IMAGINE CANADA

WAKE UP CALL: Navigating New Pathways for Corporate Community Investment in Canada

Contents

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About Imagine Canada

Imagine Canada is a national charitable organization whose cause is social good in Canada. We work to bolster the charities, nonprofits, and social entrepreneurs that build, enrich, and define our nation and the communities they support around the globe.

Corporate community investment is an integral part of Imagine Canada's vision for a strong and vibrant charitable sector. Imagine Canada's Caring Company certification encourages companies to adopt a leadership role as investors of at least 1% of pre-tax profit into stronger communities and celebrates that leadership.

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Foreword

The philanthropic response to the pandemic has showcased the sector at its best – at a time when community partners are experiencing unprecedented and unrelenting demand for their critical services.

In leading one of Canada's largest corporate foundations, I have seen the devastating impact of the COVID-19 pandemic on the nonprofit sector first-hand. Similarly, I have seen funders respond at record speed, through greater flexibility and collaboration than ever before. Having had the opportunity to reflect on their learnings, many are looking at how to best amend strategies and approaches to continue supporting the sector and build back better.

For that reason, we are incredibly proud to support Imagine Canada's important research to identify the drivers behind – and offer insightful recommendations to address – the circumstances impacting the nonprofit sector.

As funders, it has never been more important to deeply engage with our partners, listen, and be proximate to better understand the evolving issues. It's also an opportunity to challenge ourselves to think differently about how we can support the sector – whether it's considering to take on risks that governments might not, catalyze ideas and innovations, or rethink the need for operational versus programmatic support.

While financial support remains critical, as funders, we know that we can deliver value beyond writing a cheque – especially as businesses and corporations also face their own complex challenges.

Thinking further than funding, we can:

- Tap into our own talent by creating skills-based volunteering opportunities to support our partners, developing our own talent and increasing employee engagement.
- Help our partners to build their capacity by encouraging them to share the challenges and responding, sharing our knowledge and internal resources to support their talent through opportunities like established training programs.
- Leverage our corporate partnerships to build innovative coalitions that support the nonprofit sector and strengthen our communities, such as advancing the digital transformation of the sector and increasing access to connectivity and technology for vulnerable populations.
- Connect nonprofit partners across the sector to increase collaboration, working faster to achieve shared goals and increase their collective impact.

The insights within this report shed further light on the state of Canada's nonprofit sector and support the importance of taking a 'more-than-money' approach.

I hope you join me and take the time to reflect on the findings and challenge yourself, your team, and your partners to think differently about how the nonprofit and corporate sectors can work together to drive social changes needed to create the more sustainable, prosperous, and inclusive future we all want to see.

- Valerie Chort
Vice President, Corporate Citizenship, RBC
Executive Director, RBC Foundation

Introduction

Communities are in the midst of unparalleled strain. As the optimists among us talk about building back better, many of the people and organizations we talk to on a daily basis are contemplating when the next round of layoffs will be, whether reduced services will impact their beneficiaries for decades, and whether operations and programs should be closed temporarily or permanently. Imagine Canada's Sector Monitor survey of Canadian charities in April 2020 found that organizations reported an average 31% decrease in revenue.[1] A more recent study by the Ontario Nonprofit Network (ONN) highlighted that 20% of organizations are at risk of closing their doors permanently over the remainder of 2020.[2]

Small, grassroots organizations operating on the frontlines of the pandemic are at great risk. For corporate leaders and those providing support for nonprofits, the requests have increased, the intensity has ramped up, and new complexities and expectations have arisen as the public hopes for a path towards recovery.

It has been said that the country never fully recovered from the 2008 recession. Indebtedness soared, food bank usage never returned to pre-recession levels, and it took seven years for the unemployment rate to return back to earlier levels. The country is ill-equipped to deal with another recovery like the last one – especially without the critical services that nonprofits provide.

In recent decades, the nonprofit sector has taken on an increasingly vital role in social service delivery as federal, provincial, and municipal governments have downloaded essential services to charities and nonprofits. For

community investment professionals, the last decade has brought partnerships and collaborations closer and closer.

The economic challenges that await us are vast, but there are real signals of change. Companies in many ways have responded with unparalleled support for communities in the midst of the pandemic. More funds have been allocated to causes of racial equity in the last few months than in the previous decade. Funders are finding that some new practices they took on in response to the pandemic are exposing them to new ways of working that are worth keeping going forward. Canadians are saying they expect business leaders to speak out on social issues like racial injustice, income inequality, and climate change, and companies are starting to figure out the best ways to do so.

In 2018, Imagine Canada asked Canada's largest companies about how they organized their community investment and only 4% indicated that they "prioritize funding ecosystem change, funding organizations that are collaborating to solve large systemic problems."[3] It is not surprising, then, that this report finds funders struggling in unprecedented ways as attention has become more deeply focused on these systemic issues. Many companies are recognizing that the funding and partnership practices they relied on are not adequate to address the complex, systemic problems we face going forward.

While there were many promising changes that companies made as a result of the pandemic, our conversations uncovered other areas where real changes are still needed:

- We need to rethink our funding strategies and criteria to ensure that Black, Indigenous and racialized communities benefit equitably from philanthropy
- Corporate funders need to commit to funding their charitable and nonprofit partners for the long-term, even if profits decline
- We need to leverage a broader range of corporate assets in our community investment, as cash is only a small fraction of the resources that companies can bring to bear on social issues
- More unrestricted (and multi-year) funding is necessary to build stronger charities and nonprofits
- The only way we can have a real recovery is if all sectors of the economy – nonprofit, private, and public – partner together to ensure an equitable recovery for all
- Corporate leaders will need to increasingly lend their voice to social issues and funding issues to meet changing consumer expectations and rising inequality

This report is intended to stimulate a conversation between corporate influencers and nonprofit leaders – one that, over time, can also include our government colleagues. Together, we can continue to surface issues and ideas for debate, discussion and, ultimately, real action. Please watch for upcoming reports as part of our InsightOut series and join us in the process of real social change.

About this Report

The nonprofit sector, corporations, and Canadian society are going through unprecedented changes.

We connected directly with more than two dozen leaders in the corporate community investment, corporate social responsibility, partnership, sponsorship, and employee volunteering space to ask them about how these changes are impacting them in the short and long-term, and how they will impact corporate community investment and related parts of their work.

We interviewed more than 20 leaders directly, hosted 8 participants in a focus group, and had more than 50 participate in a town hall discussion (though not all contributed). Most of the quotes in this report are anonymous, but reflect opinions and perspectives from many of the largest companies and notable industry experts in the country.

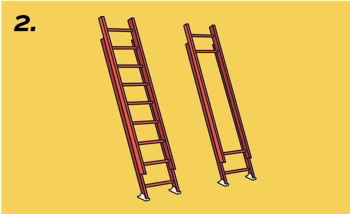
We thank all of our participants, and our Acknowledgments section has a full list of experts consulted, except where they asked to remain anonymous.

This report summarizes ten key trends derived from our discussions. These trends are listed on the next page. Each trend is accompanied by data, discussion, and recommendations on how to adapt to these changes for corporate community investment professionals.

Social shifts

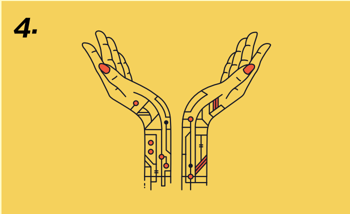
Impacting community investment from our research

The Uneven Pandemic: *Profound inequalities exacerbated by COVID-19*

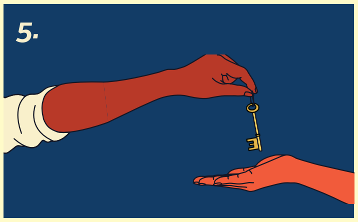


Time for Racial Justice: *The role of companies in supporting racial equity*

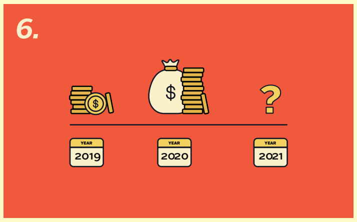
The Great Cataclysm: *Nonprofits during COVID-19*



The Constant Pivot: *COVID-19 reaped a fertile ground for nonprofit innovation*



Unrestricted Funding during COVID-19: *Building on what's worked*



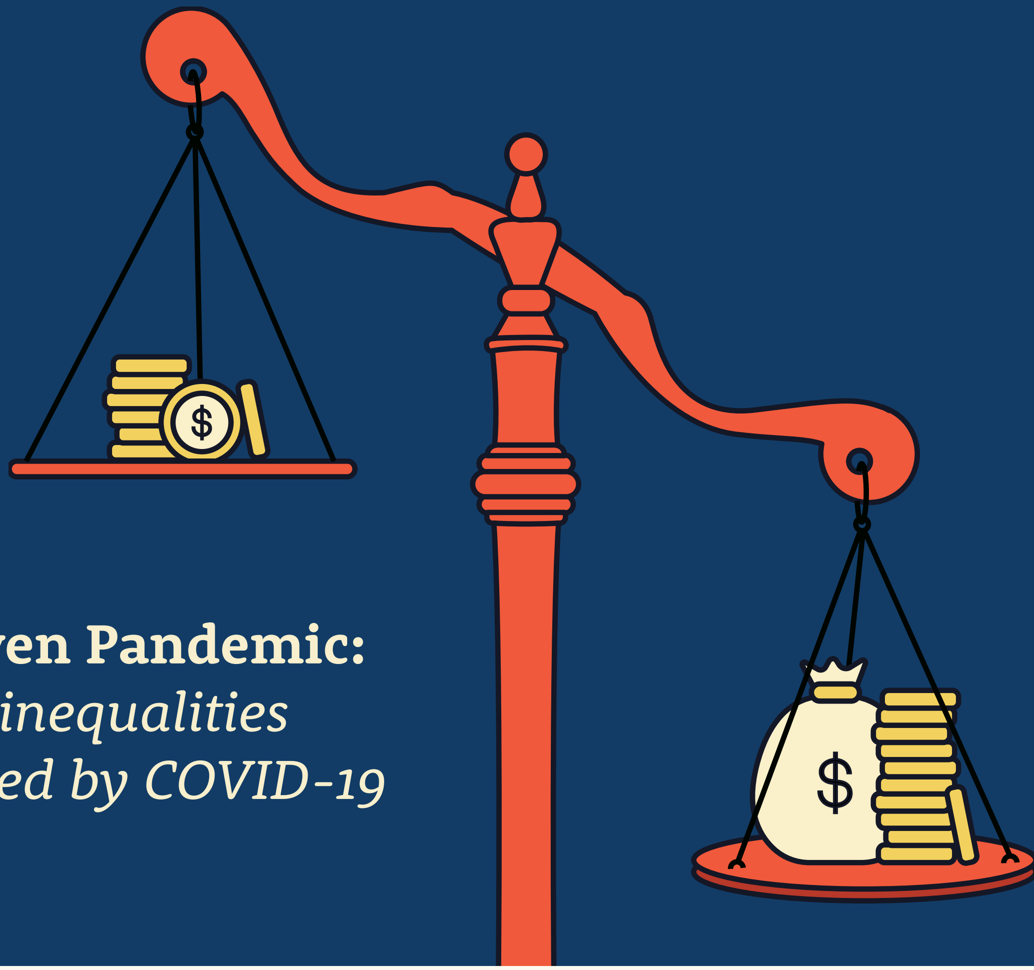
Companies Stepped Up: *Funding flowed during COVID-19 but could be cut-off*

Engaging Virtual Employees: *New challenges, new opportunities*

The CEO as Social Advocate: *Increasing expectations on Corporate Canada*

Partnering for Impact: *Problems too big to tackle on our own*

COVID-19 and Climate Change: *Learning from the pandemic*

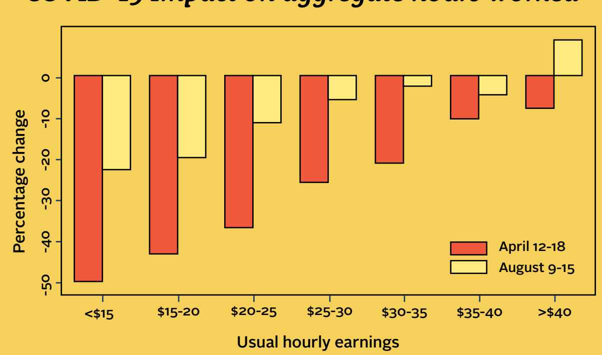


1. The Uneven Pandemic: *Profound inequalities exacerbated by COVID-19*

Inequality has increased due to pandemic-caused unemployment

The pandemic has had severely unequal impacts on Canadian workers, depending on income levels and the industries, jobs, and conditions worked in.

