As Dickens said in A Tale of Two Cities “we had everything before us, we had nothing before us”.

In many ways Dickens’ words sum up the differing views, contradictions and uncertainties of the moment. The EU referendum result is defining our political, social and potentially economic landscape. It has led to a denouncement of the establishment by some and a re-evaluation of trust. It has the potential to shape the consciousness of a generation. Against this backdrop, business is adjusting as it prepares for a future, the shape of which is still unknown.

A strong climate for business prosperity is vital for the health of our civil society; the generosity of our major corporations, and the great philanthropic investments of those who owe their personal prosperity to business success, are huge sources of funding and support for thousands of charities.

The referendum result has done little to change the giving behaviour of millions of people. And in the same way Brexit has not heralded major shifts in the behaviour of major companies. Since our last report on Giving by the FTSE 100 in 2016, we’re able to report variations but no seismic shifts following the result of the referendum.

Unfortunately the downward trajectory for corporate giving continues with fewer companies replenishing a depleting pool of money donated to charitable causes. That is certainly a cause of concern for charities, and it is vital that all of us in civil society work with our counterparts in business to show how partnership between charities and businesses can benefit both, and greatly enrich our society.

However there are many positives; businesses are giving more of their pre tax profit than in previous years and by doing so demonstrating their continued generosity. Increasingly, we see that companies invest more to integrate social purpose into their core business and, as a result, reap the undeniable benefits. And, within this landscape, we see new, exciting developments: from the government introducing the new plastic bag levy through retailers, which will potentially generate hundreds of millions of pounds for charities; to the launching of the UN GlobalGoals, a new set of ambitious targets for achieving positive change such as ending extreme poverty by 2030. Through both a blend of commercial and social activity, businesses are increasingly finding new and innovative ways to be a force for good and contribute, often in partnership and collaboration, to key targets.

At CAF, we are proud to work alongside such a distinguished list of corporate clients to support them to achieve bigger impact. For the last 90 years we have safeguarded the movement of charitable funds around the world to help charities build resilience, develop infrastructure and create opportunities which accelerate positive social change and acts as a force for good. Last year alone we oversaw the delivery of £539 million into the charity sector.

However, as companies navigate between traditional philanthropy and more business-orientated developments, the vital role of giving needs to be recognised and encouraged; it provides a critical lifeline to many charities and causes supporting a thriving civil society from which we all benefit. We believe company giving, both financial and non financial, is vital. As well as delivering positive impact, it enables the convergence of interests between business and society and, by doing so, breaches the divide, fosters integrity and bolsters trust.

Klara Kozlov
Head of Corporate Clients
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What is corporate giving?

Corporate giving describes the donations made by corporations and private companies towards charitable causes. This can be in the form of a cash or in-kind gift to a charity or community organisation.

In this paper, corporate giving has been defined as the total contribution by a company as calculated by the LBG model—a commonly used method by corporations, albeit not universally by FTSE 100 companies. This includes cash and in-kind donations in addition to the value of work hours donated through employee volunteering schemes and any management costs incurred in implementing community investment initiatives. The sum of these donations constitutes the total donation figure and includes donations made both in the UK and internationally.

About this report

This is our third CAF Corporate Giving by the FTSE 100 report. This year, in addition to reviewing charitable giving within the FTSE 100, we have conducted a survey amongst 1,004 adults aged 16+ and the results are included in this report.

About the data

The data used in this report was taken from FTSE 100 companies’ Annual reports and/or Corporate Responsibility reports from 2009 to 2017. The companies included in this report are those that were constituents of the FTSE 100 as of 12 September 2017.

There are now 14 companies in this report that were not in the first report that we published in 2014. Throughout the report, the year refers to the accounting year ending, i.e. 2016 refers to the accounting year 2015/16.

The donation figure produced in accordance with the LBG model has been used where supplied, otherwise the total ‘charitable donations’ or equivalent figure has been used. For the majority of companies, this donation figure is not supplied with any further information when given in the Annual reports and/or Corporate Responsibility reports.

Due to a change in legislation in 2013, a total of 15 FTSE 100 companies have chosen not to specify their corporate donations for the 2015/16 financial year. This means that their charitable donations, if they made any, could not be included in this year’s report.

For the survey of individuals, we conducted online polling research amongst 1,004 adults aged 16+ across the UK, with the market research company, YouGov from 20th – 30th April 2017.

