

# Philanthropie Aktuell

Center for Philanthropy Studies (CEPS), University of Basel  
Steinengraben 22, CH-4051 Basel  
Tel.: +41 61 207 23 92, E-Mail: [ceps@unibas.ch](mailto:ceps@unibas.ch)  
[www.ceps.unibas.ch](http://www.ceps.unibas.ch)

## EDITORIAL

Dear readers,



Switzerland is proud of its militia system. From the militia army to the militia parliament to many fire departments, public services are provided as a secondary activity. On closer inspection, however, the militia system is increasingly giving way to professional structures. Professional politicians are increasingly sitting on the National Council. The fire departments cannot maintain their operational capability in the militia system – either because the travel distances are too long or because the complexity of the tasks due to electric cars or insulation materials in facades requires a lot of specialized knowledge. It is obvious: high-quality work requires professional structures – which also cost something. In the foundation sector – and generally in all NPOs – the situation is comparable: The demands on the foundation board or board of directors are increasing. At the same time, the demands on the results delivered are increasing. It is neither effective nor efficient to assume that voluntary work is unpaid at all times. The fact is that the majority of NPOs are not in a position to pay compensation anyway. But in cases of large organizations with many employees, high financial capital or many people involved, compensation must be possible. That this does not get out of hand is shown by the first results of the study carried out.

Wishing you a pleasant read.

Georg von Schnurbein

## CONTENT

|                                    |           |
|------------------------------------|-----------|
| <b>Compensation in Foundations</b> | <b>01</b> |
| <b>Legal Framework Conditions</b>  | <b>02</b> |
| <b>Interview: Julia Jakob</b>      | <b>03</b> |
| <b>Impact-Linked Finance</b>       | <b>04</b> |
| <b>Calendar</b>                    | <b>04</b> |

## Compensation for the Foundation Board?

**This is a current question that divides the foundation sector and that foundation representatives have to deal with. A CEPS study on compensation in Swiss grantmaking foundations provides a basis for a differentiated debate. By Alice Hengevoss**

«A foundation board mandate is an honorary office for which, in principle, there is no compensation.» – says the traditional perspective. «Compensation would be contrary to the non-profit status of the foundation.» – this is the general approach. There are some valid arguments against compensation for foundation board members. Proponents, on the other hand, emphasize that increasingly scarce time resources for volunteer work, the high degree of responsibility and the growing need for expertise are clear arguments in favor of compensation. It is intended to provide an incentive for qualified and committed foundation board members to continue to work for the common good. With the current revision of the Code of Obligations and the corresponding amendments to the Law on Foundations, the debate on compensation for foundation board members is intensifying: As of Jan. 1, 2022, fees paid to members of the highest governance bodies must be disclosed in the notes to the annual financial statements. The soon-to-be published compensation study will serve as a basis for a differentiated debate.

### Compensation Study

The aim of the study is to capture compensation practices in Swiss grantmaking foundations and to understand how compensation levels are determined. The study results are

based on responses from 250 foundation board members from Switzerland and Liechtenstein. The study includes grantmaking foundations of varying assets and distribution volumes, and a variety of activity areas. Two-thirds men and one-third women participated in the survey. The cumulative assets of the foundations participating in the survey correspond to approximately CHF 64 billion. This corresponds to just under half of the foundation assets recorded throughout Switzerland in 2023 and indicates that the results are highly meaningful. In a quarter of the foundations surveyed, no compensation is possible and in another quarter of the foundations, compensation is voluntarily waived. Thus, compensation is possible in less than half of the foundations surveyed. This confirms the general assumption that honorary positions on foundation boards are still the rule, although compensation is more frequently indicated today than in previous studies.

### What Determines the Amount of Compensation?

Foundations that decide to award compensation to their foundation board members must ask themselves what criteria should be used to determine the level of compensation. The study shows that characteristics of the foundation, such as the

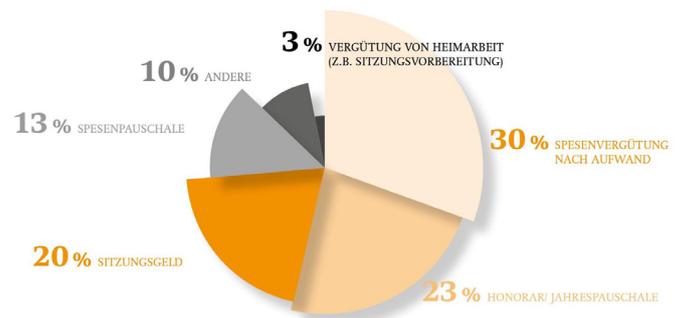
amount of foundation assets and the total grant amount, the area of activity, and the number of projects supported are key determinants of the amount of the compensation. Likewise, performance-related factors, such as weekly effort and the number of foundation board meetings, determine the amount of the compensation. However, in a quarter of the foundations where a compensation to board members is paid, there is no corresponding guideline. In some foundations, the president of the board of trustees is paid a higher compensation.