COVID-19 Impact on aggregate hours worked



*Hours are actual weekly hours on the main job. Values are difference relative to February 2020 minus equivalent change in 2018.

Source: Statistics Canada. Labour Force Survey (PUMFS). August. Charted by @mikalskuterud[5]

According to Statistics Canada's Labour Force Survey, hourly workers who make less than $15 per hour lost more than half of their hours in April 2020 compared to February 2020, and by August their hours were still down by almost 25%.[4] On the other end of the income spectrum, workers earning more than $40 per hour lost less than 10% of their total hours worked in April and had fully recovered - and more - by August.

The result is that workers from marginalized communities have borne the brunt of layoffs, reductions in hours, and illness, while also often being deemed essential workers. This has served to worsen racial injustice, income inequality, and the whole host of social issues that disproportionately affect these communities.

It is critical to note that these issues have been fueled and entrenched in Canadian society by decades of growing inequality. Inflation-adjusted data shows that, in Toronto

for example, the 25 years from 1982 to 2016, saw median incomes of the top 1% grow by $99,400, while incomes of the bottom 50% declined by $6,200.[6] These growing inequalities are tightly interconnected with race. Over a similar time period, average inflation-adjusted income for racialized Canadians in 2015 dollars remains unchanged over the last 35 years, while income for white Canadians increased by 31%.[7] In major cities, the trends can be even starker; in Toronto, for example, inflation-adjusted average income for racialized populations grew by only 1% from 1980 to 2015, while white residents saw their average income increase by 60%.

Many social issues have grown even worse because of the pandemic, from hunger, to homelessness, to mental health and domestic violence:

- **Food insecurity:** Rates of food insecurity – defined as households with inadequate or insecure access to food – in Canada rose by at least 39% (14.6% in May 2020 vs. 10.5% in 2017/2018), with Statistics Canada noting that this estimate is conservative and likely significantly understates the increase,[8] while Daily Bread Food Bank reported a 200% increase in new users in June versus February.[9]
- **Unemployment:** National unemployment almost doubled from 5.6% in February 2020 to 10.2% in August 2020,[10] while youth unemployment hit record highs, increasing from 10.3% to almost 30% at its peak, and declining to the low 20s – which still represents the highest youth unemployment rate observed prior to this year.[11]
- **Housing:** Up to 16% of mortgages in the country were being deferred as of the end of July.[12] And in May, Angus Reid found that 13% of renters did not make full rent payments,[13] up from about 1% of renters in a normal month.[14]
- **Learning:** Early data from the learning platform Zearn suggests that educational outcomes like math progress remained unchanged in the highest income households while it plummeted to about half of normal levels in the lowest income households.[15]
- **Mental health:** Across the country depression and anxiety have increased to truly unprecedented levels. Kids Help Phone's Crisis Text Line volumes more than tripled at the beginning of the pandemic[16] and have plateaued at these new highs. Declines in mental health have been many times greater among those with less income and more financial insecurity, than those who are financially secure.[17]
- **Climate change:** July 2020 was the hottest month ever recorded in many of Canada's largest cities,[18] with lower-income households disproportionately bearing the risk of self-isolating at home in dangerously high levels of heat with no air

conditioning.[19]

- **Opioid epidemic:** Various jurisdictions around the country are reporting that deaths from opioid overdoses are soaring, up to as much twice normal levels.[20,21]
- **Domestic violence:** Rates of domestic violence have spiked, and disproportionately so in lower income households.[22]
- **Connectivity:** High speed internet has become critical to access essential services and continued employment - but speeds in rural and remote areas remain a fraction of those in the rest of the country[23] and many low income households do not have adequate access no matter where they live.

Edelman Canada conducted a special COVID-19 edition of their Trust Barometer and found that there is broad - but not unanimous - acknowledgment of the unequal consequences of the pandemic. In their survey, almost two-thirds (64%) of Canadian respondents felt that those with less education, less money, and fewer resources are being unfairly burdened with most of the consequences of the pandemic.[24] Six in ten (60%) agreed that "something must be done to more equitably distribute our country's wealth and prosperity."

There is a vast divide among Canadians, however, about how best to respond to these recent pandemic-fuelled changes: a 2020 poll released in late June by Ipsos found that

> *"**52 percent** of respondents believe the pandemic is the perfect opportunity to better prepare Canada for the future.[25] However, **48 percent** of Canadians believe now is 'not the time for change,' but rather, the focus should be on 'getting back to normal.'"*

Pandemic aside, however, it is clear that Canadians feel that companies, the nonprofit sector, and government should work together to address these pressing social issues and that none are doing a good job of this, with less than a third of Canadians perceiving that any sector is doing a good job collaborating with the others.

Corporate funders are re-envisioning their funding programs in response to these shifts

A number of funders explained that these growing inequities made them reconsider their giving practices and would reshape their future giving strategies.

One funder felt that they had learned a lot about these exacerbated inequities during their first round of funding after the outset of the pandemic and that it would influence future giving:

> *"We've really seen what's occurred in terms of the health disparities among certain population groups. So how can we learn from that in our approach to helping those in underserved communities with access to health care and really looking at ensuring with key demographics that they feel they can participate in the economy in whatever way they would like. So newcomers, Black, Indigenous, People of Color, women, those with disabilities... [These are all areas] where we work to try to establish charitable relationships that help improve job prospects or overcome career advancement barriers or employment barriers."*

One funder noted their limitations in responding to growing inequalities but how important it was to nevertheless respond:

> *"I think we have a duty to help those who are abandoned and – I'm using a strong word – **forgotten** by the system, if I can say so. And for us, we are looking into organizations that provide after school programs and assistance for kids who have difficulties learning."*

Guiding Principles for Funders Looking to Advance Equity and Inclusion

Philanthropic Foundations of Canada (PFC) prepared the following guiding principles for funders looking to advance equity and inclusion in response to the inequitable impact of the pandemic and decades of growing inequality. The chart below summarizes their recommendations, which are expanded upon further in their full report. These principles build upon those outlined in a joint statement released by Philanthropic Foundations Canada, Environment Funders Canada, Community Foundations of Canada, and The Circle on Philanthropy and Aboriginal Peoples in Canada. Not all of these practices are relevant to all funders and companies, but their principles are worth considering as part of any current or future strategy.

Be flexible, pragmatic and proactive in grant-making

Get feedback from your communities on what funding is needed. Seek out communities that are falling through the cracks.

Support Advocacy

Support advocacy with lived experienced and deep roots in communities and underrepresented groups. Lend funds and voice to groups advocating for system solutions to inequalities.

Collaborate on or contribute to emergency funds

Tap into existing networks working on key issues like Community Foundations, United Ways, funder collaboratives, First Nations, the Canadian Women's Foundation, and other similar groups. Support mutal aid networks that help local communities.

Take the long view and stay engaged.

Use your networks to leverage your support and bring on other stakeholders. Look to scaling up solutions for inequality. Commit to renconciliation in the long-term.

Stretch and deploy expertise and funds to protect the capacity and resilience of grassroots groups.

Support Indigenous-led organizations.

Work to build long-term capacity for grassroots groups.

Source: PFC's more detailed guide on "COVID-19, social inequalities, and foundations' response" is available online.

2. Time for Racial Justice: *The role of companies in supporting racial equity*

Systemic racism and societal inequality are getting critically needed attention

Anti-Black racism, police brutality, and systemic racism have received more sustained attention in recent months than at any point in recent history, as protests have swept the globe in the wake of events such as the killing of George Floyd by a police officer on May 25th 2020. These protests have brought needed attention to many critical issues facing Black, Indigenous, and People of Colour (BIPOC) communities. While many of the catalytic events and resulting protests have been in the United States, Canada has substantial issues that impact Black Canadians as well, many at a similar scale as we see in the United States.

*The first six months of 2020 had US corporate funders pledge nearly **18 times** more funding to issues around racial equity than in the previous decade combined.*[26]

In Canada, the issues facing Black communities are stark:

- More than one-quarter (28%) of Black households experience food insecurity, compared to one-in-ten white households (10%)[27]
- Black Canadians make up 3% of the population of Canada but account for 9% of police shootings deaths since the beginning of 2017,[28] while data from Toronto shows that Black residents were nearly 20 times more likely to be fatally shot by the

police than white residents[29]

- One-quarter (27%) of Black children under the age of 15 live in poverty, twice the rate of other children (14%)[30]
- A second-generation Black male Canadian has a median wage of $40,000, $22,000 less than that of other second-generation Canadian men[31]
- Unemployment rates for Black Canadians are almost twice as high as for white Canadians (16.8% for Black Canadians vs. 9.3% for those not Aboriginal or a visible minority, in July 2020)[32]

None of these facts are new or pandemic-specific; they have been echoed year after year. But for the first time, corporate funders are starting to react to disparities like these in a meaningful fashion.

Unprecedented increases in funding pledged for BIPOC organizations

In the first six months of 2020, US corporate funders pledged nearly 18 times more funding to issues around racial equity than in the previous decade combined.[33] Data from Benevity – an online employee giving, volunteering and corporate community giving platform – found that contributions to racial justice and equity increased 15-fold in June, which boosted total giving to all causes on the platform by 71%.[34]

While comparable data is not available in Canada, it is reasonable to expect that the scale of funding to BIPOC organizations and causes has likewise seen significant increases.

These changes have brought about new considerations for many of the funders we interviewed

This new focus on issues of racial equity has already driven substantive change in how the Government of Canada collects data. Based on the collective voice of many communities, some jurisdictions began collecting and releasing race-based data for COVID-19, and data from Toronto Public Health found that through September, Black residents have nearly 7 times higher rates of infections than white residents, with even higher burdens among certain other racialized groups.[35] Statistics Canada has started collecting data on racialized status, highlighting how much more racialized Canadians have been affected by the pandemic.[36] Going forward, we expect that race will be an increasingly important data dimension to evaluate.