1. Details of LBG model available: http://www.lbg-online.net/#about
In 2016, at the time of our last report, we reported that a change in legislation had undermined efforts to make corporate giving more open and transparent. As a result of the Companies Act in 2013, it was no longer mandatory for companies to report their corporate donations. Following on from the publication of our previous FTSE 100 report in 2016, we encouraged Parliamentarians to rectify this issue and improve transparency for consumers. Although there is still no basic legal requirement, the Co-Chair of the All Party Parliamentary Group for Charities and Volunteering, Susan Elan Jones MP did publish an article, arguing that organisations should be more transparent in their reporting. In 2015/16, 15 organisations chose not to report on this compared to 13 in the previous report, suggesting the situation is worsening and we would reiterate that this issue needs to be rectified.

Without a legal mandate, it is left to businesses to decide how, or even if, they report their charitable behaviour – a situation which continues to undermine efforts to improve trust and transparency. The public positively view organisations that take an active role in corporate responsibility. However, our recent research conducted amongst the general population indicated that, on average, people thought that only 35% of the FTSE 100 donated to charitable causes in a typical year, whilst 60% agreed that ‘corporate responsibility is just a PR exercise for business.’ Therefore, companies choosing not to be transparent could be missing an opportunity to positively engage consumers as 56% agree that ‘I would be more inclined to buy a product or service from a business that donates to charitable causes’.

MARKET CONDITIONS

We took the decision to delay our latest report in order to be able to look at post EU referendum results, which we thought would provide a more accurate picture given the political and economic turbulence around the referendum.

At a broad market level, following the 2016 referendum and the UK vote to leave the EU, the FTSE 100 performed well. With many companies within the FTSE 100 conducting business outside the UK (with about 70% of their revenue generated abroad), the FTSE 100 have benefitted from a weaker pound.\(^1\)

Despite the overall positive picture for FTSE 100 performance, some sectors have seen a decline. Schroders reported that companies within the telecommunications and utilities sectors experienced a negative return in the 12 months following the vote to leave the EU (-11.5% and -0.6% respectively).\(^2\) This finding may not be directly correlated to the referendum but companies performance post referendum might have a negative impact on corporate giving.

Companies are increasingly recognising that they need to better demonstrate their value, both social and economic, to maintain public trust. In a world that appears to be more distrusting, companies need to reconsider how they engage with their consumers and broader public. In light of this, some companies have invested more time and effort in developing initiatives with a strong localism agenda, promoting ethical behaviour to consumers, and adopting the UN Global Goals.

The key findings from this year’s FTSE 100 report provide a varied picture of performance with both positive and negative trends:

**TOTAL DONATIONS BY THE FTSE 100 HAVE CONTINUED TO FALL YEAR ON YEAR BY 11% (£235 MILLION) SINCE 2014 AND 26% (£655 MILLION) SINCE 2013, DOWN TO £1.9 BILLION IN 2016**

**THE DECREASE SINCE 2015 IS SEEN ACROSS SIX OF THE TEN INDUSTRIES IN THE FTSE 100**

**THE NUMBER OF COMPANIES DONATING AT LEAST 1% OF PRE-TAX PROFITS IS DOWN, WITH ONLY 26 COMPANIES HAVING DONATED AT LEAST THIS AMOUNT IN 2016**

**THE OVERALL COMBINED FTSE 100 PERCENTAGE OF PRE-TAX PROFIT DONATED HAS INCREASED. DUE TO A HANDFUL OF COMPANIES GIVING MORE, 2015 AND 2016 WERE HIGHER THAN ANY YEAR SINCE 2009 (UP 2.6% AND 2.4% RESPECTIVELY)**

**PHARMACEUTICAL COMPANIES CONTINUE TO LEAD CHARITABLE GIVING, WITH BASIC MATERIALS AND HEALTH CARE, ACCOUNTING FOR 55% OF DONATIONS IN 2016**

**PUBLIC PERCEPTION HIGHLIGHTS THAT COMPANIES ARE VIEWED MORE POSITIVELY WHEN THEY TRANSPARENTLY REPORT ON THEIR CHARITABLE ACTIVITY AND MAKE IT WELL KNOWN**
Our recommendations focus on a need to recognise the importance of corporate giving as a critical indicator for how people view business and its role in society. Some recommendations reiterate the points from previous years; others offer a fresh perspective.

- The Government should look into reinstating mandatory reporting on companies’ charitable contributions, as previously required in the Companies Act. It is critical that there is a benchmark which encourages companies to be transparent and accountable. This would ensure a fairer measure for corporate philanthropy. Whilst there is no clear causal link between the drop in corporate giving and the removal of legally based reporting requirements, it can be noted that these two things have gone hand in hand. Benchmarking could help raise performance as it does in many other areas.