### Transparency through a Guideline

The adjustment in foundation law raises the question of whether it is in the spirit of non-profit to compensate the foundation board. As listed at the beginning, there are legitimate arguments for and against it. What the study makes clear, however, is that if a foundation decides to compensate foundation board members, this must be defined according to clear criteria in

The distribution of all types of fees shows that in most cases, expenses are reimbursed on a time and material basis (31%), followed by an annual lump sum (23%). The annual lump sum is less than CHF 3,000 in more than half of the cases.

Source: Compensation Study



a compensation regulation. In this way, transparency and the safeguarding of non-profit status can be ensured. The compensation study provides the basis for this. In addition to further information on the compensation of foundation board members, it provides statistics on the compensation of executive directors, project managers and back-office staff.

Dr. Alice Hengevoss is Head of Applied Research at the Center for Philanthropy Studies (CEPS) at the University of Basel. She was deeply involved in the survey and analysis of the compensation study. She also researches and publishes on topics related to governance, accountability, and funding of international nonprofits.

## The Compensation of Board Members from a Legal Perspective

**Legal requirements are key factors in the compensation of foundation board members. The Minder and Luginbühl initiatives were recently discussed in parliament. The requirements vary greatly between the cantons, but there are nevertheless some that apply comprehensively.**

The compensation of board members of foundations has been discussed in the context of two recent federal initiatives, the Luginbühl and the Minder initiatives.

The Luginbühl initiative had, amongst other things, the objective to clarify the admissibility of compensation of board members in tax exempted foundation. Although this initiative led to a modification of Swiss foundation law, this specific proposal related to board compensation was eventually dropped from the project.

Conversely, the Minder initiative which led to the revision of the Swiss corporate law in January 2023, provides for increased transparency requirements on compensation of board members in companies. The Swiss legislator transposed these new requirements to foundations, which resulted in a new Article 84b CC. As a consequence, foundations are now required to submit annually information to the supervisory authority about the compensation received by their board members and directors.

The result of these two initiatives is that no improvement was made as to the

possibility of remunerating board members, but the requirements for reporting and transparency have increased. With that in mind, the following rules govern the compensation of board members in 2023:

### Rules are different for tax-exempt foundations

As a general reminder, the world of foundations is divided in two: foundations subject to taxes, and those which are tax exempted. Foundations subject to taxes are free to remunerate their board members without any restrictions other than appropriateness with the means of the foundation, the statutory requirements and the reporting obligations.

For tax-exempted entities, in turn, the compensation possibilities are very limited because of the rules imposed by tax authorities, on the basis of the principle of disinterestedness, which expects altruism from board members. Practices vary significantly from one Canton to another, but the principles remain the

same: only limited or no compensation are admissible.

### The reporting requirements concerning compensation of board members

According to the new article 84b CC, the Supervisory authority must annually be notified of the total amount of compensation that is paid, directly or indirectly, to the members of the board and directors. This includes direct and indirect compensations to current members paid by the foundation, as well as by another entity within the foundation's "group". The report does however not include loans or credits, compensations to former members, to members of advisory boards and/or close individuals.

Vincent Pfammatter

The author is attorney at law and partner at sigma legal. He is a board member of proFonds and an academic fellow at the Geneva Centre for Philanthropy. He is also a foundation board member and has extensive experience with legal issues concerning philanthropic activities.

## «Compensated professionalism often makes more sense than voluntary laymanship»

SwissFoundations, the association of Swiss grantmaking foundations, is at the forefront of the discussion surrounding the compensation of foundation boards. Appropriate solutions must cover the demands of various stakeholders. We asked Co-Managing Director Julia Jakob what needs to be considered in detail.