One funder felt that expectations from their stakeholders had likewise changed and this would bring about new measurement and reporting requirements at their organization:

> *“And so when all the racial violence came to a head in the US, there was this deep need for our stakeholders to understand more of what we were doing in that space. And so as we go forward, there’s going to be more emphasis on ‘Who are you serving from a demographic perspective?’ Actually breaking that down from a measurement perspective. We always had the data; we just never pushed for it. So, the indicators will read more like ‘this organization is going to serve 57% Black community members’ because our stakeholders want that. They want to see what we are doing to move the needle forward since racial injustice is a big, big focus in our work.”*

Or as one senior community investment professional at a major Canadian bank put it:

> ***"The bank has been encouraged to look at what we do to address the BIPOC population more holistically. So community investment has been one piece, but also as an employer, and also as a business and a provider of financial services."***

In this time of reflection, it is also critical to note that Canada has many outstanding issues related to Indigenous communities and other racialized people. These are only a few of the many challenges that Indigenous communities face in Canada, but particularly reflect the huge degree of inequities experienced by Indigenous peoples in Toronto:

- Almost half of Indigenous Status First Nation children live in poverty[37]
- Indigenous people in Canada make up 5% of the population and account for 38% of police shooting deaths in Canada since 2017[38]
- Indigenous people accounted for 25% of homicide victims, a rate nearly seven times higher than that of non-Indigenous people[39]
- Almost half (48%) of households in Indigenous communities were food insecure[40]
- Only 4 in 10 First Nations young adults living on-reserve graduated from high school, compared to 7 in 10 First Nations young adults living off-reserve, and 9 in 10 non-Indigenous people[41]

As we collectively reflect on how funds can be allocated more effectively, it is important to remember that these communities were struggling before the pandemic and are struggling even further now. Businesses need to evaluate how their practices are impacting these communities as part of a systemic look at how they can better allocate resources.

Evidence suggests Black-led organizations have historically not received adequate funding

For companies that are looking to develop funding strategies to support racial equity, many have started to realize there are several confounding factors when it comes to these organizations[42,43]:

- Leadership in the nonprofit sector is not reflective of the populations served and tends to be older, whiter, and more likely to be Canadian-born than the population as a whole
- Nonprofits that received corporate funding tend to be larger and national while those focused on racial equity tend to be smaller, local, and grassroots

Recent studies in the US have highlighted these challenges, finding that:

- For organizations focused on improving life outcomes of Black men, revenue at organizations with Black leadership was 45% lower than those with white leadership[44]

- Unrestricted assets of Black-led organizations were 76% smaller than those led by white leaders[45]
- In a survey of Black-led organizations, only 23% had funding reserves of three months or more[46]

Advice for corporate funders from BIPOC leaders

Though similar quantitative evidence in Canada is very thin on the state of BIPOC organizations, the findings resonate with BIPOC leaders we spoke to. With the recent influx of resources into funding BIPOC communities, BIPOC leaders of charities and nonprofits in Canada have concrete advice for how funders should ensure that BIPOC-led, -serving, and -focused organizations receive what they need to do work in their communities.

Invest in organizations led by BIPOC leaders that serve BIPOC communities

> *"It's been very lonely, because there are so few leaders who are representative of the communities that we serve. I go to these roundtables for low-income communities, and I don't find anyone who even has a modicum of lived experience of what this would mean.*
> *...if you don't have anyone in your leadership team who could relate even remotely to the people that you're helping to serve, what message does that even send...? I think where funders can be involved is not necessarily mandating, but supporting organizations that will actually reflect and seek to do the work of empowering leadership from within the community."*

- Eugenia Addy, CEO, Visions of Science

Invest in building capacity for grassroots organizations

> *"A lot of the time for the Black community ... we're kind of like the middle child. There are very few older siblings that are established Black-led organizations, but there are hundreds of grassroots organizations that are doing the work. We have about 150 Black-led organizations that we're trying to support to do some capacity building ...so that when something like this happens, [these organizations are] going to be able to take advantage of the available funds."*

- Executive Director of a Black Professionals Association

Make funding easy to access, recognizing the limits faced by many BIPOC-led organizations

> *"...I went around and asked folks in our [Indigenous] community, 'why didn't you apply for that money [federal emergency funding]?'. And it was because the application process was confusing, it was onerous.... A lot of these shops are not big. They don't have proposal writers or grant developer positions, meaning they don't have capacity to be spending onerous amounts of time on application processes. And so I think having a flexible design from the onset is going to really encourage people to want to apply."*

- Executive Director of an Association of Indigenous Organizations

Have a long-term strategy to continue investment in these critical areas

> *"After the summer of guns in the early 2000s [the summer of guns refers to 2005 in Toronto when the number of gun deaths doubled from the previous year], the Youth Challenge fund came with a lot of investment in the community, especially around Black youth, about 150 plus organizations and groups were funded in the amount of about 40 something million dollars, okay? Out of those 150 plus organizations and groups today, only maybe three exist. The rest just died after the funding ended. There was no sustainability plan, there was no structure built... So I*

think from my perspective, a longer-term relationship with philanthropy in our sector would be very, very important."

- Executive Director of a Community Health Centre Focused on Black populations

Debate among corporate funders about whether the current focus on BIPOC organizations will lead to comprehensive reform

Among the community investment professionals we interviewed, there was a big divide as to whether this BIPOC-focus would be a short-term phenomenon, as suggested by some we spoke with, or a long-term shift.

One company told us that just weeks earlier, they had hired a new Vice President of Diversity and Inclusion, with the intent that they would be working on internal issues of diversity and inclusion as well as their philanthropy.

Another explained that they recognized that they had not done what they needed in this area, but they were committed to working toward real change:

> *"It's just not okay [referring to the lack of awareness of racial bias in their funding]. And we don't know how to get to that endgame in our community investment. But we know that we're just not stuffing it under the Chesterfield anymore... It's got to be something that we all work through, and we have to be much more conscious of our biases."*

One interviewee was more skeptical of the long-term impact, speaking of leadership at an organization they work with:

> *"[The leadership at the company] made a very public, large contribution to a [fund focused on racial equality], but I don't think it's going to change the overall approach to community investment strategy... But, I think it's like, 'yep, this is an issue,' 'we're going to make our donation, we're going to make our contribution.' And we're going to move back to our traditional approach, which may or may not include social and racial justice... But is it going to change community investment practices in Canada? I don't think so."*

Even those that did not immediately respond philanthropically (or otherwise) think that racial equity will be an important consideration going forward. One funder told us that

> *"not much changed immediately or in reaction to COVID and some of the anti-racism protests. But definitely, as we look forward, we're trying to be more thoughtful and amplify areas that maybe we haven't paid as much attention to as we should have as a business."*

Additional resources for companies investing in BIPOC and marginalized communities.

As many BIPOC leaders at charities point out, their communities have had many barriers to accessing funding. Ensuring there is equitable access requires a deliberate strategy, consulting communities and organizations you are looking to engage, and rethinking each step of the funding process.

Imagine Canada and other charitable organizations have committed to help start addressing these issues in a joint call to action:

- Stronger Together - Solidarity Statement

Reduce Bias in Grantmaking.
Listed below are several guides for organizations that want to reduce bias in their grantmaking:

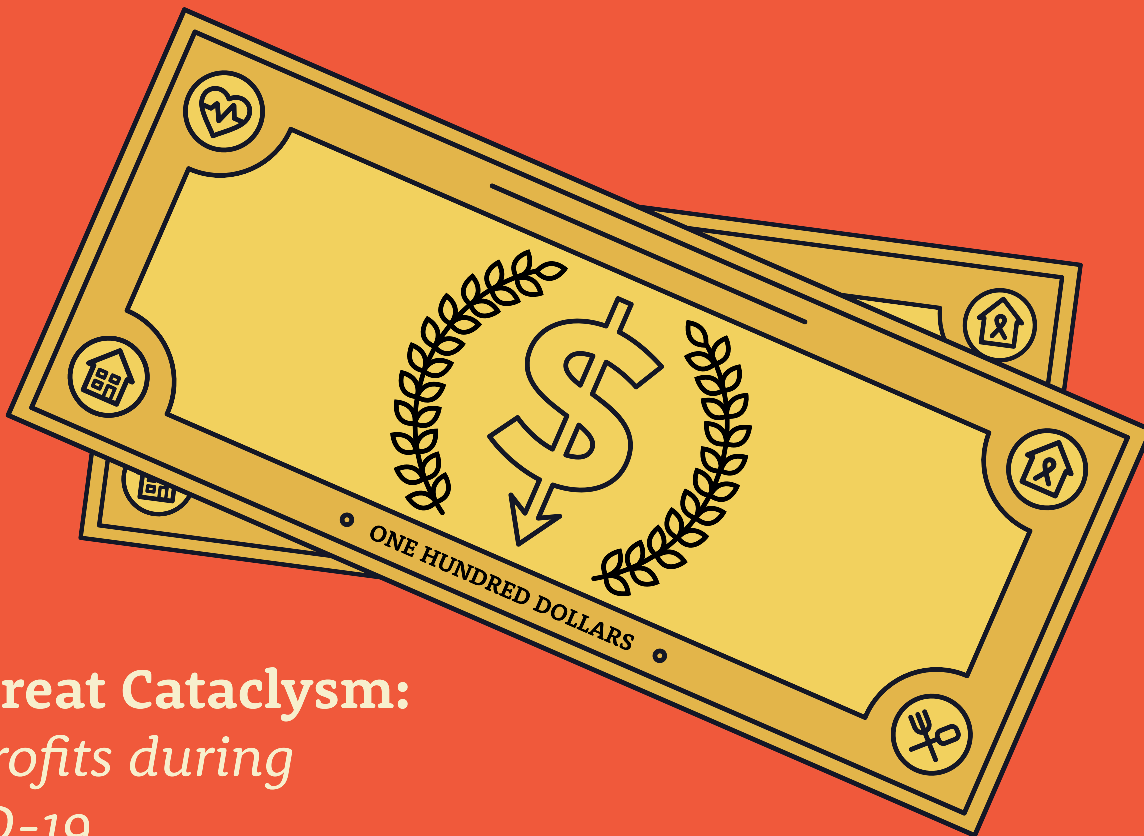
- Driving Equity at Every Step of the Grantmaking Process
- The Tactical Guide to Reducing Bias in Your Grant Application Review Process
- How to Avoid Excuses That Prevent Grantmakers from Aiding Black-led Organizations
- Overcoming the Racial Bias in Philanthropic Funding

Seek out BIPOC-led organizations.
For those looking for BIPOC organizations to fund, numerous communities have put together lists of organizations:

- CanadaHelp's Black Solidarity Fund
- Black Organizations And Anti-Racist Groups Canadians Can Support Now
- Using Your Philanthropy to Fight Racial Injustice - Toronto Foundation

Consider the role of philanthropy in a broader blueprint for racial equity in your company.

Philanthropy targeted at BIPOC communities is just one part of a much broader set of actions that companies need to consider when fully incorporating issues of racial equity into their strategy. FSG's Blueprint for Racial Equity discusses how companies can integrate their corporate philanthropy, workplace practices, product design, lobbying, investment, and communications into a strategy to do better.



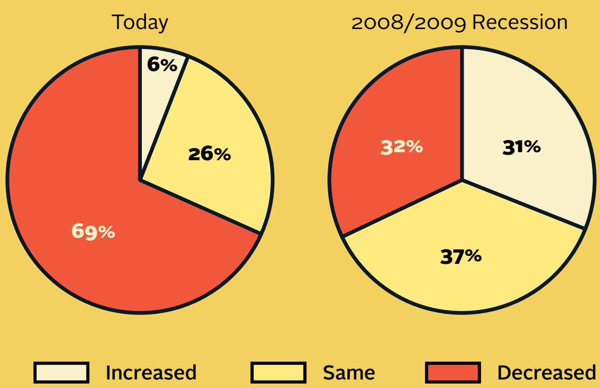
3. The Great Cataclysm: *Nonprofits during COVID-19*

The financial impact of the pandemic on charities is unparalleled

Many charities are experiencing the biggest dilemma in their histories: unprecedented drops in revenue, just as the need for their services skyrockets.

