

# Swiss Foundation Code

Principles and  
Recommendations for  
the Establishment  
and Management of  
Grant-making  
Foundations

S  
F  
C

Thomas Sprecher  
Philipp Egger  
Georg von Schnurbein



Stämpfli Publishers

## Benchmark for Best Practice

With its 4 principles and 28 commented recommendations, the Swiss Foundation Code establishes international standards:

The Swiss Foundation Code

- is applicable to all types and sizes of foundations;
- provides an orientation framework for good foundation management;
- serves as a useful working tool;
- has proven itself in practice since 2005.

«Switzerland is known for its high density of foundations. Yet, Swiss law says very little about their governance. On the one hand, this absence of a strict legal framework brings more flexibility. But on the other hand, good behaviour benchmarks are desirable. This is why the Swiss Foundation Code plays an essential role as a peer-generated best practice set of standards. Thus, this new, improved edition, must be greatly welcomed.»

*Prof. Henry Peter, Head of the Geneva Centre for Philanthropy,  
University of Geneva*

«Foundations are essential actors of the civil society. In order to use their full potential for effective and proactive operations in society, internal soundness and efficiency is necessary. Through its continuous adaptation, the Swiss Foundation Code offers a practical and contemporary guidance. I congratulate SwissFoundations to this persistent effort to increase visibility, transparency, and legitimacy of foundations.»

*Max von Abendroth, Dafne Executive Director, Brussels*

## 2021 Edition

Thomas Sprecher  
Philipp Egger  
Georg von Schnurbein

Published by SwissFoundations

This publication has been made possible through the involvement, support and funding of the following SwissFoundations members:

Age-Stiftung  
arcas foundation  
Asuera Stiftung  
atDta Stiftung  
Beisheim Stiftung  
Credit Suisse Foundation (Jubiläumsfonds)  
Dätwyler Stiftung  
Ebnet-Stiftung  
Ernst Göhner Stiftung  
Fondation Leenaards  
Fondation Lombard Odier  
Fondation Nicolas Puech  
Fondation Pro Victimis  
Fritz-Gerber-Stiftung  
Gebert Rüt Stiftung  
Green Leaves Education Foundation  
Grütli Stiftung  
Hasler Stiftung  
Hatt-Bucher-Stiftung  
Hirschmann Stiftung  
Julius Bär Stiftung  
Novo Nordisk Haemophilia Foundation  
Otto und Veronika Kägi Stiftung  
Paul Schiller Stiftung  
sahee foundation  
Sophie und Karl Binding Stiftung  
Stiftung für Kunst, Kultur und Geschichte (SKKG)  
Stiftung Mercator Schweiz  
Stiftung Perspektiven von Swisslife  
Swiss Re Foundation  
UBS Optimus Foundation  
Velux Stiftung  
Z Zurich Foundation

### **Print version – trilingual**

The printed version of the Swiss Foundation Code is available in German, French and English.

### **Digital version – multilingual**

The digital version of the Swiss Foundation Code is provisionally available in German, French and English: [www.swissfoundationcode.com](http://www.swissfoundationcode.com)

### **SwissFoundations**

Founded in 2001 as a joint initiative, SwissFoundations brings together Switzerland's charitable foundations and gives them a strong and independent voice. As an active network dedicated to innovation, SwissFoundations promotes the exchange of experiences, transparency and professionalism in the Swiss foundations sector. In this way, it contributes to efficient and effective use of foundations' funds. The association welcomes foundations of any size, that operate at regional or international level, based in Switzerland or Liechtenstein.

[www.swissfoundations.ch](http://www.swissfoundations.ch)

*Bibliographic information of the German National Library*

The German National Library lists this publication in the German National Bibliography; detailed bibliographical data can be found on the Internet via <http://dnb.d-nb.de>.

This work is protected by global copyright. The authors are exclusively entitled to transfer, to use, to copy and transfer or to archive (download) this work using any existing or available medium (technologically, electronically and/or digitally) from the database or via networks. All use through the aforementioned means or in ways not permitted by law shall thus require the prior written consent of the authors.

© 2021 by Sprecher/Egger/von Schnurbein

Stämpfli Publishers Ltd. Berne · 2021

[www.staempfliverlag.com](http://www.staempfliverlag.com)

E-Book ISBN 978-3-7272-0684-9

In the online bookshop [www.staempfishop.com](http://www.staempfishop.com)

the following edition is available:

Print ISBN 978-3-7272-7814-3

Layout by Neeser & Müller, Basel



# Table of contents

Preface and thanks .....	8
Introduction .....	10

---

## Principles ..... 19

Principle 1: Effectiveness .....	20
Principle 2: Checks and balances .....	21
Principle 3: Transparency .....	22
Principle 4: Social responsibility .....	23

---

## Recommendations ..... 25

### Establishment ..... 27

1 Founder's intent .....	32
2 Legal domicile and tax exemption .....	43
3 Foundation charter, regulations, guidelines, guiding principles .....	48

### Governance ..... 55

4 Function of the foundation board .....	58
5 Renewal of the foundation board .....	65
6 Number and profile of foundation board members .....	70
7 Compensation of foundation board members .....	75
8 Organisation of the foundation board .....	80
9 The function of the president .....	84
10 Committees .....	88
11 Regulating conflicts of interest .....	92
12 Communication .....	96
13 Executive management .....	102
14 Auditor .....	106
15 Advisory boards .....	110

## **Grant-making ..... 115**

16	Development of the grant strategy .....	118
17	Entrepreneurial approach .....	121
18	Project selection .....	125
19	Project supervision .....	130
20	Impact measurement and project evaluation .....	134

## **Finances ..... 139**

21	Responsibility for financial management .....	144
22	Investment management organisation .....	147
23	Origin of the foundation's assets .....	150
24	Principles of asset management .....	153
25	Investment strategy .....	156
26	Asset allocation .....	162
27	Mandate assignment under competitive conditions .....	166
28	Monitoring of asset management .....	170

---

## **Annex ..... 175**

Phenomenology of the Swiss foundations landscape .....		176
Creation and development of the Swiss Foundation Code .....		184
Reception of the Swiss Foundation Code .....		189
An international comparison of foundation governance codes .....		193
Bibliography .....		199
Foundation Glossary .....		210
Keyword index .....		236
The authors .....		250

# Preface and thanks

The world has changed a lot since the Swiss Foundation Code was first published fifteen years ago. This is particularly true for the world of foundations. Gone are the times when they were appreciated, without reservation, as a discreet form of engagement by private benefactors. Not only do government regulators now require greater transparency, the media and politicians, and not least the beneficiaries themselves, also raise questions regarding a foundation's background, motives, and relevance. The principles of impact, governance and transparency, which the Swiss Foundation Code's authors presciently defined in 2005 for foundations' work, have offered and still offer guidance to the sector in addressing these increasing demands.

Today, foundations are recognised as a part of civil society, but are also increasingly judged by their contribution to it. Pertinent foundation activity takes societal changes into account and includes new developments into their support. That is why the principle of social responsibility is explicitly articulated for the first time in this fourth edition of the Swiss Foundation Code.

If foundations are to be viewed positively by society, their activities must be visible, accessible, and transparent. They must be perceived to be reliable, impact-oriented partners. SwissFoundations and its members have taken this maxim to heart, and brought it to life through specific measures. We are taking the association's 20th anniversary as an opportunity to anchor this self-image more strongly in the sector and with the new edition of the code we are delivering a key tool for its implementation. Our sector's development depends on the willingness of every foundation to address these topics and lead by example. We are addressing all Swiss foundations, not just our members.



We would like to thank the 40 or more experts who contributed their expertise during the hearings. The project also received financial support from more than 30 SwissFoundations' members. They made it possible for this compiled knowledge to be made freely accessible, and thus as wide an impact as possible. Finally, we would like to thank the authors, who have created a text that is both precise and practical in this fourth, revised edition, and ensured that the Swiss Foundation Code is once again a valuable, application-based guide for modern foundation work.

*Dr Lukas von Orelli*  
*President, SwissFoundations*

# Introduction

## Addendum regarding liberal legislation

**The Swiss foundation is a successful model.**

Switzerland is an international leader, with 13,000 charitable foundations. It has six times more foundations per capita than the US or Germany. The foundation sector has access to professional expertise from the NPO, legal and financial services sectors. Political institutions and society generally place great faith in foundations. One particular characteristic of the sector is its dynamism: almost 70% of all charitable foundations were established in the last 30 years.

Indeed Switzerland offers excellent conditions for establishing and managing charitable foundations. Its relatively liberal legislation is conducive to the establishment of foundations, and makes their work easier. The long-standing and flourishing tradition of foundations in Switzerland is based on a participatory, collective model.

**Dynamism and liberalism**

Private, philanthropic engagement is one of Switzerland's success factors. Foundations are an expression of a free, democratic order, supported by a stable and liberal framework of conditions. These give foundations great creative freedom, while also protecting their work. Countless founders in other countries have also recognised this, and established their foundations in Switzerland. A significant portion of their contributions remain here in Switzerland, where they benefit culture, welfare and research, for example.

The liberal framework is the basis for the foundation sectors' growth and ongoing, dynamic development. Charitable foundations build on this and make an important contribution to tackling social challenges as a third, independent force, alongside the state and industry. With the wide range of their activities, they reinforce pluralism in our country, and prove their social relevance every day anew.

**The work of foundations should always be reflected upon.**

Despite their good reputation, charitable foundations also face pressure to prove their legitimacy in Switzerland. This is a good thing because the fact that they enjoy tax privileges, and their activities affect the dynamics of social realities, makes them semi-public institutions.

The quality that all foundations share to differing degrees, which is not being reliant on the world at large, is most apparent in "traditional" grant-making foundations. Unlike donation-funded founda-

tions, for example, they are not subject to any market controls at all. They own and monitor themselves, particularly when the founder's control ends when they leave the foundation.

In all that that a foundation does or doesn't do, it must always ask: how can to best implement its purpose? What guides its operations? What constitutes good foundation management when it comes to practical grant-making activities? What are the expectations of the asset management? How can systemic risks be addressed? How can the foundation's existence and operations be justified?

## **The concept behind the Swiss Foundation Code**

The Swiss Foundation Code has emerged from the foundation sector and is supported by the association of Swiss grant-making foundations SwissFoundations as an application-oriented tool. It is neither a catalogue of measures nor a checklist, rather it is a general orientational framework for good foundation governance.

**Professionalism  
and self-regulation**

In view of the great diversity of foundations, the Swiss Foundation Code, with its recommendatory character, is a more effective way to achieve impact and transparency in the foundation sector than state regulation.

First published in 2005, and supplemented in 2009 and 2015, the fourth edition of the Swiss Foundation Code has been completely revised. It applies specifically to grant-making foundations, and provides in-depth exemplarity rather than superficial universality. However, the Codes 4 universal principles and 28 recommendations can be applied to foundations of all types and sizes. While large foundations are able to implement the recommendations in detail, smaller foundations will adopt a simpler organisation. Every foundation must forge its own path to achieving professional foundation governance, and thus implement its purpose as effectively as possible.

**The Swiss  
Foundation Code is  
a directional  
framework for  
good governance.**

Even among grant-making foundations, no two organisations have the same needs or organisational structures. While the principles of the Swiss Foundation Code are likely to apply without reservation, the recommendations (and their practice-related commentary in particular) are aimed mainly at large and medium-sized foundations. The vast majority of foundations, however, are small, with assets totalling less than CHF 10 million, and this group includes many micro-foundations.

**Smaller  
foundations are  
addressed  
directly**

Some of the recommendations cannot be implemented directly in small foundations. That is why the notes to the recommendations include “Additional considerations for smaller foundations” wherever this is necessary or makes sense.

Large foundations, simply because of their division into strategic and operating levels (foundation board – executive management) and the financial and organisational possibilities available to them, are in the best position to implement effective systems of *checks and balances*. In smaller foundations the boundaries between the two levels are often blurred, the danger of undesirable developments is significant. For this reason the Swiss Foundation Code also offers guidance for smaller foundations.

The requirements for good foundation governance are essentially the same for all foundations. However, specific measures must be tailored to each foundation, and therefore aligned with each foundation’s size – at the simplest possible organisational level in each case. Foundation governance is not an end in itself, but rather a means to achieve efficient and effective implementation of the foundation purpose.

**Reference  
framework and  
management  
tool**

Neither the principles nor the recommendations are clearly defined criteria or requirements that need to be mechanically implemented in a particular way. Instead, the Swiss Foundation Code serves as a reference framework against which organisations can measure and calibrate themselves. Regardless of its size the foundation board is responsible for organising the foundation in the best possible way to implement its purpose. With respect to using the Swiss Foundation Code, the foundation board must break down and apply the principles and recommendations to the specific situation of its foundation.

**Multidisciplinary  
nature and  
relationship with  
the law**

The Swiss Foundation Code is multidisciplinary in nature. In addition to a legal perspective, it also takes economic factors into consideration, as well as the actual work carried out by the foundation. The code should be of practical relevance. That is why it sometimes reiterates the legal principles in some cases, but not in others if they are not pertinent from the perspective of foundation governance.

A fundamental distinction must be made between the decisions that a founder makes when establishing a foundation, and those made by the foundation board after the foundation has been established. That is why the Swiss Foundation Code is divided into four sections: “Establishment”, “Management”, “Grant-making” and “Finance”.

**Consideration of all relevant factors**

The founder should not limit him/herself to being informed of the important, fundamental conditions at the foundation’s establishment. He/she must also take all other recommendations into consideration in the conceptual design of the foundation, so that the subsequent structuring of the foundation’s management, grant-making activities and finances are easier on the basis of the Swiss Foundation Code.

By the same token, foundation board members of foundations that are already established need to engage with their foundation’s underlying framework. Factors that were relevant when a foundation was established still need to be taken into account in the later stages of a foundation’s life.

The Swiss Foundation Code takes international circumstances into consideration, insofar as they are relevant. It goes without saying that governance regulations based on other legal systems cannot be applied to Swiss foundations without closer inspection. But even if the foundation is subject to different statutory regulations in different countries and different national foundation cultures prevail, there are still a lot of commonalities. This means that every national code also has an international dimension, and an effect in other countries.

**Inclusion of international circumstances**

Foundation governance depends crucially on the integrity and judgement of those in charge. This is why the Swiss Foundation Code seeks to raise the awareness of and mobilise the foundation’s bodies, first and foremost of the board members. Its main goal is to promote the effective, efficient and transparent implementation of the founder’s intention and the foundation purpose. Its application should generate trust among all of a foundation’s stakeholders, i.e. its founders and supporters, beneficiaries, regulatory authorities and the general public.

**Raising awareness on the part of and mobilising the founder and the foundation board**

Doing things right is important for a grant-making foundation as well. However, it is decisive and essential that the right things are done. That is why the Swiss Foundation Code refers primarily to the “constitution” of a foundation, and less to its operating activities. It is not a management guideline. Its principles and recommendations are

**Doing the right things right**

instead aimed at foundation policy and strategy, i.e. the fundamental requirements.

**Recommendatory nature**

The Swiss Foundation Code and its commentary are recommendatory in nature. It is intended to prompt foundations to review and improve their governance. It can serve as an aid to interpretation for those working in the legal sector. By making grant-making foundations responsible for their own governance, it pre-empts calls for stronger government regulation, which could paralyze and weaken Switzerland's productive and disparate foundations sector. The Swiss Foundation Code should by no means lead to unnecessary bureaucracy. It also gives each grant-making foundation the opportunity, and even challenges them, to take full advantage of the freedom that they are given. This is why it is not governed by the strict precept of "comply or explain".<sup>1</sup>

**Application and implementation**

Neither Swiss Foundations, nor any other party, checks compliance with the Swiss Foundation Code recommendations, or awards a label. Its recommendations, and certainly its principles, are not to be equated with explicit criteria that can be observed or violated. Rather, each foundation is called upon to apply the recommendations to its specific situation, to interpret them, and to find solutions for their individual circumstances.

The code provides a framework for guidance and inspiration, in keeping with the liberal spirit of individual responsibility. By voluntarily orienting towards the Swiss Foundation Code and declaring this in their communications, foundations prove that they are subjecting themselves to stricter requirements than those specified by law.

**The Swiss Foundation Code is not law, and is not binding.**

Everything a foundation does is based on the applicable law. The Swiss Foundation Code recommendations sometimes implicitly repeat the statutory requirements. In this sense, some of them are effectively legal duties rather than recommendations. However the recommendations' focus is not exclusively legal. By proposing that the foundation be governed by the foundation board, the legal core – namely that the foundation is under the leadership of the board – is expanded by the element of active design. In this way, the legal requirements are substantiated in the light of foundation governance and coloured by the notion of effectiveness. The Swiss Foundation Code complements the

<sup>1</sup> Please refer to the entry on *comply or explain* on p. 215 of the foundation glossary regarding the different levels of obligation for systems of rules.

legal basis by answering the question of how a foundation can maximise its impact within the legal framework provided.

However, the Swiss Foundation Code is not an addition to objective legislation. Thus it would only be enforceable outside foundations if an authority with the relevant powers were to declare it so, for example if a supervisory authority or court were to declare a particular recommendation binding. However, in this case, the enforceability would not ensue from the code itself, but from the authority's declaration.

Because the Swiss Foundation Code is not law, it is also not binding. This lack of enforceability is sometimes criticised. From a legal perspective, however, this makes about as much sense as accusing an apple of not being a pear. A code is not binding per se, in the sense that failure to comply with it could lead to the imposition of sanctions by the state. It would be absurd to judge the meaningfulness of a code by the enforceability of its implementation. Whosoever requires enforceability should create legislation. Codes do not thrive on coercion. They are based on free will, which has been a principle of ethical conduct since the times of Socrates and Aristotle.

SwissFoundations, the association of Swiss grant-making foundations, has never succumbed to the temptation to demand that its members "comply" with the Swiss Foundation Code. In its broad scope, the code is not suited to use as a list of criteria and therefore not as a tool of enforcement.

The monitoring of foundations' activities by the supervisory authority is a legislative control. The authority assesses whether the legal provisions, above all, the specifications in the foundation charter and regulations have been fulfilled. However, it may not interfere with the discretionary power of the foundation's governing bodies, or replace it with its own judgement. The supervisory authority assesses whether a foundation has followed its purpose, however it may not examine how well it has been implemented. The need for self-regulation also derives from this fact. The code presupposes what the supervisory authorities will monitor, such as compliance with legislation and the foundation's statutes. In addition, it aims to support the foundation's governing bodies to conduct its activities more effectively. Its primary goal is not to prevent irregularities, but rather to promote a well thought-out foundation organisation, professional asset management, and effective fulfilment of a foundation purpose. The code aims to optimise the foundation's activities across the whole spectrum.

**On the relationship  
between  
supervision and  
self-regulation**

## How to use this code

### **A practical tool**

The Swiss Foundation Code is a tool. The fact that it is available equally to founders, foundation boards members, foundation employees and service providers, as well as regulatory and other authorities, makes it a Swiss Army knife rather than a specialist scalpel. It is intended to offer ideas, suggestions and assistance when establishing new foundations and further developing existing ones.

### **Different references**

Those wishing to take an analytical approach, can gain an overview of the Swiss Foundation Code's structure and the themes addressed using the Table of Contents at the beginning.

Those looking for a particular term, issue, or the solution to a problem should consult the appendices at the back. They are primarily intended to aid comprehension, but ultimately also implementation and action.

- The foundation phenomenology (176 ff.) provides answers to fundamental questions regarding how foundations work, and a guide to the wide range of foundations that exist.
- The foundation glossary (210 ff.) defines concepts and tools that are used in the world of foundations. What, for example, does the phrase “conflict of interests” mean?
- The keyword index (236 ff.) provides references to the concepts and terms used in the code.

### **Example of use**

Would you like to know the position within your foundation concerning conflicts of interest? Instead of getting lost in the specialist literature, you can find guidance on the standards propagated by the Swiss Foundation Code: firstly, use the foundation glossary to gain an idea of what the phrase “conflict of interest” means. Then, follow the references provided by the keyword index. This will introduce you to the topic in a variety of different contexts. You will then be able to ask the right questions regarding your foundation.







---

# PRINCIPLES

**There are four principles that underlie good foundation conduct<sup>2</sup>. They are mutually interdependent. Foundations that comply with all four principles meet the requirements for contemporary foundation governance.**

**2** In the following, the term „foundation“ will be used not only to refer to the foundation board’s activities, but also those of executive management and all other foundation officials.

# Principle 1

## **Effectiveness**

**The foundation implements the foundation purpose as efficiently and effectively as possible.**

A foundation's activities are all based on and guided by the founder's intention. The foundation bodies have a duty to pursue this intention in a fiduciary capacity, by repeatedly interpreting and implementing it. The more efficiently and effectively they do this, the better they fulfil the founder's mandate as manifested in the foundation charter and, above all, in the foundation purpose. This applies to a foundation's organisation, its grant-making activities, and to its asset management. As the ultimate governing body, the foundation board must ensure that all foundation's activities abide by the founder's intention and optimise impact.

# Principle 2

## Checks and balances

**The foundation implements suitable organisational measures to ensure that there is a balance between leadership and control for all key decisions and procedures.**

A foundation has no owners, members or shareholders. It therefore has no pre-existing control instrument, such as the general meeting of an association or for the shareholders of a public limited company. Instead of third-party owners, a foundation could be described as belonging to itself. That is why it must assume responsibility for the necessary separation of powers ensuring that the foundation has leadership, but that leadership is subject to controls. Because the foundation board has leadership responsibility, it is also responsible for organising these controls, including of itself.

# Principle 3

## Transparency

**The foundation maintains the highest possible level of transparency regarding its basic principles, objectives, structures and activities.**

Foundations are usually tax exempt, and their activities affect the dynamics of social processes. As a proactive force in civil society, they have an obligation to provide information about themselves. For these reasons alone, the foundation must ensure that they take transparency requirements into consideration, both internally and externally. In addition, foundations will achieve the best possible conditions, for example with regard to grants, employees, projects, beneficiaries or cooperation partners, if they are visible. The foundation board is responsible for ensuring that the public is informed as comprehensively as possible about the foundation, its activities and its finances. In this way, it facilitates dialogue with the foundation's various stakeholder groups, and in particular with its beneficiaries.

# Principle 4

## **Social responsibility**

### **The foundation develops its organisation and activities according to the requirements of the times.**

Foundations must observe the legal requirements of every country in which they operate. These include new, administrative obligations that are often not part of legislation governing foundations, such as money laundering, data protection, and the automatic exchange of information. However, their social responsibility extends beyond complying with applicable legislation. Foundations do not operate in a vacuum. They are integrated into any society in which they seek to have an impact. That is why they work to bring about social change and respond to new challenges (for example regarding ecology, migration, or diversity) as part of their purpose. They integrate new and anticipated cultural, environmental, political, legal, economic, or technical developments into their grant-making activities and organisation. In the case of political concerns in the broader sense, – unlike political organisations such as parties – they may not pursue particular political interests in order to uphold the principles of public benefit.





---

# RECOMMENDATIONS

**The Swiss Foundation Code's  
28 recommendations are to be interpreted in light of the 4 principles of good foundation conduct.  
Each recommendation is to be applied with a view to these guiding ideas.**



# Establishment

## **Founder's freedom**

The founder's freedom is guaranteed by law. This includes the freedom to establish a foundation in the first place, and to structure it however he/she wants within the legally prescribed framework. Preserving this freedom is in the interest of the liberal Swiss foundations sector, and therefore of all participating parties. Like all freedoms, it is preserved by exercising it.

But a founder's freedom also means obligations. The possible establishment of a foundation requires consultation with expert and professional services. This means that, even before they are established, foundations require a substantial investment in terms of energy, attention, time and money. The effort is, however, worth it. It is usually only while making careful preparations that founders realise what they really want, and what they can achieve with the resources available to them. This allows them to implement their intention in the best possible way. Moreover, any correction after incorporation of the foundation is harder, if possible at all. Only thorough preparation and critical assessment guarantee that an independent foundation actually has the legal and organisational structure required to implement the founder's intention.

## **The foundation as a business**

There are many different ways to pursue charitable aims. Establishing a foundation differs from other forms of charity work on account of the higher degree of commitment involved. A founder generally gives more money than a donor. He/She irrevocably dedicates a portion of their assets to a fundamentally immutable purpose, and subjects their charitable work to regulation by the government. They act as an entrepreneurial philanthropist – “entrepreneurial” because they focus on social needs, opportunities and potential, and “philanthropist” because they seek to provide an answer to those needs in a charitable manner.

From an economic perspective, a donation can be viewed as consumption, and a foundation, on the other hand, as an investment. As with an investment, solid investigations in advance and systematic planning are crucial to a foundation's success. Furthermore, as in an investment, the foundation's design depends on the risk profile chosen by the founder.

A foundation is therefore like a business in two senses. Firstly, the establishment of a foundation marks the start of a journey for both the founder and the foundation board with unforgettable experiences as well as a lot of imponderables. Secondly, a foundation, and particularly one of a certain size, is also an economic undertaking that must be planned and led. This includes openness to self-criticism, entrepreneurial risk, and a desire to innovate. Foundations have a responsibility to support innovation because they can take greater risks than profit-oriented companies or governments, since they can pursue more long-term agendas without the need to take short-term maximisation or legislative periods into consideration. The willingness to adapt is also entrepreneurial. Even a foundation that is set up in perpetuity needs to undergo change and adapt to new circumstances frequently to avoid losing the ability to make an effective and contemporary contribution to society, within the terms of the foundation purpose.

Characteristics and behaviours that enable commercial organisations to succeed also benefit foundations. The spirit of competition and a focus on performance are also necessary in the context of philanthropy. Is our foundation working (at least) as efficiently and effectively as a comparable, government institution or another foundation? Every foundation needs to repeatedly ask itself this question, and the answer must be “yes”. The paradigm shift from traditional, charitable docility to a modern, philanthropic commitment is also reflected in the vocabulary, with the earlier term “*Vergabestiftung*” (donating foundation) long having been replaced by the more active “*Förderstiftung*” (grant-making foundation).

Grant-making foundations have no legitimacy per se. As organisations that benefit from tax exemptions, they require public legitimisation. They achieve this through an entrepreneurial mindset that is focused on efficiency and impact, and incorporates responsibility, openness and adaptability.

### **The role of the founder**

The act of establishing a foundation does not grant the founder any rights within that foundation, since the foundation becomes a legally distinct entity as soon as it is created. Specifically, the founder may not unilaterally amend the foundation charter following the foundation’s establishment.

This means that the founder has the opportunity to secure influence for him/herself when the foundation is established. He/she can reserve certain rights, and/or assume the position of president or member of the foundation board, or as a member of any of the foundation's other bodies. This continued involvement benefits the foundation in many cases. But the founder needs to be aware that he/she cannot dominate the foundation forever. At the latest when he/she dies, the foundation will take on a life of its own, independent of his/her direct influence. The founder can influence the most important stages of a foundation's development, but must then trust that the people he/she appoints will in turn appoint capable and trustworthy successors. Their responsibility is to interpret the foundation purpose, as determined by the founder, in the light of certain historical, social, political, familial and biographical context, into a contemporary perspective, and fill it with new life to translate it into societal impact.

### **Foundation's independence**

Despite their legal independence, in practice all grant-giving foundations (particularly the smaller ones) run the risk of direct or indirect dependence on third parties (such as foundation board members), service providers (such as law firms) and corporate entities (such as banks), that place their own interests over those of the foundation. The founder can, however, take appropriate precautions if he/she is aware of these risks from the outset.

This is invariably undesirable dependence, where conflicts of interest cause harm to the foundation. It has nothing to do with legitimate and intentional dependence on the founder him/herself.

### **The founder's heirs**

The founder's assets which have been endowed to a foundation are potentially lost to his/her statutory heirs. In particular the heirs entitled to statutory shares of the founder's inheritance must be taken into account: spouses and descendants, civil partners and parents. Beneficiaries whose statutory entitlements are reduced may contest the establishment of a foundation in certain cases. To avoid this, the founder must ensure that no statutory entitlements are infringed. It makes

sense to conclude inheritance relinquishment or inheritance buyout agreements with the statutory heirs.

Nevertheless, the “lost” assets may trigger a certain amount of “phantom pain” among beneficiaries, which can manifest itself down through generations. Sometimes, as remuneration for a reduced inheritance on account of the establishment of a foundation, the founder appoints his/her heirs as foundation board members, or even stipulates that more remote descendants be represented on the foundation board. For the purposes of good foundation management in the long term, however, binding a charitable foundation to a particular family for a long period of time can be problematic. The meritocratic principle that foundation board members be chosen based on their abilities and judged on their performance generally guarantees better results than the dynastic desire for succession. Conversely, assuming they are capable and committed, there are few objections to the involvement of family members in the foundation board.

# Recommendation 1

## Founder's intent

**The founder formulates his/her intent, and considers whether a foundation is both suitable and useful for implementing it.**

- Before establishing a foundation, the founder assesses whether there is a social need for his/her intended support, whether an independent foundation is the best legal structure for implementing his/her intention, whether the assets set aside for the foundation are sufficient to implement the foundation's intended purpose, and whether the foundation should be established indefinitely or for a limited duration.

---

- The founder formulates his/her intention by primarily specifying the foundation purpose, assets and organisation, which must complement each other.

---

- In the case of indefinite foundations in particular, the founder specifies a concept for periodic renewal of the foundation board.

---



The more directly a foundation is aimed at a particular need or unexploited potential with societal relevance, the greater its impact can be. A founder's first task is therefore to match his/her intention to provide support with a current or future social need or opportunity. He/she should investigate, or arrange for independent experts to investigate, whether there is any need whatsoever for his/her cause, or whether such a need will arise at a later date. If no such need can be identified, the founder must rethink his/her objectives. A charitable foundation should be less guided by the founder's personal preferences, and more aimed at generating a benefit for society.

**Societal need**

If, after careful investigations, the founder is able to confirm that his/her cause matches an identified social need, he/she must investigate or arrange an investigation of whether and to what extent this need is already covered by existing private or government organisations. In certain cases, contributing to such an organisation (potentially subject to conditions or constraints) may be more productive than establishing an independent foundation (and potentially liquidating it at a later date), which involves a certain amount of effort.

**Consideration of existing organisations**

Establishing an independent foundation is only advisable if there is a favourable relationship between the resources available and the intended purpose, and the purpose can be effectively implemented in the medium to long term.

**Legal vehicle**

However, the founder needs to assess not only whether the foundation has sufficient, usable assets to implement its intended purpose, but also whether establishing an independent foundation makes sense at all, or whether the assets available at the time and in the future can be used more effectively some other way to implement his/her cause. There are various alternatives available. The prospective founder can, for example:

- Establish a dependent foundation that does not constitute a distinct legal entity. Umbrella foundations, which are mainly created as legal vehicles for medium-sized and small volumes of assets, should be mentioned in this context. While establishing an independent foundation requires the endowment of assets for a particular purpose, in the form of a public notarised deed, a dependent foundation can be established on the strength of a discretionary transaction under private law, tied to a covenant. One common reason for the establishment of a dependent foundation is a non-cash contribution in the form of a gift that is subject to

a covenant. This means that a dependent foundation can also be created by means of the appointment of an heir, or a legacy that is subject to a covenant;

- Provide for the foundation's limited duration (*limited term foundation*), for example if the foundation purpose can only be fulfilled within a certain period of time;
- Allow or even prescribe consumption of the assets endowed for fulfilment of the foundation purpose (*asset-consuming foundation*);
- Contribute his/her assets to another organisation that pursues the founder's desired purpose, without establishing a dependent foundation. In doing so, it is necessary to ensure by contract that the transferred funds are actually used for the intended purpose;
- Establish an association with others. Unlike a charitable foundation, an association is not subject to government regulation. An association is more suitable if a large, unchanging group of people want to work actively to achieve the association's purpose for the benefit of members or third parties, and financing is mainly provided through membership fees. A foundation is less flexible than an association, particularly when it comes to changing the purpose, but it is more durable. It generally requires more initial assets. A foundation and an association can be organisationally linked, for example, if a foundation supports an association, or if a sponsoring or patronage association is established by the foundation's friends in order to support the foundation.
- Invest the assets in such a way that the investment benefits society. This form of investment, which is known as *impact investing*, can involve both charitable and for-profit organisations, and therefore may or may not entail an expectation of financial gain.

#### **Foundation establishment**

Once the founder has decided to establish a foundation, he/she considers how to set it up so that it is able to implement his/her cause as precisely and effectively as possible. He/she would be well advised to obtain advice from independent experts, or from the foundation supervisory authority as well.

#### **Establishment during lifetime or inheritance foundation**

The founder must consider whether he/she wants to establish the foundation while he/she is alive or by means of a testamentary disposition (will and testament, contract of inheritance) in order to create an inheritance foundation. Establishment while the founder is still alive is fundamentally preferable. This allows the founder to experience and support the foundation, and influence it during its initial stages of

development. Also, in the case of an inheritance foundation, the authorities first come into contact with it, after the founder has died. This makes it very difficult to correct any ambiguities, discrepancies or omissions, since it is no longer possible to ask the founder.

It is sufficient to initially furnish the foundation with only part of the planned assets, if they are adequate to implement the purpose. A staggered approach may therefore be possible. First, the foundation is established while the founder is still alive, with a reduced volume of assets. The founder then makes the foundation a legatee or heir, which means that it acquires additional assets when he/she dies.

It is permissible to make a provision in the foundation charter that the foundation does not become active until after the founder has died. All organisational matters, coordination with the commercial register, supervisory and tax authorities can be clarified with the founder's involvement when the foundation is being set up. This ensures that the foundation is functional after he/she has died. However, this approach is not recommended, since it is particularly during this development phase that the founder usually makes important decisions regarding the style, focus and characteristics of his/her foundation, and can also implement fundamental corrections. Experiencing and influencing the grant-giving made possible by one's own foundation also gives more meaning, and is much more satisfying, than a hectic look at market-related fluctuations of personal assets. Finally, a foundation's initial inactivity usually means that it is not yet tax exempt during this time.

For all foundations, particular care must be exercised when it comes to the wording of the purpose. The following are examples of questions that should be considered:

**Foundation  
purpose**

- What is the founder's intent, i.e. how are the founder's ideas, expectations, motives and objectives to be expressed, and incorporated into the purpose?
- Does the purpose span the proposed duration, i.e. potentially beyond the founder's lifetime?
- Is there a foreseeable risk that the chosen purpose will become obsolete, unachievable, illegal or "immoral" due to social, legal, technical or other changes? In accordance with Arts. 52 (3) and 88 (1) no. 2 (Swiss Civil Code (ZGB)), a purpose is "immoral" if it runs contrary to general perceptions of morality or violates ethical principles and value judgements that underlie society and the generally accepted legal system.

- Should the foundation charter include multiple sub-purposes? And how might the relationship between these purposes be defined?
- How should the purpose be pursued?
- Are there any tax-related aspects that need to be taken into consideration when defining the purpose?

**Adapting and amending the purpose**

The purpose should be broad enough to allow for any subsequent changes. The purpose description should be clear and precise, but not too extensive or detailed. Broad descriptions of the purpose allow flexible implementation by the foundation's bodies, which means that they can also adapt to changed circumstances. Conversely, however, this entails the risk that the foundation will drift away from the founder's original intentions. Although restrictive purpose descriptions give more weight to the founder's direct will, they may one day prove to be excessively tight bonds that are difficult to break.

The purpose article in the foundation charter can be supplemented by a preamble in the form of a *preface* or *testimonium* that describes the motivation, background, and objectives for establishment of the foundation in more detail. This can prevent the foundation's actual purpose from becoming too verbose. At the same time, the founder provides a framework for interpretation so that implementation of the foundation purpose can evolve over time. Pursuit of the foundation purpose can also be made more specific in a foundation regulation.

In the event of doubt, the founder should word the purpose as broadly as possible, or reserve the right to change the purpose in the foundation charter pursuant to Art. 86a Swiss Civil Code (ZGB), which grants the founder the right to change the foundation purpose. However, he/she cannot do so until at least ten years after the foundation's establishment. He/she notifies the foundation board of any such intentions in good time, since they need to be taken into consideration accordingly in strategic planning.

**Volume of assets**

There must be a reasonable proportion between the available assets and appropriable income that they generate on the one hand, and the foundation's administrative expenditure on the other. In the case of an independent foundation, the expenditure cannot be reduced at will. The smaller the volume of available funds, the less favourable the relationship will be between a foundation's grant benefits and its administrative expenditure.

Every foundation has a baseline financial requirement. Substantial and unavoidable administrative and asset management costs should be anticipated each year, simply to cover fundamental duties and tasks, even if the foundation board members have unpaid honorary status. Based on an average, expected, long-term return on assets of 3–5% and assumed costs of between CHF 50,000 and CHF 100,000, this already ties up the yield from assets of approximately CHF 2 million, and this does not even take into account multi-year phases of below average returns.

#### **Basic costs and cost structure**

Even a foundation with substantial assets of CHF 10 million may be of a critical size because, under certain circumstances, it may not be able to fulfil its purpose effectively and economically in the long term, unless it is set up as a limited term foundation, or it receives an influx of further assets. It is therefore essential when establishing the foundation to plan the anticipated financing required for administrative work carefully, and to consider this in the deliberations around the foundation's assets.

The substantial amount of time invested by the founder and the unpaid work carried out by his/her “comrades in arms” in the first generation often create a misleading impression of the longer-term cost structure. As the first generation is gradually replaced, the costs for administration and project support measures generally increase. As welcome as honorary positions are for foundations, sooner or later remuneration must generally be paid for the work carried out by the foundation board, secretarial, accounting, project controlling, reporting and communications functions etc., based on market prices. Since subsequent generations of the foundation board are not generally expected to work on an honorary basis, the founder's initial enthusiasm does not paint a true picture, and “conceals” the actual costs incurred. Before establishing a foundation, it is therefore advisable to assess its viability under different conditions, such as honorary work, the management mandate, etc.

#### **Hidden costs and viability**

The Swiss Federal Supervisory Board for Foundations demands minimum start-up assets of CHF 50,000. This has no legal basis in practice, but generally makes sense. The amount is usually too low, rather than too high, and is only justified in cases in which a foundation has a declared intention to grow. A low volume of start-up assets can be justified, for example, if the intention is for the foundation to carry out active fundraising activities (which often proves difficult), or if the founder

#### **Minimum initial assets**

- does not want to pay unnecessary notarial costs (depending on the volume of endowed assets) for establishment of the foundation,
- only wants to contribute larger amounts upon death, for example because he/she fears that the funds will be needed during lifetime, or for reasons of discretion,
- only wants to endow larger amounts as a subsequent endowment, when convinced that the foundation is working effectively,
- wants to endow the foundation in a staggered manner for tax or other reasons.

**The problem of an indefinite duration**

Foundations are traditionally set up for an indefinite period. They are usually intended to implement the founder's will in the long term. However, there are various problems associated with this approach.

- Since it is not possible to specify a purpose for the foundation that addresses current social needs and is also valid indefinitely, the only solution is to keep the purpose's wording very open – with the corresponding risk of ambiguity and arbitrariness when it comes to subsequent interpretation and implementation.
- While an attempt is still made to find and develop the most effective implementation of the foundation purpose during the start-up phase, as a historical expression of intent, the founder's vision tends to fade with each generation of the foundation board, and also as society changes.
- The foundation's organisation also often erodes over time. If no corresponding countermeasures are taken, the specific governance risks faced by a foundation such as self-dealing, corruption, mismanagement, and passivity increase.
- The medium-term and long-term growth of the global economy cannot be foreseen when a foundation is established, which entails a risk that the foundation's assets will devalue. Only foundations with substantial assets and sufficient fluctuation reserves are able to withstand extended capital market or real estate crises unharmed, without needing to temporarily restrict or even suspend pursuit of their purpose.

**Limited term and asset-consuming foundations**

The founder considers whether his/her foundation should exist "indefinitely" or only for a certain amount of time. In addition to a *limited term foundation*, whose existence is limited from the outset in the foundation charter, another option is an asset-consuming foundation.

If the foundation is only to be in existence for ten years, for example, then the founder may impose on the foundation board the stipulation that the endowed assets must be used up within ten years. In the same way, for subsequent contributions, he/she can stipulate by contract that they may or must be used up (by a certain date).

This potentially allows the founder to experience and influence the foundation's entire life cycle. An asset-consuming foundation is a tool that allows the founder to use the foundation's assets, and not just the income they generate, to implement the foundation purpose, in order to achieve a greater impact. Since there is unlikely to be any need to change it, the purpose for limited life and asset-consuming foundations can be detailed and precise.

Even if the founder does not want to prescribe the consumption of assets, he/she should at least allow it. This enables the foundation board to transform the foundation into an asset-consuming foundation one day (albeit temporarily) if it becomes useful or necessary to do so.

A foundation's name should be meaningful. It should serve the same purpose as a trade mark. It is necessary to check in advance whether any other legal entity has the same name. This also includes securing an internet domain that is as similar as possible, to launch a website and electronic communications.

**Name**

In addition to fantasy designations, a foundation's name can also refer to certain people or things. It must be true (precept of truthfulness), may not be misleading (prohibition of deception), must not lead to any confusion (precept of clarity) and must not be detrimental to the public interest.

Allusions to the government or government organisations ("federal", "cantonal", "municipal", etc.) are not allowed. National, territorial and regional elements ("Swiss", "International", etc.) are allowed provided they meet the precepts of truthfulness and clarity in particular, and prior official approval is essential.

The founder would be well-advised to get potential or future foundation board members on board as early as possible to help with the brainstorming process. He/she must therefore think about organisation and composition of the foundation board, and above all the necessary specialist and personal qualifications, before doing anything else. Members of the foundation board must meet strict ethical standards. They must have integrity, be loyal, and play a part in development

**Foundation board involvement**

of the foundation as independently thinking partners. When preparing and establishing the foundation, and in the start-up and subsequent development stages, the founder can expect more for implementation of his/her vision from a team of critical, constructive, co-thinking personalities than from obedient “yes-people”.

#### **The founder on the foundation board**

If the founder is a foundation board member, he/she must satisfy the requirements that apply to all other members. It can be beneficial to development of the foundation if the founder co-designs the initial stages of development as a foundation board member. However, it can also make sense to entrust the entire management of the foundation to third parties from the outset.

The founder’s involvement is not always without problems. As a member of the foundation board, he/she must respect the foundation’s legal status and regulations. He/she does not enjoy any special rights unless such rights have been granted in the foundation charter. The legal separation from the founder’s assets must lead to the psychological insight that he/she is not the owner of the foundation’s assets, and therefore cannot make decisions over the heads of the other foundation board members regarding the foundation’s development and use of grant funds. If the founder’s role on the foundation board is not clarified in this respect, significant disruption, such as the departure of qualified peers.

Founders have been known to exert pressure on the foundation board, for example by explicitly or implicitly threatening to withhold subsequent endowments, if it does not comply with his/her wishes. However, the founder must always ask at all stages whether putting his/her mark on things too much truly serves positive development of the foundation.

#### **Rights of the founder to exert influence**

Even if the founder is not on the foundation board, the board generally listens to what he/she has to say. However, it is only legally obliged to do so if the founder has stipulated such a right to be consulted in the foundation charter. Even then, the foundation board makes all decisions and holds overall responsibility for the foundation.

In addition to a right of consultation, the founder may reserve other rights for him/herself in the foundation charter, for example the right

- to change the purpose pursuant to Art. 86a Swiss Civil Code (ZGB) (provision for change of purpose),



- to appoint and/or dismiss certain or all members of the foundation board, the auditor, or other bodies,
- to sit on the foundation board him/herself, potentially for life, or to have a representative sit on the board,
- to make decisions regarding certain services provided by the foundation.

The founder may also grant such rights to third parties, with the exception of reservation of the right to change the purpose.

Even in the case of foundations set up for an indefinite period, it may prove necessary in the future for the foundation to be liquidated, or the foundation board may want to consider a merger. The founder should include corresponding provisions for such cases in the foundation charter. Specifically, he/she may specify the organisation or type of organisation to which any residual assets should be transferred.

**Dissolution and mergers**

### **Additional considerations for smaller foundations**

As a rule, the relationship between administrative costs and support services is less favourable for smaller foundations. Also, faced with the threat of extended periods of low income, smaller foundations are forced to tie up substantial portions of their capacity to preserve their assets in the long term. The creation of financial and fluctuation reserves, and efforts to preserve the real value of the foundation's assets, reduce what are already limited grant-making opportunities. Foundations that need to preserve their assets therefore place greater emphasis on their obligation to preserve their assets than the implementation of their purpose.

**Examine alternatives**

Nevertheless, establishing a smaller, independent foundation is not necessarily a bad idea. But the prospective founder and his/her advisors should first thoroughly explore more affordable alternatives for implementation of the intended purpose, in particular setting up a dependent foundation within the cost-effective framework of an umbrella foundation.

A limited term foundation or asset-consuming foundation are particularly suitable for small volumes of assets. A small foundation can also be functional and effective in a limited period of time.

**Examining  
perspectives**

If an independent foundation is to be established with a small volume of assets, the founder must also first answer the following questions:

- Is there any prospect of future asset growth that would justify the establishment of an independent foundation?
- Are the projected costs for establishing and operating the foundation realistic? Can the foundation cover all of the costs of its operations in the long term, i.e. without its foundation board members working on an honorary basis?
- Are there suitable people available for the foundation board?

## Recommendation 2

# Legal domicile and tax exemption

**The founder considers in advance where the foundation should have its legal domicile, and which supervisory authority should be responsible for it.**

- The founder always specifies a legal domicile for the foundation where the focus of its support activities is going to be.
- The founder assesses the tax situation, particularly the possibility of achieving tax exemption for the foundation.
- The founder clarifies which supervisory authority will supervise the foundation.

## Legal domicile

The founder may specify in the foundation charter, or the foundation board may specify in a regulation, that the foundation's legal domicile be located anywhere within Switzerland, irrespective of where the founder or the foundation board members live. The foundation's legal domicile and its actual administration do not need to be in the same location.

