under standard market conditions.

Possibility of broadening the nature of the conflict of interest: The practice of including non-patrimonial conflicts in the conflict-of-interest procedures is a common practice within foundations and the non-profit sector at large. This broadening aims to uphold ethical governance and public trust. However, such inclusive policies may lead to decision-making standstills, particularly within smaller Boards. It is essential for foundations to anticipate these challenges and devise strategies to navigate potential stalemates, ensuring that the foundation's mission and integrity remain intact while decisions are made transparently and ethically.

Strategic Communication and Transparency – broader spectrum

Transparency within the foundation

Balance between the confidentiality of Board meeting content and the need for transparency towards employees and/or volunteers: Foundations may consider establishing a balanced approach to maintaining the confidentiality of Board meetings while also addressing the need for transparency with employees and volunteers. This could involve selectively sharing relevant insights and decisions from Board meetings that impact the wider team, without disclosing sensitive information. Such a practice can foster a culture of trust and inclusivity, ensuring that all members of the organisation are informed and engaged with its direction and policies.

Business/strategy plan: The Board may wish to explore the potential benefits of formulating a detailed business or strategic plan. Such a plan would typically encompass the foundation's vision, define measurable goals, and describe the strategic actions necessary to achieve the foundation's objectives. It could also include an assessment of the external environment, an evaluation of internal resources, and a framework for decision-making processes.

While the creation of a business or strategic plan is not a requirement, it can serve as a valuable instrument for guiding the foundation's governance and operational practices. A well-crafted plan can provide clarity to directors, person(s) in charge of the daily management, staff, and stakeholders, aligning all activities with the foundation's core mission. It can also facilitate performance monitoring and help in adapting to changing circumstances.

In developing this plan, the Board may engage in a consultative process, incorporating input from various stakeholders to ensure that the plan reflects a diverse range of insights and expertise. This collaborative approach can also enhance buy-in and commitment across the foundation. Ultimately, the decision to adopt and the extent to which a business or strategic plan is implemented should be tailored to fit the unique context and goals of the foundation.

Transparency towards stakeholders

Filing of annual accounts and annual report: While the filing of annual accounts is mandatory under Belgian law*, for the purpose of promoting transparency, foundations may find it valuable to voluntarily adopt the practice of producing an annual report, even if not legally required to do so. These documents can serve as key instruments for communicating the foundation's financial health and activities to stakeholders, providing an overview of the foundation's achievements and stewardship of resources over the year. Such materials should preferably be available on easily reachable channels such as the website of the foundation. This level of openness can enhance trust and support from donors, beneficiaries, and the public, contributing to the foundation's reputation.



Communicate objectives and KPIs: Foundations may consider the practice of openly sharing their strategic objectives and key performance indicators (KPIs) with their stakeholders as a means to reinforce good reputation. By establishing and communicating clear benchmarks for success, foundations can set expectations and enable stakeholders to track progress and performance.

In addition to setting these metrics, it is equally important for foundations to regularly report on the outcomes, highlighting both achievements and areas where objectives have not been fully realized. This transparency in reporting not only reflects the foundation's accountability but also its resilience and willingness to learn from challenges. It can also inspire confidence among donors, beneficiaries, and the broader community, showing that the foundation is earnest in its pursuit of impact and effectiveness.

Transparent communication regarding the allocation of funds: In the spirit of fostering trust and demonstrating commitment to ethical stewardship, foundations might consider implementing a transparent approach to financial communications. This could involve providing stakeholders with a clear breakdown of how funds are distributed, specifying what proportion is being channeled directly towards achieving the foundation's mission and what portion is used for essential internal operations, such as staff remuneration and administrative costs.

While there is no obligation to follow such a practice, doing so can significantly bolster the foundation's credibility and may reinforce the stakeholders' confidence in the foundation's dedication to its cause. Additionally, transparent reporting on financial allocations can serve as an internal benchmark, helping to ensure that the foundation remains focused on its core objectives while managing operational resources efficiently.

Embracing this level of openness can also invite constructive feedback, which may lead to improved practices and enhanced operational effectiveness. Ultimately, by voluntarily choosing to communicate financial allocations in this manner, foundations can set a standard for good governance that resonates with supporters and aligns with the values of accountability and transparency.

Transparency regarding the origin of funds: Foundations may consider adopting a policy that balances the need for transparency regarding the origins of their funds and subsidies with the privacy preferences of their donors. While it is important to respect donors' wishes for discretion, which may at times stem from a desire to avoid public attention, foundations can also recognize that disclosure of funding sources can serve as a form of acknowledgment and publicity for donors.