Financial Impacts of the Pandemic

% of organizations reporting that their revenue...



Average change in revenue reported among all respondents...

Today

↓ 31%

2008/2009 Recession

↓ 1%

Source: Imagine Canada's Sector Monitor, April 2020 Data[47]

Note: This data excludes colleges, universities, and hospitals

Imagine Canada 's COVID-19 themed Sector Monitor – a national survey of charities – with data from April 2020, shows the stunning extent of these revenue drops. Charities reported that, on average, their revenue had declined by over 30%. Through the 2008/2009 'Great Recession', charities reported only a 1% decline.

The reasons for this are multi-faceted and include massive declines in revenue from earned income activities and in-person fundraising, as well as the cancellation of face-to-face events and programs, and some declines in government funding. And, as foundation and corporate funders grappled with their own pandemic responses, regular granting processes were often placed on hold, leading many to see decreased support through funders.

While no other comparable national survey of charities has updated these numbers, subsequent research by the Ontario Nonprofit Network (ONN), Community Sector Council of Newfoundland and Labrador (CSCNL)[48] and Calgary Chamber of Voluntary Organizations (CCVO)[49] have found little evidence of substantial improvements in overall financial position in more recent months across the country.

Increasing demand for services, particularly in social services and health

A substantial percentage of charities are reporting increasing demand for services. More than 1 in 3 (37%) according to Imagine Canada's survey,[50] 40% of nonprofits in ONN's survey,[51] and 73% of nonprofits in CCVO's survey[52] (in Calgary, where the pandemic's financial impact has been exacerbated by lower oil prices). Less than one in four reported increases in demand in the CSCNL study.

Many charities seeing the biggest increases in demand for services are those working on the front lines supporting people impacted by the pandemic, including 58% of organizations working in social services, 54% working in health, and 43% working in the housing sector (according to ONN's findings).[53]

The implications of the pandemic will be long-lasting for charities

Frighteningly, these revenue challenges could worsen. The ONN indicated that one in five organizations could be on the verge of closing their doors.[54] Their survey found that through May 2020, the average revenue decline reported was 25%. Looking to the future, charities are not more optimistic. As it stands, only 20% of nonprofits in Ontario forecasted that their economic situation will improve in the near future.

All of these findings signal an uncertain future for the nonprofit sector. For several years prior to the pandemic, Imagine Canada has been warning about a growing "social deficit," where the need for charitable services is outpacing GDP growth.[55] The resulting outcome is longer waitlists, poorer treatment outcomes, and fewer people served. This current situation has exacerbated the social deficit in ways that we never imagined possible, with plummeting revenues and increasing need for services.

Many charities have been spared even further devastation because of the short-term wage subsidy program, whereby the federal government has injected what will likely amount to billions of dollars into charities through wage subsidies. An estimated 35-50% of charities were eligible for or made wage subsidy claims.[56,57] The government recently announced they are extending these wage subsidies until mid 2021.[58] When the wage subsidy ends at that point - and revenues have not returned - this will present a grave risk for many charities going forward.

Already, charities have had to make significant reductions in staff numbers. Small organizations are particularly vulnerable because they typically do not have assets and financial reserves to cope. Grassroots organizations are even worse off, often being reliant on donations from individuals who have been harder hit by the pandemic. While many organizations hope to rehire some of the same staff they have let go, as time goes on the odds of this are decreasing and the real risk of long-term financial damage is becoming obvious.

Organizations relying on earned income have seen unprecedented declines in these revenues, which are likely to remain much lower for at least the medium term.[59] Many of the business activities of charities are based on their convening/community power, and the future of face-to-face activities (whether in cafes and restaurants, amateur athletics, group education, etc.) is profoundly challenged by our current health crisis. In addition to the value of these services directly to the communities served, for many charities, these profitable ventures were also used to fund their other charitable programs.

In addition to layoffs and hour reductions, many nonprofits have closed programs or locations, and many of these programs will not reopen soon or potentially ever. For other organizations, they have depleted financial reserves that will make them more vulnerable to future challenges. As cases rise throughout the fall, many nonprofits are poorly positioned to cope with any increases in demand that may arise due to subsequent lockdowns that may be required.

Some organizations will fold, and some will look to mergers or other partnerships to prevent those they serve from going unsupported. For many that risk closing, conversations are taking place about whether they should merge, collaborate, or otherwise change their structure to keep going. At this point, few organizations have pursued mergers, few organizations have closed, but there is a lot of discussion about what will happen in the coming months, especially as organizations start to deplete their financial reserves.

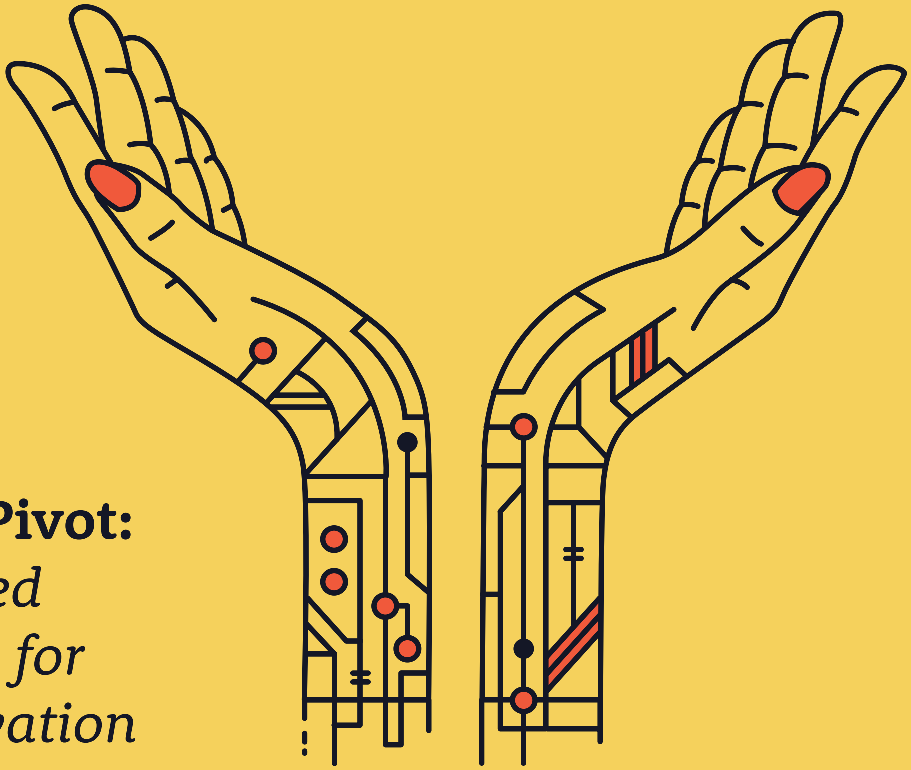
Whether it be through closures, mergers, or significant layoffs and program closures, no matter what, the impact of this pandemic will almost certainly include a seismic realignment of the charitable sector.

The Caring Company Certification

Corporate community investment is an integral part of Imagine Canada's vision for a strong and vibrant charitable sector. Imagine Canada's Caring Company Certification encourages companies to adopt a leadership role as investors of at least 1% of pre-tax profit into stronger communities. The percentage of pre-tax profit invested in the community is a common metric used by companies to determine annual budgets.

Companies recognized by the Imagine Canada Caring Company Certification contribute at least 1% of their pre-tax profit to the communities where their employees live and work; many have been doing so since the inception of the Caring Company program in 1988.

During the pandemic, many businesses have been hit hard but the commitment to continue to give from profit remains. Others have seen an unexpected boon, as sales have shifted virtually. The Caring Company Certification is an ongoing commitment to keep supporting communities, regardless of the economic environment around us.

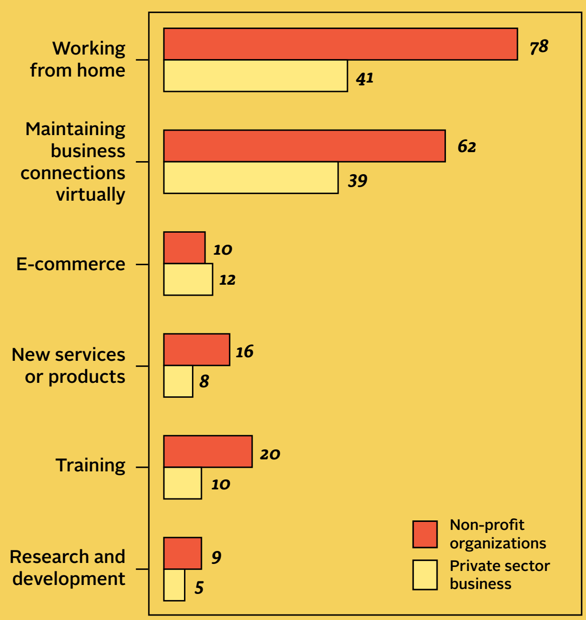


4. The Constant Pivot: *COVID-19 reaped a fertile ground for nonprofit innovation*

Nonprofits adjusted and adapted their practices more significantly than the private sector

The extent to which nonprofit organizations adapted and shifted during the pandemic was noteworthy, significantly outperforming their private sector counterparts in several measures of responsiveness to the challenges of the pandemic. Organizations embraced new technologies, adopted new service delivery methods, and reformed processes to continue operations in order to ensure that clients continued to have access to much-needed services.

Business practices tested or used while social distancing measures were in place, by business characteristics, March 2020



Source: Canadian Survey on Business Conditions: Impact of COVID-19 on Businesses in Canada[60]

A recent Statistics Canada survey of businesses and nonprofits highlighted the greater extent to which nonprofits changed their work policies, service delivery models and programs to be able to accommodate community needs.

Nonprofits were almost twice as likely as private sector businesses to allow working from home, over 50 percent more likely to maintain business connections virtually, twice as likely to offer new services or products, twice as likely to conduct staff training, and twice as likely to engage in research and development.[61]

Corporate funders are looking at their role in funding innovation and digital infrastructure

Said one company about their partners:

> *"That's the innovative part. The sector has not said, 'That's not my job.' They said, 'these are our clients, how do we take care of them?' And they made that pivot in their organizations. As a funder, that's what you look for. And we need to support that because they found a way."*

Others have started to think about their role in funding digital infrastructure longer term. Said one funder:

> *"I've heard from many organizations... how they need to adapt to offer their services to their clientele, because of the confinement, they're no longer able to reach out to their clientele in person... They're lacking the money to invest in digital platforms... So, what I'm hearing is the organizations doing their long-term planning are thinking about how they need to adapt and how they're going to need to invest in the digital adaptation of their services, but they need funds."*

On the other hand, it was flagged by one CSR professional that the nonprofit sector could have been doing more to innovate before this:

> *"I would argue that much of what's happening in a virtual world should have been happening already."*

Kwame McKenzie, Director of Equity at CAMH and CEO of the Wellesley Institute, alluded to a corollary of this point in a May 2020 webinar for the Toronto Foundation:

> *"We've been able to do things in six weeks that we've been trying to do for twelve years in the health service."*

In many cases, leaders have been trying to lead innovation and change in the sector for years, but perhaps the changing environment and changing approaches will allow social purpose organizations to innovate more than ever before. This pace of innovation could be because nonprofits have not been keeping pace; it could be because the environment was not supporting it. But it is clear that organizations are adapting rapidly and at unprecedented rates - whether this is a short-term fix or the beginning of a new culture of innovation is still an open question going forward.