A foundation should generally have its legal domicile where its support activities are focused. The location of its legal domicile does not impose any geographical restrictions on its operations, however, particularly with respect to support activities in other countries.

Unless it is prevented from doing so in the foundation charter, a foundation may change its legal domicile at any time.

## Foundation supervision

The Swiss Federal Supervisory Board for Foundations is the national supervisory authority. The cantons and municipalities also have their own foundation supervisory boards. Many cantonal regulatory boards have merged to form regional foundation concordats.

A supervisory authority's responsibility is based on the foundation purpose and the area in which it operates. In practice the following rules apply in particular:

- Foundations that operate throughout Switzerland, across borders or in other countries, or foundations that are of Swiss-wide or international significance, are always subject to federal supervision.
- If a foundation's activities span multiple cantons, but its purpose does not suggest federal regulation, the (inter-)cantonal authority where the foundation has its legal domicile is responsible. In the case of such foundations, it is advisable to put the legal domicile in the canton with the regulatory practice that is most conducive to the foundation's dynamic development. Differences are particularly evident with regard to willingness to provide services and liberal attitudes.
- Subjecting a foundation to the supervision of municipalities or districts is not generally advisable, since the relevant expertise is not universally available.

As part of the discretion that is exercised by the authorities when determining the supervision of a foundation, local connections with a particular company or institution (university, school, home, etc.), other special circumstances and practical considerations are also taken into account.

The choice of location is also sometimes influenced by tax considerations, even though, as numerous studies have shown, there is no general, causal relationship between tax optimisation and philanthropy. The idea to create and implement a foundation is generally motivated by content-related concerns rather than tax considerations. Although deductibility for tax purposes may offer an incentive to establish foundations and make contributions or donations, a foundation is far from being a particularly suitable vehicle for optimisation, let alone tax avoidance.

**Tax considerations**

Foundations must meet several criteria in order to be granted tax exemption from direct federal taxes:

**Tax exemption**

- *Common public interest*: The pursuit of public interest is a fundamental, objective criterion for achieving charitable status under tax law. Charitable activities may also be carried out outside Switzerland, and such activities must be suitably documented (activity reports, annual financial statements, etc.). The foundation must also actually pursue its charitable purpose, and may not limit itself to asset management. Another, subjective criterion is that pursuit of the purpose must not benefit the foundation itself. The foundation's activities may not serve its own interests.
- *Exclusivity of use of funds*: The foundation's activities must be aimed exclusively at the charitable purpose. They may not be carried out for pecuniary benefit or pursue other interests.
- *Irrevocability of the pursued purpose*: The foundation's assets must irrevocably serve its purpose. The return of assets to the founder or his/her legal successors must be excluded. That is why, when the foundation is dissolved, the remaining assets must go to another (tax-exempt) organisation with a similar purpose.

If these criteria are only partly met, the foundation may be partly tax exempt.

Exemption from cantonal tax liability is governed by the individual cantons' tax laws. This falls under the responsibility of the cantonal tax authorities. The criteria are generally similar to those for tax exemption at federal level. In practice, tax exemption is applied for in the canton in which a foundation has its legal domicile. If it is granted, it also applies at federal level.

The criteria for tax exemption of legal entities are described in more detail in *circular no. 12 issued by the Swiss Federal Tax Administration on 8 July 1994*. Circulars are neither laws nor ordinances, but rather

**Outdated and restrictive tax practice**

communiqués issued by administrative authorities in order to define practice. Circular 12 has been obsolete for a long time now, and has become a significant problem for the foundations sector. It must be finally updated or replaced. New, entrepreneurial forms of funding, such as establishing a financial cycle by reusing return flows to the foundation are still unjustly frowned upon by certain cantonal tax authorities on the basis of the circular. Objectionable in a number of respects is that a “sacrifice” (n.b. honorary status) is demanded from members of the foundation board, without any legal basis or plausible, dogmatic support. Furthermore, support activities carried out in other countries are also sometimes frowned upon for tax purposes without any convincing reason.

#### **Tax deduction**

Endowments made when a tax-exempt foundation is established, as well as contributions to existing tax-exempt foundations can be deducted from the founder’s or contributor’s taxable income under certain conditions.

In the case of direct federal taxes, the limits for deductibility are 20% of net income for legal entities (Art. 59 (1) lit. c DBG), and 20% of a natural person’s income (Art. 33A DBG) (following deduction of expenditure pursuant to Art. 26–33 DBG). Whether a contribution is made in cash or other assets is immaterial. The Swiss Federal Tax Harmonization Act stipulates similar conditions for deductibility of voluntary contributions to tax-exempt foundations.

Tax laws at cantonal level vary considerably. Deductibility currently ranges from 5% (canton of Neuchatel) to 100% (canton of Basel-Landschaft), but is 20% in the vast majority of cantons.

#### **Use of competition between locations**

Generally speaking, the tax practice of most of the cantons for charitable foundations is unsatisfactory. This is made even more shocking as a study by SwissFoundations and PwC in 2019 showed that tax-exempt foundations pay for themselves within a short space of time, since the founders’ contributions exceed ongoing tax losses relatively quickly.

In terms of optimising the foundation’s impact, the founder and the foundation board are under an obligation to specify the best possible legal domicile for the foundation. They would be well-advised to take the practices of the various regulatory and tax authorities into account when determining in which canton the foundation will be based. There are significant differences between the various cantons and/or regions with respect to freedom, flexibility and ser-

vices, and players in the foundations sector are aware of these differences.

This is also particularly relevant in an international context. The conduct of the tax authorities can encourage or dissuade founders from establishing foundations in Switzerland.

## Recommendation 3

# Foundation charter, regulations, guidelines, guiding principles

**On the basis of the foundation charter the founder or foundation board drafts one or more regulations and guidelines, and considers the need for guiding principles.**

- The founder stipulates fundamental and long-term provisions in the foundation charter.
- The founder or foundation board makes decisions that should be kept more flexible using a regulation or guideline.
- Particularly if the wording of the foundation purpose is broad, the foundation considers the need for guiding principles, and carries out a new assessment at regular intervals.



The foundation charter is a foundation's normative basis, or its constitution, while the regulations and guidelines that are subordinate to it govern individual areas, akin to laws or ordinances. The foundation charter defines the central stipulations, which is why it may only be changed in exceptional circumstances.

**Foundation charter**

On the other hand, the foundation board must have the authority to adapt a foundation's organisation and structure to current circumstances and requirements. That is why, in the foundation charter, the founder should give the board sufficient freedom to change the foundation, so that it is always able to implement its purpose in the best possible way. The founder may not rely solely on people he/she trusts. It is inevitable that foundations established for an indefinite period will at some point be led by foundation board members who have never known the founder. This kind of flexibility on the part of the foundation is achieved using "may" rules among other things ("The foundation board may form committees"), and the purpose that is not too narrowly defined.

A foundation regulation should contain anything that cannot or should not be regulated by the foundation charter, but that does require long-term regulation. Foundation regulations are enacted by the founder or foundation board, and reported to the supervisory authority. They are binding for a foundation's bodies, but are much easier to change than the foundation charter. This enables the foundation board to adapt the foundation to changed conditions.

**Foundation regulations**

While there is only one foundation charter, several foundation regulations can be put into effect. The following foundation regulations typically provide the basis for the *checks and balances*, and for a foundation's ability to evolve:

- organisational (business) regulations,
- regulations for the election and succession of foundation board members,
- grant-making regulations,
- investment regulations.

It is advisable to have the foundation charter and any foundation regulations examined in advance by the relevant authorities (foundation supervisory authority, commercial registry, notary's office) before establishing a foundation.

**Prior examination**

This also applies with respect to tax exemption: The tax authorities will only guarantee the foundation's future tax exemption on the

basis of a draft of the foundation charter and any foundation regulations. If the advance assessment indicates more obstacles in particular cantons than in others, this must be taken into consideration when choosing a legal domicile.

#### **Guidelines**

Not all specifications need to be enshrined in formal regulations. They can also be governed by guidelines, which from a legal perspective are equivalent to foundation board resolutions. Enactment and amendment of guidelines do not need to be reported to the authorities. The classification of a provision as a foundation regulation or guideline is based entirely on its designation and its treatment by the foundation board. It is therefore advisable to enact medium-term specifications that are to be kept flexible, in the simpler form of a guideline. The following are examples of specifications that could be enacted in the form of guidelines, which can be reviewed and amended periodically:

- the profile of requirements for foundation board members,
- expenses regulations,
- regulations relating to executive management’s activities,
- project assessment criteria.

#### **Guiding principles**

Unless otherwise specified by the foundation charter, the foundation board is responsible for drafting guiding principles and renewing them at regular intervals. The guiding principles are the culmination of the foundation board’s strategic decision-making, and gives direction to the foundation’s activities. It contains the main statements regarding the foundation’s self-image and vision for the future, which serve as the basis for its activities and decisions.

While guiding principles are not required by law, it is still one of a foundation’s important management tools. It could be described as a framework for a foundation’s philosophy and activities. It defines a foundation’s long-term direction, and may also highlight the discrepancy between the actual and target states.

The fundamentals of a foundation’s identity are set out in the foundation charter. But it is often only the guiding principles that show how a foundation sees itself, and how it wants to be seen in the public eye. The guiding principles can be thought of as a foundation’s overall concept. Whatever decisions are made, measures planned and strategies developed by the foundation board, they should always comply with the guiding principles and serve its implementation.

Essentially, developing guiding principles means answering the fundamental questions faced by a foundation, now and in the future.

This process is crucial to success. The guiding principles can become a marketing tool – provided they are followed.

The guiding principles should be reviewed and renewed at regular intervals (roughly every four or five years) in order to assess the foundation’s situation. This process should involve as many of the people involved in the foundation’s work as possible, possibly also the beneficiaries. They should at least be informed of the results of the review. This kind of procedure improves the quality of the foundation’s work, and motivates everyone involved.

As a vehicle for philanthropy, grant-making foundations follow a purpose built on a system of values oriented around the common good. Their common public interest is recognised by the tax authorities. Foundation board members and employees are aware of this responsibility towards society and shape the foundation’s activities accordingly – not just its support activities, but also management of its assets.

**Ethics**

There is no such thing as universal foundation ethics. Making general ethical statements that can be applied at will to other organisations and activities is not recommended. Instead of proclaiming empty phrases and platitudes, those in charge of foundations are responsible for implementing the foundation’s charitable purpose in such a way that the foundation’s resources are not managed or used in a manner that violates the principles of the common good. A charitable foundation cannot accept any consequences resulting from its activities that are generally harmful.

A founder can ensure that his/her vision is repeatedly reinvigorated by specifying, either in the foundation charter or in a foundation regulation, that the foundation must follow Swiss Foundation Code recommendations or those of a comparable best practice regulation. In this way, he/she ensures that the foundation board is always obliged to work towards agile and robust development of the foundation, after the establishment phase, and even after his/her death. If the founder has not made such a provision, the foundation board may also codify this kind of orientation towards quality standards, using a regulation, at any time.

**Orientation  
towards the Swiss  
Foundation Code**

In the case of the Swiss Foundation Code, it is advisable to declare this as a quality statement in external communications, for example on the website and in the financial report. “Guided by the Swiss Foundation Code” is to be preferred over the misleading wording “complies with the principles and recommendations of the Swiss Foundation

Code”, because this code does not contain any binding standards that can be complied with or violated. Instead, the foundation board is responsible for applying the principles and recommendations to its foundation in the best possible way.

Not just grant-making foundations, but every Swiss foundation, should conduct a periodic review based on the principles and recommendations of the Swiss Foundation Code. This operationalises the focus on good foundation governance.

### **Additional considerations for smaller foundations**

#### **Put fundamentals in place**

The foundation charter is not at all suitable as a strategic and operational management tool. Small foundations should therefore not shy away from the work of codifying additional regulations in writing either, particularly with respect to their support activities and asset management. Without such specifications, there is a risk that volatility or even a certain degree of arbitrariness, could become a principle of management – to the foundation’s detriment.

Furthermore, as a result of the significant overlap between their strategic and operational levels in the foundation board, smaller foundations also lack key elements of *checks and balances*. They therefore require additional regulations, in particular with respect to continuity and conflicts of interest.

#### **Orientation towards the Swiss Foundation Code**

The Swiss Foundation Code is particularly useful to smaller foundations as a guide and concrete aid. This allows them to carry out professional and contemporary grant-giving despite having a small budget.





# Governance

## **Legal and moral responsibility lie with the foundation board**

It is not the founder and certainly not the regulatory authorities that are responsible for the foundation, but rather the foundation board. The board governs the foundation and determines everything that the foundation does within the framework provided by the foundation charter. The foundation board's governance therefore covers every part of a foundation – not just its organisation, but also its grant-giving activities and finances.

The foundation board is the guarantor of good foundation governance. It cannot delegate this responsibility.

## **High standards of integrity apply to foundation board members**

The foundation board generally has full decision-making authority in the fields of asset management and the use of grant funds – without being subject to owner's or market controls. The foundation board also sets the level of its own remuneration, and generally renews its membership in accordance with the co-optation principle. "Internally", the foundation board oversees itself and is its own supervisory body.

The specific governance situation of grant-making foundations is characterised by power, freedom and self-monitoring. The foundation board and its members must therefore be held to high ethical standards. The members of foundation boards always act in the foundation's overriding interest. They do not pursue any of their own interests in the course of their work for the foundation. Equally, they do not consider themselves to be representatives of, or lobbyists for, specific groups of beneficiaries or cooperation partners, rather always merely as decision-makers within the framework provided by the foundation purpose. Grant-making foundations are not tools for tax-exempt enrichment. Self-dealing or favouritism, no matter how minor, must be avoided.

## **Foundation governance is an entrepreneurial task**

The foundation board cannot change the foundation purpose. But it must implement it, i.e. apply it to the current situation within society and reach a corresponding decision. Its function is essentially



entrepreneurial, not administrative. Foundation board members must see themselves as business people acting in pursuit of the foundation purpose. They should use the funds entrusted to them to achieve the greatest impact possible. It is on this basis that they are to be judged.

Charitable foundations must create – demonstrable – added value within the meaning of their purpose. Their grants and other support are to be thought of as investments in society. As an enterprise, a grant-making foundation must repeatedly ask itself: What has the foundation achieved? What has improved thanks to its involvement? What is the Social Return on Investment? Dishing out money at will with a philanthropic bent, and (mis-)construing this as “grant-making”, has long been abandoned as a model for contemporary foundation work.

### **Governance levels must be kept separate**

The foundation board generally uses an executive management function, whose members do not include members of the foundation board, for the operational level. This separation is a prerequisite for *checks and balances*, which are all the more important because, as mentioned above, a grant-making foundation is not subject to any owner’s or market controls. This kind of executive management is essential for medium-sized and large foundations. On the one hand it is an executive body that in a way represents the foundation’s administrative level, and on the other hand it serves as a staff organ for the strategically-oriented foundation board, and prepares the board’s decision-making information. Use of executive management does not, however, release the foundation board from its governance responsibilities.

# Recommendation 4

## Function of the foundation board

### The foundation board governs the foundation.

- The foundation board makes decisions independently and on its own authority within the framework provided by the foundation charter. If the founder is a member of the foundation board, this does not release the other board members from the responsibility to exercise their own judgement.

---

- The foundation board determines the foundation's policy and strategy with respect to grant-making and finances. It monitors their implementation, while seeking to ensure a balance between targets and resources in the short, medium and long term.

---

- The foundation board periodically reviews the foundation's policy, strategy and organisation. This also includes evaluation of executive management, and the foundation board itself.

---

The foundation board is a foundation's ultimate governing body. It is responsible for the foundation's activities, and acts under its own responsibility. It does not administer the foundation, it governs it.

The foundation board's core duty is to implement the foundation purpose. To this end, it must fulfil the functions of governance, grant-making and financial responsibility, as legally required.

*Governance* – strategic governance of the foundation, and target setting

- specifying the organisational structure using foundation regulations and guidelines, if not specified by the foundation charter,
- personnel planning at foundation board and executive management level,
- appointing and dismissing members of executive management, and people entrusted with representing the foundation,
- supervising those people with respect to objectives,
- approval of the annual report/annual financial statements,
- supervising compliance: do the foundation's overall activities comply with the applicable laws and statutory regulations?

*Grant-giving* – structuring of grant-making activity

- specifying the grant strategy,
- defining the grant-making regulations,
- determining the key grant-giving activities.

*Finances* – structuring the asset management, accounting practices and financial controls

- determining the management of assets and liabilities,
- deciding on the accounting practices, and the appointment of an accountant,
- electing the auditor,
- approving the budget and annual financial statements,
- acknowledging the audit report.

Within the framework specified by the founder, the foundation board defines an organisation for the foundation that is tailored to its policy, strategy and size. When using other bodies such as committees, advisory boards or executive management, care should be taken to ensure that the tasks, authorities and responsibilities are congruent.

In accordance with the foundation's strategy, the foundation board proactively seeks out areas of activity in which the foundation purpose can best be fulfilled.

**Supporting the work of foundations**

The foundation board does not fulfil its responsibilities entirely through grant-giving activities. Instead, its role is that of a player in the foundations sector, part of the “third sector” between the private and the public sectors, that is playing an increasingly important role in society. It therefore has an interest in the foundation’s more wide-ranging impact.

The foundation board is involved in development of Switzerland as an environment for foundations, for example through partnerships with other foundations, and dialogue with other, relevant, private and government agencies. It supports and assists projects aimed at surveying and developing the third sector itself, and the foundations sector in particular. This involvement forms part of the work of a modern charitable foundation, and helps enhance the economic and social significance of the philanthropy sector.

**Organisational regulations**

In accordance with the foundation charter, the foundation board uses a foundation regulation (organisational regulation, business regulation) to define an organisation for the foundation that is best suited to implement the foundation’s purpose effectively. In doing so, it puts clear relationships in place. The foundation board organises itself, and defines the tasks and authorities of executive management and other bodies. It reserves the right to approve important transactions.

**Authorised signatories**

Following a risk assessment, the foundation board regulates representation of the foundation (i.e. authorised signatories). Sole signatory authority with respect to banks is generally inadvisable so that the four-eyes principle is observed. From a practical perspective, however, sole signatory authorities may make sense in other areas. However, these should be specified using guidelines or foundation board resolutions.

**Presiding committee**

Although it is not prescribed by law, it is advisable for a foundation to have a vice president, as well as a president, to act as the president’s representative and advisor. Together, these two people can form the presiding committee, which brings together two necessities of foundation management: continuity and control.

**Periodic assessment**

The foundation board assesses all parts of the foundation at regular intervals. In particular, it evaluates:

- the foundation’s policy and strategy,
- the guiding principles,

- the foundation regulations and guidelines,
- the foundation’s organisation,
- the efficiency and effectiveness of the foundation’s activities,
- the feasibility of the foundation purpose using the available resources,
- performance by executive management,
- its own performance.

The foundation board bases its assessment of the various parts of the foundation on a best practice regulation, such as the Swiss Foundation Code. Regularly checking the circumstances at the foundation against this self-regulating framework of good foundation governance supports the foundation’s ongoing development. If possible, the foundation board also measures the aforementioned areas against the best, comparable, private and public support institutions, and makes adjustments or improvements as necessary.

Foundations that have largely discontinued their support activities receive a warning from the foundation supervisory authority. Nevertheless, there are a many “inactive” or “dormant” foundations, which are foundations that are not doing everything that they could be, let alone maximising the impact of their grant-giving activities. In the case of smaller foundations, this may be due to the unfavourable relationship between the return on assets and operating expenses, or between grant benefits and administration costs. But if the foundation board allows excessive administration costs, tolerates substantial asset management costs despite modest income, creates excessive fluctuation or other reserves, and focuses too much on preserving the real value of the foundation’s assets instead of fulfilling its purpose, or simply does not make use of available resources, it is failing in its responsibility because it is needlessly limiting the foundation’s impact.

**Inactive foundations**

By restricting or shifting the foundation’s activities to administration, which may generate handsome fees in the fields of executive and asset management, the foundation board disregards the founder’s intention and fails in its duties. It is not (sufficiently) implementing the foundation purpose, and no longer establishes an adequate external connection for the entrusted foundation; and may be acting for (and serving) itself.

Foundations with minimal activity in the long term are unacceptable. The foundation board must find another solution (renewal, changing the purpose, merger, liquidation, etc.).

**Delegation**

The foundation board may delegate certain tasks to committees, individual members, executive management, or third parties.

Operational implementation of the foundation's strategy is assigned to executive management. It is inadvisable, however, to delegate strategic tasks.

Delegation does not mean getting rid of problems, but rather involving other skills and capacities in solving them. Despite delegation, responsibility always lies with the foundation board.

**Internal control system (ICS), risk management, liability**

Irrespective of size, every foundation must define an internal control system (ICS, cf. Art. 728a (1) para. 3 Swiss Code of Obligations (OR)), whose fault-free functioning must be monitored in keeping with the principle of *checks and balances*. The main thing is to provide for monitoring rules and procedures that are necessary for proper governance and appropriate handling of the foundation's specific risks. The ICS goes beyond mere accounting procedures, and covers every part of the foundation. One of the most important aims of internal controls is to identify potential risks and weaknesses at an early stage, in order to avoid damages.

From time to time, the foundation board should conduct a risk debate as part of problem management. What apparent and hidden risks does the foundation take in connection with its opportunity-oriented activities? How does the foundation handle detrimental consequences or crises, including in terms of communications?

Members of a foundation's bodies and employees who are exposed to increased risks as part of their work for the foundation are advised to take out directors' and officers' liability insurance. Honorary status does not confer any immunity from liability.

**Supervisory authority**

The foundation board keeps the supervisory authority informed about matters that could be relevant in terms of liability. However, the supervisory authority does not release the foundation board from its responsibility. It is also unable to discharge it under civil law (*décharge*).

**Compliance**

The foundation board is responsible for ensuring compliance with Swiss and international laws (foundation law, tax law, social insurance law, data protection law, etc.). It also monitors compliance with statutory regulations by all foundation bodies, employees and third parties consulted.

## **Additional considerations for smaller foundations**

The boards of small foundations are usually in charge of the foundation's strategic and operational management. This requires an organisation that is as simple as possible, but also exacerbates the governance problem of self-regulation.

**Simplified organisation**

The concentration of authorities and responsibilities makes it particularly important for the foundation board to critically question its own performance on a regular basis.

**Assessment of the board's own performance**

Sooner or later, smaller foundations in particular, which have been established for an indefinite period of time run the risk of barely being able to provide noteworthy or purposeful funding. The more the memory of the founder fades, the less tangible the founding myth becomes, and as generations of foundation board members come and go, the motivation to implement the foundation purpose effectively can dwindle. In some cases, the returns generated by the assets end up mainly serving to finance the fees and charges of service providers, who are often also members of the foundation board on account of the foundation's small size.

**Exploiting potential**

Nor is the foundation board excused by the argument that the volume of assets is (or has become) too small, or that the foundation purpose has become obsolete, or cannot be implemented any more. If this were the case, the foundation board would be obliged to consider making structural changes, in order to continue implementing the founder's intention and the foundation purpose in the best possible way, such as conversion into an asset-consuming foundation, changing the purpose, liquidation, merger with another foundation that has a similar purpose, or transferring the assets to an umbrella foundation.

Medium-sized and larger foundations must therefore demonstrate strategic engagement for the foundations sector, and dedicate corresponding resources to this purpose. Smaller foundations should not spend their limited budgets on this task, but should be able to benefit from the efforts of larger foundations.

**Examining the commitment to the foundation sector**

In some cases, however, small contributions can also have a big impact – particularly when it comes to the kind of cooperative initiatives, in the form of consortia, that have become established in the foundations sector. These are financing collectives that prioritise the

common interest over the financial muscle of the individual participants, who are usually on an equal footing in terms of influence and involvement, irrespective of how much they contribute.



# Recommendation 5

## **Renewal of the foundation board**

**Unless provision is made in the foundation charter, the foundation board specifies the procedure for the appointment and dismissal of its members, as well as the president and vice president.**

- The foundation board sets terms of office of between two and five years.  
.....
- The foundation board sets limits on tenures and/or age restrictions.  
.....
- The foundation board plans its staggered renewal.  
.....

**Renewal**

The team of foundation board members responsible for governance of the foundation should be renewed periodically to allow the foundation to evolve. Foundation board members should therefore serve for limited periods. It is advisable to issue an election and succession guideline in order to codify the renewal process.

As part of renewal of membership of the foundation board, maintaining and fostering the vitality of the foundation's vision and continuity is a particular challenge that requires planning.

**Terms of office**

Terms of office substantiate the time frame of the relationship between foundation board members and the foundation. They make it easier for the foundation board to renew itself on a systematically staggered basis, to retain its diversity and a mix of ages, and to avoid overaging. The close, personal connection between long-standing members of the foundation board can also pose a risk to the foundation. Violations of good foundation governance, such as self-dealing, are often tolerated as trivialities among good colleagues. Personal considerations, blind spots, taboos and perks, etc. are always detrimental to the foundation and its ability to make an impact.

Terms of office make the foundation board more dynamic and structure its activities. On the other hand, re-election should generally be permitted until a certain tenure is reached.

Terms of office of between two and five years are recommended. One-year terms of office are also found in practice. In this case, elections come up as an agenda item once per year. The advantage of one-year terms of office is that, thanks to the possibility of failing to achieve re-election, voting a board member out of office can usually be avoided. On the other hand, this can make long-term planning more difficult, both for the foundation and for the foundation board members themselves.

**Limits on tenure and age restrictions**

Limits on tenure and age restrictions serve to renew the foundation board systematically and keep it young. Limits on tenure should generally be set, even if this affects the founder him/herself, or his/her family members. They protect everyone from difficult personal confrontations and prevent the foundation from becoming too set in its ways.

Terms of office are also essential for the positions of president and vice president of the foundation board, and in this case as well, possibilities of re-election should be considered, and limits on tenure and age restrictions should be set.

Depending on the characteristics of the foundation (purpose, size, positioning), the election committee for election of the foundation board members can be:

#### **Election committee**

- The foundation board itself (co-opting). This variant is the most common, but it harbours the risk of insufficient renewal. It is advisable to use a nomination or succession committee, which should prepare the election, and put forward multiple candidates, if possible. Executive management may be involved in the election process. It may also be advisable to involve impartial third parties. Departing members, on the other hand, should neither be on the nomination or succession committee, nor be involved in electing their successors.
- An external body (the founder, a third party, the founding family, the government etc.). This gives the body significant influence over the foundation.
- Mixed arrangements are also possible, for example if certain members of the foundation board are co-opted and the others are elected by third parties.

If a founder wishes to specify in the foundation charter that certain institutions (such as companies or the government) can appoint delegates, he/she must clarify in advance whether there is even any interest in long-term appointments. This requirement should be formulated in the foundation charter in such a way that it is not always a particular official (such as the head of a department) that needs to be delegated, but a suitable and interested person that is delegated to the foundation board as a representative of the institution instead.

#### **Ex officio members**

Ex officio memberships should only be appointed if there is a good reason to do so.

The criteria and procedure for voting a member out must be specified in a regulation, if the founder has not specified them in the foundation charter. The necessary quorum for voting a member out must also be specified therein. A qualified quorum (such as two-thirds of all members of the foundation board) is recommended. A requirement of unanimity, on the other hand, is definitely not advised because in effect this grants each individual member veto rights, which may make voting members out impossible.

#### **Voting out**

The member who is potentially to be voted out should speak before the vote but not be allowed to vote him/herself. Board members must only be voted out for objective reasons and never arbitrarily. This

may make the member who was voted out more willing to accept the outcome, and is legally necessary if the vote is contested. The reasons must relate to the foundation's work and implementation of its purpose, such as qualified obstruction of the foundation's activities, inactivity, or failure to meet the requirement profile. Examples of possible reasons for a board member to be voted out can be listed in the foundation charter or a regulation.

The option of voting a board member out is sometimes misused to get rid of critical or awkward foundation board members. Objective reasons are claimed to lend the vote a veneer of legitimacy. If a new board member objects to inadmissible governance arrangements, such as ongoing conflicts of interest, and rebels against them in order to maximise the foundation's effectiveness and fulfil his/her own responsibility, the members who benefit from the indefensible arrangements react very sensitively. The troublemaker is soon voted out based on reasons that are reminiscent of a divorce, and the self-dealing can continue unhindered. The restrictive practice of the foundation supervisory authority and courts in the legitimacy of submitted complaints, makes it difficult for foundation board members who have been voted out to defend themselves. This widely criticised legal practice does not offer foundations sufficient protection.

The foundation board member can pre-empt being voted out by resigning.

As previously mentioned, a less harsh alternative to voting a member out is for them to not be re-elected once their tenure comes to an end.

### **Additional considerations for smaller foundations**

#### **Securing expertise**

The aim for smaller foundations must also be to form a foundation board consisting of dedicated and expert members, who are able to work as a team.

#### **Attracting members**

Membership of the board of a large foundation offers the opportunity to participate in major decisions and a certain amount of prestige. Neither of these incentives apply to small foundations. Even medium-sized and large foundations can struggle to attract dedicated people with expertise for (honorary) membership. For small foundations the search for suitable members is much harder. They also often require full honorary status, as well as active involvement in every level

of the foundation's activities, since there is no administration to handle the operational business. It is therefore important to give potential foundation board members comprehensive and realistic information regarding their duties, obligations and the anticipated investment of time.

# Recommendation 6

## **Number and profile of foundation board members**

**Foundation boards generally consist of between five and seven, but usually at least three, people. They have the skills and the time required to perform their tasks and undergo systematic educational training.**

- Unless specified by the foundation charter, the foundation board determines the number of members on the foundation board and the criteria for selecting candidates, based on a requirement profile, and documents this in a regulation or guideline.

---

- The foundation board's composition must be balanced in accordance with the foundation purpose.

---

- The foundation board makes sure that new members are given a suitable induction, and also that ongoing, task-related training is provided for all of its members.

---

The honorary and voluntary nature of the work does not eliminate the need for board members to be suited to their positions. Foundation board members should have the necessary professional and personal skills to ensure independent decision-making as part of a critical exchange of ideas with colleagues and with executive management.

**Suitability**

Unless specified by the founder, the foundation board determines what specific skills need to be offered based on the foundation purpose.

**Expertise**

The required expertise may not be associated with a direct or indirect, personal or institutional interest in the foundation's support activities. Otherwise, the foundation runs the risk of being used by individual members as an acquisition platform for potential beneficiaries.

Expertise in the field of the foundation purpose is not enough. Foundation board members must also have the financial expertise required for their position, and be willing to deal with financial matters as part of fulfilment of their governance responsibilities. This concerns firstly project financing and control, secondly budgeting and the annual accounts, and thirdly asset and liability management.

Only if the foundation board has basic expertise in financial matters can external experts be engaged, because this expertise allows the board to check their work. Appointing external experts as foundation board members is not advised because this blurs the boundaries between client and contractor and makes monitoring difficult or even impossible.

It may serve the foundation purpose to have well-known and influential personalities or decision-makers from the fields of business, society, politics, government, sport or culture as foundation board members. However, such people should not be appointed for purely image-related reasons. The decisive factor is the commitment that someone is willing and able to make as a foundation board member. As a governing body, the foundation board must not be allowed to degenerate into a showy facade.

**Reputation**

Good relationships, a network and a well-known name can be a competitive component, which helps boost the foundation's public image. However, high-profile board members are also associated with risks such as low availability and a volatile reputation.

**Personal circumstances**

Prospective and existing members of the foundation board inform the relevant body promptly and in detail about personal or professional circumstances or developments that could affect the foundation's reputation.

**Preparing for elections**

In the interests of active and long-term succession planning, it is advisable to keep a confidential list of potential candidates in order to expedite the search process.

Anyone with a long-term or serious conflict of interests is not (or no longer) eligible for election. The same applies to people who are no longer eligible due to the limit on tenure or age restrictions.

**Profile of requirements**

Unless they are already stipulated in the foundation charter, the foundation board must stipulate the criteria for nominating candidates. The requirements profile is based on the foundation's fundamental characteristics (purpose, strategy), and describes both the professional and personal requirements. In a specific case of succession, specific requirements must be drawn up based on general requirements (suitability, availability, expertise) to be set out in a regulation or guideline.

The general and specific requirements lay the groundwork for discussion of the candidates and ensure that a decision is made based on objective criteria rather than personal relationships. The same objective selection criteria are to be applied to family members of the founder or of foundation board members.

The conditions with respect to the workload, remuneration, etc. associated with work for the foundation board must also be determined. Candidates should be informed in detail about what is expected of them, to make sure that they know what obligations they will have to fulfil, if they accept election.

**Size**

The law allows a foundation board to be made up of just a single member. However, this is not advisable. Firstly, dialogue and control within the foundation board are essential. Secondly, a single person will hardly have all the skills required to govern a foundation. Finally, such a foundation is without leadership if its sole foundation board member is missing.

In order to ensure that all the necessary skills are covered, and that the members contribute experience and knowledge from a range of different fields, the number of foundation board members should not be too small. This also allows the governance and control functions to be distributed logically. On the other hand, the foundation board



should be small enough to enable it to make decisions efficiently and retain its capacity to act. An odd number of members is ideal so that a majority can be achieved in voting procedures.

The foundation board's composition should be balanced. This can be specified and substantiated by the founder in the foundation charter, but even without such stipulations it is dictated by circumstances. Depending on the foundation purpose and the field in which it operates, the intended balance may relate to a wide range of criteria, such as age, gender, expertise, language, national, regional or ideological affiliation, residence, professional activity and experience, etc. A good balance prevents a dearth of discussion, which would be detrimental to optimising the foundation's impact, and supports expertise, a vibrant discussion and self-regulation in the foundation board.

**Balance and diversity**

Foundation board members who do not have the time required to carefully fulfil their obligations and responsibilities are of no use to the foundation. It is therefore necessary to regularly assess board members' availability, which is above all reflected in their attendance at foundation board meetings.

**Availability**

The Swiss Civil Code and Commercial Register Ordinance do not stipulate any requirements with respect to nationality or residence. However, the foundation charter may stipulate such requirements.

**Requirement for residence**

After they have been elected, new board members sign a formal statement of acceptance, which is akin to a code of conduct based on the foundation's general and specific requirements. Legally, it forms part of the contractual relationship between the foundation and the foundation board member and specifies the latter's rights and obligations.

**Statement of acceptance**

Newly elected board members should be inducted in a way that enables them to fulfil their duties from the outset. The induction is usually carried out by the president and executive management.

**Induction**

Systematic training is also essential for foundation board members, firstly with respect to the foundation's specific grant-giving activities and asset management, and secondly regarding fundamental aspects of modern, charitable foundation work. The foundation board must define how it organises training, in what areas and at what intervals, and how it supervises such training.

**Training**

## **Additional considerations for smaller foundations**

### **Keeping the foundation board small**

In the case of small foundations with a manageable purpose and a small demands on the time of foundation board members, the number of board members may be less than five, but should never be less than three, enabling both control and majority decisions.

### **Proactively plan succession**

As a result of the foundation board's simultaneous strategic and operational responsibility, the board proactively seeks suitable successors for departing members in order to avoid placing excessive strain on the remaining members.

# Recommendation 7

## **Compensation of foundation board members**

**The members of the foundation board receive suitable remuneration if they do not want to work on an honorary basis and if the foundation's funds allow.**

- The remuneration paid to foundation board members is regulated in writing. It is based on each board member's duties, workload, expertise, experience and performance, as well as the foundation's funds.

---

- Foundation board members may waive remuneration, but not at the expense of professionalism.

---

**Honorary status**

Foundations welcome working on an honorary basis. Switzerland has a long tradition of volunteering. However, voluntary work must be combined with professionalism (expertise, experience and commitment).

**The limits of volunteering**

Dilettantism, either with respect to the foundation's grant-giving activities or asset management, costs the foundation more than the expense of compensating capable foundation board members, and impacts implementation of the foundation purpose.

Board members who work on an honorary basis can easily develop a sense of entitlement with respect to the foundation. Since they are providing services for the foundation, but not receiving any remuneration, they gain the impression that the foundation owes them something, and that they can derive certain rights with respect to the foundation. For example giving favourable treatment to people from their professional or private networks can seem like unselfish compensation for their voluntary work, but that is far from the case.

Volunteering is often used as an excuse for inadequate performance. The attitude is that the foundation should be grateful that anyone is willing to work for them free of charge. It cannot additionally expect that the work is done particularly well. It should be noted that the foundation board bears full responsibility, irrespective of how its members are compensated. Honorary status does not exempt foundation board members from liability under civil law.

**Outdated fiscal practice**

Tax and foundation regulatory authorities erroneously believe in the idea of a "sacrifice" that is to be made during the operation of a foundation. Sacrifices are demanded from the foundation board as a condition for the foundation's tax exemption. This demand is misplaced, because neither the foundation nor the members of the foundation board are required to make any sacrifices, for example in the form of a general waiver of compensation for their work. The sacrifice is made by the founders and others making endowments and subsequent contributions, who voluntarily sacrifice their assets for the benefit of third parties.

Honorary status completely loses its shine if it is not voluntary, but rather imposed by the authorities.

The requirement for honorary status is neither plausibly justified, supported by legislation, or logical.

- It is the foundation that needs to be altruistic, not the members of its board.
- If a foundation seeks competent persons and performance from them, it must pay market rates of remuneration to secure professional foundation governance. Paying appropriate remuneration guarantees the involvement of qualified and dedicated foundation board members.
- The absolutely customary and justified remuneration paid to the auditor as a foundation’s second, fundamentally mandatory body, or to the foundation’s executive management, other bodies or employees, is never questioned. It makes no sense to apply this standard to the foundation board only, which is the body that governs the foundation and is ultimately responsible for its activities.
- The demand for the honorary status of foundation board members is diametrically opposed to their strict, unlimited personal liability.
- Even from a fiscal perspective this demand is absurd. The remuneration paid to foundation board members finds its way as taxable income back to the state, while such amounts, as grants, would be lost to the state due to tax exemption.

**Demand for honorary status without legal basis or logic**

On 6 December 2012, Luc Recordon, member of the Council of States, submitted an interpellation regarding the status of foundation board members. He asked the Federal Council to explain “whether and to what extent it thought it should be possible for foundation board members to be paid for their work and responsibilities, in light of their duties”.

**Statements made by the Federal Council**

On 13 February 2013, the Federal Council issued the following response, inter alia:

“In accordance with the applicable law, supervisory authorities may neither forbid nor require the payment of suitable remuneration to members of a foundation board. Depending on the circumstances, paid professionals may be preferable to unpaid laypersons. However, remuneration must always be paid in furtherance of the foundation purpose by professionalising the administration. The determination of remuneration must also reflect the foundation board members’ responsibilities and abilities, as well as the funds available to the foundation. [...]”

The flexibility of the applicable law provides scope to take individual requirements into consideration.”

It should be noted that the revision of company law on 19 June 2020 also introduced a new Art. 84b Swiss Civil Code (ZGB), which assumes *as self-evident* that remuneration can be paid to the foundation board.

**The foundation's autonomy to set remuneration**

A foundation can determine the remuneration paid to its board members itself, just as it can set the salaries it pays to its employees. No authorities should interfere in this respect, with the reservation of correcting excesses. As in all other areas of business, remuneration is based on performance. Paid foundation board members should also exhibit a similarly high degree of intrinsic motivation as unpaid members. As a result, they often accept modest remuneration.

**Compensation and expenditure regulation**

Payment of remuneration and reimbursement of expenses must be codified in writing, in the form of a regulation or guideline, and disclosed at least internally.

**Appropriateness of remuneration**

A comparison with other foundations or comparable organisations should be made when setting remuneration.

Attendance fees can be fixed or based on the actual time spent in meetings. Remuneration for extraordinary work on specialist tasks, expert appraisals, additional mandates, etc. can be paid separately. More remuneration can also be paid for the president than for other board members on account of their particular demands and the workload associated with that function.

Remuneration must always be appropriate, which is to be assessed on a case-by-case basis. The size of a foundation can be an important factor in this respect. Remuneration is only appropriate if it is commensurate with performance. Evidence of performance must therefore be provided for all forms of paid work for the foundation. This should be assessed by the foundation board itself or its committees, and possibly also by the auditor as part of their audit activities, as well as the supervisory authorities as part of their general scrutiny of the foundation's activities.

Remuneration that is not objectively justified has a detrimental effect on the foundation that is equal to the excess amount paid. Foundation boards that receive or permit such remuneration can therefore be prosecuted under civil and criminal law, on grounds of misconduct

in the execution of administrative duties (Art. 158 Swiss Criminal Code (StGB)).

When paying remuneration, it is necessary to clarify whether social insurance contributions and/or withholding tax are to be paid, and if so, to whom. If ex officio members are entitled to remuneration, it is also necessary to determine whether this remuneration is to be paid to the delegated body.

### **Additional considerations for smaller foundations**

Smaller foundations are generally extremely hesitant when it comes to payment of remuneration to foundation board members. In some cases, they tacitly expect board members to work on an honorary basis. In principle, however, this issue is no different from that confronted by larger foundations. Reasonable remuneration is worthwhile if significant and serious commitment is expected from the paid board members.

**Reasonable  
remuneration**

# Recommendation 8

## Organisation of the foundation board

**The foundation board organises itself, within the framework provided by the foundation charter. It defines practicable forms of work and procedures in a regulation.**

- The foundation board fulfils its tasks primarily at foundation board meetings. It convenes at least twice a year, or more frequently if the needs of the foundation dictate. The foundation board's members must organise their affairs in such a way that they are able to attend meetings.
- The foundation board regulates the convening and execution of extraordinary meetings.
- Decision-making processes are regulated in writing, and transparent. Resolutions are minuted.
- For important matters, the foundation board considers consulting external, independent specialists.



Depending on the foundation's needs, the board generally meets at least twice a year, or much more often in the case of larger foundations.

**Number of meetings**

Matters relating, among other things, to statutory issues, grant-giving activities, asset management and personnel business (elections) are dealt with at ordinary meetings.

**Ordinary meetings**

Scheduling of ordinary meetings depends to a large extent on the other business that is scheduled over the course of the year, such as the budget (autumn) and the annual financial statement (spring). Dates should be scheduled well in advance to ensure that all members can attend.

In order to avoid overloading ordinary meetings, the foundation board holds regular strategy meetings in order to discuss strategic issues relating to the foundation's development, such as:

**Strategy meeting**

- updating the foundation's policy and strategy,
- personnel development and succession planning,
- financial planning.

An extended strategy retreat is to be scheduled from time to time, to which external experts can also be invited.

In addition to the ordinary meetings, the president has the right and duty to convene extraordinary meetings to discuss urgent business. A regulation should also stipulate that any board member can demand that extraordinary meetings be convened. The president shall then ensure that a meeting is scheduled for the near future.

**Extraordinary meetings**

The foundation board must be convened by sending written meeting invitations to all foundation board members. In addition to the date, time and venue, these must above all include the agenda items, i.e. a list of the matters that are to be decided on.

**Convening**

Foundation board members must be given the opportunity to prepare sufficiently for meetings at which they are asked for their opinion and responsibly exercise their vote. The agenda should therefore be sent to them at least ten days prior to meetings, if possible together with a clearly arranged set of documents that include the minutes of the previous meeting.

**Preparation**

**Attendance**

The foundation board's members must organise their affairs in such a way that they are able to attend meetings. Attendance is a legal requirement. There must be a compelling justification for absence.

Meetings are attended by those responsible for the matters being discussed. It must at least be possible to contact people whose answers to in-depth questions are required.

**Decision-making**

Binding decision-making procedures are defined for all important resolutions. Attendance quorums must be defined for the passing of decisions, and there must be a regulation governing which resolutions require a simple or qualified majority, and how abstentions are treated. It is most definitely not advised to require unanimity. This is equivalent to giving each board member a veto rights and can hinder the foundation's development. Proxies are only permitted in exceptional cases.

Unless otherwise specified in the foundation charter, if he/she sits on the board, the founder does not have any more rights than other board members.

Resolutions by circular should be permitted, and the practice for these is to require unanimity due to the lack of any opportunity for discussion, unless the foundation charter contains provisions to the contrary. The usual quorum then applies to the resolution. If a vote is held during or immediately after a video conference or conference call, the voting process must also be specified in advance, in detail and in writing. The possibility of submitting votes in writing must also be regulated, and finally, whether the votes of absent board members should be obtained before or after a foundation board meeting.

**Minutes**

Minutes must be kept of the foundation board meeting and the resolutions. As a rule minutes of the resolutions passed generally suffice. In special circumstances the main course of the discussion can also be minuted. A verbatim transcript should be drawn up in cases of disputes. The minutes should be approved or corrected, if necessary, at the next meeting. Minutes should be archived.

It is conducive to good documentation if any circular resolutions voted on since the most recent meeting are also included in the minutes.

**Independent experts**

Even if the foundation board has the necessary expertise, it may consult external advisors on important matters, in accordance with the principle of *checks and balances*. The impartiality of external experts, whether they are service providers consulted at the founda-

tion's expense, or honorary assessors, pays off in the quality of the decision-making process and the resolution itself.

The board members maintain a cordial culture of discussion, both amongst themselves and in foundation board meetings. Constructive disagreement and well-founded criticism are more conducive to the foundation's development than a culture of consensus that is manifested in the nodding through of prepared resolutions that have been decided in advance.

**Discussion culture**

Objective conflicts within the foundation board should be dealt with openly.

The foundation board regularly assesses its own workings and its contribution to the foundation's effectiveness. To this end, it can set its own goals and conduct self-evaluation processes, or subject itself to external evaluation.

**Evaluation of the foundation board**

### **Additional considerations for smaller foundations**

Smaller foundations also hold ordinary meetings.

A budget and a programme of activities for the year ahead are to be ratified in the autumn. In spring, the annual financial statement (including statement of accounts) are to be approved. An organisation's small size and simple structure should not lead to disregard for ordinary business processes, negligence, or the eschewal of *checks and balances*.