- As those making up the FTSE 100 shifts with the changing performance of companies and sectors, we have seen a drop in giving in absolute value across several years. This raises the question of how FTSE 100 companies encourage each other to increase or maintain their commitments; from senior leadership through to employee giving. Typically business has shied away from providing a pledge or minimal commitment. However, with the continuing fall in donations, could the FTSE 100 consider its collective or industry specific contribution to maintain giving levels, especially in industries that traditionally tend to give less? Big business has become synonymous with a lack of trust and arguably the actions of one business will not fundamentally change this. It requires a collective consciousness to shift public perception and improve businesses’ social impact.

- Some companies are increasingly recognising the potential of corporate giving and community investment initiatives to engage consumers and convey their business purpose and values, ultimately demonstrating their licence to operate. By doing so, they create a connection with customers which enhances their brand, differentiates their products and results in a positive halo effect. Giving becomes not just a form of doing good but an integral part of business differentiation. Corporate philanthropy can often allow the business to show giving as part of its narrative and identity.

- The joint trend of reduced giving and transparency could ultimately lead to trust being further undermined. By supporting more open, accessible reporting on corporate giving, businesses will allow for better engagement from the public and, therefore, enhance their reputation and standing.

- Businesses increasing commitment to the UN Global Goals (UN Sustainable Development Goals) can only be achieved if they are prepared to commit financial as well as physical and intellectual assets to tackle the key targets. Philanthropy provides a vital currency for developing and delivering programmes which work towards the goals. Philanthropy can often provide the means to forge partnerships with the charity sector and for companies to build their understanding about how they can best play a role in tackling some of the globe’s most challenging issues. Therefore, it is critical that giving levels are maintained where possible and that they are supported by additional resources and continued commitment.

- However we recognise an increasing paradox in how business engages in philanthropy. To justify greater involvement in delivering social good, and make sure this investment is sustained, businesses now build a case that delivers both commercial and social benefit. In this environment, traditional philanthropy can be viewed as restrictive as it does not allow for the interplay between commercial and charitable drivers. Does this mean that the role of philanthropy must evolve or that corporate philanthropy as we know it will disappear altogether? And if so, where will the right balance be struck between pure altruism and corporate self interest?
In the time between our previous report which included 2014 data and now (i.e. two years of data later), total donations by FTSE 100 companies fell by £235 million, or 11% in absolute terms. The largest decline was over the course of the last year (2015 to 2016), whereby total donations by FTSE 100 companies fell by £141m. This trending decline however began in 2013 and has resulted in a fall of £655m since 2013 (26% in absolute terms). This year has also seen the lowest level in donations since 2009, the year we started looking at the data. It is however also the second lowest year for companies’ pre-tax profits since 2009.

Six of the ten industries represented in the FTSE 100 have decreased their charitable donations since 2015. However, the public continues to feel that business has a key role in supporting charities with almost half (48%) agreeing that ‘businesses have an obligation to donate to charitable causes’.

With this backdrop, businesses will increasingly need to develop a strong rationale to support their charitable giving. Many companies are already choosing to demonstrate how charitable giving plays a vital role in developing purpose, building trust, encouraging employee engagement, enhancing corporate reputation and delivering critical social value. By doing so, they are able to ensure long-term commitment and develop a sustainable model.
Despite the fall in aggregate donations, the median donation value continues to increase

Whilst total donations decreased in 2016, the median donation value rose to £5m. This increase in median donation is a trend we have seen every year since 2009 and is in fact over three times the level seen in 2009. This high level partly highlights extremes within the data, where the FTSE 100 are over reliant on a handful of generous corporate donations, whilst at the same time, suggests that the vast amount of organisations in the FTSE 100 continue to donate at similar levels to previous years.

Figure 2: Median pre-tax profit and charitable donations by FTSE 100 companies

![Chart showing median pre-tax profit and charitable donations by FTSE 100 companies from 2009 to 2016.](image)

Base for 2016 data: FTSE 100 companies who submitted the following: pre-tax profit (100), donations (85). Figures are rounded.

The number of companies donating at least 1% of pre-tax profits is down since 2015

In 2016, 26 companies donated at least 1% of their pre-tax profits, which, although a decrease compared to 2015 (where 29 companies donated), is in line with previous years (27 companies donated at least 1% of their pre-tax profits in 2014).

Within the data analysed, it is also encouraging that there are six instances where a company has had a negative pre-tax profit; however they have still given a charitable donation.
Figure 3: Average donation as a percentage of pre-tax profit and revenue

Base: FTSE 100 companies reporting on all 3 figures in a given year (n= up to 100, 2016 data; n=85))

Positively, the majority of the FTSE 100 has actually maintained similar levels of giving to previous years, with 41 companies in 2016 exceeding their charitable donations reported in 2015 (based on a matched data set of 77 companies).