Nonprofits innovating

One charity saw an unprecedented increase in their work due to the pandemic, and was able to respond in kind. Second Harvest – a charity that helps divert food waste to organizations, connecting people to food – went from being a mostly local organization in Toronto to rolling out nationally over the course of weeks. Said their CEO Lori Nikkel in an interview with Microsoft News,

> ***"COVID-19 forced us to do in three weeks what we'd planned to do in three years."***[62]

The organization drastically scaled up its Foodrescue.ca platform and added a virtual app, allowing them to double the amount of rescued food, and expand from a primarily Toronto focus to a national organization with operations in numerous communities. Corporate partnerships to help supply food, as well as corporate and government support, were critical for this initiative to rapidly scale up in the midst of the pandemic.

Even as innovative practices became more commonplace, it is important to recognize that charities have some critical limitations that have hindered their ability to maximize the benefits of these innovations. These types of activities are essential to ensuring that innovation is effective, is reaching those it needs to, and is adapting to user needs. Many companies excel in these areas even as nonprofits struggle, and this is a critical area that companies can provide both skills-based support (see Section 8 for a further discussion) and financial support to build more capacity.

Nonprofits were able to adapt their practices in the midst of profound uncertainty. What can nonprofits, and the organizations that fund them, learn from this to support and embrace innovation as a way of working, not just as a response to chaos? The next section of this report explores the challenges and opportunities that the current Canadian funding model faces.

Considerations to improve funding innovation

In a Stanford Social Innovation Review article entitled *The Re-Emerging Art of Funding Innovation*, the authors argue that "funding innovation is not an *alternative* to strategic philanthropy. On the contrary—funding innovation is an *essential part* of strategic philanthropy."

The authors note: "the concept of risk has largely shed its upside and become something to be avoided, mitigated, and managed at all costs. If funders are going to create social change, they will once again need to see beyond the potential for reputational damage and lost opportunities to rediscover the upside of risk, recognizing that innovation offers the potential for tremendous reward and opportunity as well."

The authors encourage funders to view their giving as a portfolio, mentioning the idea of allocating funds between different priorities: "70 percent on the core, 20 percent on adjacent spaces, and 10 percent on radical innovation—may or may not be right for philanthropic portfolios. But they nevertheless serve as a starting point as funders try to find the right balance between supporting core programs and funding innovative new ones. At the very least, the ratio highlights the drawback of focusing 100 percent of resources on core activities alone."[63]

One of our interviewees expressed a similar sentiment: "you can put yourself in the position of an asset or portfolio manager and ask yourself 'what is your investment style? As an organization, what are the outcomes you are trying to achieve and over what period of time. And then, what basket mix of organizations should you be investing your money into."

Another article on Transformational Capacity Building made the point that attempts by funders to be strategic has limited innovation, especially among communities of colour:

> ***"Conventional capacity building's unexamined desire for nonprofits of color to conform to standards of success rooted in white professionalism pushes communities of color toward compliance with unnecessary practices, which can ultimately thwart the innovative potential of these organizations, rather than boosting it."[64]***

For nonprofits, pursuing bigger innovation can be a risk and funders need to think about how they can encourage innovation. Asked one fundraiser in an interview:

> ***"What does it mean [for an innovative new initiative] to fail? What will it mean for your core operations if you fail [on a new innovation project] and lose a big major funder that was also helping to cover the cost of day to day operations? When you're struggling just to find revenue to cover your main operations, your day to day core programming... agencies just do not have the capacity to be really innovative or creative."***

Corporate funders adapting and innovating in the pandemic

As nonprofits are pivoting and adapting, corporate funders are as well. Some of these changes shared with us include:

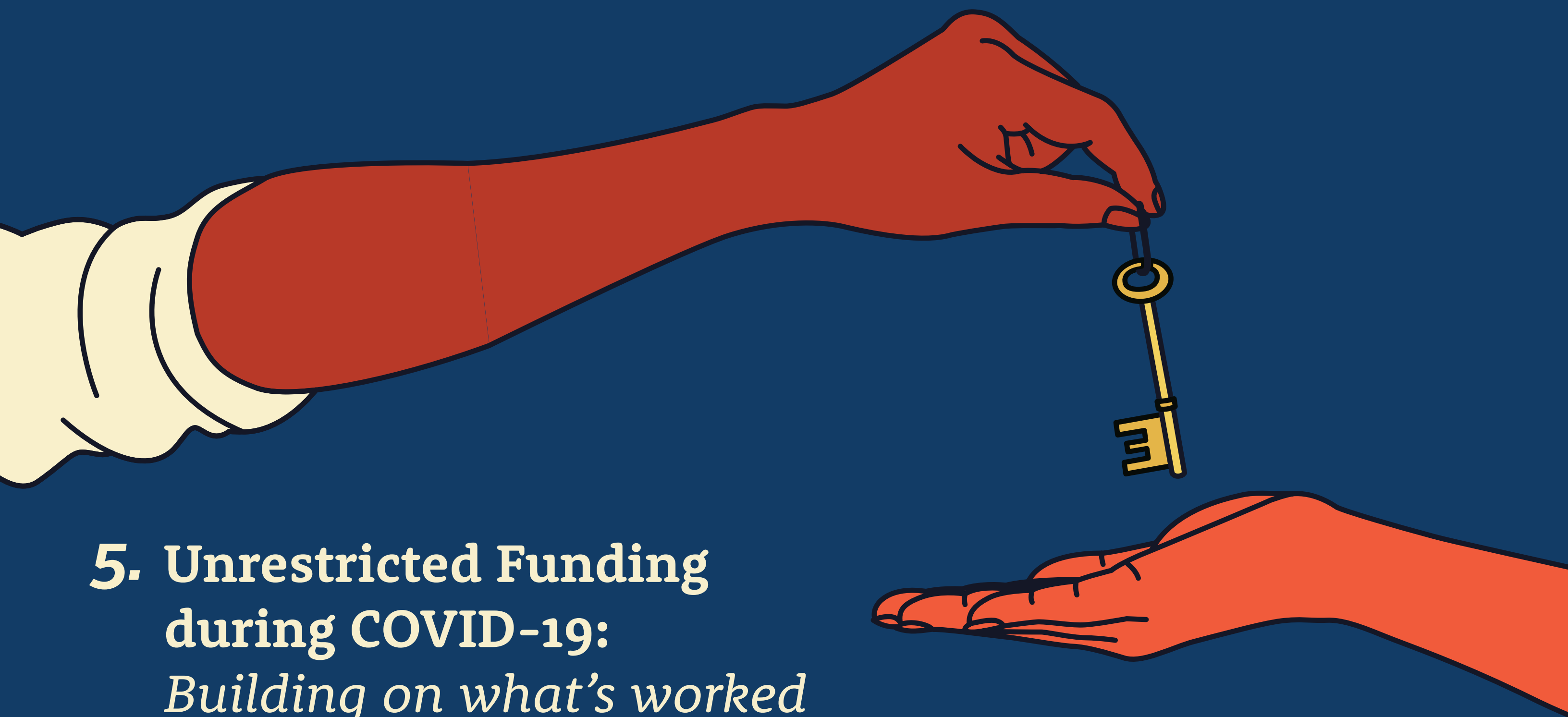
- Leveraging supply chains in entirely new ways
  "If you talked to us in February and said, 'You'll be delivering personal protective equipment to community organizations across the country,' we would say, 'You're crazy.... we don't even sell it on our shelves. So why would we be in a position to donate it? [With our community partners] we help each other out more than just financially, we're sharing resources and our supply chain channels."

- Developing new products to respond to the pandemic
  "Van City's response has been unprecedented in terms of not only support for their members and their clients but also developing financial products that are generating income for communities."

- Leveraging employee enthusiasm to hit record engagement with community investment activities
  "Because employees were able to post their own opportunities and were able to support community online and virtually through the pandemic and we were able to feature giving opportunities that profiled key organizations on a national, provincial, and local basis, we have had record high engagement in our programs."

- Increased multi-partner collaboration
  "Echoing the same sentiment that has been shared by the others [in Imagine Canada's focus group with corporate leaders], where we're seeing the shift and the appetite to get involved on things like food waste on the BlackNorth initiative is where there is a multi pronged commitment that brings in multiple stakeholders"

- Shifting partnership practices to be more agile
  "Because employees were able to post their own opportunities and were able to support community online and virtually through the pandemic and we were able to feature giving opportunities that profiled key organizations on a national, provincial, and local basis, we have had record high engagement in our programs."



5. Unrestricted Funding during COVID-19: *Building on what's worked*

> *"We're seeing that transition happen with less restrictive funding and longer funder funding terms... This allows us to have the flexibility to change and pivot and learn."*
>
> \- Kiera Toffelmire, Vice President, Programs and Partnerships, Second Harvest

Funders have been changing their practices to respond to the pandemic, with many switching to streamlined unrestricted funds

The pandemic has brought with it unprecedented, but not universal, changes to how funders approach nonprofits. For both corporate funders and the organizations they fund, new, more permissive practices have been implemented out of necessity, but which may persist well beyond the pandemic.

Most grantmaker dollars traditionally have been project-based funds, where dollars are allocated for a specific purpose, as opposed to general operating or unrestricted funds, which can be used without funder restriction.

Many in the nonprofit sector have called for longer term, unrestricted funds that allow nonprofits to choose what to invest in, arguing that it allows nonprofits to continually use their best judgment as to where funds can be best allocated while also reducing paperwork and tracking. Similarly, many have called for reductions in red tape, as overly complex application and evaluation frameworks have been added to maintain funder control and mitigate risk, even as many companies have strived to be more strategic.

In the midst of the pandemic, many companies streamlined their applications, removed restrictions around their funds, and reduced reporting requirements with the understanding that this environment required more flexibility, agility, and speed than their typical practices allowed. Similarly, the rapidly changing environment made it very clear that nonprofits were in the best position to decide how resources could best be deployed.

Many funders that have unrestricted funding believe that this practice is here to stay

The Charities Aid Foundation in the United States recently published a report on what 72 companies reported they were doing in response to COVID-19.[65] Almost two-thirds (65%) indicated they had changed the purpose of grants, 54% indicated they had extended grants, 49% indicated they had implemented operational funding, 46% had added needs-based funding (where they asked grantees about highest needs and provided funding), and 26% modified their applications.