**CEPS:** Why is there a need for compensation for the foundation board?

**J.J.:** The foundation board is the supreme body of the foundation. It is responsible for organizational and strategic management. The demands on the foundation board have grown considerably in recent years. Its tasks have become considerably more demanding and its responsibilities greater. Examples of this are the increasing density of regulations and growing demands on foundation governance, transparency and compliance. This high degree of professionalization requires competent decision-makers. Accordingly, compensated professionalism often makes more sense than voluntary laymanship.



Julia Jakob studied law at the University of Munich. She has been Co-Managing Director of SwissFoundations since 2022 and was previously responsible for the Legal & Policy division. She has many years of experience as a managing director of foundations as well as a foundation board member.

The foundation sector also needs reinforcement in order to be fit for the future. In many foundations, there is now a generational change on the foundation board. It is important to recruit a competent new and young generation of foundation board members. The possibility of fair compensation is important in order not to make participation practically impossible. Legally, appropriate compensation for the foundation board is also permitted - there is therefore no reason to cling to the dogma of voluntarism. SwissFoundations therefore strongly advocates the possibility of appropriate compensation for foundation boards.

**CEPS:** What criteria would you use to determine compensation?

**J.J.:** The possibility of compensation for the foundation board serves to realize the foundation's purpose as professionally and as well as possible. The most important criterion here is appropriateness. The Swiss Foundation Code provides

clear recommendations as to what is meant by this. For example, appropriate compensation is in proportion to the services rendered and depends on factors such as the size of the foundation. In order to determine how high the compensation should and may be in a particular case, a comparison with other foundations is important. In the interests of transparency and traceability, proof of performance must be provided for every type of compensated foundation work. We are convinced that a reliable practice will emerge with regard to the term „appropriate“, which on the one hand supports professionalization and on the other hand reliably knows how to avoid excesses. In any case, excessive fees are already inadmissible under civil law, since they misappropriate foundation funds. This would be the case, for example, if the compensation is disproportionate to the service provided.

**CEPS:** What do grantmaking foundations need to be aware of when it comes to this issue?

**J.J.:** SwissFoundations recommends that the compensation amount and procedure be set out in writing in guidelines or directives. These can be submitted to the foundation supervisory authority as well as to the tax authority. When drawing up the compensation regulations, great attention must be paid to the practice of the respective cantonal tax authorities. The practice of the cantonal tax authorities is very heterogeneous, which currently leads to legal uncertainty and unequal treatment. In the event of differences, there may be a threat of withdrawal of tax exemption and other far-reaching consequences. As the voice of Swiss grantmaking foundations, SwissFoundations is vehemently demanding from the supervisory and tax authorities, as well as from political decision-makers, that the compensation option for foundation boards be permitted and that the sometimes very restrictive practice be abandoned. We are currently in close contact with the canton as part of our efforts to promote Zurich as a foundation location.

**CEPS:** How does Switzerland stand internationally in terms of compensation?

**J.J.:** Concrete studies on this are currently lacking. However, the 2022 report [Comparative Highlights of Foundation Laws](#) by Philea, the European association of foundations, notes that there are major differences across Europe on the issue of foundation board compensation. The discussion is also closely linked to tax exemption in other countries. However, the question of remuneration is likely to be a relevant location factor in any case - internationally, but certainly also at the cantonal level.

**CEPS:** Many thanks!

### CEPS INSIGHT

#### Changes in the CEPS Team

At the beginning of September, we welcomed Kinga Horvath to the team. She joined CEPS as a research associate. With her Master's degree from IU Lilly Family School of Philanthropy, she already brings experience in NPO research. We also congratulate Dr. Dominik Meier, who successfully defended his dissertation at the Faculty of Psychology on August 30, 2023.

<https://ceps.unibas.ch/en/about-us/team/>

#### New Publications

The contributions to the lecture series on philanthropy at the University of Basel have now been published in an edited volume. The book „Gutes tun oder es besser lassen?“ can be ordered from [Christoph Merian Verlag](#). In the contributions, the importance of philanthropy is examined from the perspective of scholars from various disciplines. In addition, we have taken a closer look at the environment for philanthropy in Basel in the study „Stiftungsstadt Basel“. The study was published during the Basler Stiftungstag and is available free of charge on the CEPS website. <https://ceps.unibas.ch/en/research/publications/sunset-foundations-manual/>

## Impact-Linked Finance - Cash Flow through Impact

**A thought experiment: Every organization is measured by its positive impact. Those that deliver outstanding impact performance will be financially rewarded for it. Sounds like science fiction? But it's already a reality in some parts of the world.**