**Adherence to an ordinary meeting schedule**

# Recommendation 9

## The function of the president

### The foundation board is led by the president.

- The president is responsible for ongoing strategic development, with the involvement of the other foundation board members.
- The president's tasks, competencies and responsibilities are set out in a regulation or guideline.
- The president chairs the foundation board's meetings. He/she oversees the preparations for the meetings, and ensures that the foundation board receives timely and appropriate information about all matters of material concern for the purposes of foundation governance.
- The president ensures that proper processes are followed during discussions and decision making, and also in execution of foundation board resolutions.
- The president usually acts as the point of contact between the foundation board and executive management.

The president leads the foundation board in the interests of the foundation. He/she usually represents the foundation externally and maintains the link between the foundation board and executive management.

**The role of the president**

The president's leadership is not just a formal position. He/she is the driving impulse of the foundation's development, potentially in partnership with executive management as motor. He/she is responsible for asking awkward questions regarding the work of the foundation board and executive management, the foundation's grant-giving activities, its role within society, and its impact – or for fostering an atmosphere in which such questions can be posed and answered.

**Specific tasks**

The president:

- ensures efficient allocation of tasks between the foundation board and executive management, and also within the foundation board. If necessary, he/she proposes the formation of committees;
- also leads the individual members of the foundation board by monitoring their effectiveness in relation to the foundation's activities. He/she encourages and criticises, and if necessary, even advises board members to retire. The vice president performs these functions with respect to the president him/herself;
- ensures that the vision of the foundation is kept alive within the foundation board and is constantly renewed, and is responsible for ensuring that the foundation board's group dynamic develops in a way that is conducive to the foundation's grant strategy.
- finally, the president also acts as an external spokesperson with respect to the authorities, beneficiaries, the general public and the foundation's other stakeholders.

The president is responsible for preparing meetings, and usually leads them. He/she ensures that preparation, consultation, decision making, implementation and review processes are carried out properly.

**Formal duties**

It is conducive to decision making if the president is given a casting vote in the event of a tie.

**Tie-breaker**

The president's central role should neither place excessive demands on his/her time, nor give him/her an overly dominant position on the foundation board. Applying the principle of delegation, regular dialogue with the vice president, and close partnership with executive management are crucial in this respect. The support and advice

**Delegation, presiding committee**

provided to the president by the vice president and executive management may be formalised in the form of a presiding committee.

**The relationship of the president to the other foundation board members**

Unless such privileges are explicitly granted, the president does not enjoy any privileges over the other members of the foundation board. He/she may not unilaterally appoint the secretary, for example, or decide who should attend foundation board meetings. The entire foundation board is responsible for such decisions. The president's leadership must not be allowed to degenerate into high-handedness.

**The relationship between the president and executive management**

The president takes pains to ensure that he/she does not interfere in operational business. He/she, as well as the other members of the foundation board, should also always be aware of the clearest possible separation between strategic and operational activities.

The president leads the executive management through regular thematic meetings, holding performance reviews, monitoring the salary and insurance situation, and acting as a contact person for personal and professional issues. Overall, the president is responsible for creating the conditions to ensure good management. For the executive management the president is the most important function regarding *checks and balances* – and vice versa: control and support complement each other.

### **Additional considerations for smaller foundations**

**Supporting the foundation board as a team**

The president of a small foundation naturally plays a defining management role – even more so since he/she usually also handles operational business him/herself. Due to the necessary simplicity of relationships, the president's conduct may gradually become high-handed. Clearly defined and formalised procedures, and their monitoring, safeguard against this.

The risk of the president going it alone can be averted by the function of a vice president, who is involved in the governance of the foundation. Sufficient decision-making leeway must be provided in foundation board meetings. Otherwise, conditions will be cultivated for the rubber-stamping of decisions.

**Making leadership roles transparent**

If a president is in charge of executive management, he/she must always maintain a clear separation between the function as president

and the executive management activities. It is generally more advisable for executive management to be handled by a different member of the foundation board.

# Recommendation 10

## **Committees**

**The foundation board considers the creation of standing or ad hoc committees.**

- The composition, tasks, competencies and responsibilities of standing committees, in particular, are set out in a regulation or guideline.

---

- The foundation board may supplement committees with external specialists.

---



The foundation charter or a foundation regulation may provide for committees and assign tasks and delegate authorities to them. Committees analyse certain subject areas and prepare decision-making documents for the foundation board. They allow more in-depth control and contribute missing knowledge and additional experience to the foundation board.

The streamlined structures of a foundation should also be borne in mind when creating committees. Permanent committees should only be used if they are indispensable for good functioning of the foundation board. A temporary (ad hoc) committee, which is dissolved once it has fulfilled its mandate, is often sufficient.

The body of choice for creation, renewal and dissolution of committees is the foundation board. Issuing a regulation or guideline is essential for standing committees and often also makes sense for ad hoc committees.

The following committees in particular have proved useful in practice, whereby the functions rather than the names of the various committees are relevant:

- A *presidential committee* generally consists of the president, the vice president, and the managing director in an advisory capacity. In certain cases, this committee can be supplemented with other members of the foundation board, or external experts. Depending on the foundation's size, the presidential committee can also take on the functions of other committees in this list.
- A *nomination committee* handles preparations for succession in the foundation board, appointment to positions in the foundation board (such as who should be a member of certain committees), or appointments to executive management. People who are to be succeeded or who are in the running for a nomination are not appointed to this committee.
- An *expert committee* prepares for individual issues that require particular expertise, or are particularly time consuming (e.g. real estate committee, art committee).
- A *grant committee* is responsible for advance discussion of grant-related issues, for example regarding the definition of fields of activity, preparing important grant-related decisions, or evaluating grant-giving activities.
- A *finance committee* is responsible for financial affairs (budget preparation, annual financial statements, remuneration and salary

issues, etc.). It can also assume the functions of the next two committees.

- An *investment committee* monitors all asset management activities, including any external investment controlling.
- A *financial oversight committee* is responsible for oversight of all financial matters, including the accounting, asset management and the auditor.

**Inclusion of external parties**

Committees with no decision-making authority may occasionally have people from outside the foundation as members, with the exception of the presiding committee, although in this case consultation of external experts is also recommended in certain cases. The requirements with respect to impartiality, term of office, workload and remuneration, in particular, should be regulated in advance.

**Authority of committees**

Unless decision-making authority is explicitly assigned to them, committees only play a preparatory and advisory role along the lines of staff bodies. They present proposals to the foundation board, and they report to it on their activities and results in preparation for its resolutions, or the exercising of its governance function. Overall responsibility for the tasks delegated to the committees always remains with the foundation board.

**Impartiality**

Strict standards are to be applied to the impartiality of external committee members. In particular, they may not have close links to supervised officials, commissioned service providers, or beneficiaries. This impartiality requirement is, above all, not met if pecuniary benefits are involved, and in the case of family relationships.

**Additional considerations for smaller foundations**

**Setting up a presiding committee**

Smaller foundations usually only have the option of establishing a *single* permanent committee, if they are able to establish any at all. This is the presiding committee, consisting of the president, vice president and, if there is one, the managing director in an advisory capacity. The presiding committee's tasks consist of preparation and prior discussion of the foundation board's business. It also assumes all the tasks of other committees in larger foundations.



# Recommendation 11

## Regulating conflicts of interest

### The foundation board defines regulations to govern conflicts of interest.

- Foundation board members, and other people who work for the foundation, arrange their circumstances in order to avoid conflicts of interest if possible. They immediately disclose conflicts of interest to the foundation board, and potentially also in the annual report.

---

- People who are affected by either personal or institutional conflicts of interest may not sit on the foundation board, or serve as members of executive management.

---

- In the exceptional case of a conflict of interest, the person affected must recuse him/herself.

---

- Significant business transactions between the foundation and members of foundation bodies or their associates must be conducted on the basis of the same conditions as when dealing with a third party (*dealing at arm's length*). Such dealings must be disclosed and justified in the annual report.

---

There is a conflict of interests if a member of the foundation board, or another person with decision-making authority at the foundation, could potentially gain advantages for him/herself and or people and institutions he/she is associated with from a decision by the foundation board, as a result of a personal connection or professional activity. Foundations run an increased risk of conflicts of interest due to the lack of control by third parties, such as members or shareholders, and because the foundation board usually renews itself by co-opting members. This requires particular sensitivity on the part of every foundation board member. The foundation board enhances the foundation's reputation by applying suitable strategies to regulate conflicts of interest internally and by documenting them for external parties.

**Conflicts of interest**

Conflicts of interest can arise in all areas of a foundation's work, for example in connection with procurement of external services (particularly for asset management), and in relation to grant-making activities themselves. In the first case, it is close links between persons acting on behalf the foundation, such as members of the foundation board, and financial and other service providers that are critical, while in the second it is their close links with potential beneficiaries or funded projects.

**Disclosure of conflicts of interest**

The members of the foundation board and executive management must always act in the foundation's interests, both internally and externally, and not in their own interests, or those of third parties if they conflict with the foundation's interests. Even the mere appearance of conflicts of interest is to be avoided by means of prompt or immediate disclosure, and/or realignment of relationships.

Persons with a permanent personal, institutional, or business-related conflict of interest will be decisively obstructed in their foundation work. This can also harm the foundation's reputation. Such persons should not sit on the foundation board or in executive management.

**Ongoing conflicts of interest**

Any board member who has conflicting interests in a specific case, or is required to represent third-party interests, should not participate in the corresponding decision-making process (including the discussion within the foundation board or in a committee, and most certainly when it comes to passing a resolution). A neutral opinion must be obtained in advance, as necessary.

**Conflicts of interest in specific cases; recusal**

**Impartiality of foundation board members**

If a person sits simultaneously on the boards of several different foundations, his/her impartiality must be carefully assessed in each specific case.

People who sit on a foundation board in a fiduciary capacity, for example for the founder, a corporate foundation or an authority, must always adhere to the foundation purpose when working for the foundation. They may not follow any instructions issued by the trustees that conflict with the foundation purpose and its interests.

The board members inform the foundation board immediately about personal, professional or political circumstances that could potentially compromise their impartiality with respect to the foundation's business.

**Dealings with members of foundation bodies**

Dealings between the foundation and members of the foundation's bodies or their associates are based on the principle of *dealing at arm's length*. If at all possible, they should be avoided, because they always arouse the suspicion of self-dealing.

As a point of principle the foundation should not issue any loans that could create conflicts of interest. Two neutral valuations should be obtained if, in an exceptional situation, it sells real estate or other items whose value that cannot be easily or clearly determined to persons actively involved with the foundation.

**The role of service providers in the foundation board**

The appointment of people with specific expertise (such as bank employees, lawyers, fiduciaries) to the foundation board can bring advantages for the quality of the foundation board's work, but for the sake of transparency there must always be a clear separation between professional activities and work carried out for the foundation board.

**Annual review**

Conflicts of interest very often creep unintentionally and therefore unnoticed into a streamlined and efficient organisation. Once they have manifested themselves, they are difficult to address openly, since they are personal in nature. That is why they should be reviewed annually as part of the internal control system (ICS), which takes the personal edge off the issue.

**Exploitation of conflicts of interest**

If service providers (a foundation's lawyers, asset managers, fiduciaries, communications consultants, etc.) gradually become the majority and take control of the foundation board, it is usually no longer accurate to talk about creeping conflicts of interest. Instead, they are consciously established and their existence is denied.

Such foundation boards benefit from the fact that conflicts of interest are not always apparent to external observers, which is why the annual audit by the supervisory authorities in this respect is usually ineffective. It takes a long time for new foundation board members to become aware of untenable circumstances. It can sometimes take years for them to comprehend the full scale of certain arrangements that have become established within the foundation's organisation and between its personnel, to the detriment of the foundation and the benefit of members of the foundation board, particularly in the field of asset management. But this puts them in conflict themselves. If they do nothing about the precarious arrangements, they share responsibility for any further harm suffered by the foundation resulting from the interest conflicts. If they oppose them, then they can expect fierce resistance from the other board members who benefit personally from the conflict situation. They risk exclusion and being voted out, and since questionable legal practice restricts the rights of foundation board members to complain, no support is to be expected from the supervisory authorities. In this kind of situation in particular, the conflict must be minuted accurately in order to create transparency, which offers a certain degree of protection.

### **Additional considerations for smaller foundations**

In smaller foundations there may sometimes be a tendency to turn a blind eye to conflicts of interest on account of the simplicity of circumstances, the short decision-making processes, and the need for efficiency. However, more manageable circumstances make it particularly important to avoid ongoing conflicts of interest, and to resolve any conflicts that arise cleanly, with clear rules for disclosure and recusal.

**Do not turn a blind eye**

The opinion that is sometimes expressed, that work in small foundations always involves a lot of not doing much at all, must be definitively combated by publicly discussing the way the foundation deals with conflicts of interest.

**Disclosing the handling of conflicts of interest**

# Recommendation 12

## Communication

**The foundation maintains active communications, in particular with beneficiaries and authorities and provides useful information to the public.**

- The foundation provides information in an appropriate manner and taking data protection requirements into account, in particular about: its purpose, grant policy and strategy, its organisation, the areas in which it operates and its projects.
- In particular, objectives, guidelines and procedures must be made available to its beneficiaries.
- A functioning website is the minimum standard for communications.



The foundation enters into the best possible partnerships in order to maximise its impact. It must therefore be visible and reachable in the market for good ideas, and make itself available as a partner for dialogue.

**Active communications**

If a foundation does not maintain active communications or promote transparency, its support activities will necessarily be characterised by personal connections, haphazardness and habit. This makes it almost impossible to implement the foundation purpose effectively.

As a charitable organisation, a foundation has a responsibility to add value for society through its grant-making activities. It does this by a selection, which enables the best procedures to implement the best projects. Thus it can enhance its impact significantly, for the benefit of both society and the foundation itself. In the public eye the foundation becomes a brand that attracts the best projects and initiatives. It therefore has a large subjective interest in sharing information, visibility, and dialogue. This significantly improves its chances of being involved in good projects and developing its network. At the same time, comparing multiple projects and entering into a dialogue with its beneficiaries and other stakeholder groups give it a significant amount of expertise.

**Greater leverage through selection**

Advertising a foundation's goals, areas of activity and projects is an integral part of its support activities. This is because, by publicly advertising its grant-making activities, a foundation increases its acceptance and enhances the legitimacy of its grant decisions. And that's not all. By providing information on its projects, it advertises them and strengthens their impact.

**Reinforced impact**

Foundations depend on constructive sharing of experience with other agencies, consisting of grant-making NPOs and the public sector on the one hand, and specialists or experts on the other, which may include their beneficiaries. This requires a public presence and a policy of recognisability. The foundation can only effectively and credibly hold talks with potential partners for cooperation projects on the basis of adequate information.

**Dialogue with other agencies**

Project-centred or project-integrated foundation communication is about the idea being promoted, about the problem, and the solution proposed by the project and the project outcomes. The focus is not on

**Foundation communications as an integral part of projects**

the foundation itself. It limits itself to its role as enabler, and is essentially satisfied with the mention of its name. The priority is its funding activities, and the contribution to the advancement of civil society. Self-referential foundation communications are unnecessary, and have no effect on implementation of the foundation purpose.

**Focusing of the idea behind the foundation**

One of a foundation's core responsibilities is to communicate directly with beneficiaries. In constant debate and dialogue with project leaders and potential project recipients, a foundation can sharpen its senses of current needs and opportunities. In this way, it avoids the risk of its grant-giving activities failing to address real needs.

**Self-perception and external image**

Upon entry in the commercial register, every foundation makes certain information about itself publicly available. The foundation board must decide to what extent this information will be supplemented, explained, and used to implement the foundation purpose. This is not simply a question of sharing information. Instead, the foundation must decide how it wants to be perceived. External representation is therefore preceded by a process of self-discovery and self-representation, which in turn supports internal work to define the foundation's grant-giving activities.

This allows the foundation to largely control its public impact. It must decide which offers it wishes or is able to accept, and which beneficiaries and projects it wants to attract, and it should not fear being flooded by applications.

The scope and intensity of funding applications received are important indicators of the quality of the funding criteria, and the underlying strategy and policy. If the handling of the application process to the active grant-giving activities is not in a healthy proportion, the focus of grant-making is too broad.

**Financial information**

Foundations are not required by law to publish their financial circumstances. On the other hand, there is a public interest in the effectiveness of a foundation's activities. Especially tax-exempt foundations need to prove their legitimacy.

It is generally in a foundation's interests to publish detailed asset management figures as well. Although by disclosing this information, the foundation exposes itself to public criticism, the possibility of comparison enables competition, which contributes to continuously improved asset management and reduced respective costs.

Effective foundation leadership is only possible if there are adequate comparative values. The robust development of the foundation sector as a whole is based on foundations publishing comparable key financial figures:

- (liquid) foundation assets (end of the year assets, annual performance, asset and liability management costs),
- grant-making (annual total grants, breakdown by strategic focus, list of individual grants awarded),
- operating/foundation expenditure (breakdown by funding support services, central services/administration, accounting, fees and audit expenses, other operating expenses),
- information on sustainable investments,
- if applicable, a statement that the foundation is an asset-consuming foundation.

The foundation should also disclose the relationship between its asset management and grant-making activities. This is to provide information on the proportion of the foundation's assets used, either directly or indirectly, in the pursuit of the purpose; and also to indicate, for example, the savings are made in order to implement larger-scale funding projects at a later date.

In individual cases, the disclosure of information may run counter to the legitimate interests of the founder, a founding family, company foundations, or also beneficiaries or other stakeholders (protection of privacy, competitiveness, etc.). A balance of interests may be necessary in specific cases.

**Opposing,  
legitimate  
interests**

Irrespective of this, a founder or person giving an endowment may prohibit the disclosure of key figures (with respect to donated assets).

In addition to the information already mentioned, the public can for example also be notified

**Other information**

- that the foundation is guided by the Swiss Foundation Code,
- that the foundation makes mission-based investments,
- that the foundation makes sustainable investments, and how it does this,
- how the foundation positions itself regarding a current discussion, which affects its purpose.

**Communication channels**

The main recommended channels for providing information externally are the website, the annual report, and other key documents, such as the foundation's charter.

It is generally preferable to use and maintain a small number of targeted communications channels, rather than a large number of non-targeted ones. A cost benefit analysis should therefore be carried out periodically for every communication channel.

**Data protection**

Foundations abide by the applicable data protection legislation. In addition to Switzerland's Data Protection Act (DSG), particular consideration must be given to the European Union's General Data Protection Regulation (GDPR), which has been in force since 2018. This applies, for example, to Swiss foundations that carry out grant-giving activities in the EU. Modern data protection laws mainly govern the processing of personal data, and in the interests of transparency they ensure that natural persons always have access to data relating to them.

Foundations must above all take applicable rules relating to the storage, supplementing and distribution of beneficiaries' data into consideration. The consent of the data subject must always be obtained for any further use of data, and personal data may only be stored if there is a particular reason to do so.

**Foundation platforms**

In Switzerland there are various online platforms that provide information on foundations to applicants, fundraisers and other interested parties. Most of this information is based on the commercial register entry, supplemented by additional specifications (such as areas of activity). The foundation board decides to what extent the foundation uses these platforms for its own communications. Irrespective of this, a foundation must check its own entry from time to time to avoid communication errors.

**Additional considerations for smaller foundations**

**Using the Internet effectively**

The functionalities of internet-based communications also allow small foundations to provide information effectively, while both managing both the quantity and quality of project applications.

**Making use of industry association membership**

Membership of an industry association is invaluable when scarce resources make it difficult to commission a professional expert appraisal on a mandate basis. Such membership facilitates cost-effective sharing

of experiences with other foundations of all sizes, no matter how they operate, in a protected environment. Good advice comes at a cost, so a membership fee is a good investment.

# Recommendation 13

## **Executive management**

**The executive management runs the foundation at operational level.**

- The foundation board appoints and supervises executive management, which runs the operations of the foundation. It regulates the tasks, competencies and responsibilities, and also their remuneration.

---

- Executive management tasks include the groundwork for development of the foundation's policy, strategy and grant-making activities.

---

- The foundation board specifies appropriate control mechanisms if one of its members is responsible for some or all of the executive management.

---

Within the framework stipulated by the foundation charter, the foundation board puts management in place, that is adapted to the foundation's purpose, available resources and organisation. If the foundation board manages the foundation itself, by dividing the functions between several of its members, or assigning them to a single member, increased weight must be paid to the principle of *checks and balances*, since there is no juxtaposition of strategic and operational management.

**The function of executive management**

Executive management is the driving force at operational level. Its core task is to shape the foundation, rather than administer it. It plays an entrepreneurial role in implementing the foundation board's strategic targets. As always, a strategy is only as good as its implementation. That is why the work and efficiency of management is so important.

Management must meet strict requirements, because the procedure of translating strategy into tangible grant-giving processes cannot follow any static methodology or any rigid mechanics. Every foundation places completely different demands on its management, due to its specific situation. The availability of numerous foundation management checklists masks the fact that foundation management theory is still in its infancy.

**Requirements for the executive management function**

Members of management should have the following skills:

- specialist training and professional experience corresponding to the foundation's scope of activity,
- management experience,
- inventiveness and creativity,
- perseverance and tenacity,
- a high degree of integrity and social skills.

A vacant, full-time executive management position should be filled in a public tender procedure. This method by no means excludes internal candidates, with their advantage in terms of knowledge, but it is conducive to improvement of the foundation and its public image.

**Advertising executive management positions**

On the one hand, advertising the position gives the foundation board the opportunity to clarify specific requirement profiles for both the foundation and the position. The foundation also signals, both internally and externally, that it wants to find the best person for the job and not to settle for continuation of what has gone before. Finally, advertising the position enhances the foundation's public image.

## Organisational matters

Members of executive management are usually employed by the foundation. Even more so than for remuneration paid to members of the foundation board, care should be taken to ensure customary market conditions, although these vary significantly depending on the foundation's structure and size. A comparison with one of the industries related to the grant-making sector is particularly useful with regard to the employment terms and conditions.

The following aspects should be contractually regulated:

- executive management's duties (requirement specification) and its competencies;
- the way in which the terms of reference are substantiated and updated (dynamisation), for example in annual programmes and targets;
- salary and insurance policies;
- opportunities for training and development;
- direct supervisors – as a rule the president of the foundation board;
- authorised signatories.

## Areas of responsibility

The executive management is responsible for managing the operational business of the foundation, namely:

- *with respect to organisation*: appointment of employees, personnel development, staff policies, commissioning of external service providers, accounting, administration, managing the secretarial function;
- *with respect to asset management*: monitoring external specialists (investment controllers) and service providers (banks) engaged in the field of asset management, safeguarding and synchronising communications, for example with respect to annual financial statements, preparing finance committee meetings, preparing and/or providing information for reporting to bodies;
- *with respect to grant-making*: implementing selection requirements, potentially pre-selecting projects, processing funding applications, preparing project dossiers in order to facilitate decisions by the foundation board regarding grants, negotiating and concluding contracts with project participants, project supervision and monitoring, evaluating projects and areas of activity, preparing evaluation results for the foundation board;
- *with respect to foundation development*: preparing the groundwork for development of the foundation's policy, strategy and grant-giving activities.



A member of the foundation board who is simultaneously an executive manager cannot supervise him/herself. If combining functions in this way makes sense on account of the foundation's modest size, or other circumstances, a control mechanism must be in place to supervise executive management activities. Another member of the foundation board (usually the president or vice president) as "lead director" could take this role, or a committee.

**Combining membership of the foundation board and executive management**

The empowerment of individuals by awarding sole signatory authority should be excluded as a matter of principle, except for daily business activities conducted on the basis of resolutions and budgets. As is the case for members of the foundation board, executive managers generally have collective signatory authority to sign jointly with a second authorised signatory.

**Signatory authority**

It makes sense to grant executive managers sole signatory authority within the framework of the operating budget. Also with respect to the grant-making budget it is advisable to empower executive managers with sole signature authority up to a certain amount in individual cases. This makes it possible, for example, for small initiatives that are directly associated with projects previously approved by the foundation board to be implemented with flexibility and speed.

### **Additional considerations for smaller foundations**

Foundations opt for simpler models if, on account of the volume of their assets or their purpose, a full-time executive management is not useful, efficient, or even financially viable. Potential solutions include part-time management by a foundation board member, or the appointment of an external service provider or other third parties. In all cases, the foundation board must implement control mechanisms. It must ensure a suitable form of separation of powers and guarantee regular controls.

**Monitoring executive management**

# Recommendation 14

## Auditor

**The foundation board designates an external auditor who meet statutory requirements with respect to impartiality and accreditation.**

- The auditor's duties are limited to a statutory audit mandate. The accounting and asset management functions are each assigned to other service providers.
- The foundation board considers periodically changing the auditor, or at least the lead auditor.
- The foundation board conducts an annual risk assessment.

The foundation board is required by law to designate an external auditor (Art. 83b (1) Swiss Civil Code (ZGB)).

A distinction is made with respect to the audit's scope.

- Foundations that meet at least two of the following size criteria in two consecutive years are considered to be large foundations in this context and are obliged to subject themselves to regular audits: total assets: CHF 20 million, turnover: CHF 40 million, 250 full-time positions on average over the course of a year (Art. 727 (1) para. 2 Swiss Code of Obligations (OR) in conjunction with Art. 83b (3) Swiss Civil Code (ZGB)).
- Foundations that do not meet these size criteria are subject to a limited audit obligation.

On request, the supervisory authority may release a foundation from this audit requirement if the foundation had total assets of less than CHF 200,000 in the past two years, the foundation is not issuing any public appeals for donations or other contributions, and an audit is not required in order to make a reliable assessment of the foundation's net assets and results of operations. In the interests of good governance, however, a cautious approach should be taken to applying for or granting exemption from the audit requirement.

The lead auditor for regular audits may perform the mandate for no longer than seven years, after which he/she may only take on the same mandate after a three-year hiatus (Art. 730a (2) Swiss Code of Obligations (OR)). There are no statutory rotation provisions for limited audits. However, changing the lead auditor should be considered in individual cases, to avoid operational blindness.

The law requires that the auditor are and appear to be independent and objective (Art. 728 and/or Art. 729 (1) Swiss Code of Obligations (OR)). For example, members of the foundation board or foundation employees may not be the auditor. A "self-audit" is also prohibited.

**Prerequisite:  
impartiality and  
professional  
requirements of  
the auditor**

Although within the context of a limited audit, auditors may, in some circumstances, assist in accounting and other services for the audited foundation (Art. 729 (2) Swiss Code of Obligations (OR)), they should not be appointed to provide any other services alongside their audit mandate (such as asset management), in order to preserve their impartiality. If they are – for cogent, objective reasons – a strict separation of personnel must be maintained.

The professional requirements for the auditor and their accreditation with the Federal Audit Oversight Authority must also be taken into consideration. The Federal Audit Oversight Authority provides a

directory of all audit service providers on its website: [www.revision-saufaufsichtsbehoerde.ch](http://www.revision-saufaufsichtsbehoerde.ch).

#### **The role of the auditor**

The auditor is a legally prescribed foundation body and like all other bodies (deployed by the founder or the foundation board), they are supervised by the foundation board. Their role is set out in law, and their tasks are limited to the audit mandate.

The auditor is not to be considered as an extension of the supervisory authorities. The audit activities do not reduce the foundation board's responsibility.

#### **Subject of the audit and limits of the mandate**

Each year, the auditor assesses whether the annual financial statements comply with the applicable financial reporting standards (Art. 728a and/or Art. 729a Swiss Code of Obligations (OR)). It prepares a report for the foundation board. To this end, the information that is pertinent to auditing the accounts and the annual financial statements is to be made available to the auditor, and it must also be provided with the information that they require for the purpose of the audit (Art. 730b (1) Swiss Code of Obligations (OR)).

The audit mandate must be limited to the statutory scope in accordance with the requirements of the chosen financial reporting standards. The auditor is on no account responsible, for example, for assessing whether or how well a foundation's investment and grant-giving activities serve its purpose. These are areas for which the foundation board is responsible.

#### **Internal control system and risk assessment**

Regular audits must include a review of the internal control system (ICS) with respect to financial reporting and other tasks defined by the foundation board. The associated risk assessment enables the foundation board to evaluate the opportunities and risks associated with the foundation's work regularly and systematically.

### **Additional considerations for smaller foundations**

#### **Keeping audits simple**

Audit expenditure is a significant cost factor for smaller foundations. There are no statutory provisions or codes of conduct governing fee structures. The auditor's fees depend on the foundation's size and complexity, as well as the extent and structure of the accounting function. The cost also depends on various factors that the foundation is able to influence itself:

- *the auditor's expertise*: audits of smaller foundations do not usually include any complex arrangements. This should be taken into consideration when choosing audit experts;
- *tendering of the audit mandate*: obtaining different bids for the purpose of comparison can highlight differences in cost. This is also advisable after long-term mandates, because audit costs should fall over time due to efficiency gains;
- *good internal administration*: the better the foundation's organisation, accounting and filing are, the lower the audit costs will be.

Smaller foundations, which are not required to do so by law, are also advised to consider setting up an internal control system (ICS) that is suited to their requirements. This is because the associated risk assessment enables the foundation board to periodically evaluate the opportunities and risks associated with the foundation's work.

**Consider  
implementing  
a suitable  
internal control  
system**

# Recommendation 15

## **Advisory boards**

**If required, the foundation board creates standing or ad hoc advisory boards.**

- Advisory boards are, above all, used if the foundation board does not undertake certain tasks itself, or if specific expertise or another supervisory body are required.

---

- The composition, tasks, competencies and responsibilities of standing advisory boards are set out in a regulation or in guidelines.

---

Advisory boards (also referred to as commissions, juries, committees, panels, boards of trustees, patronages, etc.) can be created in the areas of grant-giving or finance. They are advisory bodies consisting of external experts. In the interest of maintaining a close alliance between the respective specialist areas and the foundation's governance, and for the purpose of control, it is advisable to include a member of the foundation board and/or executive management in advisory boards.

**Advisory boards**

The foundation board ensures simple, streamlined structures and clear relationships that can always be adapted to current requirements, which also includes dissolution of advisory boards. It is therefore advisable that advisory boards are implemented for definite periods out of principle.

**Organisation**

The composition, duties, competencies and responsibility of advisory boards, as well as the requirement profile and remuneration for their members, are set out in a regulation or in guidelines.

When appointing members of advisory boards, particular attention should be paid to their impartiality and to avoiding conflicts of interest. For example, it must be avoided that its members use the advisory board as an acquisition platform for services that they are selling.

**Avoiding conflicts of interest**

Compared to committee members, somewhat lower standards of impartiality can be applied to advisory boards members because these bodies do not generally prepare specific decision-making recommendations for the foundation board, but rather decision-making documents. Nevertheless, the composition of advisory boards should ensure that their work is not compromised by conflicts of interest.

Also in cases where the foundation board delegates certain tasks to advisory boards, it is the foundation board that remains ultimately responsible. In other words, the foundation board can delegate tasks, but never its responsibilities. In every case of delegation, the foundation board is responsible for selection, instruction and monitoring.

**Responsibility of the foundation board**

Generally speaking, advisory boards are a good idea whenever the foundation itself does not have enough specialist or expert knowledge available. Specialist bodies consisting of impartial experts have proven particularly useful for foundations with a specialist focus (education, science, development and cooperation, culture, etc.).

**Specialist support**

Advisory boards are only created for individual projects in exceptional cases, and for projects of a particular size. Such project-related advisory boards generally do little to improve a project's effectiveness.

#### **Compensation**

When it comes to the remuneration paid to advisory board members, it is important to bear in mind that not only is their liability significantly smaller than that of foundation board members, but above all, their workload is also usually much less time-consuming.

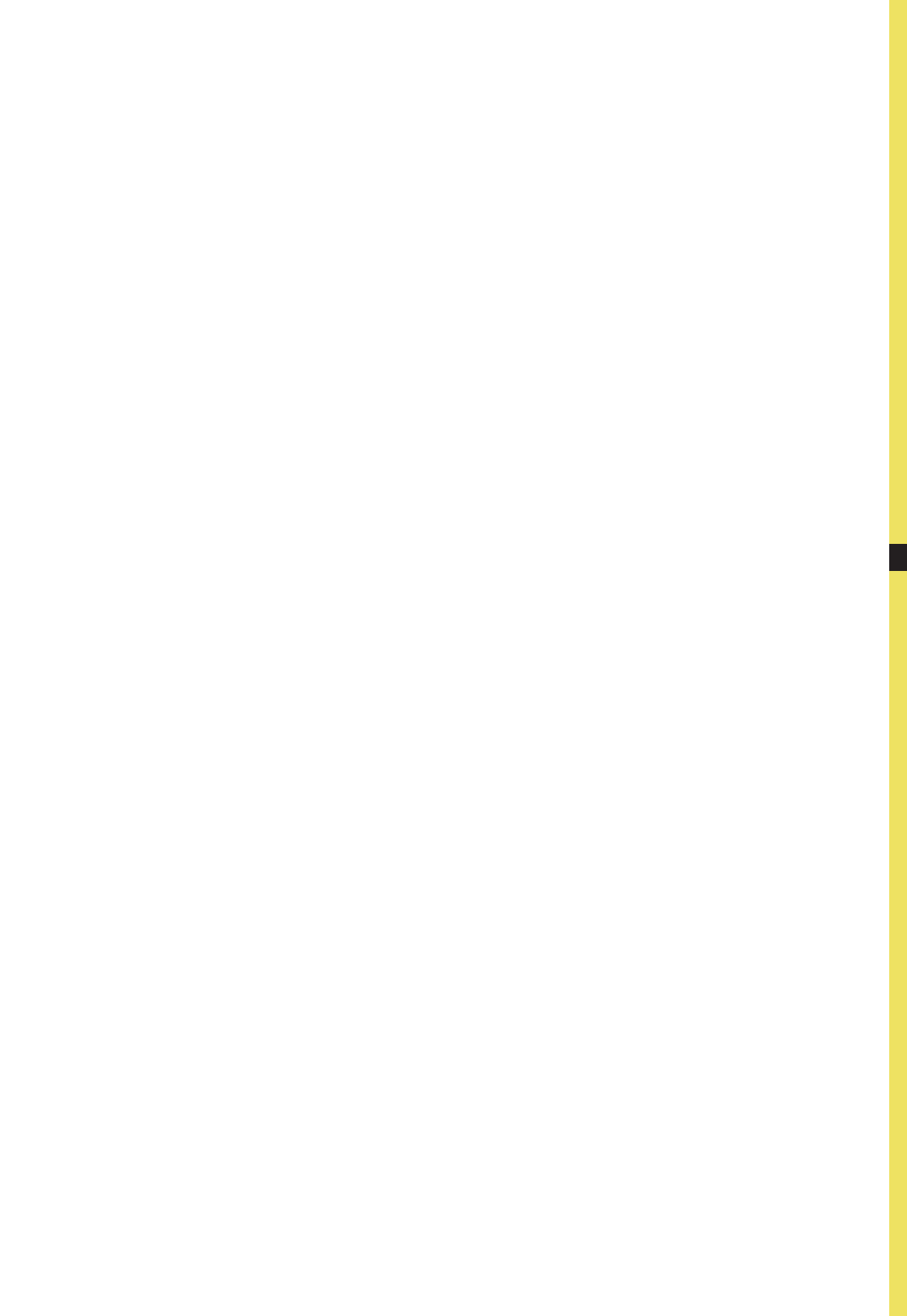
If advisory board members make a substantial contribution to a project, their remuneration can be added to the project costs for accounting purposes.

### **Additional considerations for smaller foundations**

#### **Avoiding advisory boards**

The use of advisory boards is not very efficient for smaller foundations, and it also entails the risk of them taking on a life of their own, due to a lack of control capacities. One cost-effective alternative to acquiring know-how is membership of specific networks and associations, and their working groups.







# Grant-making

## **Foundation success**

A foundation implements its purpose through its grant-making activities. In accordance with the principle of effectiveness, this requires the foundation to align all its other activities, especially its asset management, with this objective. A foundation's performance therefore stems from consistent implementation of a grant strategy that is aimed at the needs of society.

## **Diversity of methods**

While grant-allocation was the focus of support activities in the past, foundations now have a range of implementation methods at their disposal, from project or programme grants, the development of expertise and empowerment, community-building and mobilisation, to investment.

## **Efficient grant-making process**

The grant-making process can be divided into three phases: project procurement, project supervision and project evaluation. Project procurement comprises the acquisition, evaluation and selection of projects. A foundation can reactively accept applications, actively solicit projects through calls for proposals and competitions, or develop its own projects. Project supervision consists of the relationship between a foundation and a beneficiary for a project's duration. Finally, project evaluation is based on objectives defined in advance, and is an important basis for evaluating a foundation's effectiveness.

## **To decide is to forego – quality through selection**

Foundations do not usually have sufficient funds to support every application they receive. They must focus their resources, whereby focusing may result from the funding strategy. The foundation board therefore defines project selection criteria that apply both internally and externally. This helps potential beneficiaries with their applications, and gives them a better idea of their chances. The foundation board applies the criteria to the available projects in order to choose

those projects that best fit with the foundation's grant strategy and objectives.

### **Self-reflection and positioning**

In grant-making activities, the foundation board reflects on the foundation's role in relation to public grant-making activities, and within the context of the Swiss, and also if applicable the international, foundations and philanthropy sector. What is already being supported through taxes, offers little opportunity for foundations with their limited resources to achieve any noteworthy goals. "We too" or "more of the same" grants do not fulfil the potential of grant-making foundations to meet social needs that are not currently, or not yet the subject of public support. Grant-making foundations fulfil their responsibility towards society by exercising their freedom of action, and repeatedly responding to new challenges according to their possibilities.

### **Dependability**

The foundation board is responsible for ensuring that the foundation is perceived as a dependable partner by avoiding even the appearance of haphazardness, unreliability, unpredictability or promoting its own interests through its grant-making activities. It ensures that the grant strategy is consistent and is also communicated externally, but also that its implementation in the form of the grant criteria and decisions is comprehensible and predictable. In addition, a foundation's credibility with respect to the volume of grants disbursed is enhanced if, rather than simply following the business cycles of capital market, it operates with a more or less constant annual budget.

# Recommendation 16

## Development of the grant strategy

**The foundation board defines the strategy for achieving the foundation's grant objectives.**

- The foundation board develops grant-making objectives based on its purpose, and sets medium- and long-term priorities. In the process, the needs of society and the activities of other, private and public support institutions are also to be taken into consideration.
- The grant strategy is documented in writing as a frame of reference for the grant-making activities. The grant strategy and investment strategy are coordinated with each other.
- The foundation board periodically reviews the grant objectives and strategy.
- The foundation board evaluates cooperative ventures and mergers.

A foundation must be very familiar with the fields in which it conducts its grant-making activities, in order to be able to define an effective grant strategy. This includes understanding the needs of society or the potential beneficiaries, and awareness of the activities of other support institutions, as well as the full range of support methods available, both established and new.

**Analysis of fields of grant activity**

The foundation board breaks the foundation purpose down into long-term grant objectives. In order to achieve this overall foundation orientation (“What do we want to address?”), a grant strategy is developed (“How do we want to go about it?”). Effective grant-making activities are only possible once these fundamentals have been clarified.

**Foundation purpose and grant-making practice**

There is a close link between grant-making activities and asset management. The grant strategy depends on the funds available, and conversely, the grant-making needs must be taken into consideration when developing the investment strategy. Every grant-making foundation must also consider whether the foundation purpose can also be implemented through its asset management activities.

**Harmonisation of grant-giving and asset management**

The foundation board and executive management base their grant-making activities on a clear footing: guidelines, criteria and application forms, which they regularly update. Although grant-making practices are directly derived from the areas of activity defined in the grant strategy, they have a tendency to take on a life of their own. The foundation board and executive management work to combat this risk. Grant-making activities must always serve the foundation purpose.

**Risk of grant-making activities taking on a life of their own**

The foundation board and executive management are aware of the foundation’s limited resources and possibilities. That is why they always work with other partners and grant-making institutions if it is expedient to do so.

**Partnerships**

The foundation board considers which instruments are useful for implementation of its strategy. In addition to the allocation of grants, it also has access to instruments such as networking, skills development, community-building and advocacy.

**Choice of support instruments**

The foundation’s involvement in implementation varies depending on the instruments chosen. The expenditure associated with corresponding operative grant-making activities are not administrative

expenditure. Instead, they should be entered in the accounts as project expenditure.

**Forms of funding**

The foundation board chooses a suitable funding for its grant-making activities. This need not necessarily consist of non-repayable financial contributions. The foundation can also provide funding through (interest-free) loans, or by acquiring shares in the beneficiary's equity capital, potentially utilising the available funds several times, and therefore more effectively.

**Review**

The grant strategy is periodically reviewed and adjusted in response to changes in society and other developments. During the implementation phase, it is also necessary to continuously assess whether the chosen projects help the foundation to achieve the grant-making objectives set out in the strategy.



# Recommendation 17

## Entrepreneurial approach

**The foundation board uses grant-making resources efficiently and effectively.**

- The foundation board determines the volume of funds available for grant-making and distributes these promptly.
- The foundation board applies entrepreneurial principles to its grant-making activities.
- Grants are distributed wherever there is a social need and other private or public support institutions are insufficiently active.
- The foundation board endeavours to achieve an ideal ratio of administrative costs to grant benefits.

**Focus on effectiveness**

The foundation board has a clear concept of what the grant-making activities in general, and the individual projects in particular are intended to achieve. It attempts to plan, measure and monitor the foundation's effectiveness using a suitable method. As a learning organisation, the foundation can constantly draw conclusions from its planning and evaluation process for its grant strategy, fields of activity and criteria.

It is also advisable for foundations to base their support activities on overarching societal goals, such as the Sustainable Development Goals (SDG). This highlights the contribution to society, and relevant systems of indicators offer an idea of the foundation's own focus on its effectiveness.

**Entrepreneurship and value creation**

Charitable status is no excuse for inadequate management or execution. A foundation must be managed on an entrepreneurial and professional basis. Its value creation relates less to financial development of the foundation's assets, and more to the grant-making activities based on entrepreneurial principles. Contemporary management methods are also essential to mitigate social problems, address social defects and realise opportunities.

**Timely application of all available funds**

Swiss foundations law does not contain any explicit provisions pertaining to the application of funds. With the exception of asset-consuming foundations, the funds available to a foundation for grant-making activities generally consist of yields from asset management, endowments, or also asset shares. The foundation board determines the volume of grant funds that is available, within its possibilities.

The principle of effectiveness requires that all available funds are utilised promptly, i.e. in full and without undue delay. "Promptly" means before new, usable funds become available, which is usually a period of one year for example in the form of annual interest or dividends. Tax-exempt foundations are prohibited from holding on to available funds for longer without reason, and therefore becoming asset accumulating foundations. This would mean that they are not implementing their purpose effectively enough.

Exceptions to this include savings for the implementation of larger projects, and the creation of sufficient fluctuation reserves. The latter may not exceed a reasonable volume, however, and must only be created to the extent that they ensure equal amounts of grant benefits over the years.

Reserves for liabilities that have been entered into, are not fluctuation reserves, but rather accounting liabilities.

The foundation board can stipulate a precept of use of funds in the form of a highest possible yearly grant-making quota (for example as a percentage of the foundation's assets), or total amount of grant benefits, insofar as the foundation charter and/or the income generated allow it.

**Precept of use**

The foundation board endeavours to ensure that the funds available to the foundation are used effectively. It avoids duplication with respect to the use of resources, including in relation to other private and government funding institutions. It ensures that the administrative costs are in the most favourable relationship possible to the effectiveness achieved. Effectiveness is not achieved by simply minimising the foundation's expenditure, which are commonly referred to (erroneously) as "administrative costs". Saving is not a grant strategy. A foundation's expenditure consists of its administrative expenses (administration, central services) and direct project expenditure. A foundation's success depends to a large extent on the accompaniment, monitoring and evaluation of funded projects.

**Application of funds**

Foundations often want to manage the greatest possible volume of grants with a lean administration. They therefore keep their operating or administrative overheads as low as possible – without distinguishing between administration and project support in the sense of cost centre accounting. Paradoxically, this usually leads to grant-making activities that are of inadequate quality with too little impact. Some foundations are then completely unable to operate as proactive grant-making foundations, but rather limit themselves to the more or less arbitrary distribution of money.

**Operating expenditure is not a measure of effectiveness**

In terms of effectiveness, grant-making foundations would be well-advised to invest in strategic work, to provide capacity for networking and partnerships, to carry out targeted communications work in support of projects, and to select, acquire, accompany and control projects.

**Project expenditure is grant-making expenditure**

The outlay of such direct project expenditure should not be misinterpreted as administrative expenses. Instead, it is an integral component of operational project funding itself. This must also be reflected in the accounts in the form of corresponding cost centre accounting, which distinguishes between administrative expenditure and direct project expenditure.

**Liquidation,  
merger,  
asset-consuming  
foundation,  
umbrella  
foundation**

The foundation board periodically assesses whether the relationship between the volume of assets and the purpose, and whether the relationship between administrative expenditure and grant benefits still justify the foundation's existence. Liquidation, a merger with another foundation, or transferring the assets to another organisation may make more sense than allowing an ineffective foundation to continue existing.

One alternative to revoking a foundation's independence is setting a time limit on its activities, by transforming it into an asset-consuming foundation, which allows a favourable relationship between administration and grant-making to be achieved for the foundation's remaining duration.

Another alternative is to convert the foundation into a legally dependent foundation as part of an independent umbrella foundation. This allows the foundation to maintain its identity and vision, in a new legal form.

### **Additional considerations for smaller foundations**

**Setting overarching  
impact goals**

The size of a foundation is not a relevant criteria for focussing on impact. However, the range of measures and instruments available to small foundations is limited by their scarce resources. They would be well-advised to define overarching goals that are assessed each year, or at intervals of multiple years.

**Entering into  
partnerships**

A smaller foundation can amplify its own impact by getting involved in larger projects and partnerships.