Another survey of 165 funders by Peak Grantmaking in April 2020 found that 77% said they engaged in more open and transparent conversations on risk and sustainability issues, 67% reduced application requirements, 64% reduced or eliminated reporting requirements, 62% altered their typical process for decision making, and 57% offered additional unrestricted grants.[66]

For those who implemented unrestricted operating grants, there was broad enthusiasm for keeping these changes. While only a slight majority of funders (57% of respondents) indicated they had converted project funding to operating funds, most of those funders (53% of respondents) expect this practice to continue as things return to more normalcy.[68]

Transformational Capacity Building

A recent Stanford Social Innovation Review article argued that core operating funding was one of seven essential principles for transformational capacity building by funders. They wrote:

"In contrast, flexible, long-term funding gives organizations the greatest freedom to use dollars most effectively, as opposed to dictating that money be only for specific uses. It also radically decreases the amount of paperwork, tracking, and invoicing that burdens staff and prevents them from doing the actual work of serving their communities. Giving multi-year grants enables organizations to plan for the long term. Small organizations that receive multi-year grants are more likely to hire essential staff—often their greatest capacity need—as they are certain that they can pay for such positions for multiple years. Moreover, flexible funding allows organizations and capacity builders to take a multilayered approach to investing in nonprofits of color—simultaneously building staffing and leadership, organizational infrastructure, programming, community support, and advocacy."[67]

As discussed in Section 4, many nonprofits feel that allowing them to use their funding more flexibly has been at the core of being able to adapt their programs and responses. Traditional funding constraints were too focused on project work, preventing them from having the capacity to focus on new innovations. We believe that one of the small silver linings of the pandemic is that more funders will realize that core funding is essential and find new ways to do more of this going forward. This will deepen relationships and partnerships, and may allow the innovation and adaptation we have recently seen to extend further.

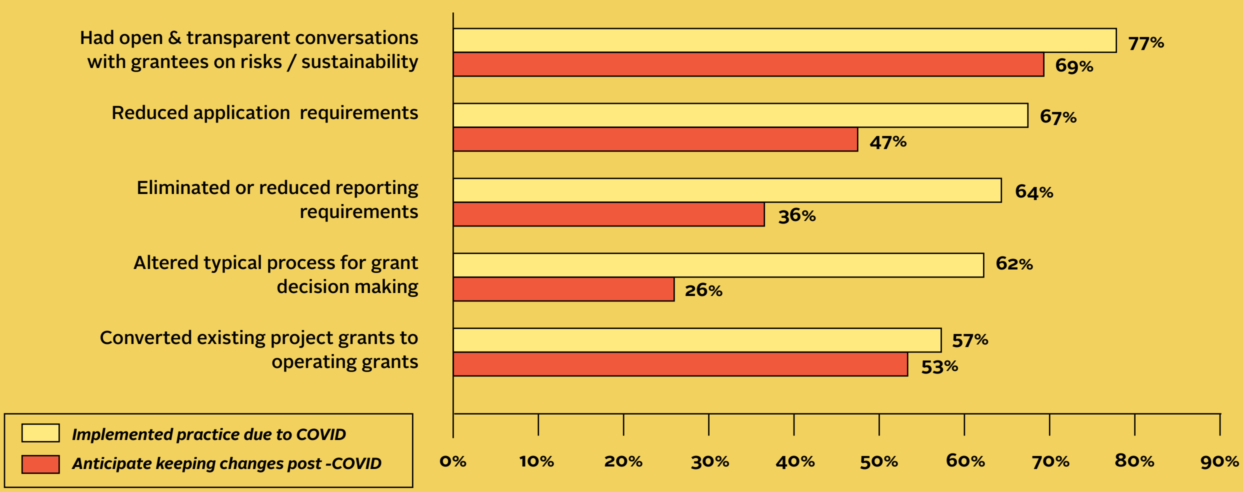
For those who streamlined reporting requirements, reduced application requirements, or changed their decision making criteria, a much smaller portion felt that it was likely that these practices would endure long-term. For example, while 62% of funders changed how they make decisions, only 26% (or less than half of those who implemented this) felt that this would endure.[69]

Some funders, like Alberta Blue Cross, told Imagine Canada (in an interview for a recent blog post on the topic of innovation through crisis) that their changes in funding practices were having positive results:

> *"If anything, the silver lining in the terrible new reality we are facing is that we are working together more effectively and more efficiently—and I think the community is better served as a result."*

Philanthropic Foundations of Canada surveyed their members, comprising 50 Canadian funders, to see how they changed their practices. They found that 70% of funders intentionally aligned their priorities to COVID-related activities, with 82% of funders providing unrestricted funding and 66% providing restricted funding. One in three (34%) removed restrictions on existing grants, while a similar number (32%) enabled reallocating existing grants to COVID-19 related activities.[70]

Practices funders implemented during the pandemic and what they anticipate will be kept post pandemic



Source: Peak Grantmaking survey of funders. N = 165. Results released May 12th, 2020[71]

Some funders believe that changes have strengthened relationships with nonprofits while others have seen little change in how they work

Said one corporate funder in our townhall:

> *"For me, and the company that I work for, we really believe in building up the infrastructure for these nonprofits. And [our funding] can actually go towards foundational change for that organization, which is also why we gave a lot of unrestricted funds."*

Another framed their focus on unrestricted funding through the lens of partnerships during our town hall for corporate funders:

> ***"We want to be that trusted partner. We want to be that committed partner. [We] released almost $500,000 early without restriction. We want to be that organization that comes to the table when they're needed. And when we can be there all year, that's such a deeper relationship. And that's what unrestricted funding will allow us to do, be there every single day, to be that corporate partner for the year, not just for one episode."***

Others indicated that there had been almost no change in their funding practices, as one corporate funder explained:

> ***"There's just been no change to what we delivered other than the intensity."***

Others indicated they had reduced restrictions but suggested that the changes are, at this point, for this year only:

> ***"One of our criteria is that the gifts that we make have to be below a certain threshold in terms of administrative costs. Knowing that the sector has been suffering with respect to the typical amount of revenue they might be able to generate, we've said, 'You know what, if you need the funding this year to be unrestricted, please go ahead and do that.'"***

Some believed that there was a substantial change in how funders viewed their funding relationships:

> ***"I do feel like there is a shift to understanding that operational costs are part of doing business. Somebody has to pay to put the lights on... We need to be more vocal around that fact."***

And others felt this was part of a longer-term trend:

> ***"The pandemic has just pushed that faster. And companies have had to react in the right way and do the right thing... I think it will last, but it will last in those trusted partnerships... So long as the trust stays there, I think that we're in for this opportunity for growth [in innovation], which can move more rapidly."***

Learning in a Time of Crisis
Questions to Ask

With so much change to operating practices, there are inevitable critical lessons funders should take from the outcomes of these changes. Consultancy FSG outlined questions to ask to maximize the learning benefit to your organization from the changes you've made.[72]

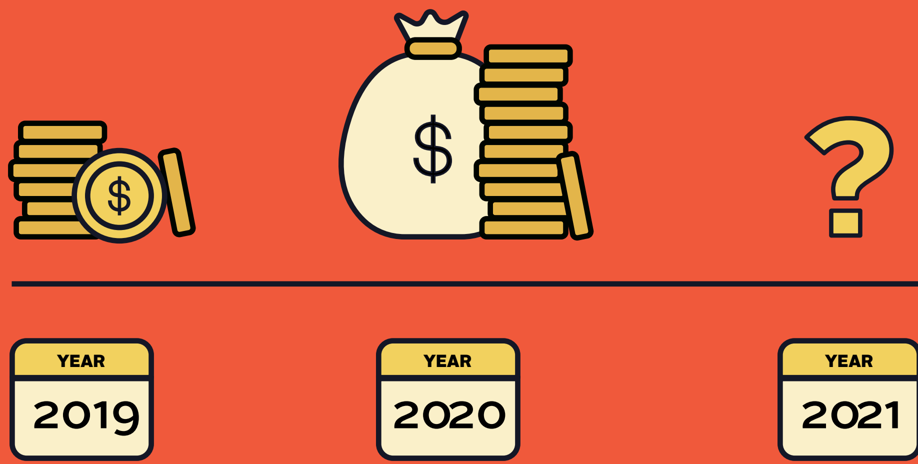
A few months from now (intermediate-term):

- What options did we consider as we selected our behaviours/actions?
- What underlying assumptions were flawed? Which were confirmed?
- What did we learn about our immediate response processes, activities, and effects?
- What would we do differently next time?
- What would we want to do again, since it worked so well?
- Where are we still seeing needs, and how do they align with our original strategy? Are there any needed changes to our strategy?
- For whom did our responses most benefit? Least benefit?
- What implications are there for how we move forward in the coming months/years?

When the crisis abates (longer-term):

- What have we learned from how we (and potentially others) engaged in rapid-response funding strategies and practices?
- What did we learn from the situation that confirms our intuition?
- What are the lessons learned and principles of effective practice that will position us to respond effectively to a future crisis?
- How did we alter our knowledge, theories, or attitudes because of this experience?
- What changes should our organization consider making to prepare for future crises?
- What and how can we share with the field about what we have learned?
- What will we remember from this situation?

Source: Adapted from Learning in a Time of Crisis, FSG.[73]



6. Companies Stepped Up: *Funding flowed during COVID-19 but could be cut-off*

Surveys have suggested companies have stepped up in the face of the pandemic

While no Canadian-specific data is readily available, the Charities Aid Foundation (CAF) America study, "The Voice of Corporate Philanthropy in Response to COVID-19 Worldwide," captures international trends.

72% *of US corporate funders in a recent survey*

indicated their funding had increased.

Next year, more expected their budget would decrease than increase. [74]

In that survey conducted from June 25th to July 10th 2020, 72% of funders indicated that their funding envelope had increased in the last 3 months versus the previous year.[75] Only 8% indicated their funding had declined.

In many ways, responses to COVID-19 mirror corporate responses to other natural disasters with a significant outpouring of support and additional short-term funding being allocated. But as with other disasters, it can be hard to sustain this giving going forward. Our 2018 study on corporate community investment provides best practices for those responding to natural disasters and recommends committing to long-term funding wherever possible to ensure funded organizations can plan their long-term response.[76]

A review of giving and volunteering behaviours after previous disasters is worth noting. In all the cases they

reviewed, the authors of the review found significant increases in giving, volunteering, attending public meetings, and helping neighbours immediately after a crisis. In the midterm, they report that "participation rates for all four charitable and civic activities declined significantly in the years following [the Great Recession]."[77]

Community investment professionals will be challenged to continue to support organizations and their employees, as possible declines in donations, volunteering, and civic engagement occur in the coming years as a consequence of the pandemic.

Surveys showing companies' increased giving can also mask some significant challenges going forward: some companies indicate that overall budgets for the year have declined significantly, while funding has been accelerated, with money intended to be dispersed in the Fall or Winter spent earlier in the year. By the end of July, CAF found that 7% of companies had already exceeded their giving budget for the entire year, while 53% indicated they still had more funding to give.[78]

It is noteworthy that surveys indicating higher levels of giving have tended to reflect actions of the largest enterprises, which have often fared much better than smaller businesses. Nonprofits may therefore be experiencing bigger decreases in revenues from all private sector partners even if giving from larger corporations has risen.

For corporate community investment in particular, the CAF survey found that 24% of companies expected their budgets to decrease, while 19% expected their budgets to increase next year. Most expected budgets would remain about the same.[79]

Future corporate philanthropic budgets are uncertain

In our interviews, few companies indicated actual decreases in community investment budgets in response to COVID-19, but many are worried about the future and what that means for their partners. It was noteworthy that, where budgets were cut, the cutbacks were often drastic, while those with increased funding tended to have relatively small increases.