FTSE 100 companies have actually been more generous relative to their profit margin in the last two years. This is despite the fact the total (overall) level of giving has declined by 26% since 2013. This has mostly been caused by either a small number of companies reducing their charitable donations, or a select few companies not reporting on their charitable giving since the change to legislation in 2013.

**As found previously, a handful of companies account for the majority of total giving**

A small minority of corporate donors account for the majority of charitable donations in 2016, although they are giving significantly less than previously. The top ten companies (based on charitable donations) account for 68% of total giving for 2016. However this figure has fallen compared to previous years, where over the previous seven years the ten biggest donors accounted for between 71% and 76% of all FTSE 100 donations.
A small number of companies explain the overall decrease

Whilst there were 32 companies who saw a total decrease of £257m in charitable donations since 2015, only four companies reported a decline of £20m or more. These four companies account for £190m, or 74%, of the total £257m fall year-on-year. It is worth noting that the level of total charitable donations that had decreased in 2016 was not as low as 2014, when there were six companies who accounted for a decrease of £340m (all decreasing their donations by £20m or more).

The largest single increase by an organisation year-on-year is £56m, compared to £69m in 2015.

Base: matched data set for FTSE 100 companies reporting on annual charitable donations in both 2015 and 2016 (n=77)
Aggregate revenues have increased since 2009

In the eight years that we have evaluated the FTSE 100 data (comparing 2009 to 2016), aggregate revenues have increased by 14%, whilst aggregate donations have increased by 1%. There is clearly a large discrepancy between these numbers and it could be argued that companies could undertake greater levels of charitable giving, in particular in light of the ‘trust crisis’ (Edelman) identified by some as being the cause of negative public perception of business.

Figure 6: Change in revenue vs. change in donations between 2009 and 2016, by industry

Whilst aggregate revenues have seen an increase since 2009, there have been some decreases in certain industry sectors, specifically, in both revenue and donations for financial organisations, oil and gas and telecommunications. For two out of the three sectors (financials and telecommunications) the decline in donations has been greater than the decline in revenue.

It is not possible to be able to identify an effect as a result of the EU referendum. However, as previously referenced, Schroders reported that companies within the telecommunications and utilities sectors experienced a negative return in the 12 months following the vote. Looking at the differences in these two sectors, between 2015 and 2016 revenue data, there was an 8% decrease in revenue for the telecommunications industry and a 7% decrease for utilities.

Whilst there may be no direct correlation between the referendum result and these decreases in revenue, it is nonetheless interesting to note what has happened to their charitable donations over the period.
Whilst the data below shows a 40% increase in charitable donations within the utilities industry since 2015, it is worth noting that this is a relatively small increase of £9.5m (based on 5 utility companies). However the 57% decrease in charitable donations within the telecommunications industry is a £45.7m decline in donations since 2015 (based on 2 telecommunications companies).

Figure 7: Change in revenue vs. change in donations between 2015 and 2016, by industry

Base: FTSE 100 companies reporting on all 3 figures in a given year (n= up to 100, 2016 data; n=85)

The percentage of donations relative to revenue is clearly only one way of looking at charitable giving, and we recognise that there are other ways of examining the data such as the proportion of pre-tax profit also shown in the report.

Pharmaceutical companies continue to lead on giving

Each of the 100 companies has been assigned to one of ten industries as defined by the Industry Classification Benchmark. 61% of FTSE 100 companies belong to the Consumer Services, Industrials or Financial industries, however these companies only account for 27% of all donations.

Basic materials and healthcare account for 55% of donations between them in 2016.

As found in previous years, healthcare is again the most generous industry. In 2016 the healthcare industry donated £607m to charitable causes, which equates to a third of all charitable donations given by the FTSE 100 (who reported their donations) and 10% of the healthcare sector’s pre-tax profit.

Furthermore the healthcare industry has dominated charitable giving since 2009, donating a combined sum of £6,727m to charitable causes over the last seven years, which equates to a higher proportion of their pre-tax profit than any other industry (7.55%).
The general public’s view on FTSE 100 donations

The general public’s perception is quite different to the reality of who gives the most in the FTSE 100. When shown a list of the ten sectors and asked to pick the top three sectors for giving to charity in a typical year, a large number simply don’t know (43%), which reflects the broader issue that we have raised about transparency, but also raises the issue of how best to communicate with your stakeholders and the general public. However, 37% think consumer services lead the way for donations, with consumer goods second at 19%, whereas in reality they account for only 18% between them.

The sector that actually comes out top in donations is healthcare with 33%, but only 12% of the UK population identified them as giving the most. Therefore, a large gap exists between perception and reality, which is shown in the chart below.

Figure 10: Percentage given in donations vs public perceptions of who donates the most
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