# Recommendation 18

## Project selection

**The foundation board specifies procedures, competencies and responsibilities for the acquisition, evaluation and selection of projects.**

- Projects are acquired, evaluated and selected within the framework of grant-making guidelines.
- The foundation board ensures that projects are processed properly and in a timely manner, by appropriate experts.
- The foundation board considers using committees or advisory boards, or engaging third parties, to select projects.

**Types of project**

The foundation board can choose between different types of projects:

- projects for which a third party is seeking support (applications),
- third-party projects in which the foundation would like to get involved (partnership),
- projects that the foundation would like to implement itself (internal projects).

**Following grant-making guidelines**

Some foundations are erratic in their decisions favouring potential beneficiaries. The accusation of arbitrariness raised in an individual case affects the image of the entire foundations sector.

Project selection must be secured internally and externally on the basis of grant-making guidelines, and with transparent and clear procedures. While the focus of external communications is on predictability and reliability, internally the priorities are the transparency of decisions, clear direction and capacity for development.

**Evaluation work**

The aim of grant-making activities must be to choose the best from a number of similar projects, in accordance with the foundation's objectives. A foundation must not shy away from the effort of acquiring, evaluating and selecting projects.

If a foundation implements its own projects or enters into partnerships, it always plans with alternatives and variants in mind, in order to make sure that selection remains possible. If a foundation makes decisions regarding third-party projects, it is in the interests of the foundation purpose if it is able to choose between a sufficiently large number. This requires the foundation to be relatively well-known and approachable, which it can foster through good communications.

**Internal projects**

The selection process is the same for all types of project; with consistent application of the same criteria.

Thus projects developed from within the foundation are not fundamentally preferred to those brought to the foundation's attention through applications. Regardless of the operational level at which the foundation ultimately implements them, a foundation's own projects must meet particularly strict standards because they enjoy an a priori advantage in terms of assessment and knowledge. Ideally, a foundation's own projects also face competition, both from each other (discussion of variants) and from external projects

If a foundation implements its own projects, they are subjected to the same project accompaniment and evaluation procedures as external projects. If necessary, it is advisable to engage impartial

third parties to carry out this supervision, as a form of external control.

Entrepreneurial funding forms have recently started playing a more important role. The traditional form of funding provided by charitable foundations is based on the principle of making non-repayable contributions to beneficiaries. In the case of entrepreneurial forms of support, on the other hand, income from the supported projects can flow back into the foundation. This is the case, for example, if a foundation invests in a beneficiary and is then able to sell its investment for a profit. If a foundation generates a surplus from a charitable grant-making, it can use this surplus in pursuit of its purpose, which multiplies the grant-making impact. (the same money is spent several times). These funding models, which influence asset management, therefore provide an opportunity to enhance the foundation's overall impact.

**Entrepreneurial forms of support**

Unfortunately, these funding models are still met with scepticism from the fiscal authorities. Based on the current practice of various cantonal tax offices, if income from business activities flows back to a foundation, this may be problematic with respect to tax exemption, even if these inflows are reused in their entirety for the foundation purpose. The permissibility of these forms should therefore be clarified with the tax authorities before they are implemented, in order to ensure that they do not put the foundation's tax exemption at risk.

The foundation allocates its resources on the basis of predetermined criteria that are periodically reviewed. It attempts to achieve the greatest possible impact with its grant-making activities. Funding usually involves an investment that is associated with a certain degree of risk, the success of which can only be measured in the medium term. An identifiable risk associated with a potential funding project should not be seen as a criterion for exclusion, but rather as an opportunity for increased impact.

**Risk tolerance**

Projects with substantial risks should be thoroughly examined accordingly, and if implemented, suitably monitored with an appropriate level of resources.

Above a certain size of foundation and number of projects, a foundation considers the use of a database or web-based grant management programme. This not only facilitates the selection process, but also all stages of project implementation.

**Project management programmes**

**Unhindered contact**

The foundation board endeavours to ensure unobstructed contact between potential beneficiaries and the foundation. Corresponding contact persons should be designated, and the formalities, conditions and deadlines for submitting applications described.

The practices of foundation boards that make grants should be disclosed appropriately. The application process is to be made easier for applicants by providing them with information, or giving them the opportunity to find information themselves. The principle of equal treatment is to be observed.

**Obligations to provide information**

Submitted projects should be acknowledged in such a way that applicants are kept informed about the timelines and the ongoing project evaluation and decision-making processes.

Applicants must also be informed of decisions in writing and within a reasonable timeframe.

**Justification and correspondence**

There is no fundamental obligation to provide justification for grant-related decisions, which is why no correspondence should be conducted in this regard. If written justification is provided for a negative decision, it should be based on the foundation's strategic direction and not aspects relating to quality. The technical content should not be debated in detail.

**Rejection**

There is no legal entitlement to grant support.

When refusing an application it is enough to state that the application does not adequately match with the foundation strategy. It is also advisable to use wording that reflects the selection process, i.e. that the ranking list based on the support criteria and prepared for the decision did not result in a positive outcome. Experience shows that applications for reconsideration should not be accepted.

The disappointment of rejected applicants can be taken into consideration by offering the opportunity of a clarifying, explanatory or advisory telephone conversation in the rejection letter, for example. Notwithstanding the clarity of communication concerning rejected projects, those responsible in the foundation should be aware of the "power gap". They should always see themselves as service providers, and therefore avoid any expression of impatience, incomprehension or arrogance.



## **Additional considerations for smaller foundations**

Small foundations should also communicate openly about key figures, such as maximum project grants and decision-making deadlines. The publication of selection criteria leads to increased self-selection by potential applicants.

**Disclosure of key figures and selection criteria**

Smaller foundations that do not accept applications and state this on their website cannot reasonably be expected to respond to any unsolicited applications they receive.

**Minimising correspondence-obligations**

# Recommendation 19

## **Project supervision**

### **Projects must be supervised.**

- The approval of funds establishes a contractual relationship between the foundation and the beneficiary for the duration of the project. This relationship is governed by the grant contract.

---

- The foundation may make its approval subject to conditions, the fulfilment of which it monitors.

---

- When supervising projects the foundation draws conclusions regarding its grant strategy, the effectiveness of the allocated funds, and the grant criteria.

---

Commitment of funds should not mark the end of communication between the foundation and the beneficiary. The foundation is not merely a money distribution agency, but rather a results-oriented funding agency. Formal acceptance of a project merely marks the start of a project-related partnership between equals. This is because the foundation does not see itself as a magnanimous benefactor or sponsor that is owed gratitude, but rather as a facilitating partner that helps beneficiaries with implementation of their projects.

**Working relationship based on partnership**

Support services are generally tied to restrictions and conditions, which requires an intensive examination of the project's content and technical and formal characteristics.

**Funding contract**

One general reservation is a time limit on the approval, for example of a year. A written grant contract governing the specifics of the project in a legally binding manner must be concluded within this period. Specific conditions may, for example, relate to the subsequent provision of information, and the associated subsequent verifications.

The grant contract should regulate the following areas in particular:

- restrictions, particularly related to the purpose limitation,
- tying the (staggered) financing to milestones/intermediate goals,
- an obligation to provide information and report. This makes it possible to check whether the funds have been and are being used for the intended purpose,
- other conditions (such as the consent of third parties or the submission of particular documentation by the beneficiary),
- an obligation to mention the foundation by name.

One general condition is usually naming the foundation in connection with all project activities, in a suitable form that is to be agreed in advance. A grant-making foundation is identified through the projects it supports, and these are also its main instrument for raising its public profile. The more well-known and distinguished a foundation is, the greater the value of using its name for supported projects and beneficiaries, so it then also attracts better projects. Conversely, using its name brings a benefit to the supported project or beneficiaries, and is greater the more well-known and distinguished the foundation is.

**Obligation to mention the foundation by name**

Use of the foundation's name increases the effectiveness of its activities, and therefore reinforces the public benefit that is explicitly desired and supported at a political level.

**VAT and marketing services**

In all foundation grant-making activities, it is important to make sure that its support budget is not unnecessarily reduced by valued-added tax (VAT) liabilities.

The foundation does not generally seek to receive counter-performance within the meaning of VAT legislation. References to its involvement in public presentations of the project (exhibitions, publications, etc.) do not constitute commercial marketing services, but are instead akin to grant-making activities, as accompanying measures to reinforce the foundation's reputation.

**Project communications**

The foundation actively encourages its beneficiaries to communicate regarding the funded project, not only in specialist circles, but also by informing the general public about the project details and goals. Successful communications benefit both the foundation and the beneficiaries. A foundation should therefore specify the communication goals in the support agreement, and any specific communication measures that are to be supported.

**Quality control**

A quality assessment should always be carried out before any new funding is awarded to beneficiaries for new or ongoing projects. This should be appropriately proportional to the funds already issued. If it is apparent from the outset that there will be further funding, for example as part of a multi-stage project, the criteria for the quality assessment must be specified in the grant contract when the first contribution is awarded. On the other hand, funds that have already been granted may only be withheld in exceptional cases, in particular if a condition is not met, and on the basis of well-reasoned argumentation.

**Avoiding dependencies**

The more heavily and closely a foundation's representatives are involved in supporting a project, the more the foundation makes the project its own and the more personal the partnership is with the beneficiaries. Despite this close collaboration, however, a professional distance should be maintained in the interests of keeping the roles transparent, to avoid organisational blindness.

It may make sense to continue a successful project partnership. But in the medium to long term, a form of dependence sets in that is not beneficial for either the beneficiary or the foundation, and results in a dilemma. Because the partnership is too close, the beneficiary fails to obtain broader support for the project. Without the foundation's ongoing funding, the project falls apart, which calls the foundation's previous involvement into question.

Scheduling is clarified at the start of a project. The end of the project is stipulated in the grant contract. In the case of programmatic funding approaches, however, the end of the respective individual project is specified, but not usually the end of the foundation's overall involvement. In line with their acquisition logic, beneficiaries have little interest in specifying the end of larger projects. In this case, the foundation is responsible, even in a programmatic and long-term involvement, for specifying a time frame comprising the three stages of *inphasing*, *consolidation* and *outphasing*.

**Inphasing,  
consolidation and  
outphasing**

Inphasing usually consists of three phases: a feasibility study, a pilot project and a scalable model project. The subsequent consolidation phase draws on the experiences gained and brings the programme to its breakthrough. At the same time, it prepares for the longer-term prospects: should the programme continue beyond the duration of the foundation's funding? And in what form? Finally, outphasing results in conclusion of the programme, or a transition to self-financing or external financing.

### **Additional considerations for smaller foundations**

Small foundations can rarely actively supervise projects. That is why reporting by the beneficiary is essential. In addition foundation board members can undertake to visit at least one supported project per year.

**Visiting projects**

## Recommendation 20

# Impact measurement and project evaluation

**The foundation measures its impact on the basis of set objectives, and evaluates the funded projects in a suitable manner.**

- The foundation sets targets for its support activities, and monitors them and the degree to which they are achieved.
- The foundation reaches an agreement with beneficiaries regarding evaluation of projects. The necessary costs for this are taken into account in the project contribution.
- Impact measurement and project evaluation are carried out in such a way that they create additional value.

A foundation's overall impact is not simply based on the number of projects it supports, or the volume of grants provided. It also includes governance of the foundation, own performance in the context of its grant-making, and asset management.

**Impact**

Today it is expected of NPOs in general, and thus also from foundations that they evaluate their own impact and communicate about it. In order to be able to testify about its own impact, a foundation must set itself objectives in advance, i.e. make assumptions about how the foundation's activities should serve its purpose.

In order to be able to substantiate its achievements and progress, the foundation sets itself specific objectives, for entire grant-making areas or for individual programmes and projects. In practice it has proved worthwhile to follow the "SMART" mnemonic, according to which targets must meet the following criteria:

**Setting targets**

S for specific (targets must be clearly defined and as precise as possible),

M for measurable (targets must be quantifiable),

A for appropriate (targets must be in reasonable proportion to outlay),

R for realistic (targets must be feasible),

T for timely (targets must have a clear timeline).

The results of a foundation's activities can be separated into its performance (output) and its impact (outcome). While output refers to the direct and quantifiable results (number of participants in a course, number of checks, etc.), outcome relates to the indirect, secondary results (such as the fall in cases of a disease). The outcome is much harder to measure, and is often only informative by comparing the situations before the start and after conclusion of the project. But outcome is what counts.

**Output outcome**

Impact measurement is complex because a part of impact only materialises when the service is provided by the beneficiaries. A foundation can therefore only measure its own impact by including the services provided by its beneficiaries.

**Influence of a foundation on overall impact**

However, this fact should not mislead a foundation into only evaluating beneficiaries' projects, while neglecting to measure its own activities.

The effort of measuring a foundation's impact must be proportionate to the total volume of support it provides.

**Planning impact measurement**

The manner in which a foundation's impact is to be measured must be specified from the outset. These are some of the questions that need to be answered:

- Who is responsible for measuring the foundation's impact?
- To what extent can the beneficiary help measure the impact?
- What data should be collected?
- What results should be recorded?
- With what should the results be compared?

**Project evaluation**

Impact measurement should be distinguished from project evaluation. Project evaluation is an important basis for the further design of a foundation's grant-making activities. The foundation is responsible for initiating appropriate project evaluation, and ensuring that its results do not go unused.

Before the project start, the foundation specifies an evaluation process based on standardised procedures with the beneficiary, and creates a corresponding budget item. Evaluation processes may be carried out during or after a project.

Particularly in the case of large or long-term projects a "causal chain" should be drawn up in advance, to describe the relationship between the project resources used and the intended impact. A distinction is made in this respect between quantifiable results (*output*), the immediate effect (*outcome*) and the benefit to society (*impact*). The validity of the causal chain is assessed at regular intervals, with adjustments made if necessary.

A final report may suffice in the case of smaller projects.

**Evaluation by external experts**

While project evaluation serves as a decision-making basis for substantial, ongoing grant-making, it is advisable to commission external experts to conduct an independent assessment of both the foundation and beneficiary.

**Additional considerations for smaller foundations**

**Demand a final report**

As is the case for small grants awarded by large foundation, the foundation requires at least a final report. In the case of bursaries for individuals or contributions to smaller organisations, for example, it is possible to ascertain a lot of information about the impact of a foundation's grant-making activities while building up a "foundation memory" in the archives.







# Finances

## **Financial management of the foundation**

The foundation board is responsible for the foundation's financial management – irrespective of its members' relevant skills and interests. Financial management includes in particular asset management, budget planning, and full, transparent financial reporting.

## **The importance of asset management**

Responsible, cost-effective and professional management of a foundation's assets is the basis of its performance. The foundation board must apply itself to this task with the same degree of care as its grant-making activities. The board is responsible for ensuring that assets are carefully managed in the interests of effective implementation of the foundation purpose. It cannot extricate itself from this responsibility due to lack of interest, ignorance, or by involving external specialists.

## **The foundation as a unity of impact**

When implementing its purpose, a foundation must maximise its impact using its available resources. This goal is not limited to a foundation's grant-giving, but also applies to asset management. It is not enough to focus entirely on the amount and the effectiveness of grants. How those returns are generated is just as important as how they are used. Both together constitute a unity of impact.

## **Sustainable investments**

A charitable institution also has a responsibility towards society when it comes to its asset management activities. The reason for this is clear. The capital provided to a company in the form of investments should generate a profit. In this process, jobs are created, products are manufactured, or services are provided. The company also has an impact on its customers, contracting partners, the environment, etc. Especially when it comes to asset management, a charitable foundation must bear in mind that it cannot accept any harm to the common good resulting from any of its activities. On the contrary: it must assess which investments enable it to generate a positive sustainable impact, thereby increasing the foundation's overall effectiveness.

## **Mission-based investments**

A foundation's impact can also be increased by making investments that simultaneously implement its purpose. This involves supplying the foundation's assets to third parties whose activities comply with the foundation purpose.

## **Independence of asset management**

The foundation must also remain independent when it comes to asset management. This includes the foundation board avoiding conflicts of interest in its decisions and ensuring that the service providers it engages (asset managers, banks, consultants, etc.) guarantee a high level of transparency. This impartiality is also reflected in the competition that the foundation encourages when it comes to awarding asset management mandates. If a representative of a bank sits on the foundation board, particular attention should be given to the principles of transparency, disclosure or avoidance of interest conflicts, and competition. The bank representative may need to recuse him/herself from relevant decisions.

“Package solutions” in which a financial services provider develops an investment strategy, implements it, and then also evaluates all the activities itself, are to be strictly rejected because they give rise to manifest conflicts of interest and lack control.

## **Investment policy and process**

When managing the foundation assets, the foundation board establishes clarity about

- the anticipated inflows and outflows of funds, and their timing,
- the foundation's ability to bear investment losses,
- its own risk appetite and
- its target returns.

The investment strategy must reflect all these factors. If this is not possible, the target returns must be revised.

The traditional legal and economic principles of monetary investment, such as security, liquidity or liquidability of investments, diversification to spread risk, avoidance of uncompensated investment risks, and the principles of sustainable investment must be taken into consideration when implementing the investment strategy.

A foundation's assets are managed within the framework of a regulated investment process. The foundation board implements an asset management that is commensurate with the foundation's size and goals, and in which conflicts of interest are avoided to the greatest possible extent.

## **Measures to be taken by a foundation in the event of long-term shortfalls in income**

If the income generated by a foundation's assets does not adequately cover effective implementation of the foundation purpose in the long term, the foundation board must find a solution. The following alternatives must be considered:

- transforming the foundation into an asset-consuming foundation;
- changing the foundation purpose;
- merging with a foundation with a similar focus;
- liquidating and transferring the foundation's remaining assets to another charitable organisation, in particular an umbrella foundation;
- one less drastic alternative is to generate additional funds by fundraising;

These kinds of changes can fundamentally alter a foundation's character. They should therefore only be permitted subject to strict requirements. If the founder had assumed that the foundation would

be permanent, it can only be transformed into an asset-consuming foundation provided that all other avenues have been exhausted. But if the foundation's permanence is not guaranteed anyway, the variant should be chosen that allows the purpose specified by the founder to be fulfilled most effectively.

# Recommendation 21

## **Responsibility for financial management**

**The foundation board is responsible for the foundation's financial management. This includes budgeting, asset management and financial reporting.**

- The foundation board prepares financial planning on the basis of the investment strategy and grant-making budget.
- Cost accounting and project controlling are carried out based on recognised principles of cost and performance accounting.
- The foundation board recognises the periodic budgeting, the annual financial statements and the performance report as key management and accounting tools.
- The annual report provides a complete and clear impression of the foundation's assets, financial and earnings situation.



The foundation board cannot delegate its responsibility for financial matters to third parties, even if it lacks the necessary financial and investment expertise.

**Responsibility**

The budget is a management tool that is used to plan cash flows for the next financial year. This can be done based on experiences from previous years and the current year. Crisis meetings can be averted if the budget, and particularly the budgeted income is realistic. Only a realistic budget allows a more or less constant volume of funding to be planned over the years.

**Budgeting**

The characteristics of charitable foundations are not suited to conventional financial reporting, for example in accordance with the Swiss Code of Obligations. The focus here is not only on profit for the period and equity, but also on the appropriate use of the foundation's funds, and the efficiency and impact of the benefits provided.

**Swiss GAAP FER 21**

The industry-specific accounting recommendation, Swiss GAAP FER 21, was developed for fundraising NPOs. The legislator has recognised it as a financial accounting standard. But it also offers a suitable and recommended frame of reference for financial accounting by grant-making foundations.

Its application is a sign of quality and ensures an increased level of transparency. A financial report prepared in accordance with Swiss GAAP FER 21 consists of the annual financial statements (balance sheet, income statement, statement of changes in capital, notes to the financial statements and potentially a cash flow statement), the annual report and the expenditure report. It therefore goes beyond the minimum required by law, and takes account of the peculiarities of charitable foundations.

As part of appropriate project controlling, the foundation board implements efficient planning, monitoring and control of the foundation's individual activities, and targeted use of funds.

**Project controlling**

The indirect personnel and non-personnel expenditure associated with the funded projects, such as expenditure relating to the preparation, accompaniment and evaluation of individual projects, as well as proportional overheads, are to be included in budgeting and accounting for those projects. These are the costs directly associated with the individual project goals that exceed the volume of funding (= project expenditure, or "indirect productive expenditure"). This procedure enables a comprehensive financial appraisal of the individual projects

and/or funding priorities, facilitates comparisons within the foundation, and optimises the effectiveness of existing and planned grant-making activities.

**Cost and performance structure**

A foundation's efficiency is not determined by its administrative expenditure. The foundation board determines the criteria according to which total expenditure are to be categorised as "administrative expenditure" and "project expenditure", and how the latter are to be distributed between existing cost units (such as projects, grant priorities, funds and divisions). The annual financial statement is more readable if the methods used to prepare them are clearly presented.

**Information for small foundations**

**True and fair view**

Implementation of Swiss GAAP FER 21 may be too onerous for small foundations. Nevertheless, their financial reporting should follow the principle of providing a *true and fair view*.

# Recommendation 22

## Investment management organisation

**The foundation board determines how the investment management is organised, with the aim of ensuring effective asset management.**

- The foundation board ensures that the foundation's asset management meets professional standards. This includes avoiding conflicts of interest.

---

- The investment management organisation ensures that responsibility for asset management and its control are kept separate.

---

- The elements of the investment process and investment management organisation are set out in investment regulations.

---

**The role of the foundation board in asset management**

The foundation board primarily fulfils its financial responsibilities by specifying the investment management organisation and strategy. It cannot delegate these tasks as a matter of principle, but it may consult independent experts if necessary.

Based on the form the assets take, such as securities, real estate, intangible property rights, investments in operating companies etc., and the pertinent specifications in the foundation charter, the foundation board must decide between or implement a combination of the following options to exercise its influence:

- *self-administration* of the assets (or a substantial part thereof, such as share-holdings). The principle of keeping asset management and control separate must be strictly maintained. This solution should only be chosen in exceptional circumstances due to potential interest conflicts.
- *delegation* of asset management to external asset managers, or a company with close links to the foundation or founder.

In both cases, it remains the foundation board's duty and responsibility to determine the investment policy and strategy, to continuously control its implementation, and, if necessary, to adjust them.

**Investment regulations**

The investment management organisation is documented in an investment regulation. In addition to ensuring that responsibility for managing the foundation's assets and controlling their management are kept as separate mandates, this regulation governs the definition of the investment strategy. This includes risk-related specifications, the investment process, the policy relating to sustainable investments, investment controlling, the exercise of voting rights and periodic review of the investment strategy.

**Financial expertise within the foundation and consulting experts**

Successful and cost-effective management of the foundation assets requires appropriate financial expertise. As part of its personnel planning, the foundation board ensures that it includes members with the necessary knowledge. It may consult independent experts for support, who can also be appointed to the investment committee.

**Conflicts of interest**

The foundation board is mindful of potential conflicts of interest with respect to all of the foundation's asset management activities. This relates in particular to the appointment of financial experts to the foundation board, the involvement of independent experts, and issuing mandates to banks and asset managers. Foundation board members

and experts should as a matter of principle be independent of the financial service providers entrusted with asset management.

The foundation must be independent in its asset management. The foundation board defines the investment strategy and its implementation, and awards asset management mandates in a competitive process.

**Impartiality of asset management**

Responsibility for asset management and for its control must be kept separate.

The foundation board often delegates some of the asset management tasks internally (to executive management, the investment committee, internal asset managers, etc.) or externally (to banks and asset managers).

**Separation of responsibility for asset management and its monitoring**

The work of those it engages and the results they achieve must be periodically controlled, and checked against the requirements (benchmark indices, costs, compliance with investment restrictions, etc.). This review is carried out as part of internal or external investment controlling. The chosen organisational solution must be specified in an investment regulation.

# Recommendation 23

## Origin of the foundation's assets

**Founders only endow foundations with assets from a legally correct origin, and the foundation board only accepts such assets as donations.**

- The foundation board endeavours to establish transparency with respect to the origin of assets donated to the foundation, as well as the identity of the former (economic) owner.
- The foundation board refuses to accept assets whose origin violates applicable national laws or international treaties. This relates in particular to assets associated with terrorism, money laundering, corruption or other crimes.
- On receipt of donations the foundation board ascertains whether the origin of the assets is consistent with the foundation purpose.
- The foundation board submits donated assets, on which the former owner did not pay tax, for subsequent taxation.

In the case of larger contributions, the foundation board must know the person making the contribution, or the trustor in the case of fiduciary contributions.

**Due diligence with respect to contributions**

All applicable legislation must be observed when accepting assets. The harmonisation of Swiss legislation with international standards must be taken into consideration in this respect.

**Origin of contributions**

This results in an obligation on the part of the foundation board to ascertain the origin of larger contributions. In this context, “origin” refers to all processes associated with the creation and transfer of the assets in question. In particular, the foundation board must investigate any potential connection between the assets and terrorism, money laundering, corruption or other crimes (Art. 305bis Swiss Criminal Code (StGB)). A donation must be rejected if the investigation reveals a criminal origin.

In addition to statutory compliance, the foundation board must also investigate whether the origin of the assets is ethically problematic. International ethical standards (such as the Sustainable Development Goals) can be used as a benchmark.

When conducting these investigations, the foundation board is not obliged and does not have the resources to go to extremes. Instead, its efforts may and must be appropriate, even if this means that it does not achieve absolute certainty.

**Proportionality**

There has also been a change in recent years with regard to untaxed assets. When receiving such assets, the possibility cannot be ruled out that domestic or foreign authorities will assert claims against the foundation, or potentially even against the foundation board members. The foundation board therefore submits assets on which the former owner did not pay tax to subsequent taxation. Another reason for subsequent taxation is to avoid a negative impact on the reputation of the foundation and the philanthropy sector.

**Untaxed assets**

The receipt of contributions should be covered by the foundation’s risk management system. In addition to risks under criminal and tax law, and financial risks, reputational risks are becoming increasingly important. Foundations that regularly receive funds from third parties should use a regulation or guideline to specify how assets from questionable origins should be dealt with, and under what circumstances such funds should be accepted.

**Risk management**





# Recommendation 24

## Principles of asset management

**The foundation board ensures that asset management is in keeping with the foundation purpose and cost-effective.**

- The foundation board ensures that the foundation's asset management activities meet professional standards. This includes avoiding conflicts of interest.

---

- In addition to general investment principles and the legal and financial framework, the foundation board also takes the foundation's overall impact into consideration.

---

- The investment process comprises three steps. These are defining the investment strategy, implementing the investment strategy, and controlling the investment result. The foundation board follows the investment process and ensures that sufficient consideration is given to the general principles of investment (security, diversification, return, liquidity).

---

**Legal principles**

The law governing foundations does not include any explicit provisions pertaining to asset management for charitable foundations. According to the Swiss Federal Supreme Court, the principles of security, profitability, liquidity, risk diversification and asset preservation must be followed (Federal Court Decision (BGE) 124 III 97).

**Conditions imposed by the founder or associated with contributions**

The founder may stipulate requirements pertaining to asset management, for example by specifying that certain assets may not be sold. The foundation board must comply with such requirements.

This also applies with respect to contributions made once the foundation has been established that are tied to specific conditions concerning their administration.

**Differences in relation to employee benefit foundations**

The investment regulations for employee benefit foundations (Art. 49 ff. BVV 2, SR 831.441.1) can be used as a guide. However, the requirements for charitable foundations can by no means be equated with those for employee benefit foundations. Foundations have a much more flexible structure, and can therefore take greater risks in order to achieve more substantial returns. Unlike employee benefit foundations, these foundations often do not have any long-term obligations. In years when income is low, they can also scale back their support services if they need to preserve their assets. Mission-based investments are another possibility for them.

**The foundation as an operational unit**

Everything that a foundation does forms part of a cohesive whole. Its grant-making activities, asset management and administration combine to produce an overall impact. That is why its asset management activities cannot simply be based on conventional investment principles, such as asset preservation and returns, but must also strive to make an additional impact. This can be done using mission-based and sustainable investments in particular.

**Framework conditions**

The framework conditions for asset management include the size of the assets. Foundations with a small volume of liquid assets have fewer investment opportunities available to them and pay higher bank fees.

A further framework condition is whether the foundation has a regular inflow of funds, or is based on a single endowment of assets.

The foundation board specifies the principles of asset management in an investment regulation.

**Investment process**

Starting with the target returns and the foundation's capacity and appetite for risk, the foundation defines the investment strategy. This should enable the foundation to implement its purpose economically and effectively. The investment strategy is implemented in such a way that the investment targets are achieved with minimal costs, whilst observing the foundation's liquidity requirements.

The investment result is subject to periodic quality and cost controls (investment controlling) based on benchmark indexes. The "Guide to Asset Management for Charitable Foundations" or "Investment Regulations for Charitable Foundations" – both of which are sample templates published by SwissFoundations (available in French and German) may be helpful in this regard.

A foundation's assets do not always consist of manageable assets. They can also include assets, such as company shares, works of art or real estate, that may not be sold and require special administration.

**Relevant assets**

### **Additional considerations for smaller foundations**

Proper asset management is not a privilege reserved for large foundations. Foundations with small liquid assets should also not neglect the investment process. They must also draw up investment regulations.

**Following an investment strategy**

# Recommendation 25

## Investment strategy

**With the investment strategy, the foundation board determines the principles for asset management, and stipulates how the foundation should achieve its target return.**

- The foundation board draws up an investment strategy based on the foundation charter and the foundation purpose in particular, as well as the foundation's financial circumstances.
- It determines target returns based on the foundation's financial requirements, and its capacity and appetite for risk.
- It specifies whether, and if so, how assets should be used to implement the foundation purpose (mission-based investments). It at least ensures that no investments are made that contradict the foundation purpose.
- It aligns the assets in accordance with sustainability and ESG criteria.
- It issues an investment regulation governing the investment strategy, long-term asset allocation, and monitoring of their implementation.
- It carries out regular checks of asset management activities, costs, and compliance with sustainability criteria.

The term “asset strategy” refers to the long-term distribution of assets between different asset classes.

**Basic information  
on the investment  
strategy**

The foundation board specifies a target quota for each asset category (as a percentage of total assets) and a band width within which the quota can fluctuate.

By defining a benchmark index for each asset category and for the total assets, the foundation board enables a comparison with the performance of the financial markets in which it has invested.

The investment strategy determines the potential long-term return and yields, and therefore also a realistic funding budget, and has a great influence on whether or not a foundation’s assets can be maintained in the long term.

The following framework conditions should be clarified before defining an investment strategy, in particular:

**Framework  
conditions**

- investment horizon: the period of time during which the assets are not required,
- risk: for example the willingness to accept fluctuations in value, definition of credit limits (minimum ratings), or exclusion of financial instruments such as derivatives,
- inalienable assets,
- handling of mission-based and sustainable investments,
- reporting and controlling principles.

Firstly, a target return that is to be generated by a foundation’s asset management activities in the long term is defined based on the volume of assets, the target volume of assets (intended build-up or reduction of assets) and the expenditure budget. This must finance

**Determining  
of the investment  
strategy**

- the foundation’s grant-making,
- the administrative expenses,
- the fluctuation reserves,
- the contribution to be continually allocated to the foundation’s assets in order to maintain the foundation’s purchasing power (as a result of inflation).

It is also necessary to consider the foundation’s willingness and capacity to tolerate risks when defining the investment strategy.

The willingness to enter into risks describes the foundation board’s readiness, as a body, to take responsibility for and endure a market-related reduction in the value of the foundation’s assets.

Risk capacity describes a foundation’s ability to tolerate a reduction in the value of its assets resulting from its financial framework

conditions, without having to scale back its activities. The following rule of thumb can be used to estimate a foundation's risk capacity: fluctuations in the foundation's assets may not be so pronounced that the target volume, based on a minimum volume of assets (in accordance with the statutes or target return), is not achieved in the long term.

An investment strategy consists of various investment categories, with different potential returns and risks.

Bonds issued by the federal government, the cantons and also other industrialised nations (government bonds) are considered low risk, albeit not risk-free. Corporate bonds are slightly more risky. There is a risk of incurring losses if they are sold prematurely, or if the issuer becomes less stable. The potential returns from low-risk bonds with good credit ratings are extremely limited.

Those who are able to accept greater risks (i.e. more pronounced fluctuations in the value of their assets) generally also receive more substantial returns. This applies to shares, which generate higher yields over time, but are subject to more pronounced fluctuations in value. It often takes years for losses to be recovered.

Real estate, which is either held directly or through funds, generally make sense as investments for foundations, since they provide regular income. Real estate is often brought in by the founder, either as an asset to generate returns, or in order to fulfil the foundation purpose (for example in the case of a museum). It is important to bear in mind the costs generated by real estate for administration, maintenance and repair, as well as the costs of vacancy (lack of income). Lower yields can be tolerated if the founder or donor has declared a property to be unsellable, or if it can be justified within the context of mission-based investment.

Alternative investments, such as hedge funds, private equity and infrastructure investments, also deliver potentially higher returns in comparison to bonds with good credit ratings. Structured products may be suitable to optimise yields and minimise risks. However, they require a heightened understanding of these investment vehicles.

In all investment categories it is important to avoid risks that are not, or inadequately rewarded on financial markets by higher yields. Examples are insufficient diversification (cluster risks) or currency risks that are not suited to a foundation's needs.

Since prices do not rise or fall simultaneously in all investment categories, skilful diversification can minimise the risk or, with a given risk capacity, maximise the return on investment. The same applies to investments made within a particular investment category. Here too, prices of individual securities do not usually rise and fall synchronously. Spreading investments over many securities therefore reduces the risk, while keeping the potential return the same. Diversification is an important prerequisite for professional investment.

**Diversification**

Foundations have an obligation to maintain the value of their endowed assets if instructed to do so by the founder. For a foundation to maintain the real value of its assets – no matter what its investment strategy – the nominal value of its assets must grow in line with inflation. This means that income amounting to inflation must be added to the assets that are to be preserved. During periods of inflation, the nominal value of a foundation's assets must therefore increase in order to maintain the foundation's wealth and purchasing power.

**Asset preservation and inflation**

Due to fluctuations in the market and high demands on the annual funding volume, it may not always be possible to maintain the value of the foundation assets, and a temporary fall below the minimum asset value must be accepted. To prevent this from happening, value fluctuation reserves can be created in order to cushion asset changes. These reserves can be drawn down to offset losses. As a rule of thumb, foundations with a long-term existence and a constant outflow of funds, should hold a fluctuation reserve amounting to between one third and half of their total investments in order to cover temporary fluctuations in the value of those investments. If shares account for 40% of a foundation's assets, a fluctuation reserve amounting to approximately 13–20% of the foundation's assets should be maintained.

**Value fluctuations and value fluctuation reserves**

If the assets fall below this limit in the longer term, steps must be taken to either reduce grant-giving or attract donations. The possibility of transforming the foundation into an asset-consuming foundation can also be considered.

Founders and donors may stipulate that certain assets contributed by them may not be sold, including companies, real estate, securities, jewellery, works of art, intellectual property rights, etc. Out of principle, such assets may never be included in the investment strategy, even if, from an investment perspective, they constitute cluster risks and violate the diversification requirement. The sale of such assets can

**Unsaleable assets**

(or must) only be considered if the foundation's existence or fulfilment of its purpose are at risk and this only in consultation with or subject to the approval of the foundation supervisory authority and the founder or donor.

#### **Sustainable investments**

Asset management should reinforce the foundation purpose, or at any rate not oppose it. Because of their charitable nature, ethical responsibility, and considerations relating to their reputation, many foundations make sustainable investments. The aim is to avoid the assets generating a negative impact that would be contradict the foundation objectives.

This typically involves conventional bonds, shares, real estate or alternative investments that are selected on the basis of ecological and social criteria, as well as criteria relating to good governance (environmental, social and governance, ESG), in addition to traditional financial criteria.

A foundation may define exclusion or positive criteria for its investments. Typical market returns and risk profiles should not and do not have to be overlooked. Regular screening (review of investments by an independent agency) can be used to monitor compliance with the specifications.

#### **Mission-based investments**

Mission-based investing is a foundation-specific approach to asset management that not only seeks to achieve a positive impact per se, but one that is also in the interests of the foundation purpose. In this case, the foundation usually invests a portion of its assets in a way that directly implements its purpose, while maintaining the invested assets and, if possible, generating a return that is typical for the market.

For example: a foundation whose purpose is to promote education buys a property and leases it to an institution that runs a school in it. Thus, the foundation makes an investment, and generates a return from it. This is the asset management aspect. The support aspect is that the foundation allows a school to be run in its property. The asset is therefore being used to further the foundation purpose. Not only is the foundation purpose supported through the income generated by the asset, but also by the asset itself. This achieves a greater impact with the available resources.

Mission-based investments are often described as a separate investment category in an investment strategy.

In the case of mission-based investments that do not generate a return that is typical for the market, the foundation board must define



how it expects the investment to contribute to fulfilment of the foundation purpose, in order to make up for potential loss of returns in comparison to conventional investments, and therefore justify the relevance of the investment to the foundation purpose. If an asset generates a reduced return or even a loss, the standard that must be applied to the mission-based investment as a grant benefit, that the foundation purpose could not have been implemented more effectively using the lost return or income through other forms of funding.

Today, exercising the voting rights granted by shares is considered “good practice” for institutional investors, and therefore for charitable foundations too. Voting rights are either exercised directly at the general meeting of the respective company’s shareholders (potentially after consulting a voting rights advisor), or by designating a proxy.

The manner in which a foundation chooses to exercise a voting right depends on the size of assets, the resources available, and the number of shares held directly.

The foundation board must also decide whether and how it wants to get involved by exercising its shareholder rights as part of its engagement strategy. Shareholder engagement refers to an approach in which influence is actively exercised over the companies in the portfolio. This is often done by joining an engagement pool. Influence is exercised in order to encourage the companies to adopt more sustainable business practices.

**Exercise of  
shareholder rights  
and shareholder  
engagement**

# Recommendation 26

## **Asset allocation**

**The foundation board specifies who manages which assets, how, and subject to what conditions.**

- The foundation board defines the type of mandate, the form of management, and the number of mandates to be advertised externally, and determines who they are awarded to.  
.....
- It defines investment guidelines for each mandate.  
.....
- As an exception, it only manages assets itself if it has the corresponding expertise. In doing so, it pays particular attention to conflicts of interest.  
.....

The foundation board draws up mandate conditions based on the investment strategy as set out in the investment regulations. Mandates can be structured as follows:

#### **Definition of mandates**

- Assets are distributed between one or more mixed mandates, which combine all asset categories.
- Another approach involves awarding specialised category mandates, such as bonds denominated in Swiss francs, bonds denominated in foreign currencies, Swiss equities, international equities, real estate funds, etc.

The volume of mandates and their complexity influence the costs. The proportion of costs is lower for bigger mandates.

In the case of active management, a portfolio manager chooses the stocks that seem suitable to him/her. He/she implements the foundation's investment strategy on its behalf by selecting and acquiring, or selling, each individual investment.

#### **Active or passive investment**

In the case of passive (indexed) management, a foundation invests in units of a large portfolio (usually a fund). This involves buying the shares included in the index, and the return for the mandate largely corresponds to the index return. Customisation is not usually possible.

Cost, risk and expertise play an important role when deciding between active and passive management. Transparency with respect to costs is required for both forms of investment, in connection with both the purchase and sale of individual equities (commission) and the equities held in funds. Active mandates incur increased costs.

The choice mainly depends on the extent to which the foundation wants and is able to be involved in asset management. Active mandates allow greater flexibility. Asset management can be tailored more specifically to a foundation. This also allows its impact goals to be taken into consideration more. On the other hand, the requirements with respect to the foundation board's procedures and expertise are greater in the case of active management. In the absence of this expertise, passive investments are usually a better option.

For each mandate, the investment guidelines should specify in detail how the assets should be invested, and how an investment's performance and, potentially, its impact, are to be measured. In particular, the investment guidelines should contain information regarding

#### **Investment guidelines**

- liquidity,
- the permitted investment universe (e.g. Swiss equities: Swiss Performance Index investment universe),
- the permissibility of investment instruments such as derivatives, collective investments (funds), etc.,
- the benchmark (the index against which asset performance is compared),
- the minimum credit rating and maturity of bonds,
- the risk parameters, such as the permissible deviation from the benchmark of individual investment weightings, or information on the deviation risk with respect to the benchmark index (tracking error).

In addition to this “technical” information, it is necessary to specify how often and in what manner the portfolio manager is to report.

The investment guidelines should also contain a requirement to make sustainable and potentially mission-based investments, as well as details regarding monitoring of that requirement.

**Standard conditions for mandates**

Asset management is usually outsourced to external asset managers or banks.

A foundation should only manage its own assets in exceptional cases, and if the necessary expertise is guaranteed. Particular attention should be given to conflicts of interest. It is always worth consulting independent experts periodically or on a permanent basis, and making comparisons with the solutions available in the market.

**Additional considerations for smaller foundations**

**Self-administration with limits**

In the case of foundations with a small volume of investable assets, it is reasonable for asset management to be carried out by the foundation board on account of the simplicity of their asset structure. However, smaller foundations should generally prefer passive forms of investment over active asset management. The chosen solution must be compared regularly, in terms of performance and costs, with the solutions that are available on the free market.

**Indirect investment**

In principle a small foundation has fewer options for investing its assets. It is not able to invest as widely, since the investments in individual investment categories would be too small and monitoring would involve too much effort to be cost effective. Indirect or passive investments

(funds) therefore often make more sense for smaller foundations, than investing directly. It is also more difficult for smaller foundations to specify individual sustainability criteria without incurring significant additional costs.

# Recommendation 27

## **Mandate assignment under competitive conditions**

**In order to achieve the best possible results while keeping costs to a minimum, the foundation board selects service providers to implement the investment strategy from several contenders under competitive conditions.**

- Mandates are assigned as part of a submission process based on competition conditions.

---

- The recurring and non-recurring costs of implementing the investment strategy and managing the assets in the long term are made transparent and monitored.

---

- The financial service providers engaged undertake to maintain transparency, to reimburse or rule out retrocessions, and to comply with a most-favoured clause.

---

In order to encourage competition, with mixed mandates in particular, it makes sense to divide up the assets, to assign multiple, identical mandates, and to compare performance. At the end of a given period (three years, say), the portfolio manager with the worst performance is dropped.

Asset management mandates are generally advertised on the basis of competition conditions, which means that bids are obtained from multiple interested parties. An invitation to tender can cover asset management (portfolio management), securities custody (custodian bank) and accounting, and reporting. In the case of larger volumes of assets, the custodian bank function is often advertised separately (central custodian bank, global custodian).

A description of the desired investment strategy and benchmark, including the desired manner of implementation, is sent to the bidding banks and asset managers as the basis for their bids. They must provide details of the benefits and drawbacks of their proposed implementation – with all apparent and hidden, non-recurring and ongoing asset management costs, as well as third-party fees.

A questionnaire can make it easier to compare bids. This contains questions regarding products, the investment process and investment management organisation, as well as the people and teams involved, and all direct and indirect costs. For asset managers, a performance record for past periods provides a reference, but it goes without saying that it cannot be extrapolated into the future, and it should be evaluated in comparison to the pertinent (benchmark) index (relative returns). In addition to the aforementioned factors, consideration should also be given to the quality of support provided to the foundation. The company's stability and experience are also important, as are the stability and experience of the team over multiple cycles.

A decision is made in favour of the provider with the best price-performance ratio.

When implementing the investment strategy, and specifically with regard to issuing the invitation to tender and evaluating the bids, proven and independent experts who are regularly involved in such invitations to tender can assist with the decision-making process, and potentially reduce the costs involved. From time to time, experts can be brought on board to analyse the cost structure and renegotiate excessive costs on behalf of and in consultation with the foundation.

When consulting experts, a cost budget for the fees is to be drawn up and compared with the potential savings. It is worth obtaining a

range of bids for such consulting mandates. In this case as well, the foundation board is still responsible, despite consulting experts.

**Non-recurring and recurring costs**

Restructuring assets, and to a lesser extent initial investment too, incurs substantial apparent and hidden transition costs. When estimating these non-recurring costs, it is important to bear in mind that more successful asset management and lower recurring management or investment costs will pay off in the longer term. New asset managers are also often willing to bear some of the transition costs incurred (such as delivery fees).

**Costs associated with financial products**

The fees for financial products, such as investment funds, derivatives and structured products, should be checked, particularly if they are structured in multiple layers (e.g. fund-of-funds). A second opinion should always be obtained when using such products.

A total cost account should be prepared each year in order to record the absolute costs and match them with their associated services. These also include the costs incurred within financial products. There is usually a total expense ratio (TER) available for most products (such as funds, etc.), which provides a good indication of costs. Transaction costs within financial products, on the other hand, are not usually transparent or included in the TER.

**Retrocessions**

Retrocessions are payments that financial service providers receive from third parties in return for the purchase of their investment products. If the service provider is able to make decisions regarding the purchase of such products in connection with an asset management mandate, this gives rise to a conflict of interests, in which the service provider does not necessarily choose the best product, but rather the one that earns it the most money. According to the Federal Supreme Court (BGE 143 III 348), retrocessions are owed to the customer anyway.

Foundations must therefore insist on full transparency regarding costs and any retrocessions and incorporate the corresponding information into their cost/benefit calculations. This is particularly true if members of the foundation board are involved in asset management.

**Service provider declaration**

The foundation board demands a written declaration from the financial service providers engaged, in which they undertake to maintain transparency, to rule out or reimburse retrocessions, and to comply with a most-favoured customer clause.



- All fees are disclosed.
- All “portfolio fees” and retrocessions, i.e. all payments from third parties in connection with the engagement, are reported and credited to the foundation.
- The same service is not offered to other customers with similar parameters for less, and if it is, justification is required.

### **Additional considerations for smaller foundations**

Smaller foundations often require more support with asset management. But lower returns on assets make the corresponding costs more of a factor. Smaller foundations, in particular, are therefore well-advised to advertise their consulting mandates on the basis of competition conditions regularly, and to repeatedly review existing mandates.