Still, responses varied dramatically: from a community investment professional who indicated that their entire team had been laid off and budgets slashed, to organizations that increased budgets in the face of declining revenue and profit. One funder told us,

> *"Right out of the gate… [we] were essentially told if sales continue to go down, community investment will continue to go down."*

Another indicated that the pandemic had magnified the organization's focus on the community:

> *"I think what the pandemic has made us realize that we are stronger when we unite those sides [community investment and the business]. And that it [community] is not just a thing we do. It's who we are. And so it's core to our brand purpose. And you're going to see from us a lot more focus [on community] as a strategic pillar for the organization. Community, corporate giving, CSR, and then more activity from a programmatic perspective down the road... I think it's just accelerated who we already were, and put far more importance on this with our senior leaders."*

In many cases, though, those industries hit hard by the pandemic are already decreasing budgets. One retailer that was hit particularly hard said,

> *"So every partner has seen their budget allocation from [our company] shrink significantly, sometimes more than 50%."*

Said one representative from the oil and gas industry,

> *"I suspect our ability to give donations is going to be limited probably into 2023".*

Said a representative from a financial sector company projecting significant loan defaults:

> *"When we look at 2021... if we presume that [community investment budgets] are going to be reduced, that's where our limitations will come in, you know, we will not be able to be reactive."*

As to the implications of tightening budgets, one community professional noted:

> *"When you have a zero-growth budget, you get creative... If you don't have the financial resources to invest, what else do you have? What else is the value that you can bring to a [nonprofit partner] organization?"*

As budgets tighten in the future, it is worth heeding the advice of one of the BIPOC leaders we interviewed about how companies can leverage their multiple assets to drive real change. For nonprofits, they are facing staff cutbacks and have implemented new programs often without the tools or skills to fully assess or leverage them. For companies, this presents numerous opportunities to leverage employee skills to make real contributions through helping nonprofits promote and evaluate new programs, and implement new technologies.

While he is specifically speaking to challenges faced by organizing work on anti-Black racism, the points he made are broadly applicable to any partnership between nonprofits and companies:

> *"There has been a lot of money being thrown out [donated by companies] recently because of COVID and anti-Black racism, which is great. This is what we do when organizations contact ... us to donate, we say, 'thank you very much. The money is something - but we want a longer relationship. We want to work with you. If it's a corporation, you have the capacity, technical skills, knowledge, access, and leverage. We want that more than the small amount of money that you can give. Give us that, and then we'll do great things.'"*

- BIPOC Leader of Black Focused Community Health Organization

In Section 4, we discussed innovative practices of companies in responding to the pandemic, in Section 7 we discuss how employees can be leveraged in giving and volunteering, and in Section 8 we discuss the importance that companies can play in leveraging their CEO and advocacy tools for organizations. The opportunities to provide more than cash are numerous and will be all the more important as budgets tighten in the future.

7. Engaging Virtual Employees: *New challenges, new opportunities*

Employee engagement has become a central goal of community investment programs in recent years. Companies that reported their community investment was effective in our 2019 study had 1.7 times higher employee participation in volunteerism programs and 2.3 times higher employee participation in giving programs.[80]

Traditional ways of engaging employees are becoming harder than ever during the pandemic, while some giving and volunteering strategies are more attractive than ever. There have been tremendous shifts in volunteering and donating habits during the pandemic that have altered the look of this engagement, and not all companies are keeping up.

Elizabeth Dove of Volunteer Canada reported results of their survey of Canadian companies in early October. She explained:

> ***"In Canada, pre-pandemic, [the survey] found that improving brand recognition and reputation was the number one goal for community investment... Now, it is squarely on employee well-being"***

Employees have significantly increased workplace giving during the pandemic

Benevity reported that total giving on their platform increased by 71% during the pandemic.[81] As discussed in section 2, Benevity reported a 15-fold increase in donations to racial justice organizations through June 2020. Other large increases in giving through Benevity were for human services (+24%), food security (+268%), public safety and disaster preparedness/relief (+57%), community improvement (+57%), and employment (+141%).[82]

This is part of a broader trend toward increased online giving in Canada, but such giving appears to be growing faster through workplace platforms like Benevity than other platforms. For example, CanadaHelps reported that online giving through their platform grew more than 20% faster than trend in April, 25% in May, and 29% in June, with the biggest increases linked to issues that have growing importance during the pandemic, such as Indigenous causes, social services, and those working with vulnerable populations.[83]

As many other forms of giving have declined, it appears online giving through work has been growing quickly, and has become increasingly important in the context of overall giving.

As companies struggle with budget limitations and charities struggle to solicit adequate funds, employee giving presents a huge opportunity for companies to both engage and leverage their employees. Blackbaud YourCause - an online employee giving, volunteering and corporate community giving platform - data highlighted how substantial the opportunity for companies to get involved is. They found that companies offering COVID-19 fundraising opportunities through their online platforms had 15 times greater employee participation than did others.[84] Evidently, staff are looking for information on how to get involved and will act on it when given the right opportunity.

Cassie Bennett, Marketing Director - YourCause Solutions, Blackbaud, told us that employees (and consumers) have changing expectations during the pandemic:

> ***"There's this overwhelming urge from the employee and consumer populations that are saying, you know, we expect these corporations or these for-profit companies to use their brand and their reach to do more and to do good during this time."***

She explains that when companies respond to these critical issues their employees care about,

> ***"Then you have way more engagement from your employees because it's something that they want to be involved in and help make a change."***

One area that has declined with great consequence, however, is peer-to-peer fundraising. Many charities cancelled their events altogether and others switched to online formats. David Hessekiel, president of the Peer-to-Peer Professional Forum, was quoted in the Nonprofit Times saying:

> ***"With many nonprofit development teams struggling to make virtual fundraisers generate 50 percent of the contributions they had expected from physical walks, rides and other events they had planned before Covid-19 hit, it's hard to see how the pandemic has been anything more than an unmitigated disaster for peer-to-peer fundraising."***

For charities, any opportunity to leverage employee peer-to-peer fundraising would both engage employees and be a valuable boon to declining revenues.

Corporate giving programs have powerful impacts on employee giving habits

Imagine Canada's 2019 corporate community investment report highlighted the drastic impact corporate giving programs can have on their employees' giving, even before the pandemic.

Excerpt from last year's report:

> *"Employees who work for employers with strong workplace giving programs are far more likely to donate than those that do not"*

Of employees that reported their employer had a full array of programs to encourage them to donate, including a workplace giving campaign, matching contributions when they donate, as well as payroll giving programs, 79% reported making a donation to charity compared to only 47% who reported no employer supports for donations (1.7 times higher). This speaks to the critical role companies can play in helping address the declining donor base in Canada. Most Canadians are in the workforce and many of the people with the lowest donation rates are those just joining it, making the potential contributions of employers connecting them to causes in the community all the more impactful.

For more detail, please see Profit, Purpose, and Talent

Volunteering, on the other hand, declined substantially

Volunteer Canada's survey of volunteer managers and nonprofits found that 51% of nonprofits reported fewer people contacting the organization to volunteer, versus 21% who said they increased.[85] This was a combination of programming being cancelled, organizations delaying or pausing volunteer recruitment, some volunteers being unable to volunteer because of health and safety concerns, and insufficient volunteer opportunities.

Benevity reported that volunteer hours logged through their system dropped by 12% in March and 20% in April.[86] Virtual volunteer opportunities - or volunteering that can be conducted remotely - have surged but have not made up for the decline in in-person volunteer opportunities so far.

Volunteer Canada reported that volunteering has undergone an unprecedented shift: 12% of organizations had virtual volunteer opportunities prior to COVID-19, with this figure increasing more than 4-fold to 52% in their June 2020 Survey.[87]

One corporate leader put it succinctly:

> *"We haven't jumped into a virtual volunteer role yet."*

Similarly, another noted:

> *"We didn't really push the opportunities for volunteerism. We have volunteer engagement programs that still recognize the work that they're doing through grants to their organizations... should they choose to volunteer, but we're not pressing the point."*

Volunteer Canada also surveyed the general public about volunteering. 74% of respondents reported being an active volunteer before COVID-19, dropping only to 34% after the pandemic.[88] Note that this was not a random sample, and 74% is a much higher level of volunteerism than seen through other sources, indicating that respondents were particularly likely to be interested in volunteering.

One expert noted that leveraging virtual volunteers is particularly challenging for small organizations and that this was an opportunity for companies to get involved:

> ***"Some of the smaller organizations, they're going to struggle with this [online volunteering]. And if they don't have the budget to make that pivot from a technology standpoint."***

Skills-based volunteering is more important than ever

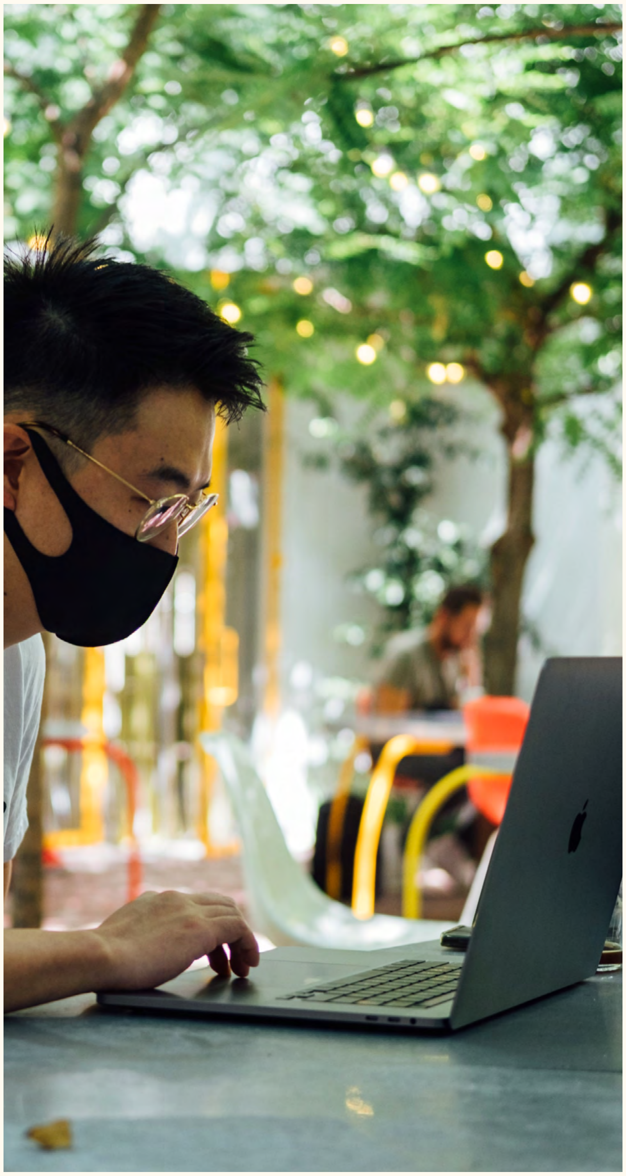
> ***"At RBC, skills-based volunteering is a unique opportunity for diverse, future-ready leaders to leverage their skills and expertise to build capacity for our key charitable partners. We fundamentally believe that in addition to creating a tangible social impact, these programs provide our employees with the opportunity to develop and nurture new skills. With the impacts of the pandemic still unfolding in front of us, it is more important than ever that we unlock the power of our purpose, helping our clients thrive and communities prosper, to address the biggest challenges facing our communities across Canada and globally."***

- Tanya Bell, Senior Manager, Citizenship Engagement, RBC

Volunteer Canada describes skills-based volunteering "as service to nonprofit organisations by individuals or groups that capitalises on personal talents or core business or professional skills, experience or education." With virtual volunteering ascending, it becomes all the more critical to connect employees to volunteer experiences that genuinely leverage their skills. Elizabeth Dove of Volunteer Canada said that their survey of companies found that supporting employees to engage in skills-based volunteering or pro-bono projects with non-profit partners was expected to be a top priority into 2021, along with organizing virtual tours of nonprofits and similar behaviours.[89]