A thoughtful approach could involve providing general information about funding sources in a way that does not compromise individual donor privacy unless the donor has granted permission for such disclosure. This practice can help maintain donor trust while also upholding the foundation's commitment to transparency, which is a cornerstone of good governance.

Clarity: Foundations might find it advantageous to place a strong emphasis on articulating their mission and the objectives of their projects with utmost clarity to both beneficiaries and donors. This involves crafting and disseminating a clear narrative that explains the foundation's overarching goals, the specific initiatives it supports, and the expected impact of these efforts.

While this is a voluntary measure, clear communication can bridge the gap between the foundation's intentions and public perception. It ensures that all stakeholders have a shared understanding of the foundation's purpose, which is particularly important when the projects involve complex or abstract concepts.

In practice, this could mean developing comprehensive communication materials, such as brochures, websites, and reports that are not only informative but also engaging and easy to understand. Regular updates and stories of progress or success can further illustrate the foundation's impact and maintain a dialogue with stakeholders.

By committing to this level of transparency and clarity, foundations can foster trust and credibility. This, in turn, can lead to stronger relationships with donors who are confident that their contributions are well-aligned with their values and with beneficiaries who clearly understand the support they can expect. Overall, such a commitment to



clear communication can be a significant factor in the foundation's ability to attract support and achieve its mission.

Strategic Communication and Transparency – Impact measurement

To ensure that their efforts are not only well-intentioned but also truly beneficial, foundations might consider adopting a comprehensive impact measurement system. This system would be designed to evaluate the tangible outcomes of the foundation's activities and the extent to which they contribute to the intended social, environmental, or cultural objectives.

While this is a voluntary practice, engaging in rigorous impact measurement can significantly enhance a foundation's understanding of its effectiveness. By identifying both the positive impacts and areas for improvement, foundations can refine their strategies, optimize resource allocation, and increase their overall efficacy. This process often involves setting specific, measurable goals, collecting relevant data, and analysing that data to inform future actions.

In addition to internal benefits, transparently sharing impact measurement results can strengthen relationships with donors, beneficiaries, and the community at large. It demonstrates a commitment to accountability and continuous learning and inspires confidence that the foundation is making a real difference.

Implementing such a system may require investment in the necessary tools, expertise, and perhaps even partnerships with research institutions or consultants.

Principle 4: Collaboration in philanthropy ecosystem unlocks synergetic effects boosting greater impact together

The strength of philanthropic collaboration

The philanthropic sector is characterized by a multitude of small foundations, leading to fragmentation and a perception of resource scarcity that is sometimes believed to hinder collaboration. Despite these challenges, foundations should recognize that collaboration can amplify their individual capabilities and impact. By joining forces, resources are consolidated, expertise is shared, and will ultimately fortify the philanthropic sector's collective influence. Collaboration stands as a fundamental principle for the philanthropic foundation, enabling to extend the reach and deepen the impact. It is the practice of working jointly with others—be it within the philanthropic sector, across industries, or with public institutions—that allows the foundation to tackle complex societal issues more effectively. A successful collaboration rests on complementarity, with a shared focus on achieving common objectives. When philanthropic foundations engage with one another, with different sectors, or with public institutions, they do so with the understanding that each party contributes something distinctive and valuable. It's not merely about pooling resources but aligning them in such a way that the impact is greater than the sum of its parts. To build an effective collaborative ecosystem, it is essential to focus on a set of critical elements. These include the Federation's guiding influence, the diverse range of collaborators, and the development of trust-based relationships. By committing to these core aspects of collaboration, the philanthropic foundation can create meaningful change that is both sustainable and reflective of the collective's needs to improve its communities.

The Federation's Role in Fostering Collaborative Partnerships

The Federation plays a crucial role in fostering a collaborative philanthropic ecosystem, primarily by facilitating the sharing of information among foundations. Its key role in acting as a main source of information offers a dynamic platform for foundations to align their efforts, plan together, learn from each other by sharing best practices, and develop unified strategies. By acting as a central hub for industry knowledge, the Federation enables foundations of all sizes and focus areas to access valuable insights and resources. It achieves this through a variety of effective strategies:



- **Centralized knowledge repository:** The Federation can create a digital platform that serves as a one-stop-shop for research, case studies, and best practices, easily accessible to all members.
- **Connecting peer-foundations:** The Federation has a view on the focus of foundations and hence can enable connections and collaboration between foundations, newcomers as well as incumbents.
- **Working groups and committees:** It facilitates focused groups that delve into specific themes, allowing for in-depth knowledge exchange and the development of targeted strategies.
- **Convening events:** By hosting conferences, webinars, and symposiums, the Federation brings together a diverse range of stakeholders to share insights and engage in dialogue on pressing issues.
- **Think tanks:** Those meetings are open to all foundations are platforms for strategic reflection and collective action.