**Periodically advertise consulting mandates**

Smaller foundations must make sure that support is provided by a financial services provider that understands the foundation’s needs and background (and talks in clear terms), and also takes the time to deal with the foundation’s affairs. Discount solutions, or support from a large asset manager’s institutional customers’ department, do not always meet these criteria, since they often view foundations as their smallest and least lucrative customers.

**Choose financial service providers with care**

Smaller foundations in particular should check on the basis of ongoing comparisons within the foundations sector whether the manner in which they manage their assets is cost effective. This applies to all services, i.e. involvement of individual foundation board members, banks, asset managers and experts.

**Comparison with the rest of the sector**

# Recommendation 28

## Monitoring of asset management

**The foundation board regularly assesses whether the results of the foundation's asset management activities are adequate, and whether the investment strategy is suited to the foundation's objectives.**

- A foundation's investment strategy and compliance with ESG criteria are assessed annually.
- The investment results are monitored at least twice a year.
- The investment strategy and results review findings are documented.

The investment strategy's appropriateness should be assessed every year because it has a significant influence on the return generated and the level of risk.

**Reviewing  
the investment  
strategy**

Furthermore, a review should take place whenever there is a significant change in the foundation's needs, such as a substantial increase in the annual volume of funding grants, major events on the capital markets, such as sharp rises or falls in share prices, or other unusual occurrences. However, a foundation should only change direction immediately if there is a fundamental change in conditions. Repeated or abrupt changes, such as the panicked, large-scale sale of shares in a crisis, can lead to unsatisfactory investment results.

The following questions are key:

- Does the investment strategy suit the foundation's objectives (for example with respect to its target return, mission-based investments, or sustainable investments)?
- Are the expected long-term returns on investment and the chosen investment strategy sufficient to cover the intended annual grant-making and administrative expenditure, to build up fluctuation reserves, and to maintain the purchasing power of the foundation's assets?
- Does the foundation have the risk capacity, and the foundation board the risk appetite, to maintain the chosen investment strategy, even in the event of a crisis?
- Is action needed with regard to the investment strategy, annual outlay, or the asset target? If so, do the asset manager mandates need to be adjusted?

The results of the review are documented in writing for the information of every member of the foundation board, as well as for long-term documentation.

The investment results are typically reviewed every quarter or every six months, and the findings are submitted to the foundation board for discussion. A distinction is to be made between the performance of total assets (strategic controlling) and the performance of individual asset managers (mandate controlling).

**Reviewing  
investment results**

Questions regarding the performance of the total foundation assets:

- Did the foundation's total assets achieve the same return as the strategic benchmark index?
- What are the reasons for any deviations?
- Is action needed with regard to the mandate structure (number

**Strategic  
controlling**

- and type of mandates), or investment management organisation?
- Was the asset purchasing power maintained (if required)? If not, what measures are required to reach the desired volume of assets (such as reduced spending, adjusting the investment strategy)?
- How does the foundation's asset management contribute to its overall impact?

#### **Mandate controlling**

Questions regarding the performance of individual asset managers:

- Have the asset managers matched (indexed mandate) or exceeded (active mandate) the specified benchmark index return?
- What are the reasons for a possible deviation from the benchmark index?
- Have the mandated asset managers observed the agreed investment guidelines?
- Are the costs of asset management known, and appropriate? Are there any indications of hidden costs (for example in the case of investment funds)?
- Have the asset managers applied ESG criteria? Are these criteria consistent with the mandate?
- If part of the mandate: have the asset managers made mission-based investments?
- Have the asset managers satisfactorily fulfilled their mandate, or is it necessary to amend the contractual requirements, or re-tender the mandate?

Furthermore, it should be assessed whether the contractual requirements for the asset managers match the investment strategy and regulations, and whether there are any grounds for changing these requirements.

#### **Evaluating the investment results**

It is only possible to make a fair assessment of whether an actively managed mandate has achieved its target (beating the benchmark index) after an investment cycle of between three and five years. Index-linked mandates, on the other hand, should achieve their target (matching the benchmark return after costs) each month.

The degree to which an asset manager has achieved his/her target can only be measured in relation to the benchmark index. He/she cannot be held responsible for (positive or negative) developments that are outside his/her control.

Evaluation of investments includes direct investments in real estate (investment properties). These are usually revalued every three years. Thanks to this regular revaluation, the return they generate (net

income and changes in value) can also be measured against a benchmark index.

To ensure an open discussion, it is advisable to discuss the investment result in the asset manager's absence. If the investment targets were not met, an asset manager may be invited to a separate meeting to discuss their performance. Mandates can generally be terminated with immediate effect.

In the case of large foundations, the foundation board discusses investment-related matters more frequently as an agenda item, or appoints an investment committee whose members have investment or commercial expertise. The tasks of such a committee include assessing the investment results in advance and regulating specific issues.

**Investment committee or consultation of external experts**

If there are not enough specialists on the foundation board, it may engage an external investment expert to provide an independent evaluation of the investment results. Of course, this expert may not simultaneously be active for the foundation as an asset manager, and the mandate must be tendered on the basis of competition conditions.

If a foundation stipulates certain ESG criteria for its asset managers, compliance with these criteria must be monitored. This can mainly be done by the managers themselves, who prepare corresponding reports. This will be the case if ESG-compliant managers and/or funds are deliberately chosen. A regular review can also be carried out by an external rating agency, although this incurs additional costs.

**Monitoring compliance with ESG criteria**



# Annex

# Phenomenology of the Swiss foundations landscape

The Swiss foundations landscape is not as homogenous and oversea-able as the use of “foundation” as a term and legal structure might suggest. It features different types of foundations with very different structures and is a rich biotope with a colourful diversity of constantly changing species. The terminology used is correspondingly diverse. New terms are constantly finding their way into the foundations-related lexicon. Some terms are only used in German-speaking Switzerland, some only in our neighbouring German-speaking countries, and some only in the English-speaking world.

The following section does not just cover the legal terminology used in Swiss legislation. Instead, it also seeks to record and explain the terms that are commonly used in practice. The resulting aim is to provide a useful instrument for the implementation of the Swiss Foundation Code.

The individual terms each express different concepts, so there may be some overlap between them. It usually takes several terms to describe a foundation in a way that expresses its essence and how it operates. Each term can therefore usually only be used in a particular context.

The different forms that foundations can take are always changing, with new forms constantly emerging. The following is an attempt at an overview. It is divided into “Fundamental Questions” and a “Foundations Matrix”. This offers two different approaches to clarifying the terms used to describe the Swiss foundations landscape.

## **Fundamental Questions**

### *What is common public interest?*

Common public interest is not a concept used in foundation law, but rather in tax law. Provided all of the other conditions are met, charitable foundations are tax-exempt, because their purpose produces a general, public benefit and they are serving the common good.



According to the 2020 Swiss Foundations Report, more than 13,000 of approximately 17,000 Swiss foundations entered in the commercial register have charitable status.

Non-charitable foundations take a very wide variety of forms. Although they may provide social and cultural services, they do not enjoy any tax privileges because their payments only benefit a limited group of beneficiaries. The most well-known types of non-charitable foundation are the pension funds and employee benefit foundations, family foundations, and church foundations.

However, the granting of charitable status to a foundation by the tax authorities does not conclusively resolve the questions of who exactly enjoys what benefits. There may be some crossover between charitable status and private benefit, particularly in the case of foundations that suffer from latent conflicts of interest due to staffing of their leadership bodies, or due to systemic links with a company that dominates the foundation, for example. Even if this kind of foundation constitutes an independent entity de jure, on a de facto basis it is dependent on the interests of other natural persons or legal entities. If a foundation is dependent for practical purposes (which is often the case for foundations established by companies (corporate foundations) and always the case for bank clients' foundations), this may have ramifications for its charitable status.

### *How are charitable foundations financed?*

There is a fundamental distinction between grant-making foundations with their own assets and fundraising foundations. However, the variations between these two forms are becoming more numerous. Types of income can be divided into a number of fundamental categories, although mixed forms are usually encountered in practice.

- Investment income: Dividends, interest and other income, such as capital gains, generated as a result of asset management activities.
- Donations and other contributions: In addition to classical donations, which are solicited through fundraising, this category also includes other occasional contributions, such as legacies or financial endowments.
- Commercial activities: charitable foundations can also provide services or generate income by some other means, for example by marketing of products or rights.
- Systematic or unsystematic allocation of funds: corporate foundations in particular are systematically allocated funds by the com-

panies that established them. Corporate foundations are usually embedded in the founding company in terms of their personnel, administration, organisation and/or operations/strategy. Donation-funded foundations, which are endowed by third parties rather than primarily or exclusively by the founder, are a special case.

### *What is the role of the regulatory authorities?*

Charitable foundations are supervised by the state. The legislator created the foundation supervisory authority to counter the absence of owners' interests and controls. Foundations may be supervised at municipal, cantonal or federal levels. The criterium for the allocation is the geographical sphere of a foundation's activities. Municipal supervisory boards regulate local foundations that operate at municipal level. This is a regulatory model that is in decline, however. The cantonal supervisory boards, many of which have combined to form concordats covering multiple cantons, regulate foundations that operate at cantonal and regional levels. Finally, the Swiss Federal Supervisory Board is responsible for foundations that operate nationally and internationally, and currently supervises around 4,500 charitable foundations.

Every year, the supervisory boards review the foundations' financial reports, their auditor's reports, and their compliance with legal provisions. They also offer advice to foundations and founders on request, if they are able to.

### *How autonomous and independent is a charitable foundation?*

It is necessary to draw a distinction between legal autonomy and operational independence in this respect. An autonomous foundation is its own legal entity, and therefore enjoys legal autonomy. However, corporate foundations in particular always have links to the interests of the company that usually also allocate funds to them as well. In this case, the question of actual independence repeatedly arises. If a corporate foundation is dominated by corporate interests, commercially it is like a department or marketing vehicle for the company. In the case of bank clients' foundations, the bank's objective business interests (maximising investment costs, maximising assets by minimising grant benefits) conflict with the objective interests of the foundation (minimising investment costs, maximising grant benefits).

However, conflicts of interest can also arise in the relationship between the founder and the foundation, for example if the founder

or his/her descendants want to dominate the foundation (for generations), and attempt to use it for their own interests.

In addition to legally autonomous foundations, there are also legally dependent foundations, for example in the form of endowment funds (foundation funds) in umbrella foundations. In this case there is also a fundamental difference between legal status and operational dependency. Even if a foundation fund is not autonomous for legal purposes, it can be set up using clear regulations in such a way that it operates independently of third parties. Only an independent umbrella foundation that is not structurally affected by the conflicts of interest mentioned above allows an endowment fund to perform and operate largely autonomously as a dependent foundation.

Since “foundation” is not a protected legal term, dependent foundations can also call themselves a “foundation” provided this does not cause confusion in the market. As a “foundation within a foundation”, a legally dependent but operationally independent “endowment fund” is a cost-efficient and effective philanthropic alternative.

### *How do charitable foundations implement their purpose?*

There are different ways in which charitable foundations can implement their purpose. The boundaries are fluid, and the underlying models for implementation overlap and complement each other. Many foundations apply more than one model at the same time as part of their grant strategy.

The traditional grant-making model is one of committing funds, in which a foundation exclusively responds to applications that are submitted by third parties. That is why the term “grant-making foundation” was used to refer to this type of foundation.

An entirely entrepreneurial support model is practised by an operational foundation, which holds full responsibility for its own projects and programmes. This type includes the direct support foundation in its charitable form, whose purpose is, for example, to run a social or cultural institution (residential care home, hospital, museum, etc.), and does not pay out any grants. There are a lot of mixed forms between these extremes of an entirely passive and an entirely active foundation model. In the middle is the programmatic foundation, which defines fields of activity or a focus of grant-giving, initiates ongoing or periodic invitations to tender, and also runs some projects under its own responsibility.

### *Where can charitable foundations operate?*

Provided the provisions of the foundation charter are observed, foundations may operate both within and outside Switzerland. In the case of tax-exempt foundations, it is necessary to take the practice of the cantonal tax authorities into consideration. If a foundation is involved in development partnerships, for example, it can use all available funds in other countries. In the case of other purposes, however, some tax authorities will not allow tax-exempt foundations to award grants exclusively in other countries.

### *Are charitable foundations set up in perpetuity?*

Charitable foundations are traditionally set up for an indefinite period. In such cases there must be compelling reasons to dissolve the foundation. The dissolution is ordered by the foundation supervisory authority (at the request of the foundation board).

However, the founder may stipulate in the foundation charter that in addition to using the income generated by the foundation's assets, the foundation board may or even must use the assets themselves to implement the foundation purpose ("asset-consuming foundation"). Once the assets have been used up, the foundation is usually no longer able to achieve its purpose, which generally results in its liquidation.

The founder can also specify in the foundation charter that the foundation should only exist for a set period of time ("limited term foundation"). This is a possibility that is becoming increasingly popular.

## **Foundations' matrix**

The following matrix is set out as a “form” with check boxes. It can be used to make a foundation aware of its own profile. This kind of self-evaluation can offer various ideas for opportunities to change, particularly when it comes to the dynamic, distinguishing features that are not established in law.

The morphological/typological approach facilitates an overview of the different types and forms of foundations by setting out the distinguishing criteria with their characteristic features.

While the distinguishing criteria established in law generally do not change, which means that there is little flexibility in this respect, the characteristic features can overlap, evolve, change and combine, which is shown by the broken separating lines.

Terms in italics are explained in the foundation glossary.

## 1. Distinguishing features that are anchored in law

<b>Type of foundation</b>	<input type="checkbox"/> Tax-exempt = <i>charitable foundation</i>	<input type="checkbox"/> Not tax-exempt = <i>private-benefit foundation</i> or <i>non-charitable foundation</i> that does not meet all of the criteria for tax-exemption		
	<input type="checkbox"/> <i>Grant-making foundation</i> <input type="checkbox"/> <i>Donation-funded foundation</i> <input type="checkbox"/> <i>Umbrella foundation</i> <input type="checkbox"/> <i>Corporate foundation</i> <input type="checkbox"/> <i>Bank clients' foundation</i>	<input type="checkbox"/> <i>Employee benefit foundation</i> <input type="checkbox"/> <i>Company foundation</i> <input type="checkbox"/> <i>Direct support foundation</i> <input type="checkbox"/> <i>Company-holding foundation</i> <input type="checkbox"/> <i>Family foundation</i> <input type="checkbox"/> <i>Church foundation</i> <input type="checkbox"/> <i>Crypto foundation</i>		
<b>Legal structure</b>				
<b>Founder</b>	<input type="checkbox"/> Natural person: Swiss or foreign "private individual(s)"	<input type="checkbox"/> Legal entity <input type="checkbox"/> Company <input type="checkbox"/> Association <input type="checkbox"/> Public sector		
<b>Foundation</b>	<input type="checkbox"/> <i>Private foundation</i> <input type="checkbox"/> <i>Charitable</i> <input type="checkbox"/> " <i>traditional</i> " foundation established by (a) private individual(s) <input type="checkbox"/> <i>Corporate foundation</i> <input type="checkbox"/> <i>For private-benefit or non-charitable</i>	<input type="checkbox"/> <i>Public-law foundation</i> : Charitable foundation established in law and founded and endowed by the public sector, e.g. Pro Helvetia		
<b>Autonomous status</b>	<input type="checkbox"/> Legally autonomous foundation <input type="checkbox"/> Stand-alone foundation <input type="checkbox"/> <i>Umbrella foundation</i>	<input type="checkbox"/> <i>Legally dependent foundation: endowment funds</i> within an <i>umbrella foundation</i> or <i>foundation fund</i>		
<b>Legal basis for establishment</b>	<input type="checkbox"/> <i>Private foundation</i>	<input type="checkbox"/> <i>Dependent foundation</i> or <i>foundation fund</i> within an <i>umbrella foundation</i>	<input type="checkbox"/> <i>Public-law foundation</i>	
	<input type="checkbox"/> Charter	<input type="checkbox"/> Contract	<input type="checkbox"/> Legislation	
<b>Foundation supervisory authority</b>	<input type="checkbox"/> Municipal: at district or municipal level	<input type="checkbox"/> Cantonal: at cantonal or multi-regional level	<input type="checkbox"/> National: at federal or national/international level	
<b>Scope of impact</b>	<input type="checkbox"/> Local	<input type="checkbox"/> Regional	<input type="checkbox"/> National	<input type="checkbox"/> International

## 2. Distinguishing features that are not established in law

<b>De facto autonomy and charitable status</b>	<input type="checkbox"/> Maximum					<input type="checkbox"/> Minimum				
	Consistent avoidance of conflicts of interest: <input type="checkbox"/> Application of guidelines (for example regarding the foundation board's composition and succession regulations) <input type="checkbox"/> Systematic checks and balances					Conflicts of interest with potential exercise of influence: <input type="checkbox"/> <i>Founders</i> or their descendants <input type="checkbox"/> Government institutions, authorities (political links) <input type="checkbox"/> <i>Beneficiaries</i> who are represented on the foundation board <input type="checkbox"/> An asset-managing bank that sits on the foundation board <input type="checkbox"/> Companies to which the foundation has close links ( <i>corporate foundation, bank foundation</i> )				
<b>Scale</b>	10	9	8	7	6	5	4	3	2	1
<b>Origin of funds</b>	<input type="checkbox"/> The foundation's own assets					<input type="checkbox"/> Assets acquired from a third party/externally				
	<input type="checkbox"/> Founding assets <input type="checkbox"/> Income from asset management					<input type="checkbox"/> <i>Financial endowments</i> , contributions, donations, legacies <input type="checkbox"/> Fundraising <input type="checkbox"/> Commercial income from the sale of services, rights and products <input type="checkbox"/> Commercial income from systematic, entrepreneurial activity <input type="checkbox"/> Systematic inflows from outside the foundation (private individuals, companies, government sources)				
<b>Methodology</b>	<input type="checkbox"/> Fund-committing foundation: ... %			<input type="checkbox"/> Programmatic foundation: ... %			<input type="checkbox"/> Operational foundation: ... %			
							<input type="checkbox"/> Direct support foundation			
<b>Duration</b>	<input type="checkbox"/> Indefinite = <i>asset-preserving foundation</i>					<input type="checkbox"/> Limited				
	<input type="checkbox"/> Preservation of wealth prescribed by law: <input type="checkbox"/> The foundation is funded entirely by returns on assets <input type="checkbox"/> Consumption of assets prohibited or not provided for in the foundation charter <input type="checkbox"/> Preservation of wealth <input type="checkbox"/> The foundation's assets may only be touched in an emergency and/or temporarily					<input type="checkbox"/> <i>Asset-consuming foundation</i> that may also use its assets for its grant activities <input type="checkbox"/> <i>Asset-consuming foundation</i> that is required to use its assets for its grant activities <input type="checkbox"/> <i>Limited term foundation</i> : The founder has limited the duration of the foundation in the foundation charter <input type="checkbox"/> <i>Endowment funds</i> within an <i>umbrella foundation</i>				

# Creation and development of the Swiss Foundation Code

## First edition in 2005

Authors: *Philipp Egger, Karl Hofstetter, Thomas Sprecher*

The need to document best practices for the Swiss foundations sector was first addressed at the SwissFoundations' 2003 annual conference. It soon became clear that it would not be possible to simply apply a code of conduct from the corporate sector to the foundations sector. Existing regulations from the non-profit sector also proved impossible to apply to foundations without amendment. Foundations vary so much with respect to their situation and methodology that any rules applying to all types of foundation would necessarily be arbitrary and ineffective.<sup>3</sup>

In 2004, SwissFoundations commissioned a working group to develop a code containing practical recommendations for establishment and management of Swiss foundations. A broad consultation of foundations, supervisory authorities, universities, organisations and companies regarding the first draft was carried out in the spring of 2005. They welcomed the general direction. Suggestions were made regarding the degree of detail, the function of executive management and the issue of the remuneration paid to foundation board members in particular. The Swiss Foundation Code was published in autumn 2005 as a concise, trilingual document containing 3 principles and 22 recommendations. It quickly went out of print and the slim volume had to be reprinted on account of the strong interest in what was the first detailed code of conduct for foundations in Europe.

**3** Please refer to the foundation phenomenology section, 176 ff.



## **Second edition in 2009**

Authors: *Philipp Egger, Martin Janssen, Thomas Sprecher*

Even while work on the first edition was still ongoing, there were plans to add commentaries to the Swiss Foundation Code at a later date, in order to provide substantiating and practical explanations for the principles and recommendations. The commentaries, including marginal notes, were developed in 2007 and 2008. They indicate alternative courses of action for specific situations, issues and problems. Like the code itself, they were primarily aimed at founders, foundation boards, and other people working for foundations. The code and its commentaries later proved inspirational for the legal practice of supervisory, tax and court authorities.

The code was assessed and amended in places as part of work on developing the commentaries, and 26 recommendations were added. A targeted consultation generated numerous suggestions in the case of the second edition too. The recommendations, particularly in the field of finances, were added to and made more specific. Within the recommendations, the principle of “transparency” was also elaborated upon with respect to the requirements for a foundation’s communications, and exemplified in the corresponding commentaries. The existing structure was kept. A thematic introduction was added to each of the four sections in order to highlight the central requirements in each case.

The second edition of the Swiss Foundation Code was made available on the SwissFoundations website in German, French and English.

## **Third edition in 2015**

Authors: *Philipp Egger, Georg von Schnurbein, Thomas Sprecher*

The Swiss Foundation Code was reviewed and completely revised in 2014 and 2015. The editorial team’s work was preceded by numerous hearings with experts, as well as representatives of foundations and authorities, and a consultation was also carried out with respect to the revision. Some elements had proved to be unnecessary since the second edition was published, while others were shown in practice to require a greater level of detail. The financial section in particular was (once

again) completely revised and expanded in light of developments in the preceding years.

The third edition attached great value to the idea that asset management is a key aspect of a foundation's activities and is just as important as its grant-making activities. The recommendation regarding the origin of a foundation's assets was added. The Swiss Foundation Code argued more clearly than before for mission-based and sustainable investments (which are not to be confused). Foundations cannot afford to view with indifference the question of how the funds that they use in their grant-making activities were and are being generated. Other areas of focus were the asset management process, definition of the investment strategy, allocation of assets and investment management organisation. It was emphasised that asset management is conducted on a competitive basis.

#### **Fourth edition in 2021**

Authors: *Philipp Egger, Georg von Schnurbein, Thomas Sprecher*

The Swiss Foundation Code has once again been completely reviewed for its fourth edition.

Once again, a working group headed by Lukas von Orelli supported the team of authors with regard to the area of asset management. Further hearings were held with foundation experts and supervisory representatives – in total four in Zurich, Geneva and Basel. The revised text was finally sent out again for consultation.

The editorial team were careful that the Code did not become too bloated in size. A fourth principle was added to the existing three-but, recommendation 29 was eliminated and integrated into other recommendations. Furthermore, there were numerous cuts, deletions and linguistic sharpening.

The following people were involved in the creation of the fourth edition – as authors, members of the finance working group, participants in the hearings, as contributors to the consultation process and in the project management by SwissFoundations:

Cyrl **Alther**: Geschäftsführer und Präsident, sahee foundation  
.....  
Monique **Bär**: Präsidentin, arcas foundation  
.....  
Pio **Baltisberger**: Leiter Abteilung Finanzen, Christoph Merian Stiftung  
.....  
Ute **Bölle**: Juristische Sekretärin, Kantonales Steueramt Zürich  
.....  
Delphine **Bottge**: Attorney at Law and Founding Partner, Purpose Lawyers  
.....  
Nicolas **Bracher**: Dr. iur. LL.M. Rechtsanwalt; Geschäftsführer,  
Béatrice Ederer-Weber Stiftung  
.....  
Evelyn S. **Braun**: Stiftungsrätin, Fondation des Fondateurs  
.....  
Hans **Brunhart**: Gründungsmitglied, Vereinigung liechtensteinischer gemeinnütziger  
stiftungen und trusts (VLGST)  
.....  
Paul **Castle**: Head of Communications, Syngenta Stiftung für nachhaltige  
Landwirtschaft  
.....  
Thomas **Dietschweiler**: Präsident, Ria & Arthur Dietschweiler Stiftung  
.....  
Beate **Eckhardt**: Geschäftsführerin Eckhardt consulting  
.....  
Markus **Fivian**: Head of Finance, NSF Services Trust reg.  
.....  
Claire **Galloni d'Istria**: PhD, Directrice, Fondation Salvia  
.....  
François **Geinoz**: Präsident, proFonds  
.....  
Laetitia **Gill**: Directrice Executive, Centre en philanthropie de l'Université de Genève  
.....  
Katharina **Guggi**: Kommunikation & Digitale Strategie, SwissFoundations  
.....  
Jasmin **Guggisberg**: Junior Projekt Managerin, SwissFoundations  
.....  
Janine **Händel**: Geschäftsführerin, Roger Federer Foundation  
.....  
Mohamed **Handous** : Juriste, Autorité cantonale de surveillance des fondations et  
des institutions de prévoyance, Canton de Genève  
.....  
Hans Rainer **Künzle**: Prof. Dr. oec. Rechtsanwalt; Stiftungsratspräsident, Green  
Leaves Education Foundation  
.....  
Thorsten **Kleibold**: Dr.; Mitglied der Geschäftsleitung, Expertenverband für  
Wirtschaftsprüfung, Steuern und Treuhand (EXPERTsuisse AG)  
.....  
Ivo **Knöpfel**: Dr. Sc. Techn.; Direktor, Terra 21 Foundation  
.....  
Julia **Maier**: Geschäftsführerin, Thomi-Hopf-Stiftung  
.....  
Claude **Monnet**: Président, Fondation Jean-Jacques et Felicia Lopez-Loreta pour  
l'Excellence Académique  
.....  
Daniela **Mühlenberg-Schmitz**: Prof. Dr.; Forschungsfeldleiterin Innovation &  
Accounting/Auditing, Fernfachhochschule Schweiz (FFHS)  
.....

Guido **Münzel**: Geschäftsleiter, Stanley Thomas Johnson Stiftung

---

Andreas **Müller**: Dr.; Inhaber und Geschäftsführer, Stiftungspraxis GmbH

---

Luzius **Neubert**: Dr. oec. publ.; Partner, investment consulting & investment controlling, PPCmetrics AG

---

Vincent **Pfammatter**: Avocat, associé, sigma legal

---

Loïc **Pfister**: Dr. iur.; Avocat, associé, LPPV avocats

---

Caroline **Piraud**: Philanthropy Advisor, Julius Bär Stiftung

---

Silvester **Popescu-Willigmann**: Publizist und Dozent

---

Judith **Safford**: Dr. rer. pol.; Patient expert and advocate; Consultant; Fundraiser

---

Urs **Schnell**: Geschäftsführer, FONDATION SUISA

---

Benno **Schubiger**: Dr. phil.; Gründer und Partner, SCHUBIGER arts'n'funds

---

Karin **Schuhmacher**: Chief Operating Officer, Fondation Botnar

---

Simon **Sommer**: Co-CEO, Jacobs Foundation

---

Stefan **Sonderegger**: Prof. Dr.; Präsident, Steinegg Stiftung

---

Bettina **Stefanini**: Stiftungsratspräsidentin, Stiftung für Kunst, Kultur und Geschichte

---

Kristian **Tersar**: Dr.; Executive Director, Osteology Foundation

---

Roger **Tinner**: Geschäftsführer, Swissfundraising

---

Pascale **Vonmont**: Dr.; Geschäftsführerin, Gebert Rüt Stiftung

---

Lukas **von Orelli**: Dr.; Geschäftsführer, Velux Stiftung; Präsident SwissFoundations

---

Barbara **von Werra**: Geschäftsführerin, Walder Stiftung

---

Monika **Wirth**: Geschäftsführerin, Sophie und Karl Binding Stiftung

---

Julie **Wynne**: Attorney at Law; Partner at FRORIEP Swiss Lawyers

---

Stephan **Zacke**: Geschäftsführer, Avina Stiftung Stephan Schmidheiny

---

Wendelin **Zellmayer**: Foundations Director and CEO, Rising Tide GmbH

---

Daniel **Zöbeli**: Prof. Dr.; Direktor Forschung und Leiter des Instituts für Management und Innovation, Fernfachhochschule Schweiz (FFHS)

---

# Reception of the Swiss Foundation Code<sup>4</sup>

The Swiss Foundation Code was published in 2005, and it was first revised (with the addition of commentaries) in 2009. Following an updated “third edition” in 2015, it is now available as an improved version for 2021. Reception of the Swiss Foundation Code to date (i.e. its acceptance into science and practice) has been investigated by legal academics Professor Dr Dominique Jakob and Matthias Uhl in an extensive study. A summary of that study’s results is provided here.

The Swiss Foundation Code is now considered Switzerland’s main non-profit governance code, and is a self-regulation tool that is both established and internationally renowned. Its main focus is on grant-making foundations, and it attempts to provide decision-making support to those responsible for them, and to encourage “good foundation governance”. With respect to the institutional regulatory framework, it is based on best practice and therefore voluntary self-regulation by those in the sector. Its “recommendations” focus on the areas of establishment, leadership, funding and finances, and also constitute a systematically ordered collection with respect to transparency, a balance of powers, and effectiveness. The code therefore aims to standardise non-profit governance in the form of proven patterns of conduct among those involved in foundations (primarily the foundation board), however it would like to be seen more as a confidence-building measure than a set of rules that must be strictly followed, or a rigid set of instructions. In other words, while the code and its commentaries operate on the basis of applicable law, they are to be viewed more as interdisciplinary than as strict legal instruments. The code does not therefore have the quality of law. But in certain cases, where the law is incomplete, it can fulfil a complementary function, since its recommendations represent the distilled experience of good governance and therefore offer some guidance for the obligations of those involved in the foundations sector.

**4** Dominique Jakob/Matthias Uhl, *Der Swiss Foundation Code und seine bisherige Rezeption im Stiftungswesen*, AJP/PJA 2/2015, p. 279 – 292. The article is based on the version printed in the 2015 Swiss Foundation Code, and was updated for the 2021 Swiss Foundation Code.

Experience has shown that the Swiss Foundation Code's advisory nature satisfies the sector's widespread need for freedom in the way it organises itself, while also offering its key decision makers a useful guide to modern foundation governance. As a complement to the legal and dogmatic provisions of foundations law, compliance with the Swiss Foundation Code therefore leads to the compliant, yet practical and flexible organisation of a foundation's management and foundation governance.

And analysis shows that the code has been "accepted" into the foundation sector's practices. A published decision from Zurich supervisory practice shows that the code is not taken to be of decisive importance as a matter of course. However, it is clear that its recommendations are taken seriously as a basis for argumentation. This is also reflected in case law. In its past rulings, the Swiss Federal Administrative Court has referred to the Swiss Foundation Code multiple times as a reference for certain comments regarding procedure for establishing a foundation (recommendation 1). This shows that the code now serves as an important reference for the court, and has in this respect already achieved equivalence with legal commentary and therefore with the rest of the academic literature. In cantonal case law a decision stands out, in which a ruling issued by the Geneva Cantonal Court of Appeal in 2018 uses the definitions of the 2015 Swiss Foundation Code to determine the foundation board's responsibility for management of the foundation's assets and the corresponding standards. With respect to the courts of other countries, in a ruling from 2009 Liechtenstein's Supreme Court discussed the code and declared that the foundation board of a Liechtenstein foundation must take recommendation 11 of the Swiss Foundation Code into consideration in the event of any conflicts of interest – a remarkable ruling that was welcomed by various authors and confirmed by the Constitutional Court. In 2016 the Supreme Court again referred to recommendation 11 in order to determine the criteria for a conflict of interest.

Finally, it should be noted that the code has also played a role in parliamentary initiatives. The Federal Council made reference to recommendation 7 of the Swiss Foundation Code in connection with the interpellation "The status of foundation board members" (12.4063): with respect to the hotly debated topic of the remuneration paid to foundation board members, the Federal Council echoed the Swiss Foundation Code by stating that, depending on the circumstances, "paid professionalism" may be preferable to "honorary laymanship". And in its rejection of the Luginbühl motion (09.3344) to "Increasing

the attractiveness of Switzerland for foundations”, the Federal Council stated in its report dated 27 February 2013 that, instead of legal measures, the “improvement of corporate governance” should “primarily be left to the self-regulation efforts of the interested parties (such as the 2009 Swiss Foundation Code)”. The parliamentary initiative “Swiss foundation location. Strengthening” (14.470) also refers to the Swiss Foundation Code in order to justify the need for appropriate remuneration to competent members of bodies.

The code met with an extraordinarily broad positive reception in the literature. Publications can be systematically divided into four categories. The first category consists of articles that deal primarily with the code. The second comprises publications in which the code itself and/or its individual recommendations are placed in the overall context of the governance debate. In the third category, there are numerous examples of essays in which the code is referred to in a specific (legal or economic) academic context. There is a veritable wealth of publications in the fourth category, in which reference is made to the existence of the Swiss Foundation Code and its importance with respect to the subject of self-regulation, albeit without discussing its content or impact in any detail. On the whole, it is apparent that the code is useful in a variety of ways for academic work, not least in order to develop specific, practical recommendations. This brings us full circle, so generally speaking, it should be apparent that within (legal) academic discussions, the code offers illustrative material that is both practical and academic, and serves as a strong source of legitimacy.

Finally, the code is often widely consulted as a decision-making aid for foundations’ daily activities. It should be noted that this is currently done on a relatively “selective” basis, i.e. with respect to individual recommendations. Nevertheless, some foundations are going so far as to incorporate the Swiss Foundation Code into their statutes – which admittedly must be done in accordance with the processes and forms permitted by law.

From an overall perspective, there are three key levels at which the code is mainly referenced, and accepted as a guiding influence, within the sector. The first aspect relates to recommendation 7, which considers the remuneration paid to foundation board members. At a second level, the discussion revolves around recommendation 11, which looks at regulation of conflicts of interest. The focus of the third level is on recommendation 21 regarding a foundation’s investment strategy – a topic that is set to become increasingly important, not least because modern forms of support, such as venture philanthropy, im-

pact investments, mission-based investments, or sustainable and responsible investments, have become more widespread in the foundations sector.

Generally speaking, the reception of the Swiss Foundation Code at different levels (and also occasional criticism of the code or its individual regulations) shows that it has already become a sort of academic and practical benchmark. The concept behind it can be seen as an important, pioneering achievement in the development of foundation governance in Switzerland, as well as other codes, both in Switzerland and in other countries. Thus, fifteen years after its first publication, the code can therefore be said to have become a key reference for various actors in the non-profit sector, and is making a valuable contribution to promoting good governance in the foundations sector.



# An international comparison of foundation governance codes

Switzerland is not the only country in which efforts are underway to improve foundation governance. Internationally, as well, many organisations have already issued corresponding codes. The table below shows a selection of them, but makes no claim to be exhaustive.

The first column shows the region or country, and the second the name of the organisation responsible for issuing the code in question, plus the year in which it was founded (in brackets). Finally, the third column shows the name of the code and the year in which its most recent version was published, provides some information on structure and scope, and gives the address of a website where more information can be obtained. The number of pages in each case refers to the code's core. Title pages, table of contents, glossary, etc. are not included.

## **Example from the “transnational” section**

The European Foundation Centre was founded in 1989. The Centre issued the “EFC Principles of Good Practice”. The current version is from 2014. The code consists of four principles, each with a series of “fundamentals” and “recommendations”. It is six pages long and can be downloaded from [www.efc.be](http://www.efc.be).

## Transnational

<b>Africa</b>	East Africa Association of Grantmakers (2003)	<b>Code of Ethics</b> , 11 guidelines, 1 page <a href="http://www.eaag.org">www.eaag.org</a>
<b>Asia</b>	Asia Pacific Philanthropy Consortium	<a href="http://www.asiapacificphilanthropy.org">www.asiapacificphilanthropy.org</a>
<b>Europe</b>	European Foundation Centre EFC (1989)	<b>EFC Principles of Good Practice</b> (2014), 4 principles, each with fundamentals and recommendations, 6 pages <a href="http://www.efc.be">www.efc.be</a>
	Donors and Foundations Networks in Europe DAFNE (2006)	<a href="http://www.dafne-online.eu">www.dafne-online.eu</a>
<b>Worldwide</b>	Worldwide Initiatives for Grantmaker Support WINGS (2000)	<a href="http://www.wingsweb.org">www.wingsweb.org</a>

## Europe

<b>Austria</b>	Verband Österreichische Privatstiftungen (1997)	<a href="http://www.stiftungsverband.at">www.stiftungsverband.at</a>
	Verband für gemeinnütziges Stiften (2020)	<b>Achtung, Stiftung!</b> (2020) 14 recommendations, 124 pages <a href="http://www.gemeinnuetzig-stiften.at">www.gemeinnuetzig-stiften.at</a>
<b>Belgium</b>	Réseau Belge de Fondations (2004) (Fédération Belge des Fondations Philanthropiques since 9 February 2017)	<b>Basisverklaring van het Netwerk Belgische Stichtingen</b> , 6 principles, 1 page <a href="http://www.netwerkstichtingen.be">www.netwerkstichtingen.be</a>
<b>Bulgaria</b>	Bulgarian Donors Forum (2003)	<b>Code of Ethics of the Bulgarian Donors Forum Association</b> , 3 fundamental values and 10 principles, 1 page <a href="http://www.dfbulgaria.org">www.dfbulgaria.org</a>
<b>Czech Republic</b>	Czech Donors Forum (1996)	<b>Code of Ethics for Foundations</b> (2004), 14 principles, 2 pages <a href="http://www.donorsforum.cz">www.donorsforum.cz</a>
		<b>Code of Ethics for Foundations Without Endowment</b> (2004), 15 principles, 2 pages <a href="http://www.donorsforum.cz">www.donorsforum.cz</a>
<b>Finland</b>	Council of Finnish Foundations COFF (1970)	<b>Best Practice for Foundations</b> (2006), guidelines on 6 subject areas, 7 pages <a href="http://www.saatiopalvelu.fi">www.saatiopalvelu.fi</a>

<b>France</b>	Centre Français des Fonds et Fondations (2002)	<b>Statuts approuvés lors de l'assemblée générale extraordinaire du 22 juin 2015</b> 19 articles <a href="http://www.centre-francais-fondations.org">www.centre-francais-fondations.org</a>
<b>Germany</b>	Bundesverband Deutscher Stiftungen (1948)	<b>Grundsätze Guter Stiftungspraxis</b> (2019), 20 principles in 3 subject areas, 26 pages <a href="http://www.stiftungen.org">www.stiftungen.org</a>
		<b>Grundsätze Guter Verwaltung von Treuhandstiftungen</b> (2012), 7 subject areas, 5 pages <a href="http://www.stiftungen.org">www.stiftungen.org</a>
<b>Hungary</b>	Hungarian Donors Forum (2006)	<a href="http://www.donorsforum.hu">www.donorsforum.hu</a>
<b>Ireland</b>	Philanthropy Ireland (1998)	<a href="http://www.philanthropy.ie">www.philanthropy.ie</a>
<b>Italy</b>	Associazione di Fondazioni e di Casse di Risparmio Spa (1912)	<b>Carta delle Fondazioni</b> (2012) <a href="http://www.acri.it">www.acri.it</a>
<b>Netherlands</b>	Association of Foundations in the Netherlands (1988)	<b>Code of Conduct (2009)</b> , 8 principles, 4 membership criteria, 6 recommendations, 4 pages <a href="http://www.verenigingvanfondsen.nl">www.verenigingvanfondsen.nl</a>
<b>Norway</b>	Stiftelsesforeningen (2003)	<a href="http://www.stiftelsesforeningen.no">www.stiftelsesforeningen.no</a>
<b>Poland</b>	Polish Donors Forum (2004)	<b>Standards of Operation</b> (Donors Forum Standards), 6 standards, 1 page <a href="http://www.forumdarczyncow.pl">www.forumdarczyncow.pl</a>
	Academy for the Development of Philanthropy (1998)	<b>Standards of Operation of a Polish Local Philanthropic Organisation</b> (2003), 28 standards, 1 page <a href="http://www.filantropia.org.pl">www.filantropia.org.pl</a>
<b>Portugal</b>	Centro Português de Fundações (1993)	<b>Código de Boas Práticas de Fundações</b> (2009), values and 7 principles, 2 pages <a href="http://www.cpf.org.pt">www.cpf.org.pt</a>
<b>Romania</b>	Forumul Donatorilor din România (1999)	<a href="http://www.forumuldonatorilor.ro">www.forumuldonatorilor.ro</a>
<b>Russia</b>	Russia Donors Forum (2002)	<b>Code of Ethics for the Russia Donors Forum</b> (2005), 11 guidelines in 2 subject areas, 1 page <a href="http://www.donorsforum.ru">www.donorsforum.ru</a>
<b>Slovakia</b>	Slovak Donors' Forum (2000)	<b>Donor's Code of Ethics</b> (2005), 4 fundamental values and 10 principles, 2 pages <a href="http://www.donorsforum.sk">www.donorsforum.sk</a>
	Association of Slovak Community Foundations (2003)	<b>Standards for Community Foundations in Slovakia</b> (2008), 36 guidelines in 7 subject areas, 3 pages <a href="http://www.asociaciakns.sk">www.asociaciakns.sk</a>

<b>Spain</b>	Asociación Española de Fundaciones (2003)	<b>Código de Buen Gobierno AEF</b> (2009), 40 articles and 9 principles, 23 pages <a href="http://www.fundaciones.org">www.fundaciones.org</a>
		<b>Principios</b> (2008), guidelines in 9 subject areas, 8 pages <a href="http://www.fundaciones.org">www.fundaciones.org</a>
<b>Switzerland</b>	SwissFoundations (2001)	<b>Swiss Foundation Code</b> (2021), 4 principles, 28 recommendations, 173 pages <a href="http://www.swissfoundations.ch">www.swissfoundations.ch</a>
<b>Turkey</b>	Third Sector Foundation of Turkey (1993)	<a href="http://www.tusev.org.tr">www.tusev.org.tr</a>
<b>Ukraine</b>	Ukrainian Grantmakers Forum (2005)	<b>Ethics Code</b> , 9 guidelines, 1 page <a href="http://www.donorsforum.org.ua">www.donorsforum.org.ua</a>
<b>UK</b>	Association of Charitable Foundations (2005)	<b>Drivers and Principles of Good Impact Practice</b> (2013), 4 drivers and 4 principles, 5 pages <a href="http://www.acf.org.uk">www.acf.org.uk</a>
		<b>Good Practice Guide for Corporate Foundations</b> (2016), 69 pages <a href="http://www.acf.org.uk">www.acf.org.uk</a>
	Community Foundation Network (1991)	<a href="http://www.communityfoundations.org.uk">www.communityfoundations.org.uk</a>

## North America

<b>California</b>	Northern California Grantmakers (1965)	<a href="http://www.ncg.org">www.ncg.org</a>
<b>Canada</b>	Community Foundations of Canada (1992)	<b>Principles for Community Foundations</b> , 10 principles, 1 page <a href="http://www.cfc-fcc.ca">www.cfc-fcc.ca</a>
	Imagine Canada (2005)	<b>Ethical Code Handbook</b> (2011), 33 principles in 3 subject areas, 6 pages Standards Program for Canada's Charities and Nonprofits (2012), 5 subject areas, 73 standards, 11 pages <a href="http://www.imaginecanada.ca">www.imaginecanada.ca</a>
	Philanthropic Foundations Canada (1999)	<b>Statement of Values and Ethical Principles</b> , 6 principles, 1 page Good Governance. A Guide for Canadian Foundations (2013) <a href="http://www.pfc.ca">www.pfc.ca</a>
<b>Illinois</b>	Donors Forum of Chicago (1974)	<b>Illinois Nonprofit Principles and Best Practices</b> (2008), 10 principles and guidelines in 5 subject areas, 7 pages <a href="http://www.donorsforum.org">www.donorsforum.org</a>

<b>Minnesota</b>	Minnesota Council on Foundations (1969)	<b>Principles for Grantmakers &amp; Practice Options for Philanthropic Organizations</b> (2009), 8 principles with practice options, 25 pages <a href="http://www.mcf.org">www.mcf.org</a>
<b>New York</b>	Philanthropy New York (1979)	<b>Principles for Good Governance and Ethical Practices</b> , 33 principles with detailed explanations in 4 subject areas, 21 pages <a href="http://www.philanthropynewyork.org">www.philanthropynewyork.org</a>
<b>USA</b>	Council on Foundations (1949)	<a href="http://www.cof.org">www.cof.org</a>
<b>Washington</b>	Washington Regional Association of Grantmakers (1992)	<b>Statement of Principles</b> , 5 principles, 1 page <a href="http://www.washingtongrantmakers.org">www.washingtongrantmakers.org</a>

## Other countries

<b>Argentina</b>	Grupo de Fundaciones y Empresas (1995)	<b>Valores y Principios Institucionales</b> , 14 principles, 1 page <a href="http://www.gdfe.org.ar">www.gdfe.org.ar</a>
<b>Australia</b>	Philanthropy Australia (1987)	<b>Code of Practice</b> , 3 principles, recommendations in 2 areas, 3 pages <a href="http://www.philanthropy.org.au">www.philanthropy.org.au</a>
<b>Brazil</b>	Group of Institutes, Foundations and Enterprises (1995)	<b>Code of Ethics</b> , 20 guidelines, 1 page <a href="http://www.gife.org.br">www.gife.org.br</a>
<b>China</b>	NPO Information Center & China Youth Development (2008)	<b>China's Public Welfare NPO Guidelines for Self-Regulation</b> , 9 sections  <b>Foundation Transparency Index online</b> , 60 indicators divided into 4 categories <a href="http://ftien.foundationcenter.org.cn">ftien.foundationcenter.org.cn</a>
<b>Mexico</b>	Centro Mexicano para la Filantropía CEMEFI (1988)	<a href="http://www.cemefi.org">www.cemefi.org</a>



# Bibliography

## Commentaries

**Aebersold**, Thomas, Kommentar zu Art. 80–89a, in: Kommentar. Schweizerisches Zivilgesetzbuch, edited by Jolanta Kren Kostkiewicz et al., 3rd ed. Zurich: Orell Füssli 2016.