«Impact-linked finance» (ILF) is the name of the methodology used to link financial incentives to the generation of positive social impact. The more positive impact, the better the financing conditions. What we know from economics as a means of pricing harmful environmental effects is turned into a positive here: «incentive grants» for impact instead of incentive taxes. This approach originated in development cooperation. In order to help social enterprises in challenging contexts to obtain growth financing, public and private donors «order» a certain amount of impact units from the social enterprise on the basis of clearly defined measurement criteria. This makes the social enterprise financially sustainable in its «core business» and attractive to investors. Funds from impact-oriented investors flow into companies and sectors that were previously not considered investable. Urgently needed financial resources to achieve the SDGs are thus made available. Developed in 2015 by the SDC together with a private financial services provider, ILF has now established itself as a financing mechanism in development cooperation. And here in Switzerland? How could we

apply these mechanisms here? What would NPOs active here gain from this? And how could foundations usefully tap into this set of instruments for themselves? These are the questions that the research project «ILF4NPO» at CEPS is currently investigating. Initial findings show: ILF opens the view for new financing mechanisms. Corporate financing instruments can be used by NPOs, and foundation funds can be used in a more targeted way.

Interested? The research project is ongoing and open for further partner organizations. Dr. Lars Stein & Dr. Alice Hengevoss

## NUMBER OF THE QUARTER 916

This is the number of charitable foundations registered in the canton of Basel-Stadt in 2021. Compared to all foundations in Switzerland, more foundations in Basel-Stadt are grant-making and non-operational. In addition to current figures, the recently published study „Stiftungsstadt Basel“ also shows recommendations for development.

Source: Stiftungsstadt Basel

## Editor's Volume

**How must philanthropy be shaped for the future? - An interdisciplinary perspective and discussion.**



The recently published edited volume is the result of a lecture series that took place at the University of Basel in the fall semester of 2022. Organized by the CEPS and supported by the Verein Stiftungsstadt Basel (Basel Foundation City Association), the event shed light on the multifaceted significance of philanthropy. Based on contributions by distinguished scholars from various disciplines, it shed light on the role and societal benefits of philanthropy. An insight into the historical perspective showed the long-term impact achieved through the legacy of philanthropists Isak Iselin and Christoph Merian. From a legal perspective, there is a lot of room for maneuver, but there is still potential to use this through collaborative approaches. The book also discusses, for example, how the multitude of smaller and personal commitments contribute to far-reaching effects of philanthropic activity.

Lucca Nietlispach

<https://www.merianverlag.ch/produkt/kultur-und-gesellschaft/gutes-tun-oder-es-besser-lassen/d56e67eb-a50b-4860-92ee-9bc103e0d5de.html>

## CALENDAR

### Executive Education

#### CAS Nonprofit & Public Management

4 Modules – Gunten & Basel  
Start: 8 January 2024

#### CAS Nonprofit Governance & Leadership

3 Modules – Sigriswil & Basel  
Start: 8 April 2024

#### CAS Wirkungsmanagement in NPO

3 Modules – Wilen & Basel  
Start: 19 August 2024

#### IL Strategisches Finanzmanagement

4 - 8 November 2024 – Gunten

#### MAS/DAS in Nonprofit Management & Law

Start at any time

### FURTHER DATES

#### SwissFoundations Symposium

**SwissFoundations**  
21 September 2023, Fribourg

#### Better Foundation Governance Foundation Board Academy

26 - 28 October 2023, Basel

#### Kulturfundraising-Tagung 2023

**Swissfundraising**  
30 October 2023, Aarau

#### Schweizer Stiftungstag proFonds

8 November 2023, Basel

#### NPO SkillShare

**Consense Philanthropy Consulting**  
22 November 2023, Zurich

## LEGAL NOTICE

### PUBLISHER



University  
of Basel



Center for Philanthropy Studies,  
Steinengraben 22, 4051 Basel

[www.ceps.unibas.ch](http://www.ceps.unibas.ch)

[twitter.com/CEPS\\_Basel](https://twitter.com/CEPS_Basel)

[linkedin.com/company/cepsbasel](https://www.linkedin.com/company/cepsbasel)

### EDITOR

Lucca Nietlispach  
([lucca.nietlispach@unibas.ch](mailto:lucca.nietlispach@unibas.ch))

### LAYOUT & PICTURES

a+ GmbH

© unsplash

© CEPS 2023

Available online:

[ceps.unibas.ch/en/philanthropie-aktuell/](https://ceps.unibas.ch/en/philanthropie-aktuell/)