By integrating these initiatives, the Federation not only acts as a main source of information but also creates a dynamic environment where foundations can plan collaboratively, learn from one another, and advance their goals with the support of a wide range of ideas and expertise. The foundation is called for active participation in Federation initiatives that are designed to promote collaboration and knowledge sharing.

The different foundations' Collaborators

When planning and directing collaboration activities, it is important to consider the many collaborators within the philanthropic ecosystem. This includes building strategic partnerships with, amongst others, other foundations as well as the Federation, Public Bodies, Academia, and other (international) bodies.

Philanthropic foundations

Foundations can leverage on each other's strengths, resources, and expertise to achieve a common goal or address shared issues.

Academia

The philanthropic sector's engagement with academia is ripe for expansion. By forging multi-stakeholder partnerships, the foundation can tap into a wealth of data and research, enriching its strategies and interventions.

Public-Private Philanthropy Partnerships (PPPPs)

Public-Private Philanthropy Partnerships (PPPPs) represent an opportunity for the foundation to collaborate with the public sector, despite differing temporalities and operational constraints. By working with government entities, the foundation can advocate for laws and policies that align with its mission and facilitate its work on the ground. These partnerships, built on trust and mutual respect, can lead to co-financed projects and joint initiatives that address societal challenges more effectively.

International

International collaboration is a source of inspiration and learning. By establishing connections with foreign foundations and exchanging ideas, the foundation can adopt innovative practices and adapt them to local contexts. This global perspective enriches the sector and fosters a culture of continuous improvement.

Trust-Based philanthropy

In the realm of philanthropic collaboration, trust-based philanthropy emerges as a transformative approach that redefines the relationship between funding organizations and their beneficiaries. This model is predicated on the principles of mutual respect, open dialogue, and shared power, which collectively aim to dismantle the traditional hierarchies that have long governed the philanthropic sector. The Trust-Based Philanthropy Project, a peer-to-peer funder initiative, describes trust-based philanthropy as "a set of values that help advance equity, shift power and build mutually accountable relationships." Mutuality is key. The trust-based model shifts the donors' position from patron to partner. By committing to multi-year, unrestricted funding, philanthropic organizations empower their



grantees with the financial stability and autonomy necessary to address complex social issues effectively. Streamlined application and reporting processes alleviate administrative burdens, enabling nonprofit leaders to devote more time and resources to their core missions. Furthermore, trust-based philanthropy encourages transparent communication and values the expertise of grantees, fostering an environment of co-learning and joint problem-solving. As such, when philanthropic organizations embrace this ethos of trust, they not only enhance their individual impact but also lay the groundwork for more meaningful and productive collaborations, driving collective action towards systemic change.

Guidelines for successful collaboration

Align on goals and objectives of the collaboration:

- Clearly define and agree upon the collaboration's goals
- Select partners whose goals and values align with those of the collaboration

Establish mutual commitment through a “Collaboration Charter”:

- Draft a Collaboration Charter that details the commitments, expectations, roles, and responsibilities of each partner, serving as a foundational agreement for the collaboration.
- Use the Charter as a reference point for managing the collaboration, providing a structured approach to resolving conflicts.

Foster clear & effective communication:

- Maintain open lines of communication, ensuring regular updates and information sharing among partners

Implement a process for two-way feedback:

- Set up a structured feedback mechanism that allows for constructive criticism.
- Schedule meetings for review and reflection, allowing partners to assess progress, celebrate achievements, and identify areas for improvement.

Ensure adaptability and flexibility:

- Develop comprehensive onboarding materials and processes to quickly bring new members up to speed and integrate them.



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Appendix

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Legal references

- Loyalty of the Board members: Article 2:51 of the Belgian Code of Companies and Associations (BCCA)
- Liability of the Board: Article 2:56 of the companies and associations Code.
- Conflict of interest of Board members: Article 11:8 of the companies and associations Code.
- Allocation of tasks within the Board and non-enforceability toward third parties: Article 11:7, §1 of the companies and associations Code.
- Daily management: Article 11:14 of the companies and associations Code.

Additional interesting sources

- Trust-Based Philanthropy: A Primer for Donors, Andrea Rush (2022)
- Guide to effective philanthropy, Stanford PACS (2020)