---

**Eisenring**, Martin, Kommentar zu Art. 80–89a, in: Handkommentar zum Schweizer Privatrecht. Personen- und Familienrecht inkl. Kindes- und Erwachsenenschutz. Art. 1–456 ZGB, edited by Marc Amstutz et al., 3rd ed., Zurich etc.: Schulthess 2016.

---

**Grüniger**, Harold, Kommentar zu Art. 493, in: Basler Kommentar. Zivilgesetzbuch II. Art. 457–977 ZGB. Art. 1–61 SchlT ZGB, edited by Heinrich Honsell et al., 4th ed., Basel: Helbing Lichtenhahn 2011.

---

**Grüniger**, Harold, Kommentar zu Art. 493, in: Kurzkomentar. Schweizerisches Zivilgesetzbuch, edited by Andrea Büchler and Dominique Jakob, 2nd ed. Basel: Helbing Lichtenhahn 2017.

---

**Grüniger**, Harold, Kommentar zu Art. 80–89a, 335, in: Basler Kommentar. Zivilgesetzbuch I. Art.1–456 ZGB, edited by Heinrich Honsell et al., 6th ed. Basel: Helbing Lichtenhahn 2018.

---

**Gutzwiller**, Max, Die Stiftungen, in: Schweizerisches Privatrecht. 2. Band: Einleitung und Personenrecht, edited by Max Gutzwiller, Basel etc.: Helbing Lichtenhahn 1967.

---

**Jakob**, Dominique, Kommentar zu Art. 80–89a, in: Kurzkomentar. Schweizerisches Zivilgesetzbuch, edited by Andrea Büchler and Dominique Jakob, 2nd ed. Basel: Helbing Lichtenhahn 2018.

---

**Künzle**, Hans Rainer, Kommentar zu Art. 493, in: Handkommentar zum Schweizer Privatrecht. Erbrecht. Art. 457–640 ZGB, edited by Marc Amstutz et al., 3rd ed., Zurich etc.: Schulthess 2016.

---

**Riener**, Hans Michael, Berner Kommentar. Kommentar zum schweizerischen Privatrecht. Band I: Einleitung und Personenrecht. 3. Abteilung: Die juristischen Personen. 3. Teilband: Die Stiftungen, Systematischer Teil und Kommentar zu Art. 80–89bis ZGB, Bern: Stämpfli 1975, reprinted 1981.

---

**Riener**, Hans Michael, Stämpfli Handkommentar. Vereins- und Stiftungsrecht (Art. 60–89bis ZGB) mit den Allgemeinen Bestimmungen zu den juristischen Personen (Art. 52–59 ZGB), Bern: Stämpfli 2012. **STUDHALTER**, Philipp, Kommentar zu Art. 493, in: Kommentar. Schweizerisches Zivilgesetzbuch, edited by Jolanta Kren Kostkiewicz et al., 3rd ed., Zurich: Orell Füssli 2016.

---

**Vez**, Parisima, Kommentar zu Art. 80–89bis, in: Commentaire Romand. Code Civil I. Art. 1–359 CC, edited by Pascal Pichonnaz and Bénédicte Foëx, Basel: Helbing Lichtenhahn 2010.

---

## Annual reports

Der Schweizer Stiftungsreport [since 2010], edited by Georg von Schnurbein, CEPS Forschung und Praxis series, Basel [since 2010; since 2011 together with Beate Eckhardt and Dominique Jakob, since 2021 together with Katharina Guggi, Julia Jakob and Dominique Jakob].

**Grüniger**, Harold, Aktuelles aus dem Stiftungs- und Gemeinnützigkeitsbereich, successio, Zeitschrift für Erbrecht [since 2007].

**Jakob**, Dominique at al., Verein – Stiftung – Trust. Entwicklungen [since 2007], Buchreihe njus.ch, Bern: Stämpfli [since 2008].

**Jakob**, Dominique, Entwicklungen im Vereins- und Stiftungsrecht/Le point sur le droit des associations et fondations, in: Schweizerische Juristen-Zeitung (SJZ) [since 2008].

## Foundation governance

**Bethmann**, Steffen/**von Schnurbein**, Georg/**Studer**, Sibylle, Governance Systems of Grant-making Foundations, in: Voluntary Sector Review, Vol. 5, No. 1, 2014, pp. 75–95.

**Egger**, Philipp, Der Swiss Foundation Code 2015 – Entwicklungsgeschichte einer Selbstregulation, in: Stiftung & Sponsoring 5/2015.

**Fischer**, Alex, Corporate Governance bei Stiftungen – von der Selbstverständlichkeit des Guten, in: Festschrift für Peter Böckli zum 70. Geburtstag, edited by Ernst A. Kramer et al., Zurich etc.: Schulthess 2006, pp. 645–670.

**Hofstetter**, Karl, Swiss Code of Best Practice for Corporate Governance 2014. Baseline report on audits, on behalf of economiesuisse, Zurich 2014.

**Jakob**, Dominique/**Uhl**, Matthias, Der Swiss Foundation Code und seine bisherige Rezeption im Stiftungswesen, in: Aktuelle Juristische Praxis (AJP) 2/2015, pp. 279–292.

**Jakob**, Dominique, Foundation Governance – ein vergleichender Überblick über den deutschsprachigen Raum, in: Audit Committee Quarterly IV/2015, p. 13 et seq.

**Jakob**, Dominique/**Uhl**, Matthias, Der Swiss Foundation Code und seine bisherige Rezeption im Stiftungswesen, in: Aktuelle Juristische Praxis 2/2015, p. 279 et seq.

**Jakob**, Dominique/**Studen**, Goran, Privatautonomie und Governance – Das liechtensteinische Stiftungsrecht als gelungenes Modell einer freiheitlichen Foundation Governance?, in: Stiftung & Sponsoring, special 2015 edition, p. 34 et seq.

**Jakob**, Dominique, Freiheit durch Governance – Die Zukunft des Stiftungsrechts aus rechtsvergleichender Perspektive, in: Autonomie im Recht – Gegenwartsdebatten über einen rechtlichen Grundbegriff, edited by Christian Bumke and Anne Röthel, Tübingen: Mohr Siebeck 2017, p. 225 et seq.

**Lange**, Knut Werner, Die Bedeutung institutionenökonomischer Erkenntnisse für das Verständnis von Herrschaft und Kontrolle in der Stiftung, in: Archiv für die civilistische Praxis (AcP) 8/2014, pp. 511–541.

**Meder**, Stephan, Ungeschriebenes «Recht» im transnationalen Raum am Beispiel der Corporate Governance Verhaltenskodices. Stand und Perspektiven, in: Transnationales



Recht. Stand und Perspektiven, edited by Graf-Peter Callies, Tübingen:  
Mohr Siebeck 2014, pp. 257–276.

**Meyer, Michael/Maier, Florentine**, Corporate Governance in Non-Profit-Organisationen: Verständnisse und Entwicklungsperspektiven, in: Zeitschrift für Wirtschafts- und Unternehmensethik (zfwu) 1/2012, pp. 9–21.

**Riemer, Hans Michael**, Corporate Governance-Richtlinien für Vereine und Stiftungen aus juristischer Sicht, in: Schweizerische Juristen-Zeitung (SJZ) 22/2006, pp. 513–516.

**Schöbel, Sarah Katharina**, Corporate Governance im Stiftungsrecht. Unter besonderer Berücksichtigung der Situation in der Schweiz und in Deutschland sowie europarechtlicher und internationaler Entwicklungen, Diss., Europäische Hochschulschriften. series 2, Rechtswissenschaft, volume 5349, Frankfurt am Main: Lang 2012.

**Schubiger, Benno**, Foundation Governance am Beispiel des Swiss Foundation Code, in: Gemeinnützige Stiftungen und Stiftungsmanagement, edited by Francesco A. Schurr, Zurich etc.: Schulthess 2010, pp. 121–150.

**Schurr, Francesco A.**, Die Foundation Governance als Schlüsselement im Wettbewerb der Stiftungsrechtsordnungen, in: Die Privatstiftung (PSR) 2/2010, pp. 64–72.

**Sprecher, Thomas**, Foundation Governance in Switzerland, in: Comparative Corporate Governance of Non-profit Organizations, edited by Klaus J. Hopt and Thomas von Hippel, International Corporate Law and Financial Market Regulation, Cambridge: Cambridge University Press 2010, pp. 815–828.

**Sprecher, Thomas**, Switzerland: the Swiss Foundation Code 2009 – from corporate governance to foundation governance, in: Trusts & Trustees 6/2010, pp. 523–532.

**Sprecher, Thomas**, Was ist und was leistet Foundation Governance?, in: Jusletter dated 27/4/2010.

**Studen, Goran**, Swiss Foundation Code: blessing or curse?, Trusts & Trustees 6/2017, p. 709 et seq.

**Studen, Goran**, Vertrauen ist gut – Kontrolle ist besser? Präventive Aufsichtselemente als Ausdruck moderner Foundation Governance, in: Prävention und freiheitliche Rechtsordnung, edited by Anna Coninx et al., Zurich: Dike 2017, p. 227 et seq.

**von Reding Biberegg, Sandra Martina**, Foundation Governance bei Förderstiftungen in der Schweiz. Eine empirische Untersuchung zur Umsetzung der neuen Richtlinien von Swiss GAAP FER 21, Diss. St. Gallen 2010.

**von Schnurbein, Georg/Stöckli, Sabrina**, Die Gestaltung von Nonprofit Governance Kodizes in Deutschland und der Schweiz. Eine komparative Inhaltsanalyse, in: Die Betriebswirtschaft (DBW) 6/2010, pp. 495–511.

**von Schnurbein, Georg/Fritz, Tizian**, Foundation Governance im Kontext von Reputation und Legitimation, in: Zeitschrift für öffentliche und gemeinwirtschaftliche Unternehmen (ZögU) 1/2012, pp. 61–75.

**von Schnurbein, Georg**, Governance und Management von Förderstiftungen in Deutschland und in der Schweiz, in: Non Profit Law Yearbook 2012/2013. Das Jahrbuch des Instituts für Stiftungsrecht und das Recht der Non-Profit-Organisationen, edited by Rainer Hüttemann et al., series of publications by the Institut für Stiftungsrecht und das Recht der Non-Profit-Organisationen, Hamburg: Bucerius Law School Press 2013, pp. 1–15.

**von Schnurbein, Georg/Stöckli, Sabrina**, The Codification of Nonprofit Governance – A Comparative Analysis of Swiss and German Nonprofit Governance Codes, in: Conceptualizing and Researching Governance in Public and Non-Profit Organizations, edited by Luca Gnan et al., Studies in Public and Non-Profit Governance, volume 1, Bingley: Emerald Group Publishing 2013, pp. 179–202.

---

## **Other literature**

---

**Arter, Oliver/Cincelli, Roman**, Die Aufsicht über Stiftungen durch die Eidgenössische Stiftungsaufsicht – Grundlagen und Revisionsvorhaben, in: Jusletter dated 12 June 2017.

---

**Arter, Oliver**, Wer soll den Stiftungsrat meiner philanthropischen Stiftung wählen?, in: Expert Focus 6–7/2018, p. 464 et seq.

---

**Baddeley, Margareta**, L'utilisation des fondations à des fins successorales, in: *Journée de droit successoral*, edited by Paul-Henri Steinauer et al., Bern: Stämpfli 2017, p. 73 et seq.

---

**Baumann Lorant, Roman**, Der Stiftungsrat. Das oberste Organ gewöhnlicher Stiftungen, Diss., Zürcher Studien zum Privatrecht, volume 214, Zurich etc.: Schulthess 2009.

---

**Baumann Lorant, Roman**, Honorierung von Stiftungsräten. Angemessene und formalisierte Honorare sind zuzulassen, in: Jusletter dated 9/8/2010.

---

**Baumann Lorant, Roman**, Das Rechnungslegungsrecht aus der Sicht von Stiftungen. Revolution oder Evolution?, in: *Der Schweizer Treuhänder (ST)* 10/2014, pp. 883–889.

---

**Baumann Lorant, Roman**, Sollen Stiftungsräte eine Versicherung abschliessen?, in: *Der Schweizer Stiftungsreport 2014*, edited by Beate Eckhardt et al., CEPS Forschung und Praxis, volume 12, Basel 2014, pp. 17–18.

---

**Brandenberger, Michael**, Controlling: Wirkungsvolle Überwachung der Anlagetätigkeit einer Stiftung, in: *Vermögensanlagen von Pensionskassen und klassischen Stiftungen*, edited by GEWOS AG, GEWOS series, Stiftungen – Grundlagen und Praxis, volume 3, Bern: Stämpfli 2010, pp. 113–122.

---

**Burkart, Thierry/Kieser, Hannes**, Die Verantwortlichkeit des Stiftungsrats. Die vertragliche und ausservertragliche Haftung des Stiftungsrats nach schweizerischem Recht, in: *Der Schweizer Treuhänder (ST)* 4/2013, pp. 209–214. DEGEN, Christoph, Die Änderung des Stiftungszwecks auf Antrag des Stifters nach Art. 86a ZGB, in: *Zeitschrift für das Recht der Nonprofit Organisationen (npoR)* 2/2018, p. 58 et seq.

---

**Eberle, Reto**, «Tue Gutes und berichte darüber» oder wie durch (freiwillige) Transparenz Vertrauen geschaffen werden kann, in: *Rechnungslegung und Revision von Förderstiftungen. Handlungsempfehlungen für die Praxis*, edited by Philipp Egger et al., SwissFoundations series, Foundation Governance, volume 8, Basel: Helbing Lichtenhahn 2011, pp. 57–66.

---

**Eberle, Reto/Zöbeli, Daniel**, Rechnungslegung für NPO nach Überarbeitung von Swiss GAAP FER 21. Vorgeschlagene Änderungen und Schnittstelle zum neuen Rechnungslegungsrecht, in: *Der Schweizer Treuhänder (ST)* 8/2014, pp. 626–629.

---

**Eberle, Reto/Schmitz, Daniela**, Swiss GAAP FER 21, Rechnungslegung für gemeinnützige Nonprofit-Organisationen, 2nd ed., Zurich: SKV 2017.

---

**Eckhardt, Beate/von Orelli, Lukas**, Bei Provisionen hört die Freundschaft auf. Wie Stiftungen die Rückzahlung von Retrozessionen geltend machen können, in: *Die Stiftung Special*, November 2013, pp. 14–15.

---

**Eckhardt, Beate/Sprecher, Thomas** (ed.), *Beste Stiftungsratspraxis. Welche Aufsicht haben und welche brauchen wir?* Zurich: Schulthess 2019.

---

**Fellmann, Primus**, NPO-Audits aus Sicht der Revisionspraxis, in: *Rechnungslegung und Revision von Förderstiftungen. Handlungsempfehlungen für die Praxis*, edited by Philipp Egger et al., *SwissFoundations series, Foundation Governance*, volume 8, Basel: Helbing Lichtenhahn 2011, pp. 181–192.

---

**Fritz, Tizian/von Schnurbein, Georg**, Mission Related Investing bei Schweizer Förderstiftungen, in: *Innovation statt Stagnation. Wie sich Stiftungen aus der Krise befreien*, edited by Georg von Schnurbein and Philipp Egger, *SwissFoundations series, Foundation Governance*, volume 10, Basel: Helbing Lichtenhahn 2013, pp. 161–171.

---

**Fritz, Tizian M./von Schnurbein, Georg**, Beyond Socially Responsible Investing: Effects of Mission-driven Portfolio Selection, in: *Sustainability*, 2019, 11 (23), p. 6812.

---

**Gantenbein, Pascal**, Besser auf Immobilien gebaut?. Bedeutung und Grenzen von Immobilienanlagen für Stiftungsportfolios, in: *Innovation statt Stagnation. Wie sich Stiftungen aus der Krise befreien*, edited by Georg von Schnurbein and Philipp Egger, *SwissFoundations series, Foundation Governance*, volume 10, Basel: Helbing Lichtenhahn 2013, pp. 149–160.

---

**Gehring, Theresa/von Schnurbein, Georg**, Die philanthropische Infrastruktur der Schweiz für eine nachhaltige Entwicklung, in: *Nonprofit-Organisationen und Nachhaltigkeit*, edited by Ludwig Theuvsen et al., Wiesbaden: Springer Gabler 2017, pp. 245–254.

---

**Gehring, Theresa**, Corporate Foundations in der Schweiz. Bilanz und Neuentwicklung, in: *Stiftung & Sponsoring* 4/2018, p. 16 et seq.

---

**Geinoz, François**, Zustiften statt Stiften, in: *Perspektiven des Stiftungsrechts in der Schweiz und in Europa*, edited by Dominique Jakob, *Schriften zum Stiftungsrecht*, volume 1, Basel: Helbing Lichtenhahn 2010, pp. 61–69.

---

**Giger, Claudio**, Gemeinnützige Organisationen (NPO) – Von der ESTV-Praxis via Bundesgericht zur Teilrevision MWSTG, in: *Expert Focus* 11/2016, p. 881 et seq.

---

**Grüniger, Harold**, Unternehmensstiftung, in: *Entwicklungen im Gesellschaftsrecht V*, edited by Peter V. Kunz et al., Bern: Stämpfli 2010, pp. 19–43.

---

**Grüniger, Harold**, Innovative Vermögensbewirtschaftung im Stiftungs- und Gemeinnützigkeitsrecht – Venture Philanthropy, Social Business, Mission Base Investments zwischen Vision und Haftung, in: *Stiften und Gestalten. Anforderungen an ein zeitgemässes rechtliches Umfeld*, edited by Dominique Jakob, *Schriften zum Stiftungsrecht*, volume 4, Basel: Helbing Lichtenhahn 2013, pp. 37–73.

---

**Gubler, Simon L.**, *Der Interessenkonflikt im Stiftungsrat*, Zürcher Studien zum Privatrecht 285, Zurich: Schulthess 2018.

---

*Handbuch der Nonprofit-Organisationen. Strukturen und Management*, edited by Ruth Simsa et al., 5th ed., Stuttgart: Schäffer Poeschel 2013.

---

*Handbuch Stiftungsmanagement*, edited by Katharina Müller, Vienna: Verlag Österreich 2014.

---

**Handschin, Lukas/Widmer, Daniel**, Spezifische Probleme der Revision von Stiftungen, in: Rechnungslegung und Revision von Förderstiftungen. Handlungsempfehlungen für die Praxis, edited by Philipp Egger et al., SwissFoundations series, Foundation Governance, volume 8, Basel: Helbing Lichtenhahn 2011, pp. 149–179.

**Herzog, Michael**, Gemeinnützige, soziale Nonprofit-Organisationen. Erfahrungen aus der Einführung von Swiss GAAP FER 21, in: Der Schweizer Treuhänder (ST) 5/2008, pp. 383–389.

**Hunziker, Stefan/Gwerder, Lothar/Sutter, Emilio**, Interne Kontrolle in Nonprofit-Organisationen. IKS-Reifegrade und -Wirkungsbereiche bei NPO sowie Unterschiede zu gewinnorientierten Unternehmen, in: Der Schweizer Treuhänder (ST) 6–7/2012, p. 419–425.

Innovation statt Stagnation. Wie sich Stiftungen aus der Krise befreien, edited by Georg von Schnurbein and Philipp Egger, SwissFoundations series, Foundation Governance, volume 10, Basel: Helbing Lichtenhahn 2013.

**Jakob, Dominique**, Schutz der Stiftung. Die Stiftung und ihre Rechtsverhältnisse im Widerstreit der Interessen, Habil., Jus Privatum, Beiträge zum Privatrecht, volume 111, Tübingen: Mohr Siebeck 2006.

**Jakob, Dominique/Picht, Peter**, Responsible Investments by Foundations from a Legal Perspective, in: International Journal of Not-for-Profit Law (IJNL), 1/2013, pp. 53–67; abbreviated: Sustainable Investments by Foundations from a Legal Perspective, in: successio, Zeitschrift für Erbrecht 1/2013, pp. 82–84; and: Vom Stiftungszweck zur Anlagestrategie. Stiftungsrechtliche Überlegungen zu nachhaltigen und verantwortlichen Investitionen von Stiftungen, in: Stiftung & Sponsoring, Magazin für Nonprofit-Management und -Marketing 6/2012, pp. 26–28.

**Jakob, Dominique/von Schnurbein, Georg/Studen, Goran**, Gemeinnützige Stiftungen in der Schweiz errichten und führen – Ein praktischer Leitfaden, Zurich 2016.

**Jakob, Dominique**, Stiftungsartige Erscheinungsformen im Ausland – Rechtsvergleichender Überblick, in: Münchener Handbuch des Gesellschaftsrechts, volume 5, edited by Volker Beuthien et al., 4th ed. Munich: C.H. Beck 2016, p. 1781 et seq.

**Jakob, Dominique**, Das Stiftungsrecht der Schweiz – Neue Wege zwischen Privatautonomie und Governance, in: Stärkung des Stiftungswesens, Verhandlungen der Fachgruppe für vergleichendes Handels- und Wirtschaftsrecht anlässlich der 35. Tagung für Rechtsvergleichung vom 10. bis 12. September 2015 in Bayreuth, edited by Peter Jung, Tübingen: Mohr Siebeck 2017.

**Jakob, Dominique**, Draft revision of Swiss inheritance law: impact on estate planning via foundations and trusts, in: Trusts & Trustees 6/2017, p. 705 et seq.

**Jakob, Dominique (ed.)**, Universum Stiftung, Tagungsband zum 4. Zürcher Stiftungsrechtstag, Basel: Helbing Lichtenhahn 2017.

**Janssen, Martin**, Tips fürs Anlegen, in: Schweizer Monatshefte 977/2010, pp. 36–37.

**Jurius**, Keine Besteuerung von juristischen Personen mit ideellen Zwecken, in: Jusletter dated 16/6/2014.

**Kipfer-Berger, Jonas/von Schnurbein, Georg**, Praktische Probleme der Bestellung des Stiftungsrats, in: ExpertFokus, No. 12, 2019, pp. 92–94.

**Knöpfel, Ivo**, Impact Investments für Stiftungen – mehr als nur eine Modeerscheinung?, in: Der Schweizer Stiftungsreport 2012, edited by Beate Eckhardt et al., CEPS Forschung und Praxis, volume 6, Basel 2012, pp. 32–34.

---

**Kocher, Markus/Zeugin, Roger**, Rechnungslegung und das interne Kontrollsystem für klassische Stiftungen, in: Rechnungslegung und Controlling für Pensionskassen und klassische Stiftungen, edited by GEWOS AG, GEWOS series, Stiftungen – Grundlagen und Praxis, volume 2, Bern: Stämpfli 2008, pp. 55–94.

---

**Koller, Thomas**, Die Steuerbefreiung wegen Gemeinnützigkeit in der neueren Rechtsprechung des Schweizerischen Bundesgerichts, in: Non Profit Law Yearbook, 2012/2013. Das Jahrbuch des Instituts für Stiftungsrecht und das Recht der Non-Profit-Organisationen, edited by Rainer Hüttemann et al., series of publications by the Institut für Stiftungsrecht und das Recht der Non-Profit-Organisationen, Hamburg: Bucerius Law School Press 2013, pp. 175–187.

---

**Koss, Claus**, Notwendigkeit und Gestaltung der Rechnungslegung von Stiftungen, in: Rechnungslegung und Revision von Förderstiftungen. Handlungsempfehlungen für die Praxis, edited by Philipp Egger et al., SwissFoundations series, Foundation Governance, volume 8, Basel: Helbing Lichtenhahn 2011, pp. 15–33.

---

**Lichtsteiner, Hans/Lutz, Vanessa**, Honorierung von Stiftungsräten. Eine empirische Untersuchung zur Honorierung von Stiftungsräten in der Schweiz, VMI research series, volume 4, Fribourg 2008.

---

**Lideikyte Huner, Giedre**, Philanthropy and taxation, in: Expert Focus 3/2018, p. 209 et seq.

---

**Maute, Wolfgang**, Besteuerung von grenzüberschreitenden Stiftungsratsvergütungen – Unter besonderer Berücksichtigung der Schweiz und von Liechtenstein, Steuer Revue (StR) 2017, p. 356 et seq.

---

**Meder, Stephan**, Der Stifterwille im Spannungsfeld von privatautonomer Gestaltungsfreiheit und staatlicher Kontrolle. Hat Savigny eine obrigkeitliche Sicht des Stiftungsrechts?, in: Der Stifterwille: Ein Phänomen zwischen Vergangenheit, Gegenwart und Ewigkeit, edited by Dominique Jakob and Lukas von Orelli, Schriften zur Rechtspsychologie, volume 14, Bern: Stämpfli 2014, pp. 81–101.

---

**Meyer, Beatrice et al.**, Rechnungslegung sozialer Nonprofit-Organisationen. Grundlagen, Untersuchungsergebnisse, Empfehlungen, Managementwissen für die Praxis series, volume 5, Zurich etc.: Schulthess 2011.

---

**Meyer, Beatrice/Kühnis, Norbert/Zöbeli, Daniel**, Revision von sozialen Nonprofit-Organisationen. Ergebnisse einer empirischen Studie (2. Teil), in: Der Schweizer Treuhänder (ST) 10/2011, pp. 833–835.

---

**Meyer, Beatrice/Passardi, Marco/Zöbeli, Daniel**, Studie zur Rechnungslegung und Revision von sozialen Nonprofit-Organisationen. Gesetzliche Grundlagen und Rechnungslegungsnormen (1. Teil), in: Der Schweizer Treuhänder (ST) 9/2011, pp. 698–702.

---

**Meyer, Beatrice/Zupan, Luka**, Einführung und Anwendung eines internen Kontrollsystems (IKS) in Förderstiftungen, in: Rechnungslegung und Revision von Förderstiftungen. Handlungsempfehlungen für die Praxis, edited by Philipp Egger et al., SwissFoundations series, Foundation Governance, volume 8, Basel 2011, pp. 81–104.

---

**Müller, Kaspar/Zöbeli, Daniel**, Die Honorierung der obersten Leitungsorgane von Nonprofit-Organisationen. Eine Situationsanalyse und Diskussionsgrundlage, CEPS Forschung und Praxis, volume 5, Basel 2012.

---

**Müller, Kaspar/Zöbeli, Daniel**, Sollen Stiftungsräte honoriert werden?, in: Der Schweizer Stiftungsreport 2012, edited by Beate Eckhardt et al., CEPS Forschung und Praxis, volume 6, Basel 2012, pp. 35–36.

---

**Neubert, Luzius**, Interessenkonflikte, in: Externe Mandate von Nonprofit-Organisationen. Welche Aspekte sind besonders zu beachten?, edited by Daniel Zöbeli and Luzius Neubert, CEPS Forschung und Praxis, volume 10, Basel 2013, pp. 5–8.

---

**Neubert, Luzius**, Vermögensverwaltung, in: Externe Mandate von Nonprofit-Organisationen. Welche Aspekte sind besonders zu beachten?, edited by Daniel Zöbeli and Luzius Neubert, CEPS Forschung und Praxis, volume 10, Basel 2013, pp. 23–43.

---

**Opel, Andrea**, Zeit für Veränderung im schweizerischen Gemeinnützigkeitssteuerrecht, Zeitschrift für das Recht der Non Profit Organisationen (npoR) 6/2017, p. 240 et seq.

---

**Pfister, Loïc**, La fondation, Geneva/Zurich/Basel: Schulthess 2017.

---

**Pietro Paolo, Raffaello S./Giesbrecht, Nicole**, Sind Non-Profit-Organisationen unternehmerisch tätig? Oder doch nicht?, in: Der Schweizer Treuhänder (ST) 4/2013, pp. 235–239.

---

**Piko, Rita**, Compliance bei Non-Profit-Organisationen – Teil 1, in: Compliance Berater (CB) 7/2018, p. 221 et seq.

---

**Piko, Rita**, Compliance bei Non-Profit-Organisationen – Teil 2, in: Compliance Berater (CB) 8/2018, p. 262 et seq.

---

**Piotet, Denis**, L'évolution du droit fiscal étranger vers la "transparence" peut-elle justifier la dissolution et la liquidation d'une fondation de famille conforme au droit suisse?, in: Not@lex – Revue de droit privé et fiscal du patrimoine 4/2015, p. 85 et seq.

---

Prevas AG (ed.): Wegweiser für Stiftungsräte – Eine Überlebenshilfe im Alltag der beruflichen Vorsorge, Bern: Stämpfli 2015.

---

**Rautenstrauch, Thomas**, Internes Kontrollsystem (IKS) in Stiftungen: Grundlagen und Zusammenhänge, in: Rechnungslegung und Revision von Förderstiftungen. Handlungsempfehlungen für die Praxis, edited by Philipp Egger et al., SwissFoundations series, Foundation Governance, volume 8, Basel: Helbing Lichtenhahn 2011, pp. 35–55. Rechnungslegung und Revision von Förderstiftungen. Handlungsempfehlungen für die Praxis, edited by Philipp Egger et al., SwissFoundations series, Foundation Governance, volume 8, Basel: Helbing Lichtenhahn 2011.

---

**Riemer, Hans Michael**, GAFI-Umsetzung: Pflicht zur Eintragung ins Handelsregister auch für kirchliche Stiftungen und Familienstiftungen, in: Schweizerische Zeitschrift für Wirtschafts- und Finanzmarktrecht (SZW) 1/2016, p. 70 et seq.

---

**Riemer, Hans Michael/Riemer-Kafka, Gabriela/Bloch-Riemer, Ruth**, Die Entschädigung des Stiftungsrats im Privat-, Sozialversicherungs- und Steuerrecht, in: Brücken bauen, Festschrift für Thomas Koller, edited by Susan Emmenegger et al., Bern: Stämpfli 2018, p. 795 et seq.

---

**Röllin**, Andrea G., Kirchliche Stiftungen. Im Besonderen die privatrechtlichen im Sinne von Art. 87 i. V. m. Art. 80 ff. ZGB. Rechtslage und Rechtswirklichkeit unter Berücksichtigung des historischen Hintergrundes sowie historischer kirchlicher Stiftungen, Diss. Zurich etc.: Dike 2010.

---

**Roza**, Lonneke/**Bethmann**, Steffen/**Meijs**, Lucas/**von Schnurbein**, Georg (ed.), Handbook on Corporate Foundations, Berlin etc.: Springer 2019.

---

**Schaefers**, Kevin, Nachhaltiges Investieren – ein wirtschaftliches Beratungskonzept, Diss., St. Galler Beiträge zur Wirtschaftsethik, volume 46, Bern: Haupt 2014.

---

**Schmid**, Dominik, Rechtliche Grundlagen der Vermögensverwaltung. Eine Untersuchung zur Bedeutung der Begriffe «Verwaltung» und «Vermögen» im schweizerischen Privatrecht, Diss., Abhandlungen zum schweizerischen Recht, volume 790, Bern: Stämpfli 2013.

---

**Schmitz**, Daniela/**Eberle**, Reto, Ordentliche Revision bei Nonprofit-Organisationen – Regel- oder Ausnahmefall?, in: Expert Focus 6–7/2016, p. 414 et seq.

---

**Schönenberg**, Daniela, Venture Philanthropie – Haftung von Stiftungen für Strategieberatung am Beispiel des Schweizer Rechts, in: Non Profit Law Yearbook 2010/2011. Das Jahrbuch des Instituts für Stiftungsrecht und das Recht der Non-Profit-Organisationen, edited by Rainer Hüttemann et al., publication series by the Institut für Stiftungsrecht und das Recht der Non-Profit-Organisationen, Hamburg: Bucerius Law School Press 2011, pp. 137–158.

---

**Schönenberg**, Daniela, Venture Philanthropie. Zulässigkeit und haftungsrechtliche Konsequenzen für Schweizer Stiftungen und deren Organe, Diss., Schriften zum Stiftungsrecht, volume 2, Basel: Helbing Lichtenhahn 2011.

---

**Schönenberg**, Daniela/**von Schnurbein**, Georg, Was macht die Attraktivität eines Stiftungsstandorts aus?, in: Zeitschrift für Stiftungs- und Vereinswesen (ZstV) 3/2011, pp. 87–94.

---

**Schönenberg**, Daniela, Anwaltliche Tätigkeiten, in: Externe Mandate von Nonprofit-Organisationen. Welche Aspekte sind besonders zu beachten?, edited by Daniel Zöbeli and Luzius Neubert, CEPS Forschung und Praxis, volume 10, Basel 2013, pp. 75–81.

---

**Sprecher**, Thomas, Die Verbrauchsstiftung und andere Möglichkeiten der Stiftungsgestaltung, in: Jusletter dated 31/5/2010.

---

**Sprecher**, Thomas, Die Stiftung als Investorin, in: Innovatives Recht. Festschrift für Ivo Schwander, edited by Franco Lorandi and Daniel Staehelin, Zurich etc.: Dike 2011, pp. 191–208.

---

**Sprecher**, Thomas, How foundations can achieve more with their money, in: Trusts & Trustees 6/2012, pp. 491–495.

---

**Sprecher**, Thomas, Zur steuerlichen Behandlung von neuen Förder- und Finanzierungsmodellen, in: Der Schweizer Stiftungsreport 2013, edited by Beate Eckhardt et al., CEPS Forschung und Praxis, volume 8, Basel 2013, pp. 19–23.

---

**Sprecher**, Thomas, Zweckänderung, Fusion, Aufhebung – Möglichkeiten von Stiftungen in Zeiten der Krise, in: Schweizerische Juristen-Zeitung (SJZ) 18/2010, pp. 425–433; and in: Innovation statt Stagnation. Wie sich Stiftungen aus der Krise befreien, edited by Georg von Schnurbein and Philipp Egger, SwissFoundations series, Foundation Governance, volume 10, Basel: Helbing Lichtenhahn 2013, pp. 127–148.

---

- Sprecher**, Thomas, Verantwortliche Vermögensbewirtschaftung durch Stiftungen, in: Schweizerische Juristen-Zeitung (SJZ) 111 (2015) No. 9, pp. 221–228.
- Sprecher**, Thomas, Zweckbezogene und nachhaltige Vermögensbewirtschaftung durch Stiftungen, in: Schweizerische Juristen-Zeitung (SJZ) 111 (2015) No. 10, pp. 249–262.
- Sprecher**, Thomas, Vermögensbewirtschaftung durch Schweizer Stiftungen, in: Handbuch der Vermögensverwaltung in Deutschland, Österreich, der Schweiz und Liechtenstein, edited by Frank A. Schäfer et al., 2nd ed. Munich: C.H. Beck 2016, pp. 700–719.
- Sprecher**, Thomas, Stiftungsrecht – in a nutshell, Zurich/St. Gallen: Dike 2017.
- Sprecher**, Thomas, Der Stifter im Erbrecht – der Erblasser im Stiftungsrecht, in: Schweizerische Juristen-Zeitung (SJZ) 114, No. 23, 2018, p. 541 et seq.
- Sprecher**, Thomas, Die Verbrauchsstiftung – Grundlagen, Formen, Wirkungen, in: Jusletter, 15/6/2020.
- Sprecher**, Thomas/**von Salis-Lütolf**, Ulysses, Die schweizerische Stiftung. Ein Leitfaden, Zurich: Schulthess 1999.
- Studen**, Goran, Die Dachstiftung. Das Tragen und Verwalten von Unterstiftungen unter dem Dach einer selbständigen Stiftung, Diss., Schriften zum Stiftungsrecht, volume 3, Basel: Helbing Lichtenhahn 2011.
- Studen**, Goran/**Geinoz**, François, Zweckgebundene Mittel und stiftungsartige Vermögensbindungen, in: Expert Focus 4/2018, p. 272 et seq.
- Uhl**, Matthias, Kooperation im Stiftungsrecht, Diss. Basel: Helbing Lichtenhahn 2016.
- Vež**, Parisima, La fondation: lacunes et droit désirable. Une analyse critique et systématique des articles 80 à 89 CC, Diss., Abhandlungen zum Schweizerischen Recht, vol. 687, Bern: Stämpfli 2004.
- von Orelli**, Lukas, Zur Auslegung des Stifterwillens, in: Der Stifterwille: Ein Phänomen zwischen Vergangenheit, Gegenwart und Ewigkeit, edited by Dominique Jakob and Lukas von Orelli, Schriften zur Rechtspsychologie, volume 14, Bern: Stämpfli 2014, pp. 125–151.
- von Orelli**, Lukas, Zur Auslegung des Stifterwillens, Diss. Basel: Helbing & Lichtenhahn 2019.
- von Schnurbein**, Georg, Dachverbände als Instrument der Non-Profit Governance, in: Zeitschrift für Wirtschafts- und Unternehmensethik (zfwu) 1/2012, pp. 50–61.
- von Schnurbein**, Georg, Die ewige Stiftung oder die empirische Suche nach einem Ideal, in: Innovation statt Stagnation. Wie sich Stiftungen aus der Krise befreien, edited by Georg von Schnurbein and Philipp Egger, SwissFoundations series, Foundation Governance, volume 10, Basel: Helbing Lichtenhahn 2013, pp. 79–89.
- von Schnurbein**, Georg, Motivationen zur Stiftungsgründung, in: Der Stifterwille: Ein Phänomen zwischen Vergangenheit, Gegenwart und Ewigkeit, edited by Dominique Jakob and Lukas von Orelli, Schriften zur Rechtspsychologie, volume 14, Bern: Stämpfli 2014, pp. 19–31.



**von Schnurbein**, Georg, Spezialthema: Kleine Stiftungen und ihre spezifischen Anforderungen. Zehn Thesen zur Wirksamkeit von kleinen Stiftungen, in: Der Schweizer Stiftungsreport 2014, edited by Beate Eckhardt et al., CEPS Forschung und Praxis, volume 12, Basel 2014, pp. 31–33.

---

**von Schnurbein**, Georg/**Bethmann**, Steffen, Philanthropie in der Schweiz, CEPS Forschung und Praxis, volume 1, Basel 2010.

---

**von Schnurbein**, Georg/**Fritz**, Tizian M., Folgen auf Worte auch Taten?. Die praktische Umsetzung von zweckbezogenen Anlagen in der Schweiz und in Deutschland, in: Die Stiftung Special, November 2013, p. 58–59.

---

**von Schnurbein**, Georg/**Timmer**, Karsten, Die Förderstiftung. Strategie – Führung – Management, SwissFoundations series, Foundation Governance, volume 7, 2nd ed. Basel: Helbing Lichtenhahn 2015.

---

**von Schnurbein**, Georg/**Kipfer**, Jonas, Die Zweckänderung bei Stiftungen nach Art. 86a ZGB, in: Successio, No. 2/2017, pp. 187–201.

---

**von Schnurbein**, Georg/**Perez**, Marybel, Foundations in Switzerland: between the American and the German Cases, in: American Behavioural Scientists, 2018, 62 (13), p. 1919 et seq.

---

**Vyslozil**, Wilfried/**Sensburg**, Ulla, Vereinbarkeit von Wirtschaftlichkeit und gemeinnützigem Tun, in: Gemeinnützige Stiftung und Stiftungsmanagement, edited by Francesco A. Schurr, Zurich etc.: Schulthess 2010, pp. 151–165.

---

**Wyser**, Raphael, Evaluation von Förderprojekten. Governance-Analyse einer spezifischen Evaluationssituation unter Anwendung der Prinzipal-Agenten- und der Vertrauensstheorie, Hamburg 2016.

---

**Zeiter**, Alexandra, Die Erbstiftung (Art. 493 ZGB), Diss., Arbeiten aus dem juristischen Seminar der Universität Freiburg Schweiz, volume 203, Fribourg: Universitätsverlag Freiburg Switzerland 2001.

---

**Zihler**, Florian, Zulässigkeit von Holdingstiftungen aus der Sicht der Handelsregisterbehörden, in: Zeitschrift zur Rechtsetzung und Praxis in Gesellschafts- und Handelsregisterrecht (REPRAX) 2018, p. 69 et seq.

---

**Zöbeli**, Daniel, Bezahlte Mandatsvergabe an die obersten Leitungsorgane, in: Externe Mandate von Nonprofit-Organisationen. Welche Aspekte sind besonders zu beachten?, edited by Daniel Zöbeli and Luzius Neubert, CEPS Forschung und Praxis, volume 10, Basel 2013, pp. 19–21.

---

**Zöbeli**, Daniel, Gesetzliche Bestimmungen und Aufsichtsrecht, in: Externe Mandate von Nonprofit-Organisationen. Welche Aspekte sind besonders zu beachten?, edited by Daniel Zöbeli and Luzius Neubert, CEPS Forschung und Praxis, volume 10, Basel 2013, pp. 9–18.

---

**Zöbeli**, Daniel/**von Schnurbein**, Georg, Mandate richtig vergeben: Wie Stiftungen Interessenkonflikte vermeiden können, in: Der Schweizer Stiftungsreport 2014, edited by Beate Eckhardt et al., CEPS Forschung und Praxis, volume 12, Basel 2014, pp. 42–43.

---

# Foundation Glossary

---

→ Reference to another term in the *Foundations' Glossary*

↔ Cross-reference to synonymous terms for which no explanation is given.

---

<b>Active investment</b>	<p>↔ <i>Passive investment</i></p> <p>Active and passive investments are part of the → <i>execution of the investment strategy</i>. A choice must be made between the different → <i>asset classes</i> when defining the investment strategy. Rules must be specified for execution, i.e. the specific selection of individual securities, in order to reduce costs.</p>
<b>Administrative costs</b>	<p>→ <i>Administrative expenditure</i></p>
<b>Administrative expenditure</b>	<p>↔ <i>Administrative costs</i></p> <p>↔ <i>Central services</i></p> <p>↔ <i>Overheads</i></p> <p>Expenditure incurred to ensure the foundation's ability to operate at an administrative level not related to specific support activities (basic functions of the operational organisation). These costs persist, at least in the medium term, if a support activity or project is discontinued. Added to → <i>direct project expenditure</i> to give the → <i>foundation expenditure</i>.</p> <p>→ <i>Expenditure</i></p>
<b>Advisory board</b>	<p>A → <i>foundation body</i> or → <i>foundation panel</i> separate from the → <i>foundation board</i>. Unlike a → <i>committee</i>, its members generally do not consist (exclusively) of foundation board members. They have a purely advisory function.</p>
<b>Advocacy</b>	<p>Activities to influence the political system in favour of third parties, as opposed to lobbying for one's own interests. In the case of foundations, often complementary measures to the actual funding activity, e.g. through dialogue events, studies or workshops. Political engagement as the main purpose of the foundation contravenes → <i>non-profit status</i>.</p>
<b>Agenda items</b>	<p>Items on the meeting agenda.</p>
<b>Alternative investments</b>	<p>Cash assets, risk-free or low-risk bonds, and listed shares are referred to as → <i>standard investments</i>. Investments in junk bonds, private equity, hedge funds, commodities, real estate, insurance risks and other risks are known as "alternative" investments. Foundations should not invest in alternative investments without theory-based, professional investment expertise.</p>
<b>Annual report</b>	<p>→ <i>Financial statements</i></p>
<b>Application of funds</b>	<p>Handling of the funds available to the foundation to fulfil its purpose.</p> <p>→ <i>Prompt application of funds</i></p>
<b>Area of activity</b>	<p>→ <i>Programme of grants</i></p>

---

<b>Asset accumulation</b>	<p>The excessive accumulation of the → <i>foundation assets</i> or available funds due to insufficient utilisation, which is not commensurate with any future → <i>expense</i>. In accordance with circular no. 12 issued by the Swiss Federal Tax Administration on 8 July 1994, a foundation that accumulates assets independently of its → <i>purpose</i> has no entitlement to → <i>tax exemption</i>.</p> <p>→ <i>Distribution requirement</i>  → <i>Timely application of funds</i></p>
<b>Asset allocation</b>	<p>↔ <i>Asset investment</i>  Refers to the specific chosen investment.</p>
<b>Asset and Liability management</b>	<p>↔ <i>Finance management</i>  Comprises implementation of the principles and objectives set out in the → <i>investment policy</i> and → <i>investment strategy</i>, as well as the associated, short-term investment decisions, taking liquidity requirements into account.</p>
<b>Asset class</b>	<p>The investment universe with typical return and risk properties is divided into “asset classes”, which depend on the investment purpose, the volume of the assets and other factors. Asset classes are typically divided into liquidity, bonds denominated in a domestic currency, bonds denominated in a foreign currency, domestic shares and foreign shares. Many portfolios also subdivide foreign shares into European, North American, Japanese, Pacific shares and shares in emerging markets. Real estate, commodities, private equity, hedge funds and other “exotic” asset classes are referred to as → <i>alternative investments</i> or alternative asset classes.</p>
<b>Asset-consuming foundation</b>	<p>A type of foundation that is not regulated by law but has arisen in practice, in which the → <i>founder</i> requires or allows the → <i>foundation board</i> to use some or all of the → <i>foundation assets</i> (and not just the income they generate) in pursuit of the foundation purpose. This releases the foundation board from its fundamental obligation to preserve the foundation assets over time. Once the assets have been used up, and there is no prospect of the foundation receiving new assets, it is no longer able to achieve its purpose and must usually be dissolved.</p> <p>→ <i>Foundation phenomenology</i> section, 126 ff.  → <i>Preservation of wealth</i></p>
<b>Asset investment</b>	<p>↔ <i>Asset allocation</i>  Refers to a specific chosen investment.</p>
<b>Asset management</b>	<p>Management of the → <i>foundation assets</i> as → <i>efficiently</i> as possible in pursuit of the → <i>foundation purpose</i>.</p>
<b>Asset management expenditure</b>	<p>Implementation of an → <i>investment strategy</i> and maintenance of a specific portfolio incur tangible and latent expenditure (such as market impact costs in the case of large-scale transactions), which need to be minimised.</p>
<b>Asset preservation</b>	<p>→ <i>Preservation of wealth</i></p>
<b>Asset-preserving foundation</b>	<p>Unlike a → <i>limited term foundation</i>, an asset-preserving foundation pursues two objectives; in addition to implementing the foundation purpose, the preservation of the foundation's assets. In the case of asset-preserving foundations, the amount of funding granted in the medium and long term depends on the yield position.</p>

<b>Assets</b>	→ <i>Foundation assets</i>
<b>Auditor</b>	<p>Foundations are required by law to choose an external auditor, who must satisfy the legislative provisions regarding impartiality and possesses the required competencies. The supervisory authority may release the foundation from this audit requirement if of the balance sheet total has been less than CHF 200,000 over the past two years, the foundation is not issuing any public appeals for → <i>donations</i> or other → <i>financial endowment</i>, and an audit is not required in order to make a reliable assessment of the foundation's net assets and results of operations. From the perspective of the principle of checks and balances, however, the exemption from the audit obligation should be applied for or granted very cautiously.</p> <p>The auditor reviews the foundation's accounts each year and prepare a report for the foundation board. The audit mandate is to be limited to the minimum required by law.</p>
<b>Available funds</b>	The portion of the → <i>foundation assets</i> that is immediately available for the implementation of the → <i>foundation purpose</i> in accordance with the → <i>foundation charter</i> .
<b>Balance sheet</b>	→ <i>Foundation balance sheet</i>
<b>Bank clients' foundation</b>	<p>A foundation that is mainly endowed using bank clients' funds. Some banks offer their clients individual or collective foundation vehicles, which they can use to pursue their own interests.</p> <p>→ <i>Bank foundation</i>  → <i>Bank owners' foundation</i>  → <i>Bankers' foundation</i></p>
<b>Bank foundation</b>	<p>A conventional, charitable foundation in accordance with Art. 80 ff. Swiss Civil Code (ZGB) which, as a specific type of corporate foundation, has a particularly close personal, organizational or institutional link to a bank (foundation establishment, naming, origin of funds, foundation management, asset management, acquisition of funds, communications, etc.). A distinction is made between three different types, although in practice they usually overlap. All three raise fundamental questions regarding balancing of the foundation's interests with those of the bank:</p> <p>→ <i>Bank clients' foundation</i>  → <i>Bank owners' foundation</i>  → <i>Bankers' foundation</i></p>
<b>Bank owners' foundation</b>	<p>A grant-making foundation established by a bank and endowed from its assets, i.e. equity. The bank is the founder from a legal perspective, while for economic purposes the bank's owners are the founders.</p> <p>→ <i>Bank clients' foundation</i>  → <i>Bank foundation</i>  → <i>Bankers' foundation</i></p>
<b>Bankers' foundation</b>	<p>A grant-making foundation that is privately established by philanthropically minded bankers and endowed using some of their personal assets.</p> <p>→ <i>Bank clients' foundation</i>  → <i>Bank foundation</i>  → <i>Bank owners' foundation</i></p>

<b>Bank-related foundation</b>	→ <i>Bank foundation</i>
<b>Benchmark</b>	A standard of comparison (such as an index) that is used to measure investment performance or also effectiveness of the foundation's grants.
<b>Beneficiaries</b>	↔ <i>Stakeholder</i> The most important target group for foundations, and the recipients of → <i>grant benefits</i> . Beneficiaries may be either direct recipients of benefits ( <i>grant recipients</i> ), or → <i>intermediaries</i> who generate the benefit that the foundation is seeking to provide by providing services to third parties.
<b>Benefit agreement</b>	→ <i>Grant contract</i>
<b>Budget planning</b>	Used to plan income and expenditure.
<b>Business regulations</b>	→ <i>Regulations</i>
<b>Central services</b>	→ <i>Administrative expenditure</i>
<b>Change of purpose</b>	May be implemented at the request of the → <i>foundation board</i> or the → <i>founder</i> , or ex officio by the → <i>foundation supervisory authority</i> . Art. 86a Swiss Civil Code (ZGB) allows the founder to reserve the right to amend the purpose in the → <i>foundation charter</i> . → <i>Foundation establishment</i>
<b>Charitable foundation</b>	A foundation that is its own legal entity ("personified special-purpose assets") that acts in the interests of the common good and not for its own benefit. Charitable foundations generally have → <i>tax exemption</i> . → <i>Charitable status</i> → <i>Foundation phenomenology</i> section, 126 ff.
<b>Charitable status</b>	Acting in the interests of the common good rather than one's own benefit; proof of charitable status is one of the requirements for → <i>tax exemption</i> . → <i>Charitable foundation</i>
<b>Checks and balances</b>	These are mutual controls (checks) by various bodies in order to establish a system of partial equilibria (balances) that is conducive to success. This requires a system of separation of powers. The principle of checks and balances is one of the four that need to be taken into consideration for all foundation activities. The other three are effective implementation of the foundation purpose, transparency and social responsibility.
<b>Church foundation</b>	A foundation that is supervised by a church instead of the government. This also differs from a → <i>charitable foundation</i> in that pursues religious rather than charitable purposes. → <i>Foundation phenomenology</i> section, 126 ff.

<b>Civil society</b>	<p>The concept of an active, civil society that develops social and political activities in communities, neighbourhoods and local associations on the basis of personal initiative and responsibility. Its evolution and development depend to a large extent on the conduct of businesses (corporate citizenship) and the measures implemented by the state (framework conditions).</p> <p>The activities of civil society are distinct from those of the government. This aspect is less pronounced in Switzerland, where the divide between citizens and the state is less than in almost every other country on account of the country's participatory approach and direct democracy. Here, the term "civil society" is largely synonymous with the term population.</p>
<b>Collective pension fund</b>	<p>Companies that do not want to establish their own employee benefit foundation may join a collective pension fund. It is mainly small and medium-sized enterprises that take advantage of this. Collective pension funds are usually run by banks, insurance providers, employers' associations or trust companies.</p> <p>→ <i>Foundation phenomenology</i> section, 126 ff.</p>
<b>Commercial register</b>	<p>The key information regarding charitable foundations must be entered into the commercial register, such as the names and signing authorities of all → <i>foundation board members</i> and the → <i>auditor</i>. The registration and the prior verification of the relevant information are carried out by the Commercial Register Office in the canton of the foundation's legal domicile. The cantons' entries are then approved by the Federal Commercial Registry Office and published in the Swiss Official Gazette of Commerce (SOGC). Anyone can view the information contained in the commercial register, free of charge. It can also be viewed online via the Central Business Names Index (<a href="http://www.zefix.ch">www.zefix.ch</a>). Extracts from the commercial register can be ordered from the cantons' Commercial Registries.</p>
<b>Committee</b>	<p>A task-specific panel, comprising several members of the → <i>foundation board</i> or other → <i>foundation bodies</i>. Responsible for preparation, implementation or monitoring, but can also have its own decision-making authorities via delegation. Presidential, grant and finance committees are common forms.</p>
<b>Community foundation</b>	<p>A community foundation is used to finance and support charitable organisations and projects within a defined geographical area (such as a city or region). Donations are collected from residents and local companies. In organisational terms, a community foundation's board is subordinate to a founders' assembly in which all donors have a voice. This type of foundation is uncommon in Switzerland. In some, rare cases, community foundations exist as a complement to municipal institutions, and the founders' assembly comprises all the citizens in the municipality.</p>
<b>Company foundation</b>	<p>→ <i>Company-holding</i></p> <p>A foundation that is responsible for operation of a company (direct-support foundation or supporting foundation), or that holds a significant investment in a company (company-holding foundation). One particular feature of a company foundation is its (direct or indirect) business activity. The → <i>foundation purpose</i> may be charitable or commercial in nature, or a combination of the two.</p> <p>→ <i>Foundation phenomenology</i> section, 126 ff.</p>

<b>Company-affiliated foundation</b>	Either exercises a significant influence on a (for-profit or not-for-profit) company as a → <i>company foundation</i> or, conversely, is controlled by a company as a → <i>corporate foundation</i> .
<b>Company-holding foundation</b>	→ <i>Company foundation</i>
<b>Compensation for risk</b>	→ <i>Systemic risks</i> → <i>Unsystemic risks</i> Certain → <i>risks</i> (“systemic” risks) are compensated by the → <i>financial markets</i> : On average, greater risks translate into higher expected income over time. “Unsystemic risks” (e.g. investing with a deadline, or in a currency, that is not aligned with the financing requirements, or in a poorly diversified share portfolio) are not associated with higher expected income, and should therefore be avoided.
<b>Compensation of foundation board members</b>	↔ <i>Honorary status</i> ↔ <i>Fee</i> ↔ <i>Salary</i> Some tax authorities require members of a foundation’s board to have honorary status, without any discernible justification or legal basis, to ensure the foundation’s → <i>tax exemption</i> . It is, however, possible for members of the → <i>foundation board</i> to receive appropriate remuneration if the foundation’s funds allow it. The remuneration should be based on each board member’s duties, authority, experience and performance, as well as the foundation’s funds, and varies between the market prices for the services to be rendered and symbolic remuneration. In practice, many foundation board members work on an entirely or partly honorary basis. However, this should not be at the expense of professionalism.
<b>Competitive solution</b>	A competitive solution – for example in the field of asset and liability management – is when the costs and quality of individual activities correspond to those on the market. The aim is not to pay for a particular service, with a certain standard of quality, at a higher price than as available on the market.
<b>Comply or explain</b>	The statutory framework is the highest level for the binding nature of regulatory systems. The second-highest level is the principle of “comply or explain”, according to which a rule should generally be followed, and anyone who does not do so must provide a reason. The third and final level consists of recommendations, such as the Swiss Foundation Code.
<b>Concordat</b>	→ <i>Foundation supervisory authority</i>
<b>Conflict of interests</b>	Arises if a decision maker at the foundation is unable to perform their duties with respect to a particular matter impartially to their own interests or the interests of their employer. A conflict of interests usually also arises if management and control, i.e. the execution of an activity and its oversight, are carried out by the same person. The principle of → <i>dealing at arm’s length</i> generally applies. If they cannot be avoided, conflicts of interest should be disclosed and their consequences should be mitigated by abstaining from votes, or not even taking parts in discussions. A member may even be excluded in the case of permanent conflicts of interest. → <i>Self-dealing</i>

<b>Contract of inheritance</b>	<p>Foundations can be established by means of a contract of inheritance, in which the parties enter into a voluntary and binding agreement regarding disposal of inheritance claims. The formal requirements are to be necessarily observed with all inheritance matters. While a will and testament can be unilaterally amended or supplemented at any time, this is no longer possible in the case of a contract of inheritance.</p> <p>→ <i>Inheritance foundation</i>  → <i>Legacy</i>  → <i>Will and testament</i></p>
<b>Contribution</b>	<p>Collective term for → <i>donations</i>, → <i>subsequent endowments</i> and → <i>financial endowments</i>. None of these terms are specified by law. They refer to third parties' voluntary transfers of assets to the foundation. All contributions can be tied to conditions and covenants, that the contribution must be preserved, for example, or, conversely, that it must or may be used for implementation of the foundation purpose. The foundation can, or indeed must, reject a contribution if it is not able to fulfil the covenants associated with it, if the burden of the covenants outweighs the value of the contribution, or if the contribution stems from legally or ethically questionable origins.</p>
<b>Controlling of the asset result</b>	<p>→ <i>Investment controlling</i></p>
<b>Controlling of the investment result</b>	<p>→ <i>Investment controlling</i></p>
<b>Cooperation</b>	<p>↔ <i>Partnership</i>  Collaboration with other organisations with the aim of achieving a stronger impact and synergy effects by acting in concert.</p> <p>→ <i>Merger</i>  → <i>Public-Private Partnership</i></p>
<b>Corporate foundation</b>	<p>↔ <i>Company-affiliated foundation</i>  A → <i>charitable foundation</i> established by a company, often as part of its social commitments, in such a way that it forms part of its corporate social responsibility strategy. While a corporate foundation is an independent legal entity, in reality it often has very close links with the company. It is endowed once, several times or every year by the founding company, and representatives of the company sit on the foundation board <i>ex officio</i>. A corporate foundation's dependence on the company imposes special requirements on it in terms of corporate governance.</p> <p>→ <i>Company foundation</i></p>
<b>Corporate Social Responsibility (CSR)</b>	<p>A business model concept for companies that incorporate social and ecological concerns into their activities as part of their responsibility towards society. To this end, many companies also establish → <i>charitable foundations</i> in the form of → <i>corporate foundations</i>.</p>
<b>Cost centre accounting</b>	<p>Links the cost categories incurred (personnel costs, material costs, etc.) with the originating cost centres. This provides insight into the performance relationships within the organisation to improve efficiency in the foundation.</p>



<b>Cost-benefit analysis</b>	An attempt to value the positive and negative effects (→ <i>outcome</i> ) of the spectrum of grants awarded by foundations on the social environment (external effects) in monetary terms, in addition to the microeconomic costs and returns for individual investments.
<b>Crypto foundation</b>	A foundation that primarily provides a service based on the development and implementation of a blockchain technology. Such foundations are often financed by issuing a cryptocurrency. Crypto foundations are generally not charitable.
<b>Dealing at arm's length</b>	The principle that business dealings with affiliated or related parties should be conducted as they would be when dealing with totally independent parties. This principle applies to transactions involving the foundation, members of the foundation board and management. → <i>Conflicts of interest</i>
<b>Dependent foundation</b>	↔ <i>Endowment funds</i> ↔ <i>Foundation fund</i> A foundation is considered dependent if it is not a separate legal entity. From a legal perspective, it is not a foundation at all. Dependent foundations are often established in the form of → <i>financial endowments</i> – usually when the volume of available assets is too small to establish a stand-alone foundation. The assets are ring fenced for a purpose specified by the "founder". If applicable this should be consistent with the purpose of the foundation where the dependent foundation is being set up. → <i>Umbrella foundations</i> in particular offer a framework for the establishment of dependent foundations. → <i>Fund</i> → <i>Foundation phenomenology</i> section, 126 ff.
<b>Direct project expenditure</b>	↔ <i>Project expenditure</i> Internal preparation, management, support, monitoring and evaluation costs incurred by a foundation in connection with grant-making activities; expenditure incurred in relation to → <i>beneficiaries</i> or in the foundation's target field. It may be directly and clearly attributable to grant-making in general, or to a specific project. As soon as the activity in question is discontinued, these costs cease immediately. Direct project expenditure include laying the groundwork for decisions (development of a grant-making strategy, project selection, project acquisition) and an → <i>operational foundation activity</i> . → <i>Expenditure</i>
<b>Direct project funding</b>	↔ <i>Distribution</i> ↔ <i>Project expenditure</i> Grants in the form of direct contributions to supported projects, often also referred to as "distributions".
<b>Direct support foundation</b>	→ <i>Company foundation</i>
<b>Dissolution</b>	A foundation can only be dissolved (at the request of the foundation board) by the → <i>foundation supervisory authority</i> if either the pursuit of the → <i>foundation purpose</i> has become objectively impossible (→ <i>change of purpose</i> ), or the foundation no longer has sufficient → <i>assets</i> to pursue its purpose. The → <i>foundation supervisory authority</i> can also dissolve foundations for other reasons, such as inadequate organisation.
<b>Distribution</b>	→ <i>Direct project funding</i>

<b>Distribution requirement</b>	<p>Unlike in the US, where foundations are required by law to pay out 5% of their (liquid) foundation assets each year, Switzerland does not impose any legal requirements to utilise a particular quota each year. However, the accumulation of assets is prohibited. Foundations that only accumulate funds for a long time instead of utilising them are deemed to be acting in their own interests, which is prohibited by foundation law. This also has consequences for tax purposes, because foundations that without cause fail to carry out any grant-giving activities for a long period of time, can no longer be exempt from tax. This does not apply if the foundation is only able to pursue its purpose by accumulating assets, for example because the purpose cannot be pursued for a certain time, or because larger-scale projects are being pursued, which need the accumulation of assets over several years.</p> <p>→ <i>Timely application of funds</i></p>
<b>Diversification; diversifying</b>	<p>Spreading the foundation's assets between several → <i>asset classes</i>, and within each asset class amongst many different individual investments. This mitigates unsystematic → <i>risks</i>, which are not compensated on capital markets.</p>
<b>Donation</b>	<p>A gift given for a specific purpose or a voluntary → <i>contribution to the foundation</i>.</p> <p>→ <i>Financial endowment</i></p>
<b>Donation-funded foundation</b>	<p>Designed to receive the financial resources required to fulfil its → <i>purpose</i>, starting from a small volume of → <i>foundation assets</i> at its establishment, through active fundraising and → <i>financial endowments</i>. A donation-funded foundation may become a → <i>grant-making foundation</i> on account of the accumulation of funds.</p> <p>→ <i>Foundation phenomenology</i> section, 126 ff.</p>
<b>Dormant foundation</b>	<p>→ <i>Inactive foundation</i></p>
<b>Effective, effectiveness</b>	<p>Doing the "right things", and in so doing achieving the intended → <i>impact</i> in accordance with the applicable strategy.</p>
<b>Efficient, efficiency</b>	<p>"Economical"; doing things "right". Efficiency refers to the relationship between outlay and → <i>impact</i>. If a particular result is achieved with the least possible outlay or, equally, a given outlay produces the most significant results, this is known as an efficient, or economical performance.</p>
<b>Employee benefit foundation</b>	<p>↔ <i>BVG foundation</i>  ↔ <i>Pension fund foundation</i></p> <p>Employee benefit foundations (EBFs) or pension fund foundations are special legal structures that govern vocational (occupational) old-age, survivors' and disability pensions insurance. EBFs are the second pillar in Switzerland's three-pillar social security concept, and their main purpose is to make sure employees receive an adequate income after retirement. The number of EBFs has fallen steadily in recent years as a result of → <i>mergers</i> or changes in legal structure. Although EBFs may apply for → <i>tax exemption</i>, they are not generally considered to be a form of → <i>charitable foundation</i>, since their → <i>assets</i> are exclusively for the benefit of those who have paid into the foundation.</p> <p>→ <i>Collective pension fund</i>  → <i>Foundation phenomenology</i> section, 126 ff.</p>

<b>Endowment</b>	The → <i>founder's</i> obligation to transfer assets to an established foundation. Once the foundation has been established, these constitute the → <i>foundation assets</i> and belong to the foundation. The endowment assets generally stem from the founder's own assets, but may also be from third parties.
<b>Endowment funds</b>	→ <i>Dependent foundation</i>
<b>ESG criteria</b>	The criteria for sustainable investment (environmental, social and governance). The environmental, social and governance criteria are the three main areas that are taken into consideration as key factors for determining the sustainability of investments. → <i>Sustainable investment</i>
<b>Establishment</b>	→ <i>Foundation establishment</i>
<b>Evaluation</b>	The necessary monitoring and review processes of grant-making activities in order to assess a foundation's → <i>effectiveness</i> . The outcome or success is determined by measuring results and identifying the → <i>target achievement</i> based on defined parameters and indicators. The evaluation may relate to the organisation, individual bodies, projects or processes to which grants have been awarded. → <i>Sponsorship agreement</i>
<b>Execution of the investment strategy</b>	Execution of the → <i>investment strategy</i> involves implementing x% liquidity, y% → <i>low-risk bonds</i> and z% → <i>diversified shares</i> with concrete securities and/or index investments.
<b>Executive management</b>	An organisational unit reporting directly to the → <i>foundation board</i> that is responsible for the foundation's operational management. This unit prepares the foundation board's decisions and implements its resolutions. It is advisable to have a clear separation of duties between the foundation board and executive management, along the lines of strategic and operational management tasks. The Swiss Foundation Code contains principles for collaboration between the two bodies. In the case of small foundations, the entire foundation board or a → <i>committee</i> may serve as the executive management, although in this case a system of → <i>checks and balances</i> must be ensured.
<b>Expected return on investment</b>	With the exception of interest on government investments, the returns from financial instruments and also entire portfolios are uncertain. It is, however, possible to form an opinion of the expected returns from financial instruments or entire portfolios, based in no small part on statistical analyses.

<b>Expenditure</b>	<p>↔ <i>Project expenditure</i></p> <p>Refers to all costs incurred during a particular period. In the case of grant-making foundations, based on the application of → <i>Swiss GAAP FER 21</i>, expenditure can be divided into two categories: the use of financial resources or contributions in kind during the course of the foundation's activities.</p> <p>An approach based on the foundation's overall → <i>grant benefits</i> distinguishes between → <i>administrative expenses</i> and → <i>grant expenditure</i>, which can itself be broken down into → <i>direct project funding</i> (subsidies) and the → <i>direct project expenditure</i> (the foundation's internal preparation and monitoring costs).</p> <p>A perspective based on operating costs distinguishes between → <i>direct project funding</i> and the → <i>foundation expenditure</i>, which is itself made up of → <i>administrative expenditure</i> and → <i>direct project expenditure</i>.</p>
<b>Expenditure report</b>	Part of the → <i>financial statements</i> .
<b>Family foundation</b>	<p>In the case of family foundations, the → <i>beneficiaries</i> are limited to family members.</p> <p>Family foundations differ from → <i>charitable foundations</i> since no entry in the commercial register is required, and they are not subject to government regulation either. Family foundations do not enjoy → <i>tax exemption</i> in Switzerland. On the contrary, they suffer from significant tax-related disadvantages, which, combined with their other drawbacks, means that virtually no family foundations are established nowadays. Art. 335 Swiss Civil Code (ZGB) states that the amounts issued by a family foundation must be tied to a particular need (training, economic hardship). Benefits that merely serve as upkeep for family members are not permitted.</p> <p>→ <i>Foundation phenomenology</i> section, 126 ff.</p>
<b>Fee</b>	<p>→ <i>Compensation</i> paid to foundation board members or third parties for services rendered.</p> <p>→ <i>Salary</i></p>
<b>Finance management</b>	→ <i>Asset and liability management</i>
<b>Financial endowment</b>	<p>↔ <i>Subsequent endowment</i></p> <p>The transfer of assets to an existing foundation. If this is done by the founder it is often referred to as a → <i>subsequent endowment</i>, while in the case of third parties it is called a → <i>financial endowment</i>. Under German law, a donation must be used for the foundation purpose within a reasonable period of time, while a financial endowment is intended to increase the foundation's endowment capital. Swiss law does not make any such distinction. Donations tend to be lower in value, and subsequent endowments or financial endowments higher.</p> <p>→ <i>Contribution</i></p> <p>→ <i>Donation</i></p>
<b>Financial management</b>	All of a foundation's activities relating to its finances. These include management of the foundation's assets as part of the → <i>investment process</i> .
<b>Financial market</b>	The totality of institutions involved in → <i>asset management</i> (banks, stock markets, clearing houses, etc.).

<b>Financial statements</b>	<p>↔ <i>Annual report</i></p> <p>The financial statements consist of the annual accounts, notes, and → <i>expenditure report</i>. They are based on the recommendations of → <i>Swiss GAAP FER</i> (including Swiss GAAP FER 21) and/or comparable international standards.</p>
<b>Fixed-interest investment</b>	Bonds and fixed-term deposits.
<b>Fluctuation reserve</b>	→ <i>Value fluctuation reserve</i>
<b>Foundation assets</b>	<p>↔ <i>Foundation capital</i>; founding assets; founding capital. The law refers to “assets”. Comprises all the assets of a foundation. The law makes no distinction between endowed assets and later additions (as a result of → <i>donations</i>, → <i>financial endowments</i>, income etc.). In the → <i>foundation charter</i>, the founder should specify whether the foundation’s assets are to be ring fenced (restriction to appropriation of income), or whether consumption of the foundation’s assets is possible or even required.</p> <p>→ <i>Limited term foundation</i></p> <p>→ <i>Preservation of wealth</i></p>
<b>Foundation balance sheet</b>	<p>↔ <i>Balance sheet</i></p> <p>A foundation’s balance sheet shows its → <i>investments</i> on the assets side. On the liabilities side, the Foundation’s funding commitments, other obligations and own funds are listed.</p>
<b>Foundation board</b>	<p>A foundation’s ultimate governance and control body, with responsibilities that cannot be delegated. The size and composition of the foundation board are specified in the → <i>foundation charter</i>.</p>
<b>Foundation body</b>	<p>The bodies prescribed by law are the highest foundation body (the → <i>foundation board</i>) and the → <i>auditor</i>. The → <i>foundation charter</i>, → <i>foundation regulations</i> or → <i>foundation board</i> may also specify other bodies, such as → <i>executive management</i> or → <i>advisory boards</i>. The foundation bodies required by law are to be entered into the commercial register and are liable under foundation law.</p>
<b>Foundation capital</b>	→ <i>Foundation assets</i>
<b>Foundation charter</b>	<p>The → <i>founder</i> uses the foundation charter to specify the → <i>foundation purpose</i> and its → <i>assets</i>. In order to ensure that the foundation is able to develop and give the → <i>foundation board</i> a certain degree of freedom, it is advisable to include only that which is strictly necessary in the foundation charter, and to specify any other provisions using one or more → <i>foundation regulations</i> or → <i>foundation guidelines</i>.</p>
<b>Foundation culture</b>	The totality of the values and norms shared by members of the foundation and expressed through their conduct. Develops informally through interactions, but can also be actively managed.

<b>Foundation establishment</b>	<p>↔ <i>Establishment</i></p> <p>→ <i>Charitable foundations</i> are established by means of their entry into the → <i>commercial register</i> following public notarisation of their → <i>foundation charter</i>. Before a foundation is established, the foundation charter and → <i>foundation regulations</i> should be reviewed by the → <i>foundation supervisory authority</i>, the tax authorities (→ <i>tax exemption</i>) and the commercial registry. The → <i>founder</i> must state in the foundation charter which assets he/she wants to dedicate to which purpose. The → <i>foundation charter</i> or a → <i>foundation regulation</i> should also specify the foundation's name and organisation. A foundation can be established in less than a week. However, it can take longer to clarify whether the foundation will be tax exempt.</p> <p>→ <i>Change of purpose</i></p> <p>→ <i>Inheritance foundations</i> are a special case.</p>
<b>Foundation expenditure</b>	<p>↔ <i>Operating expenditure</i></p> <p>The sum of → <i>administrative expenditure</i> and → <i>direct project expenditure</i> reflects the operating expenditure (excluding securities-related expenditure).</p>
<b>Foundation fund</b>	→ <i>Dependent foundation</i>
<b>Foundation governance</b>	<p>The totality of the principles designed to protect the interests of the founder, the beneficiaries and other stakeholder groups, which aim to achieve effective implementation of the foundation purpose, a suitable balance between management, control and adequate transparency, under reservation of the interpretative and decision-making abilities of the foundation board. The principles of foundation governance for → <i>grant-making foundations</i> are set out in the Swiss Foundation Code.</p> <p>→ <i>Governance</i></p>
<b>Foundation law</b>	Consists of Articles 80–89a Swiss Civil Code (ZGB) in particular. The most recent, partial revision entered into force on 1 January 2006. Later amendments relate to financial reporting and auditing.
<b>Foundation management</b>	The structured and deliberate performance of work at the three management levels of → <i>foundation policy</i> , → <i>foundation strategy</i> and grant-making activities. The goal is to achieve integrated management, i.e. a logical, coordinated and transparent decision-making process at all three levels.
<b>Foundation panel</b>	→ <i>Foundation body</i> .
<b>Foundation policy</b>	<p>↔ <i>Grant policy</i></p> <p>↔ <i>Policy</i></p> <p>Provides the normative framework for all the foundation's activities. The foundation policy decisions that are valid in the long term include the → <i>foundation purpose</i>, the vision, the key cornerstones and the organisational conditions, as well as the guiding principles and the <i>Ethical Code of Conduct</i>. They cannot be implemented directly themselves, and must be specified, i.e. applied to particular situations. The foundation policy is superordinate to the → <i>foundation strategy</i>, which is itself superordinate to the grant-making itself. The foundation policy is summarised and communicated in the form of → <i>guiding principles</i>.</p>

<b>Foundation purpose</b>	<p>Defines the foundation's tasks and objectives. This also determines the nature of the → <i>beneficiaries</i> and the field in which → <i>grant services</i> are to be provided. Art. 86a (1) Swiss Civil Code (ZGB) allows the → <i>founder</i> to reserve the right to amend the purpose in the → <i>foundation charter</i>. A → <i>change of purpose</i> may be implemented at the founder's request, provided at least ten years have passed since the foundation was established, or the purpose was most recently changed. The new purpose must also be charitable for charitable foundations. Changes of purpose are enacted by the → <i>foundation supervisory authority</i>.</p>
<b>Foundation regulations</b>	<p>→ <i>Regulations</i>  Regulates everything that does not need to be in the → <i>foundation charter</i>, particularly relating to the foundation's organisation. Foundation regulations can be issued, amended and revoked by the → <i>foundation board</i> in accordance with the provisions of the foundation charter. In addition to → <i>Business regulations</i> other regulations are possible, e.g. grant-giving regulations, remuneration regulations, → <i>investment regulations</i> or staff regulations. The → <i>foundation supervisory authority</i> must be notified of regulations and amendments to regulations, which is not the case for subordinate provisions ("guidelines").</p> <p>→ <i>Business regulations</i>  → <i>Grant-making regulations</i>  → <i>Guidelines</i>  → <i>Investment regulations</i></p>
<b>Foundation size</b>	<p>↔ <i>Large foundations</i>  ↔ <i>Medium-sized foundations</i>  ↔ <i>Small foundations</i></p> <p>Classification based on the volume of a → <i>foundation's assets</i>: Small foundations (assets up to CHF 10 million), medium-sized foundations (CHF 10–50 million), large foundations (over CHF 50 million). This only includes liquid assets (investments), and not assets that are illiquid and inalienable.</p>
<b>Foundation statutes</b>	<p>This term is often used colloquially (and due to the influence of society and company law) to refer to the → <i>foundation charter</i>.</p>
<b>Foundation strategy</b>	<p>↔ <i>Grant strategy</i>  ↔ <i>Strategy</i></p> <p>A foundation's strategy is the link between its → <i>policy</i> and its operating grant-making activities. It specifies and fleshes out the framework of the foundation policy, for example by specifying areas of activity or support priorities (→ <i>grant programme</i>), the allocation of resources, or the provision of expertise.</p>
<b>Foundation supervisory authority</b>	<p>↔ <i>Concordat</i>  ↔ <i>Foundation concordat</i>  ↔ <i>Supervisory concordat</i></p> <p>A government institution that monitors foundations' compliance with statutory provisions and also provides advice to → <i>founders</i> and foundations. Foundations may be supervised at municipal, cantonal or federal levels. This is usually determined on the basis of the location and the reach of the foundation's activities.</p>

<b>Founder</b>	A foundation can be established by any adult, natural person, or legal entity, such as a company, association, or public law corporation. Multiple persons may act as founders. A fiduciary founder may also be used if the “real” or “economic” founder does not want to be listed formally as the founder. This also means that the assets endowed to the foundation need not necessarily stem from the person acting as the (formal) founder. → <i>Endowment</i>
<b>Founder's rights</b>	Rights that the founder may reserve for him/herself (or a third party) in the foundation charter when the foundation is established, such as a right pursuant to Art. 86a Swiss Civil Code (ZGB), or the right to appoint members of the foundation board.
<b>Functional transparency</b>	Transparency of the foundation, which is based on the “entitlement” of the public and the → <i>stakeholders</i> . It is based around opacity and transparency for transparency's sake.
<b>Fund</b>	Often used to mean the same as a → <i>dependent foundation</i> . Frequently used to refer to gratuitous but purpose specific donations (no own legal form) from private sources to public agencies (federal government, cantons, municipalities), such as a school district's travel fund. → <i>Foundation phenomenology</i> section, 126 ff.
<b>Governance</b>	Rules and principles for management and control of an organisation. In a foundation the focus is on the relationships between the → <i>foundation board</i> and the other → <i>foundation bodies</i> and → <i>foundation panels</i> , as well as the various internal and external → <i>stakeholder groups</i> . → <i>Foundation governance</i>
<b>Grant benefits</b>	Services provided to → <i>beneficiaries</i> in pursuit of the → <i>foundation purpose</i> . They are not limited to commitment of financial resources, but also include strategic, supervisory and evaluation measures. A grant-making foundation may run its own projects or programmes as an → <i>operational foundation</i> . → <i>Grant expenditure</i>
<b>Grant contract</b>	↔ <i>Benefit agreement</i> Agreement between the foundation and the → <i>beneficiary</i> regarding the grant form: milestones, content, targets, finances, parameters, reporting, etc. The grant contract serves as the basis for the project partnership. → <i>Evaluation</i>
<b>Grant criteria</b>	→ <i>Grant guidelines</i>
<b>Grant expenditure</b>	Total of → <i>direct project funding</i> and → <i>direct project expenditure</i> ; corresponds to a foundation's → <i>grant benefits</i> . → <i>Expenditure</i>
<b>Grant guidelines</b>	↔ <i>Grant criteria</i> Contain ethical, substantive and formal principles, on the basis of which the foundation provides its → <i>grant benefits</i> . Grant guidelines must be suited to the → <i>foundation purpose</i> but can also limit it temporarily or in certain situations in order to set grant priorities (→ <i>programme of grants</i> ). Grant guidelines are made available to the → <i>stakeholder groups</i> .
<b>Grant impact</b>	→ <i>Impact</i>



<b>Grant policy</b>	→ <i>Foundation policy</i>
<b>Grant priority</b>	→ <i>Programme of grants</i>
<b>Grant recipient</b>	A general term for recipients of grants. → <i>Beneficiary</i> → <i>Intermediaries</i>
<b>Grant regulations</b>	→ <i>Foundation regulation</i> → <i>Grant guidelines</i>
<b>Grant strategy</b>	→ <i>Foundation strategy</i>
<b>Grant-making foundation</b>	A → <i>charitable foundation</i> that is not reliant on donations or contributions to its founding capital in order to fund its activities because it has its own assets, and finances its grant activities with the income they generate (or using the assets themselves in the case of a limited term foundation). → <i>Foundation phenomenology</i> section, 126 ff. → <i>Traditional foundation</i>
<b>Guideline</b>	↔ <i>Foundation guideline</i> ↔ <i>Regulations</i> Regulates matters that are equivalent for legal purposes to foundation board resolutions. Unlike → <i>foundation regulations</i> , a guideline is a flexible provision that does not need to be reported to the supervisory authority.
<b>Guiding principles</b>	Based on the → <i>foundation charter</i> and the → <i>foundation policy</i> , the guiding principles contain the objectives, guidelines and principles for the foundation's actions and conduct. It also contains normative statements regarding the foundation's dealings with → <i>grant recipients</i> , → <i>stakeholders</i> , employees, cooperation and other partners, as well as regarding the foundation's self-image. The guiding principles must be periodically reviewed and updated.
<b>Honorary status</b>	→ <i>Compensation of foundation board members</i>
<b>ICS</b>	→ <i>Internal Control System</i>
<b>Impact</b>	→ <i>Effectiveness</i>
<b>Impact</b>	↔ <i>Grant impact</i> Refers to → <i>target achievement</i> of the foundation's impact targets ( <i>outcome</i> ). An attempt is made to achieve the best possible relationship between the foundation's activities and the resources used in the process. This has less to do with the success of certain → <i>grant services</i> , but is more concerned with overall implementation of the → <i>foundation purpose</i> and/or → <i>policy</i> . → <i>Effectiveness</i> → <i>Efficiency</i>

<b>Impact logic</b>	Formulation of the connections between the means and activities of the foundation and the expected consequences in society (→ <i>Outcome</i> ). The theory of change is often described with the help of a logic framework in which input, activities, output and outcome are related.
<b>Impact measurement</b>	Systematic review of the impact of funding activities based on → <i>impact logic</i> and using standardised methods, e.g. cost-benefit analysis or social return on investment (SROI).
<b>Impact targets</b>	→ <i>Outcome</i>
<b>Inactive foundation</b>	↔ <i>Dormant foundation</i> A foundation that has largely discontinued its grant-making activities. Sometimes also referred to as a "dormant foundation". There may be valid reasons for temporary inactivity. Permanently inactive foundations, on the other hand, are unacceptable and must be made part of a new solution.
<b>Inheritance foundation</b>	An inheritance foundation is a foundation established on the basis of testamentary dispositions (will and testament or contract of inheritance). It is only established after the → <i>founder</i> is deceased. The establishment of an inheritance foundation is generally inadvisable. The → <i>founder</i> is unable to follow or influence the development of an inheritance foundation, or respond to any questions in the event of omissions or ambiguities.
<b>Initial financing</b>	Also referred to as → <i>start-up financing</i> → <i>Knock-on financing</i>
<b>Innovation function, promotion of innovation</b>	Foundations have a responsibility to promote innovation because they can take greater risks than companies or governments, because they can pursue more long-term agendas without the need to take short-term maximising or legislative periods into consideration, and because they are in principle independent of → <i>stakeholder groups</i> .
<b>Interest group</b>	→ <i>Stakeholder groups</i>
<b>Intermediaries</b>	→ <i>Beneficiaries</i> who use the funds they receive to make payments or provide services to third parties on behalf of the foundation. → <i>Grant recipients</i>
<b>Internal Control System (ICS)</b>	Since 1 January 2008, all "economically significant foundations" must subject themselves to a "full audit" which examines the conducting of the accounts and checks the existence of an internal control system. Foundations are deemed to be "economically significant" if they exceed two of the three size criteria (total assets of CHF 10 million, turnover of CHF 20 million, 50 full-time employment positions on average over the year) in two consecutive financial years.
<b>Investment controlling</b>	↔ <i>Controlling of the asset result</i> ↔ <i>Controlling of the investment result</i> The investment result is checked against the → <i>investment strategy</i> or a suitable → <i>benchmark</i> at least twice per year. The investment strategy itself is reviewed at least every three years.

<b>Investment foundation</b>	An investment foundation is established in practice. It is a for-profit foundation, and its purpose is collective asset management for old-age, survivors' and invalidity insurance providers in accordance with the principle of risk diversification. It has corporate elements, including an investors' meeting as its highest governing body, a corporate organisation based on company law and specified in regulations, as well as investment regulations. It is governed by the applicable articles of the Federal Law on Employee Pension Funds (BVG), the Executive Regulation (BVV2) as well as federal supervisory commission (Oberaufsichtskommission Berufliche Vorsorge, OAK BV).
<b>Investment management organisation</b>	Used to structure the → <i>investment process</i> and define the foundation's bodies that are entrusted with management of its investments. It is crucial to separate → <i>asset management</i> and → <i>investment controlling</i> .
<b>Investment policy</b>	Central, normative principles relating to management of the → <i>foundation's assets</i> . These are specified in the → <i>investment strategy</i> . The investment policy and strategy together with systematic liquidity planning, form the foundation's financial management.
<b>Investment process</b>	Describes the asset management system and comprises three steps: defining the → <i>investment strategy</i> , → <i>executing the investment strategy</i> , and → <i>investment controlling</i> .
<b>Investment regulations</b>	Regulate the determining, the → <i>execution of the investment strategy</i> , → <i>investment controlling</i> , and the monitoring of the investment strategy. They also describe the competencies, responsibilities and controls of the persons entrusted with asset management. → <i>Foundation regulation</i>
<b>Investment risks</b>	A distinction must be made between risks that are compensated at market rates, and those that are not. A well-diversified share portfolio, for example, is compensated at market rates. Additional risk leads, on average, to a higher return on investment. A poorly diversified share portfolio, on the other hand, also harbours a lot of risk without the expectation of a higher return. → <i>Non-compensated risks</i> → <i>Risk</i>
<b>Investment strategy</b>	↔ <i>Strategy</i> Specifies the way the foundation intends to structure its assets based on its risk capacity and → <i>risk tolerance</i> , to finance its disbursement plans. The investment strategy may be specified by determining an → <i>expected return on investment</i> that is to be achieved using the foundation's assets. Specifically, the investment strategy is described as x% liquidity, y% → <i>low-risk bonds</i> and z% → <i>diversified shares</i> ( $x + y + z = 100$ ). → <i>Execution of the investment strategy</i>
<b>Knock-on financing</b>	Goes beyond simple → <i>initial financing</i> or → <i>start-up financing</i> , by progressing activities up to a potential breakthrough. Nevertheless, this kind of investment also has a limited duration. It can also only cover some of the activities.
<b>Large foundations</b>	→ <i>Foundation size</i>

<b>Legacy</b>	<p>A bequest under inheritance law. Unlike an → <i>inheritance foundation</i>, which involves the establishment of a new foundation by means of a testamentary disposition, a legacy in this context is a → <i>donation</i> made to an existing foundation in accordance with inheritance law. The foundation can, or indeed must, reject a legacy if it is not able to fulfil the covenants associated with it, if the impact of the covenants outweighs the value of the legacy, or if the legacy stems from legally or ethically questionable origins.</p> <p>→ <i>Contract of inheritance</i> → <i>Will and testament</i></p>
<b>Limited term foundation</b>	<p>A foundation whose duration has been explicitly or implicitly limited by the → <i>founder</i> in the → <i>foundation charter</i>.</p>
<b>Liquidity planning</b>	<p>The goal of liquidity planning is to ensure that there is sufficient liquidity available when planned expenditure occurs. Investments should be liquidated at the shortest possible notice, and therefore no longer generate income. Liquidity planning aims to optimise the loss of earnings, and ensure undisrupted project funding and other financing.</p>
<b>Low-risk bonds</b>	<p>A suitable mix of bonds issued by companies that operate internationally, hedged in the currency of the foundation's expenditure.</p>
<b>Medium-sized foundations</b>	<p>→ <i>Foundation size</i></p>
<b>Merger</b>	<p>An economic and legal consolidation of organisations. Foundations can only merge with other foundations, whereby each foundation retains its own → <i>purpose</i>, or can only be changed with the consent of the → <i>foundation supervisory authority</i>.</p> <p>→ <i>Cooperation</i></p>
<b>Mission investing</b>	<p>→ <i>Mission-based investing</i></p>
<b>Mission-based investing</b>	<p>↔ <i>Mission-based investing</i> ↔ <i>Mission investing</i> ↔ <i>Mission-related investing</i></p> <p>A foundation-specific asset management strategy, in which investments are made that are conducive to achieving the foundation purpose, that preserve the invested assets, and that generate a market rate of return if possible.</p>
<b>Mission-related investing</b>	<p>→ <i>Mission-based investing</i></p>
<b>Non-charitable foundation</b>	<p>→ <i>Private-benefit foundation</i></p>
<b>Non-compensated risks</b>	<p>Some → <i>investment risks</i> are compensated by the → <i>financial markets</i>, while others are not. Investments in bonds that are not aligned with funded projects in terms of their maturity and currency, or investments in poorly → <i>diversified</i> share portfolios, entail the risk of not achieving the expected return on assets. However, these (unsystematic) risks are not compensated on average over time by higher anticipated income in return for taking a greater risk.</p>

<b>NPO</b>	Non-Profit Organisations. → <i>NPO sector</i>
<b>NPO sector</b>	↔ <i>Third sector</i> Often referred to as the third sector alongside the market and the state: productive social systems in private ownership that pursue specific purposes of meeting needs, providing grants and/or representing interests/exerting influence for third parties or their members, as a complement to state and market-driven, for-profit undertakings. Legally, the majority are organised as associations (societies), cooperatives or foundations. NPOs generally finance their work through membership fees, → <i>donations</i> , subsidies or charges. Surpluses may not be distributed to members or sponsors in the form of equity return.
<b>Occupational pension insurance foundation</b>	A foundation established in accordance with the law on occupational pensions, often referred to as an → <i>employee benefit foundation</i> . → <i>Foundation phenomenology</i> section, 126 ff.
<b>Operating expenditure</b>	→ <i>Foundation expenditure</i>
<b>Operational foundation</b>	↔ <i>Supporting foundation</i> The core business of an operational foundation does not consist of committing funds, but rather pursuing the foundation purpose by means of exercising a governing role, its own work, or its own projects.
<b>Operational foundation activity</b>	A foundation's own, <i>active</i> project work, as opposed to <i>reactive</i> funding to support external projects. The term is sometimes restricted to a foundation's own projects (→ <i>operational foundation</i> ). The boundaries between active and reactive are fluid, however, because a foundation's internal preparation and supervisory costs also constitute operational foundation activity. The term therefore applies to the following internal activities: project management, project support (with regard to content and/or project management), project controlling (reviewing contractual agreements), project monitoring (supervisory project monitoring by third parties with evaluative character), and networking (linking projects to each other and/or with other initiatives).
<b>Organisation regulations</b>	→ <i>Foundation regulations</i>
<b>Outcome</b>	↔ <i>Impact targets</i> The benefit and impact achieved by a foundation, directly or indirectly, among the → <i>grant recipients</i> as a result of its → <i>grant disbursement</i> . A distinction can be made between the impact of the grant (→ <i>impact</i> ) and the → <i>project impact</i> . The → <i>outcome</i> is much harder to measure than the → <i>output</i> , and is often only informative by comparing the situations before the start and after the conclusion of the project. → <i>Target achievement</i>
<b>Output</b>	↔ <i>Performance targets</i> Defines the parameters for utilisation of → <i>grant output</i> , and the direct and countable results (such as the number of participants on a course). → <i>Target achievement</i>

<b>Overheads</b>	→ <i>Administrative expenditure</i>
<b>Partial tax exemption</b>	→ <i>Tax exemption</i>
<b>Partnership</b>	→ <i>Cooperation</i>
<b>Passive investment</b>	→ <i>Active investment</i>
<b>Patronage</b>	Unlike a → <i>sponsor</i> , a patron donates without expecting any counter performance in return.
<b>Pension fund foundation</b>	→ <i>Employee benefit foundation</i> → <i>Foundation phenomenology</i> section, 126 ff.
<b>Performance targets</b>	→ <i>Output</i>
<b>Philanthropy</b>	Philanthropy refers to any private, voluntary activity for a charitable purpose. It includes donations of time, money, or benefits in kind.
<b>Policy</b>	→ <i>Foundation policy</i> → <i>Investment policy</i>
<b>Preservation of wealth</b>	↔ <i>Asset preservation</i> If a foundation is required to preserve its assets, only income generated by the → <i>foundation assets</i> may be invested in projects or distributed to third parties, while the → <i>foundation assets</i> themselves may not be touched. → <i>Limited term foundation</i>
<b>Private foundation</b>	A general term for foundations governed by private law (Art. 80 ff., 335 Swiss Civil Code (ZGB)). Private foundations include → <i>charitable foundations</i> , → <i>family foundations</i> , → <i>church foundations</i> , → <i>employee benefit foundations</i> and → <i>company foundations</i> , even if these are not explicitly mentioned in legislation. Private foundations are much more common than → <i>public-law foundations</i> . → <i>Foundation phenomenology</i> section, 126 ff.
<b>Private-benefit foundation</b>	↔ <i>Non-charitable foundation</i> Does not have charitable status because its purpose does not serve the common good, but rather a limited group (example: → <i>family foundation</i> ).
<b>Programme of grants</b>	↔ <i>Area of activity</i> ↔ <i>Grant priority</i> Creation of a grant priority or area of activity within which the → <i>grant benefits</i> can be assigned to thematically linked projects. Individual projects can also be supported independently.
<b>Project expenditure</b>	→ <i>Direct project expenditure</i> → <i>Direct project funding</i> → <i>Expenditure</i>

<b>Project impact</b>	Determined based on the degree to which a project's impact targets have been achieved (→ <i>outcome</i> ). The foundation can only influence projects created by → <i>beneficiaries</i> to a limited extent. In such cases, the project impact is therefore only an indirect result of the foundation's activities.
<b>Project management</b>	The targeted management (planning, supervision, → <i>evaluation</i> ) and organisation of projects.
<b>Public-law foundation</b>	A dependent or independent foundation governed by public law that pursues a public purpose. Such foundations are established by a law, and generally endowed using public funds (such as the Pro Helvetia Swiss culture foundation, or the Swiss National Science Foundation). → <i>Foundation phenomenology</i> section, 126 ff. → <i>Private foundation</i>
<b>Public-Private Partnership</b>	Voluntary → <i>Cooperation</i> between a private organisation (such as a company or → <i>NPO</i> ) and a public institution to achieve shared purposes and goals.
<b>Purpose</b>	→ <i>Foundation purpose</i>
<b>Rating</b>	Information on a company's ability to repay its debts in the long term, or the probability that a particular bond will be repaid. Ratings are published by rating agencies.
<b>Regulations</b>	→ <i>Foundation regulations</i> → <i>Guideline</i>
<b>Risk</b>	Commonly used to refer to the fact that things may turn out worse than expected. From an economic perspective, however, risk is the fact that things may turn out differently – i.e. better or worse – than expected. The important thing is to have an idea of the extent to which things may turn out differently. In other words, risk is the degree of uncertainty that a certain target will be met. Some risks are systematically compensated, while others are not. → <i>Compensation for risk</i> → <i>Investment risks</i> → <i>Low-risk bonds</i> → <i>Non-compensated risks</i> → <i>Risk-bearing investment</i> → <i>Risk-free bonds</i> → <i>Risk management</i>
<b>Risk appetite</b>	A foundation's willingness to assume typically compensated → <i>investment risks</i> in order to achieve the expected return on assets.
<b>Risk management</b>	Includes all organisational regulations and measures aimed at identifying and dealing with risks.
<b>Risk-bearing investment</b>	Well-diversified standard investments and alternative investments are considered risk-bearing investments. The relevant factor is always an investment's contribution to the risk of the existing assets; the "absolute" → <i>risk</i> of an investment is of no interest. → <i>Value fluctuation reserve</i>

<b>Risk-free bonds</b>	Bonds issued by credible governments, member states, state-guaranteed banks and international organisations backed directly or indirectly by a reliable future tax base.
<b>Salary</b>	The remuneration paid to employees of the foundation's office in accordance with their employment contracts. → <i>Compensation of foundation board members</i> → <i>Fee</i>
<b>Self-dealing</b>	Own-account transactions. Describes the conduct of a person acting in a fiduciary capacity (for example as an attorney, trustee, member of the → <i>foundation board</i> , → <i>executive management</i> ), who concludes a transaction with him/herself, an associated entity, or an entity under his/her control. → <i>Conflict of interests</i>
<b>Self-evaluation</b>	An independent or guided assessment of own performance based on clear targets and parameters. Plays a particularly important role for bodies with no higher internal supervision (→ <i>foundation board</i> ), but also with respect to the performance of the foundation as a whole.
<b>Self-regulation</b>	With the development of behavioural regulations with respect to → <i>foundation governance</i> , → <i>Swiss Foundations</i> relies on the principle of individual responsibility. Self-regulation can pre-empt legislative regulation by the government.
<b>Small foundations</b>	→ <i>Foundation size</i>
<b>Sponsor/ sponsorship</b>	A sponsor supplies the foundation with financial resources, benefits in kind and/or knowledge and experience, and expects some form of quid pro quo in return (particularly marketing or achievement of communications goals). Sponsorship activities are guided by commercial interests, and therefore not tax deductible for the sponsor. The foundation also routinely incurs VAT. → <i>Patronage</i>
<b>Stakeholder</b>	→ <i>Beneficiaries</i> → <i>Stakeholder groups</i>
<b>Stakeholder groups</b>	↔ <i>Interest groups</i> ↔ <i>Stakeholder</i> The list of a foundation's stakeholder groups is not limited to the → <i>beneficiaries</i> (direct recipients of funds), but also includes the recipients of the support provided by the beneficiaries, as well as the general public. Donors and contractual partners can also be stakeholders.
<b>Standard investments</b>	Investments in liquidity, → <i>risk-free</i> or → <i>low-risk bonds</i> and listed shares. Other asset classes fall under → <i>alternative investments</i> .
<b>Start-up financing</b>	↔ <i>Initial financing</i> Also referred to as <i>initial financing</i> ; providing a project or institution with sufficient resources to start targeted activities. → <i>Knock-on financing</i>



<b>Strategy</b>	<p>→ <i>Foundation strategy</i></p> <p>→ <i>Investment strategy</i></p>
<b>Subsequent endowment</b>	→ <i>Financial endowment</i>
<b>Supervisory concordat</b>	→ <i>Foundation supervisory authority</i>
<b>Supporting foundation</b>	→ <i>Company foundation</i>
<b>Sustainable investments</b>	<p>Investments based on ecological, social, ethical and/or governance criteria, in addition to conventional measures of profitability, liquidity, security and risk diversification.</p> <p>→ <i>ESG criteria</i></p>
<b>Swiss GAAP FER 21</b>	<p>The financial reporting standard of the standing Commission for the Swiss Accounting and Reporting Recommendations (<a href="http://www.fer.ch">www.fer.ch</a>) for charitable, social → <i>NPOs</i>. The aim is to make annual financial statements and reporting more informative and standardised. Application of the standard, which has been in effect since 1 January 2003, is voluntary.</p>
<b>Swiss Foundations</b>	The association of Swiss grant-making foundations, established in 2001.
<b>Systemic risks</b>	→ <i>Compensation for risk</i>
<b>Target achievement, degree of target achievement</b>	<p>The degree of target achievement indicates the extent to which the foundation's targets have been achieved. Targets are desired states and → <i>impacts</i> that we attempt to achieve by means of specific measures and the use of resources.</p> <p>→ <i>Outcome</i></p> <p>→ <i>Output</i></p>
<b>Target return</b>	<p>An expression of a specific → <i>investment strategy</i>. If the target return is high in comparison to other investments, substantial → <i>risks</i> must be taken, even if the investment is pursued in the best possible way. If the target return is low, then the risks are also low, provided that the investment rules are adhered to. A lower target return than anticipated can, however, also be achieved with a high level of risk, if the investment rules are violated.</p>
<b>Tax deduction</b>	<p>→ <i>Donations</i> and → <i>financial endowments</i> of tax-exempt foundations are generally tax deductible. The deduction for donations with respect to direct federal tax amounts to 20% of the donor's net income or net profit. The income tax deduction rates applied by the cantons vary (from 5% in Neuchatel to 100% in Baselland), but the majority also apply a rate of 20%.</p>

<b>Tax exemption</b>	<p>↔ <i>Partial tax exemption</i></p> <p>Work carried out for the good of society should not be taxed. That is why → <i>charitable foundations</i> are usually tax exempt. This means that they do not have to pay any tax on their assets or income (profit or capital tax), or any inheritance or gift (capital transfer) tax (which are not levied in all cantons).</p> <p>The criteria for tax exemption at federal level are charitable status, the exclusivity of the application of funds, and the irrevocability of the ring fencing for the dedicated purpose. Exemption from cantonal tax liability is governed by the individual canton's tax laws. The criteria are generally similar to those at federal level.</p> <p>Foundations that do not meet all the criteria may be granted partial tax exemption. Fulfilment of the tax-exemption criteria must be ascertained before a foundation is established if necessary the foundation's structure can still be adjusted. Once granted, tax exemption does not apply indefinitely and may be withdrawn if the criteria are no longer met.</p> <p>Contributions to tax-exempt foundations are tax deductible at federal and cantonal levels. → <i>Tax deduction</i></p>
<b>Third sector</b>	→ <i>NPO sector</i>
<b>Timely application of funds</b>	<p>Unlike German foundation law, Swiss law does not require the “timely application of funds”. Switzerland relies on self-regulation in this respect. But since foundations are supposed to conduct business activities, in this country income from the → <i>foundation assets</i> and other available funds should be used within a reasonable period for implementation of the → <i>foundation purpose</i>.</p> <p>→ <i>Application of funds</i> → <i>Asset accumulation</i> → <i>Distribution requirement</i></p>
<b>Traditional foundation</b>	<p>A common but outdated and undifferentiated term for all → <i>charitable foundations</i> that issue grants, and sometimes only for → <i>grant-making foundations</i>.</p> <p>→ <i>Foundation phenomenology</i> section, 126 ff.</p>
<b>Trust</b>	<p>A trust is a legal arrangement in which a <i>settlor</i> transfers ownership of certain assets to one or more <i>trustees</i>, who are to manage and dispose of the assets for the benefit of certain <i>beneficiaries</i>. As a result, in contrast to a foundation, ownership lies with the trustee. In English-speaking <i>common law</i> countries, the concept of a trust is a widespread legal institution, whereas it is not codified in Swiss law. However, foreign trusts are recognised in Switzerland.</p>
<b>Umbrella foundation</b>	<p>Offers → <i>dependent foundations</i> and smaller funds the ability to pool resources for the purpose of asset management and project support. Umbrella foundations include those operated by banks, as well as those that are independent of financial service providers. Umbrella foundations are also suitable for → <i>financial endowments</i> and → <i>legacy</i>. They carry out their own professional investment and grant management, and particularly for smaller funds they offer an appealing alternative to → <i>establishing a foundation</i>.</p> <p>→ <i>Foundation phenomenology</i> section, 126 ff.</p>
<b>Unsystemic risks</b>	→ <i>Compensation for risk</i>

---

**Value fluctuation reserve**

↔ *Fluctuation reserve*

If a foundation receives a constant cash flow, and if it holds → *risk-bearing investments*, a portion of the → *foundation assets* should be held as a value fluctuation reserve. The foundation then achieves a longer-term balance between outgoings and income, provided the fluctuations in the → *financial market* can be offset by the value fluctuation reserves. As a general rule, half of a foundation's risk-bearing investments are held as a value fluctuation reserve.

---

**Will and testament**

Foundations can be established by means of a will and testament. Formal requirements must be taken into consideration for all disposals under inheritance law. Unlike a → *contract of inheritance*, a will and testament can be amended or added to at any time.  
→ *Inheritance foundation*  
→ *Legacy*

---

**World equity portfolio**

There is no process for systematically forecasting the ups and downs of the world's stock markets, or even individual equities, better than others. That is why some foundations invest the part of their assets that is to generate more than the risk-free interest rate on average over time, in a world equity portfolio.

---

# Keyword index

References to the foundation glossary are in *italics*. Page numbers in **bold** refer to passages that place the term in context, and therefore provide a particularly detailed explanation of the term. The arrow symbol refers to another, related term.

<b>A</b>	
Active investment	<i>210</i>
Ad hoc committee (→ Committee)	88 f.
Administrative costs	41, 121, <b>123</b> , <i>210</i>
Administrative expenditure (→ Expenditure)	36, <b>123 f.</b> , 146, 171, <i>210</i>
Advisory board	59, <b>110 ff.</b> , <i>125</i> , <i>210</i>
Age restriction	65, <b>66</b> , 72
Agenda items	81, <i>210</i>
Alternative investment	158, 160, <i>210</i> , 232
Annual financial statement	45, 59, 81, 83, 89, 104, 108, <b>144 ff.</b> , 233
Annual report	59, 92, 100, 144 f., <i>210</i>
Applicant (→ Beneficiary)	100, <b>128 f.</b>
Application of funds	<i>122</i> , <b>123</b> , <i>210</i> , <i>234</i>
Exclusivity of <b>45</b> , 234	
Effectiveness of (→ Impact) 130, 140, 213	
Applications	<b>98</b> , 100, 104, 116, 126, 128 f., 179
Area of activity (→ Programme of grants)	<i>210</i> , 230
Area of operation (of the foundation)	44
Asset accumulation	<i>211</i>
Asset allocation	156, <b>162 ff.</b> , <i>211</i>
Asset class	157, <i>211</i> , 218, 233
Asset management (→ Financial management, → Investment), costs	11, 15, 20, 37, 45, 52, 56, 59, 61, 73, 76, 81, 90, 93, 95, 98 f., 104, 106 f., 116, 119, 122, 127, 135, 140 ff., 144, <b>147 ff.</b> , <b>153 ff.</b> , 156 ff., 160, 163 f., 167, 168 ff., 170 ff., 177, 183, 186, <i>211</i> , 212, 227
Asset-consuming foundation	34, <b>38 f.</b> , 41, 63, 99, 122, <b>124</b> , 142 f., 159, 180, 183, <i>211</i>
Assets	150 ff., 162 ff., 170 ff., <i>211</i> , <i>212</i>
Attendance (at foundation board meetings)	73, 78, <b>82</b>
Audit requirement, exemption from	<b>107</b> , <i>212</i>
Auditor (→ Audit)	<b>106 ff.</b> , 178, <i>212</i>

Autonomous status (of the foundation) (→ Autonomy) in connection with asset management 141, <b>149</b> of the foundation 78, 90, <b>178</b> , 183 of the foundation board (→ Foundation board) <b>94</b>	182
Availability	71 f., <b>73</b> , 103
Available funds	36, 120, <b>122</b> , 180, 211, 212, 234
<b>B</b>	
Balance of the foundation board	<b>21</b> , <b>73</b>
Balance sheet	145, 212, <i>221</i>
Bank clients' foundation	177 f., 182, <i>212</i>
Bank foundation	183, <i>212</i>
Bank owners' foundation	<i>212</i>
Bankers' foundation	<i>212</i>
Below market-rate mission investments	<i>227</i>
Benchmark	149, 151, 155, 157, 164, 167, 171 ff., 192, <i>213</i>
Beneficiary (→ Stakeholder groups → Intermediary → Interest groups Stakeholders)	13, 22, 30 f., 51, 56, 71, 85, 90, 93, 96 ff., 116, 119 f., 126 ff., <b>130 ff.</b> , 177, 183, <i>213</i> , <i>222</i> , <i>233</i>
Bonds (→ Investment → Low-risk bonds → Risk-free bonds)	<b>158</b> , 160, 163 f., 210, 211, 221, <i>228</i> , <i>229</i> , <i>232</i>
Budget planning	<b>140</b> , <i>213</i>
Business regulations (→ Regulations)	49
<b>C</b>	
Capacity for risk	<b>155 ff.</b> , 171, <i>227</i>
Capital (→ Assets)	38, 117, 120, 141, 145, 171, 177, 218, <i>220</i> , <i>221</i> , <i>225</i> , 234
Central services (→ Administrative expenditure)	99, 123, <i>213</i>
Chair president of the foundation board combined function with executive management 86 Duties 85, 86 Function 85 Terms of office 66 Relationship to executive management 86 Relationship to the foundation board 86 Role 85	<b>84 ff.</b>
Changing the purpose (→ Foundation purpose)	34, 61, 63
Charitable foundation	10, 31, 33, 34, 46, 51, 57, 60, 73, 127, 141 f., 154 f., 161, <b>176 ff.</b> , 182, 212, <i>213</i> , 214, <i>222</i> , <i>223</i>
Charitable status (→ Compensation)	45, 122, <b>177</b> , 183, <i>213</i> , 231, 234
Checks and balances	12, <b>21 ff.</b> , 49, 52, 57, 62, 82 f., 86, 103, 183, 212, <i>213</i>
Choice of location	45
Church foundation	177, 182, <i>213</i>
Circular 12	<b>45</b> , 46, 211
Civil society	8, 22, 98, <i>214</i>

Code (→ Swiss Foundation Code)	11 ff., 51 f., 61, 99, 176, 184 ff., 189 ff.
Code of Conduct (→ Code)	73, 184, 222
Collaboration (→ Cooperation)	132, 216
Collective pension fund	214
Commercial register	35, 73, 98, 100, 177, 214, 220, 221
Commission	100 f., 136, 163, 227, 233
ad hoc 89	
Authorities of 90	
Committee <b>88 f.</b>	
Creation of 89	
Expert 89	
Finance 89	
Grant 89	
Independence of members of 90	
Investment 90	
Nomination and succession 67, 89	
Presiding 90	
Types 89	
Communication	14, 37, 39, 51, 62, <b>96 ff.</b> , 128, 131 f.
Community foundation	214
Company foundation	99, 182, 214
Company-affiliated foundation	214
Company-holding foundation	182
Compensation (→ Fee → Honorary status → Foundation board)	<b>75 ff.</b> , <b>112</b> , 215
Compensation for risk	215
Competition between locations	46
Competitive solution	215
Compliance	14 f., 59, <b>62</b> , 149, 151, 156, 160, 170, <b>173</b> , 178, 190, 223
Comply or explain	14, 215
Composition	39, 70, 73, 88, 110 f., 183, 221
Concordats, Regulatory concordats (→ Foundation supervisory authority)	44, 178
Conflicts of interest (→ Founder → Autonomy)	16, 30, 52, 68, <b>92 ff.</b> , 111, 177 ff., 183, 190 f., 215
Dealing with 93	
in connection with investment activities 141f f. 147, <b>148</b> , 153, 162, 164	
within the foundation board (→ Foundation board) 94	
Contract of inheritance	34, 216, 226
Contribution	8, 10, 29, 33, 46, 83, 98, 112, 122, 132, 134, 151, 157, 192, 216
Control mechanisms (→ Internal Control System)	102, 105
Control system (→ Internal Control System)	<b>62</b> , 94, <b>108 f.</b> , 226
Convened meeting	81
Cooperation	22, 56, 97, 111, 216, 225
Co-opting	67, 93

Corporate foundation	94, 177 f., 182 f., 212, 216
Corporate Social Responsibility	216
Cost centre accounting	123, 216
Cost structure	37, 167
Cost-benefit analysis	100, 217, 226
<b>D</b>	
Dealing at arm's length	92, 94, 215, 217
Décharge	62
Decision-making	50, 56 f., 71, 80, <b>82 ff.</b> , 89 f., 93, 95, 111, 128 f., 136, 167, 189, 191, 214, 222
Deed (→ Foundation charter)	33
Delegation	62, <b>85</b> , 111, 148, 214
Dependent foundation	33 f., 41, 124, 179, 182, 217
Direct project expenditure	123, 217
Direct project funding (→ Grant projects), requirement for	217
Direct support foundation	179, 182 f., 214, 217
Dissolution (of the foundation)	41, 89, 111, 180, 217
Distribution (→ Direct project funding)	100, 123, 131, 157, 217
Distribution requirement	218
Diversification	142, 153 f., 158, <b>159</b> , 218, 227, 233
Domicile requirement (→ Foundation board)	43 ff., 50, 214
Donation	28, 151, 218, 220
Donation-funded foundation	10, 178, 182, 218
Dormant foundation	218, 226
Duties	14, 37, 61, 69, 73, 75, 77, 79, <b>85</b> , 104, 106, 111, 215, 219
<b>E</b>	
Effective, effectiveness (→ Impact)	11 ff., 15, <b>20 ff.</b> , 29, 38, 41, 61, 68, 83, 85, 98 ff., 112, 116, 119, <b>122 f.</b> , 130 f., 140 f., 142, 146 ff., 153, 164, 169, 179, 189, 213, 218, 222
Efficient, efficiency (→ Impact)	4, 12 f., 29, 61, 85, 94 f., 103, 105, 109, 112, <b>116</b> , 145 f., 179, 216, 218
Election (→ Foundation board election)	49, 66 f., 72, 81
Election and succession regulations (→ Regulations)	49, 66
Election criteria (→ Foundation board election)	67, 72
Election of (→ Foundation board election)	67
Employee benefit foundation	<b>154</b> , 177, 182, 214, 218
Endowment (of the foundation's assets) (→ Foundation establishment)	33, 38, 40, 46, 76, 99, 122, 154, 177, 179, 182 f., 219, 220, 233
Endowment funds	<b>179</b> , 182 f., 219
ESG criteria	156, <b>170 ff.</b> , 219

Establishment (→ Foundation establishment)	10, 13, <b>27 ff.</b> , <b>34</b> , 36, 38, 42, 51, 182, 184, 189, 212, 217, 218, <i>219</i> , <i>222</i> , 226, 228
Ethical Code of Conduct (→ Code of Conduct)	222
Evaluation (→ Grant projects)	83, 116, 122 f., 125 ff., <b>134 ff.</b> , 172 f., <i>219</i> , 224, 232
Exclusion criteria (in connection with asset management)	127, 157, 160
Exclusivity of application of funds (→ Application of funds)	45, 234
Execution of the investment strategy (→ Investment strategy)	<i>219</i>
Executive management	12, 50, 57 ff., 71, 73, 77, 84 ff., 89, 92 f., <b>102 ff.</b> , 111, 119, 149, 184, <i>219</i>
Function of 103	
Organisation of 104	
Responsibilities of 104	
Requirements of 103	
Signatory authority of 105	
Expected return on investment (→ Investment)	219
Expenditure (→ Administrative expenditure → Grant expenditure → Foundation expenditure)	36, 46, 78, 99, 108, 119 f., <b>123 f.</b> , 145 f., 157, 171, 210, 211, 213, 217, <i>220</i> , <i>222</i> , <i>224</i> , <i>228</i> , <i>229</i> , 231
Expenditure report	145, <i>220</i>
Expert committee (→ Committee)	89
Expertise	10, 44, 68, <b>71 ff.</b> , 75 f., 82, 94, 97, 109 f., 116, 145, 148, 162 ff., 210, 223
External experts	71, 81 f., 89, 111, <b>136</b> , <b>173</b>
Extraordinary meeting	<b>81</b>
<b>F</b>	
Family foundation	177, 182, <i>220</i>
Fee	34, 61, 63, 78, 99, 101, 108, 154, 167 ff., <i>220</i> , 229
Final report	136
Finance committee (→ Committee)	<b>89</b> , 104, 214
Finance management (→ Asset and Liability management)	220
Finances	13, 22, 56, 58 f., <b>139 ff.</b> , <i>220</i> , <i>224</i> , <i>225</i>
Financial endowment	177, 183, <i>220</i>
Financial management	<b>140</b> , 144, 220, <i>227</i> , 251
Financial market, functioning of	157 f., <i>220</i>
Financial statements	45, 59, 89, 104, 108, 144 f., <i>221</i> , 233
Fixed-interest investment	<i>221</i>
Flexibility (of a foundation)	46, 49, 78, 105, 163, 181
Fluctuation reserves (→ Value fluctuation reserve)	38, 41, 122, 157, <b>159</b> , 171, 235
Foundation assets (→ Assets)	99, 142, 148, 159, 171, 218, <i>221</i> , <i>228</i> , 230



Foundation board	58 ff., 65 ff., 70 ff., 75 ff., 80 ff., 221
Election criteria 66 f.	
Foundation board election 66 f., 72	
Preparation 81, 85, 90	
Statement of acceptance 73	
Foundation board meeting	82
Foundation bodies (→ Advisory board → Executive management → Foundation board)	20, 62, 92, 94, 224
Foundation capital (→ Assets)	221
Foundation charter	15, 20, 29, 35 f., 38, 40 f., 44, 48 ff., 56, 58 ff., 65, 67 f., 70 ff., 80, 82, 89, 103, 123, 148, 156, 180, 182 f., 221, 222, 223, 224
Foundation concordat	44, 215
Foundation culture	13, 221
Foundation dissolution (→ Dissolution)	41, 180, 217
Foundation documents, advance review of	70, 81, 89, 100 f.
Foundation duration	183
by testamentary disposition 34, 226, 228	
during the founder's lifetime 35	
Foundation establishment 34, 212, 222,	
Motives for 35	
Foundation expenditure (Expenditure)	99, 220
Foundation funds (→ Funds)	179
Foundation guideline	48, 50, 225
Foundation law	62, 176, 218, 221, 222, 234
Foundation management	11, 31, 60, 103, 212, 222
Foundation name	39, 131, 222
Foundation panel	222
Foundation policy	14, 59, 222, 223
Foundation purpose	12, 13, 15, 20 ff., 29, 30, 32, 34, 35 f., 38 f., 44, 48, 56 f., 59, 61, 63, 70 f., 73, 76 f., 94, 97 f., 119, 126 f., 140 ff., 150, 153, 156, 158, 160 f., 180, 211, 213, 216, 220, 222, 223, 228, 229
Change 40, 49, 142, 213	
Implementation of 12, 36, 38, 76, 98, 140, 142, 213, 216, 222	
Irrevocability of 45	
Right to make changes 36, 41, 56	
Wording of 35, 48	
Foundation regulations (→ Regulations)	49 f., 59, 61, 223
Foundation size (Foundation assets)	223
Foundation charter (→ Regulation)	48 ff., 49, 221
Foundation strategy (→ Investment strategy → Grant strategy)	128, 223
Foundation structure	28, 32, 49, 83, 104, 154, 182, 218, 234

Foundation supervisory authority	34, 49, 61, 68, 160, 178, 180, 182, 223
Concordats	44, 178, 215, 233
Foundation vision	38, 50, 51, 66, 85, 124, 222
Foundations phenomenology	<b>176 ff.</b>
Founder	13, 28 ff., 45 ff., 48 ff., 56, 58 f., 63, 66 f., 71 ff., 82, 94, 99, 108, 142 f., 148, 154, 158 ff., 178, 180, 182 f., 212, 217, 220, 221, 222, 224
Intention (→ Founder's intention) 32 ff. on the foundation board 40 Right of consultation 40 Rights to exercise influence 40 Role of 29	
Founder's intention	13, 20, 28, <b>32 ff.</b> , 61, 63
Founder's freedom	28
Founding assets	183, 221
Function	56 f., <b>58 ff.</b> , 78, <b>84 ff.</b> , 90, 103 f., 108, 167, 184, 189, 226
Functional transparency	224
Fund	163, 168, 179, 182 f., 214, 222, 224, 230
Fund-of-funds	<b>168</b>
Fundraising	37, 142, 145, 177, 183, 218
Funds (of a foundation)	34, 36, 38, 40, 45, 56 f., 75, 77, 116, 119 ff., 130 ff., 142, 145 f., 151, 154, 158f, 163 ff., 168, 172 f., 177 ff., 182 f., 186, 210, 211, 212, 215, 218, 226, 229, 233, 234, 235
<b>G</b>	
Governance (→ Foundation governance)	<b>55 ff.</b> , 66, 86, 135, 224
Grant	115 ff., 224, 225
Grant committee (→ Committee)	89
Grant criteria (→ Grant guidelines)	117, 130, 224
Grant decision	97
Grant expenditure (→ Expenditure)	224
Grant focus	35, 98, 116, 122, 179
Grant funds	40, 56, 122
Grant guidelines	224
Grant instrument	119, 124
Grant policy (→ Foundation policy)	96, 225
Grant practice	46, 68, <b>119</b>
Grant priority (→ Programme of grants)	225, 231
Grant projects	125 ff., 130 ff., 134 ff.
Internal 126	
Monitoring the quality of 51, 98, 100, <b>138</b>	
Grant ratio	121

Grant regulation(s)	225
Grant service (→ Grant expenditure)	41, 213, 224, 226
Grant strategy (→ Foundation strategy)	59, 85, 116 f., <b>118 ff.</b> , 130, 179, 225
Grant-making activities	59, 119, 179, 211, 223
Grant-making foundation	13 f., 29, 57, 119, 131, <b>179</b> , 182, 212, 224, 225
Guidelines (→ Grant guidelines Regulations)	48 ff., <b>50</b> , 59 f., 96, 110 f., 119, 125 f., 162 f., 172, 183, 223, 224, 225
<b>H</b>	
Heirs	30 f., 34 f.,
Hidden costs	37, 172
Honorary status (→ Compensation)	37, 46, 62, 68, <b>76 f.</b> , 225
<b>I</b>	
ICS (→ Internal Control System)	<b>62</b> , 94, <b>108 f.</b> , 225, 226
Image (of the foundation)	50, 71, 98, 103, 225
Impact (→ Effectiveness → Efficiency → Grant project impact → Leverage Outcome)	11, 15, 20, 23, 29 f., 33 f., 39, 46, 57, 60 f., 63, 66, 73, 85, 97 f., 123 f., 127, 134 ff., <b>135</b> , 140 f., 145, 151, 153 f., 160, 163, 172, 182, 191, 224, 225, 226
Impartiality	82, <b>90</b> , 94, 106 f., 111, 141, <b>149</b> , 212
Inactive foundation	<b>61</b> , 226
Independent foundation	28, 32 f., 36, 41 f., 231
Induction	70, <b>73</b>
Industry association	<b>100</b>
Information channels	100
Information policy (of a foundation)	22 ff.
Inheritance foundation	<b>34 f.</b> , 216, 226
Initial assets (→ Assets)	34, <b>37</b>
Initial financing (→ Knock-on financing)	226, 233
Innovation function and innovation support	226
Integrity	13, 39, 56, 103
Interest group (→ Stakeholder group → Beneficiary → Intermediary Stakeholder)	226
Intermediaries (→ Beneficiaries)	226
Internal Control System (ICS)	<b>62</b> , 94, <b>108 f.</b> , 225, 226
Internal grant projects (Grant projects)	126
Investment (of assets)	147 ff., 156 ff., 211
<b>Importance of the 140</b>	
Investment categories	<b>158f.</b> , 164
Investment committee (→ Committee)	<b>90</b> , 148 f., <b>173</b>
Investment controlling	90, 148f, 155, 226
Investment foundation	227
Investment guidelines	162, <b>163 f.</b> , 172
Investment management organisation	<b>147 ff.</b> , 167, 172, 186, 227
Investment policy	<b>142</b> , 148, 227

Investment process	142, 147 f., 153, <b>155</b> , 167, 227
Investment regulations (→ Regulations)	49, 147, <b>148</b> , 154 f., 163, 227
Investment result	153, 155, 170 ff., 173, 216
Investment strategy	<b>156 ff.</b> , 227
Involvement in the establishment phase	<b>35, 40</b>
Irrevocability of ring fencing	234
Issue management	62
<b>J</b>	
Justification (of grant decisions) (→ Grant decision)	128
<b>K</b>	
Key financial performance indicators	99
Knock-on financing	227
<b>L</b>	
Large foundations (→ Foundation size)	11 f., 57, 68, 107, 136, 155, 173, 223, 227
Learning organisation	122
Legacy	34, 228, 235
Legal and organisational structure	28
Legal domicile	43, <b>44</b> , 45 f., 50, 214
Legal independence	30
Legal structure	32, 176, 182, 218
Legal vehicle	<b>33</b>
Legitimacy	10, 29, 68, 97, 98, 191
Leverage	<b>97</b>
Liability	45, 59, <b>62</b> , 71, 76 f., 99, 112, 122, 132, 211, 215, 221, 234
Liability insurance	62
Limited term foundation (→ Asset-consuming foundation)	34, 37, <b>38</b> , 41, 180, 183, 211, 225, 228
Limits on tenure	<b>65, 66</b>
Liquidation	61, 63, <b>124</b> , 180
Liquidity planning	227, 228
Low-risk bonds	158, 210, 219, 227, 228, 233
<b>M</b>	
Management (→ Financial management → Foundation board → Foundation management → Executive management)	11, <b>12</b> , 13, 15, 20, 31, 37, 40, 45, 50 ff., 56 ff., <b>62</b> , 63, 67, 71, 73, 76 f., 81, 84 ff., 89 f., 92 f., 95, 98 f., 102, <b>103</b> , 104ff., 111, 116, 119, 122, 127, 135, 140 ff., 144 f., 147 ff., <b>151</b> , 153 ff., 160, 162 ff., 167 ff., 172, 177, 183, 190, 211, 212, 215, 217, 219, 220, 221, 222, 224, 227, 228, 229, 231 f., 235

Mandate	20, 37, 78, 89, 100, 106 ff., 141, 148 f., 162, <b>163 f.</b> , 166 ff., 171, <b>172</b> , 173, 212
Mandate controlling	171, <b>172</b>
Measuring impact	134 ff., 216
Medium-sized foundation (→ Foundation size)	11, 57, 63, 68, 223, 228
Meeting	21, 73, 78, 80, <b>81</b> , 82 ff., 104, 145, 161, 173, 210, 227
Merger	<b>41</b> , 61, 63, 118, <b>124</b> , 218, 228
Meritocratic principle	31
Methodology	103, 183
Minutes (→ foundation board meeting)	<b>81</b> , <b>82</b>
Mission-based investing	99, 141, 154, 156 ff., <b>160</b> , 161, 164, 171 f., 192, 228
<b>N</b>	
Nomination and succession committee (→ Committee)	67, 89
Non-charitable foundations	177, 182, 229
Non-repayable contributions	120, 127
NPO	10, 97, 135, 145, 229, 231, 233
NPO sector	229
Number	70, 72 ff., 81, 100, 126 f., 135, 161 f., 171, 218, 230
<b>O</b>	
Obligations	23, 28, <b>59</b> , 62, 69, 72 f., 107 f., <b>128</b> , <b>129</b> , 145, 154, 189, 221
Occupational pension insurance foundation (→ Employee benefit foundation)	229
Operating expenditure (→ Administrative expenditure → Expenditure → Foundation expenditure)	61, 99, <b>123</b> , 222, 229
Operational foundation	179, 183, 217, 224, 229
Operational foundation activity	217, 229
Ordinary meeting	<b>81</b> , 83
Organisation	11 f., 15, 20, 23, 29, 32 ff., 38 f., 41, 45, 49, 51, 56, 58, <b>59</b> , 60 f., <b>63</b> , 78, 80, 83, 94 ff., 103 f., 109, <b>111</b> , 122, 124, 136, 142, 147 f., 167, 172, 178, 184, 186, 190, 193, 210, 214, 216 f., 219, 222 ff., 227, 228, 229, 231 f.
Origin of funds	212
Outcome (→ Impact)	68, 97, 128, <b>135</b> , 136, 219, 225 f., 230
Output	<b>135</b> , 136, 226, 230
Overall impact	127, <b>135</b> , 153 f., 172
Overheads (→ Administrative expenditure)	123, 145, 230

<b>P</b>	
Partnership (→ Cooperation)	60, 85, 97, <b>119</b> , 123 f., 126, <b>131</b> , 132, 180, 224, 230, 231
Passive investment (→ Active investment)	<b>163</b> , 164, 210, 230
Patronage	34, 111, 230
Pension fund foundation (→ Employee benefit foundation)	177, 218, 230
Personal circumstances	<b>72</b>
Philanthropist	28
Philanthropy	29, 45, 51, 60, 117, 151, 191, 230
Policy (→ Investment policy → Foundation policy)	14, 58, <b>59</b> , 60, 81, 96 ff., 102, 104, 142, 148, 211, 222, 223, 225, 227, 230
Portfolio manager (→ Asset management)	163 f., 167
Positive criteria (in connection with asset management)	160
Preamble	36
Preservation of wealth	183, 230
Presidential committee (→ Committee)	<b>89</b>
Private foundation	182, 230
Private-benefit foundation	182, 231
Profile of requirements	50, <b>72</b>
Programme of grants	224, 231
Prohibition on deception	39
Project controlling	37, 134, 144, <b>145</b> , 229
Project evaluation	116, 128, 134, <b>136</b>
Project expenditure	120, <b>123</b> , 145 f., 210, 217, 222, 224, 231
Project impact	230, 231
Project management	127, 229, 231
Project selection	116, 125 f., 217
Project support	37, 123, 229, 235
Public law foundation	182, 230, 231
Public-Private Partnership	231
Purpose (→ Foundation purpose)	11 ff., 15, 20, 23, 28 ff., <b>35</b> , 36 ff., 44 ff., 48 f., 51, 56 f., 59 ff., 63, 67 f., 70 ff., 76 f., 94, 96 ff., 103, 105, 108 f., 111, 116, 118, <b>119</b> , 122, 124, 126 f., 131, 135, 140 ff., 150, 153, 155 f., 158, 160 f., 176 f., 179 f., 210 ff., 213, 214, 216 ff., 220 ff., 223, 224 f., 227 ff., 231, 234 f.
<b>Q</b>	
Quality control (→ Grant projects)	<b>132</b>
Quality standards	51
Quorum	
Attendance 82 when voting out a foundation board member 67	
<b>R</b>	
Rating	157 f., 164, 173, 231
Recusal (→ Conflicts of interest)	<b>93</b> , 95

Regular audit (→ Audit)	107 f.
Regulation (→ Foundation supervisory authority)	11, 13 f., 28, 34, 44, 220
Regulation(s)	13, 15, 36, 40, 44, 48, <b>49</b> , 50 ff., 59, 61 f., 67 f., 70, 72, 80 ff., 84, 88 f., 92, 100, 110, 151, 192, 221 f., 223, 225, 231, 232
Business 60	
Compensation and expenditure <b>78</b> ,	
Investment 49, 147, <b>148</b> , 149, 154 ff., 163, 172, 179, 227	
Organisational 49, <b>60</b> , 111, 183, 229, 232	
Renewal	32, 61, 65, <b>66</b> , 67, 89
Reputation	10, <b>71</b> , 72, 93, 132, 151, 160
Precept of clarity	39
Precept of truthfulness	39
Responsibility	14, 21, 23, 29 f., 40, 44 f., 51, 56 ff., 68, 71, 73 f., 76 f., 84, 88, 90, 95, 97 f., 102, <b>104</b> , 108, 110, <b>111</b> , 117, 125, 140 f., 144, <b>145</b> , 147 f., <b>149</b> , 157, 160, 179, 190, 213 f., 216, 221, 226 f., 232
Restructuring (in connection with asset management)	168
Retrocessions	166, <b>168</b> , 169
Return (→ Return on investment)	46, 140, 142, 154 ff., 163, 167 f., 171 f., 211, 228 f., 234
Return on assets	37, 45, 61, 63, 154, 169, 183, 229, 232
Return on investment	57, 153, 159, 171, 217, 219, 226, 227
Review	14, 52, 108, <b>120</b> , 169, 178, 212, 219, 226
of the asset result (→ Investment controlling) 148 f., 160, 170, <b>171</b> ,	
173, 226	
of the foundation's divisions 51, 58, 85 f., <b>94</b>	
Right of consultation	40
Right of veto	67, 82
Risk (→ Grant project risk)	28 ff., 35 f., 38, 52, 62 f., 66 f., 71, 86, 93, 95, 98, 108 f., 112, <b>119</b> , 127, 142, 151, 154, 157 ff., 163 f., 171, 210 f., 215, 226, 227, 229, 232, 233 f.
Systemic risks 11, 215, 233	
Unsystemic risks 215, 218, 229, 235	
Risk appetite	142, 155 f., 171, 232
Risk assessment	60, 106, <b>108</b> , 109
Risk debate (→ Issue management)	62
Risk management	<b>62</b> , <b>151</b> , 232
Risk minimisation	158 f.

Risk tolerance	127, 227
Risk-bearing investment	232, 235
Risk-free bonds	232
<b>S</b>	
Salary	86, 89, 104, 232
Scope of impact (of the foundation)	182
Self-dealing	38, 56, 66, 68, 94, 232
Self-evaluation	83, 180, 232
Self-regulation	11, 15, 61, 63, 73, 189, 191, 232, 234
Separation of powers (→ Checks and balances)	21, 105, 213
Setting targets	135
Shareholder engagement	161
Shareholder rights, exercise of	161
Shares	30, 120, 122, 155, 158 ff., 163, 171, 210 f., 219, 227, 233
Signatory authority of executive management (→ Executive management) 105 of the foundation board (→ Foundation board) 60	
Size	11 f., 29, 37, 59, 62 f., 67, 72, 78, 83, 89, 101, 104 f., 107 f., 112, 124, 127, 142, 154, 161, 186, 221, 223, 226
Small foundations (→ Foundation size)	12, 52, 63, 68, 74, 95, 100, 124, 129, 133, 146, 219, 223, 232
SMART	135
Social need	28, 32, 33, 38, 117, 121
Society	10, 22 f., 29, 33 ff., 38, 51, 56 f., 60, 71, 85, 97 f., 116 ff., 122, 136, 141, 214, 216, 223, 226, 234
Sponsor/sponsorship	131, 229 f. 233
Stakeholder (→ Stakeholder group → Beneficiary → Intermediary → Interest groups)	13, 22, 85, 97, 99, 222, 224 ff., 233
Stakeholder groups (→ Beneficiary → Intermediary → Stakeholder)	22, 97, 222, 224, 226, 233
Standard investments	210, 232, 233
Start-up financing (→ Knock-on financing)	226 f., 233
Statement of acceptance	73
Strategy (→ Investment strategy → Grant strategy → Foundation strategy)	14, 58, 59, 60, 62, 72, 81, 85, 96, 98, 102 ff., 116 ff., 122 f., 128, 130, 141 f., 144, 148 f., 153, 155 ff., 163, 166 f., 170 ff., 178 f., 186, 191, 210 f., 216 ff., 219, 222, 223, 225, 226, 227, 228, 233, 234
Strategy meeting	81
Submission	131, 166
Subsequent endowment (→ Financial endowment)	38, 40, 216, 220, 233



Supervisory authority (→ Foundation supervisory authority)	15, 34, 43 f., 49, 61, <b>62</b> , 68, 77 f., 95, 107 f., 160, 178, 180, 182, 212 f., 217, 222, 223, 225, 228
Supporting foundation	214, 233
Sustainable investments	99, 141 f., 148, 154, 157, <b>160</b> , 171, 186, 219, 233
Swiss Foundation Code	<b>11</b> , 12 f., <b>14</b> , 15 f., 25, 51 f., 61, 99, 176, 184 ff., 189 ff., 215, 219, 222
Swiss GAAP FER 21	<b>145</b> , 146, 220 f., 233
SwissFoundations	11, 14 f., 46, 155, 232
<b>T</b>	
Target achievement, degree of target achievement (→ Outcome → Output)	219, 225, 234
Target return (→ Return on investment)	142, 155 ff., 171, 234
Tax authorities	35, 45 ff., 49, 51, 127, 177, 180, 215, 222
Tax deduction	<b>46</b> , 234
Tax exemption	29, 34, <b>45</b> , 49, 76 f., 127, 182, 211, 213, 215, 218, 220, 222, 234
Tax liability	45, 234
Tenure	65 f., 68, 72
Terms of office	65, <b>66</b>
Third sector (→ NPO sector)	60, 229, 234
Tie-breaker	<b>85</b>
Timely application of funds (→ Application of funds)	<b>122</b> , 234
Total expense ratio	168
Traditional foundation	182, 234
Training	70, <b>73</b> , 103 f., 220
Transparency (→ Information policy)	11, 22, 94 f., 97, 100, 126, 141, 145, 150, 163, 166, 168, 189, 213, 222, 224
Trust	214, 235
Type of foundation	179, 182, 214, 228
<b>U</b>	
Umbrella foundation	33, 41, 63, <b>124</b> , 142, 179, 182 f., 217, 235
Untaxed assets	<b>151</b>
<b>V</b>	
Value-added tax (VAT)	<b>123</b> , 233
Value creation	<b>122</b>
Value fluctuation reserve	<b>159</b> , 235
Voting out	<b>67</b>
<b>W</b>	
Will	15, 34, 36, 38, 216, 226, 235
World equity portfolio	235

# The authors



## **Dr iur. and Dr phil. Thomas Sprecher, LL.M.**

Thomas Sprecher first studied German and philosophy, then law. He has practised as a lawyer since 1992 and been a partner at Niederer Kraft Frey AG, Zurich, since 2001. He counsels on all questions of foundation law. He has published several monographs (Die schweizerische Stiftung, 1999; Die Revision des schweizerischen Stiftungsrechts, 2006; Stiftungsrecht in a nutshell, 2017) and numerous articles on foundation law. He was and is president and member of a number of foundation boards as well as member of the Legal Council of SwissFoundations.



## **Dr Dr h.c. Philipp Egger**

For the past 30 years, Philipp Egger has dedicated himself in operational and strategic functions to the robust development of Switzerland as a liberal philanthropy location. Parallel to the establishment of the Gebert Rüt Foundation as its founding director (from 1998), he was significantly involved in the modernisation of the sector as a foundation practitioner, for example as a founding and board member of

SwissFoundations, initiator and co-author of the “Swiss Foundation Code”, member of the “Best Practice Code” task force of the European Foundation Centre EFC, and member of various foundation councils in Switzerland and abroad. In 2015, he received an honorary doctorate from Ilia State University (Tbilisi/Georgia). Since 2017, he has led the Gebert Rűf Foundation’s engagement in Eastern Europe and also works as a foundation expert.



### **Prof. Dr Georg von Schnurbein**

Georg von Schnurbein is Professor of foundation management and director of the Center for Philanthropy Studies (CEPS) of the University of Basel, which he founded in 2008. The CEPS is a research and continuing education institute for the Swiss philanthropy sector. In addition, Georg von Schnurbein is co-editor of the annual Swiss Foundation Report and was a member of the expert group on the Luginbűhl parliamentary initiative to increase the attractiveness of the foundation sector. He is also a member of the foundation board of various foundations in Germany and Switzerland. His research focuses on impact measurement, financial management of NPOs and non-profit governance.