For many companies we spoke to, virtual volunteering has been significantly ramped up. One leader told us:

> ***"We have an extensive amount of [virtual volunteering programs.] It's grown immensely over the last 14 years, and its just amplified over the last five or six months."***



Blackbaud YourCause has seen some companies increasing virtual volunteering opportunities through their platform. Cassie Bennett of YourCause Solutions, Blackbaud identified some of the areas they had seen leveraged through skills-based volunteering:

> ***"We saw where corporations had these key partners and nonprofits, and they were able to connect with those nonprofits and say, 'Hey, we have employees that have skills, they can do skills based volunteering for you if that is outreach from calling through a donor list to see what the folks are able to engage with, or if you need somebody to help with your accounting processes', but it's really opened up that dialogue between the corporation and the nonprofits."***

Some have been focusing on building up their own internal staff capacity to support nonprofits, particularly among staff who already serve on boards in the nonprofit sector:

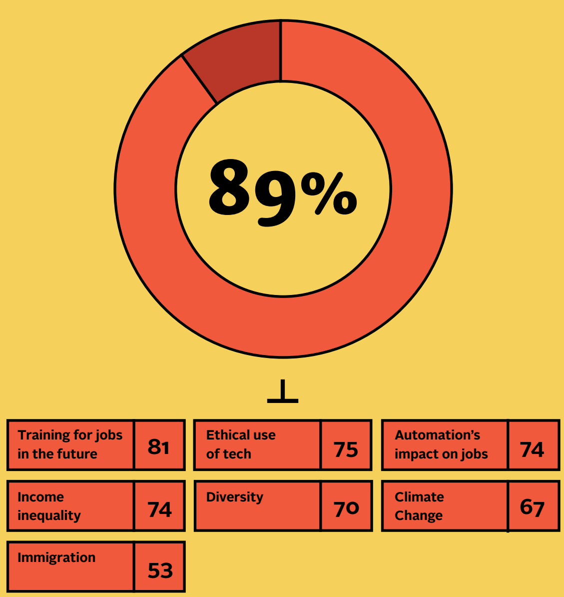
> ***"It impacts most of our employees at corporations who lack the capability and understanding around not for profit governance... The question is how do we prepare people around, not for profit finances to navigate through HR issues related to furloughs and layoffs, wage subsidies, and government policy... and understanding their role [on the board] around how to help CEOs and their teams manage through this kind of change in a virtual world and through change... So most of our work has been at that level."***

Resources on COVID-19 and Volunteering

- Resources on COVID-19 and Volunteering - Volunteer Canada
- Skills-Plus Toolkit - Volunteer Canada
- The Volunteering Lens of COVID-19: DATA HIGHLIGHTS - Volunteer Canada
- COVID-19 and volunteering - Points of Light
- COVID-19 response resources on pro bono volunteering - Taproot Foundation

8. The CEO as Social Advocate: *Increasing expectations on Corporate Canada*

It is important that ***my employer's CEO speak out*** *on one or more of these issues*



Source: Pre-pandemic data from Edelman Trust Barometer[90]

Employees are increasingly expecting CEOs to speak out on major social issues. The Edelman Trust Barometer in 2020 for Canada that was released before the pandemic found that 80% of employed Canadians believed that their CEOs should play a lead role in change rather than waiting for the government to impose it, up 12 points from 2018.[91] Clearly, this expectation has been around for a while, but it is increasing.

When asked about their own company, 81% of employees expected their CEO to speak about items more directly related to their company, such as training for jobs of the future (81%), ethical use of technology (75%), or automation's impact on jobs (74%). But almost as many thought it important that their CEO speak out on issues such as income inequality (74%), climate change (67%), or diversity (70%), issues that may be less directly related to their jobs or the work that the company does.[92]

Recent polling by JUST Capital likewise found that "roughly 75–85 percent of Americans strongly believe that companies should not only be publicly condemning structural racism, racial injustice, and police violence, but that they should be taking concrete steps to create a more equitable future going forward."[93]

However, data from the United States indicates that, despite high public expectations, companies are not doing a good job. In its 2019 survey, JUST Capital found that while 95% of respondents wanted larger corporations to promote an economy that serves all citizens, only 45% thought that large corporations were actually "walking the talk in promoting this economy."[94]

Employees are happier when their employers are committed to the community

In Imagine Canada's 2019 study, we found that Canadian employees who thought their employer was highly committed to their community were 1.5x as likely to intend to stay with the employer, 1.9x as likely to be satisfied with their job, 2.6x as likely to recommend their employer, and 3x as likely to say the company has a purpose they believe in.[95] Clearly, there is a strong association between real commitment to the community and strong employee engagement outcomes.

Cassie Bennett, Marketing Director - YourCause Solutions, Blackbaud told us that the combination of opportunities for employee engagement and a desire for impact was driving increased focus on corporate social responsibility (CSR):

> *"CEOs are becoming even more involved in CSR than they were pre-pandemic. One of the biggest changes is that executive teams are giving CSR professionals an even bigger seat at the table when it comes to the corporate strategy because of COVID, and Black Lives Matter, and everything else that's going on. They're understanding that this is a pivotal part of their corporate strategy to not only maintain a connected, remote workforce, but also to satisfy their desire to have an impact."*

More CEOs are starting to speak out in Canada, but this remains a largely untapped opportunity

Taking a stand on social issues in conjunction with strong actions around philanthropy and commitment to community is one of the strongest ways for CEOs to show to employees that this commitment is real.

Some funders felt that, for the first time, their leadership was starting to voice concerns on social issues:

> *"Our team's work with our CEO has shifted. I've seen much more understanding and willingness to listen around how it's important for [the company] to step in around the... Black Lives Matter movement. Our CEO and our leadership have stepped in to say we cannot be silent on this, and we need to stand up against racism and discrimination. And those can't just be words, there has to be action."*

One leader pointed out that there was progress, some of the broader issues they might want to advocate for may come with challenges given the traditional role of companies on these issues:

> *"We have historically been very quiet on some of these community issues... I'm feeling like there's an appetite growing for us to step into more of an advocacy and public policy space on societal well being... I don't know that it's going to be easy though. And I don't think the systems today actually help that. But at least there's a growing desire for where there wasn't before right? Typically, it was 'we're here to make money and to produce shareholder value we're not here for anything else.' And that's shifting."*

In addition to looking at what role CEOs can play to advocate on social issues, some organizations told us they were exploring whether they may pursue alternative types of funding than is typical for them, including in public policy related work:

> *"So, I look at exploring universal income or guaranteed income. Is that something that we would do as a granting entity? We are considering bringing on more innovative partners that are working in this area, so it's not just your standard 'there's a need, let's deliver,' but instead it's looking at questions like "how do we actually help people become resilient?"*

Others framed this as an opportunity, especially in Canada, where:

> *"There's a huge opportunity for Canadian companies to really have their brands associated with philanthropic causes, which is important. I would certainly look forward to seeing more CEOs actually stand up and speak their minds on some of these issues."*

9. Partnering for Impact: *Problems too big to tackle on our own*

For many of the companies we spoke with, the pandemic has clearly highlighted the limitations of their community investment funding. One senior executive told us ***"we don't have enough money"*** to solve social problems on our own, saying instead we need to ask ***"how will businesses harness their core capabilities to work with the government and work with the charitable sector to look at what the sector looks like after COVID-19?"***

Imagine Canada has been conducting surveys of corporate leaders for several years, asking them about their approach to community investment. For several years, companies have told us they were increasingly working on partnerships with smaller numbers of partners and deepening these relationships, but that partnerships tended to be one to one: between their company and one other organization.

In 2018, Imagine Canada asked Canada's largest companies about how they organized their community investment portfolios and only 4% indicated that they

> ***"prioritize funding ecosystem change, funding organizations that are collaborating to solve large systemic problems."***[96]

Fewer than one in five companies indicated they regularly collaborated with other companies and fewer than one in five indicated they regularly funded joint projects with nonprofits or convened their nonprofit partners working on similar issues.

But our interviews during this project signaled a broad openness to exploring different approaches:

> *"[The pandemic] has also brought to light where there are some serious systemic or infrastructure issues [in society]... as much as we have funds and we have the willingness to want to participate and support and drive change, it's not doable unless everyone's at the table."*

Another representative of a company we spoke to indicated that even before COVID-19, their work wasn't making the impact they were looking for, saying bluntly:

> *"What we've been trying hasn't solved problems."*

Said one leader at a large retailer:

> *"Given our role in the economy, as an employer, and now a deemed essential service provider, where are we best suited to support, influence, and aid a shift around systemic change versus narrowing in and giving one specific organization in isolation a bunch of funds... How can we make [our funding] part of something bigger?"*

Others took up the theme of their advocacy (see Section 8) and tied it to the need for cross-sectoral collaboration:

> *"If we bring and harness business, government, nonprofit... we have a much better ability to address what the economy will need moving forward... But what we have failed to do is direct 'what are the societal outcomes we need to collaborate around'? So if CEO action is required from business to push an agenda forward, what does that look like?"*

Another leader told us:

> *"[We're asking ourselves] In this day and age, what is going to make a difference for people to not just survive, but thrive.... There's a lot of opportunity, and it's not just having the dialogue about it... My biggest take away out of the whole [pandemic] is really looking at systems change. It's not people that are broken, it's the systems that are falling down. We're looking at innovative ways for how our funding can actually bring those people forward."*

These sentiments were echoed by the Executive Director of a large nonprofit focused on health issues:

> *"You cannot change a systemic problem by just funding a one-year project or a two-year project, it's not going to happen. And we will continue to do the cycle again and again. So I think, government and philanthropy should shift on how they're thinking about funding and program funding or project funding and look at systems change, collective impact, and long term funding with a larger group of collaborators. And then we will see change."*

In February 2020, Edelman published its Canadian 2020 Trust Barometer: 53% of Canadians agreed with the statement that "the system is failing them".[97] Almost half (47%) agreed that capitalism as it exists today does more harm than good in the world.

In an era where nearly every company has spent years adopting increasingly strategic philanthropy, adding measurement evaluation and impact measurement to their philanthropy, and embracing their corporate social purpose, how has confidence in capitalism fallen so low? Why do so many people feel left behind?

Before the pandemic hit, the majority of Canadians told Edelman they felt there was a sense of injustice (74%), they had a desire for change (69%), and a lack of confidence in the system (65%). In the midst of this societal malaise, one of the biggest challenges in our lifetimes shut down swathes of the world economy and put countless low-wage workers out of work.

Before the pandemic, fewer than 1 in 3 people thought that businesses, nonprofits, and governments were doing well or very well at partnering with each other to solve problems.[98] Many of the nonprofit and business leaders we spoke to agreed. There was hope that there were new ways forward, that these drastic problems would force new ways of working that could solve issues that the old ways never could.

Going forward, nonprofits, companies, and government all face a huge opportunity and a huge risk. To build healthier communities, we need stronger partnerships, we need new ways of operating, we need resilient organizations. There is a huge opportunity for new forms of partnership and new approaches to create more impact.

Companies' perspectives on partnerships

In addition to the trend towards broader partnerships and the need for cross-sector partnerships, companies also shared other things they were looking for in their partners:

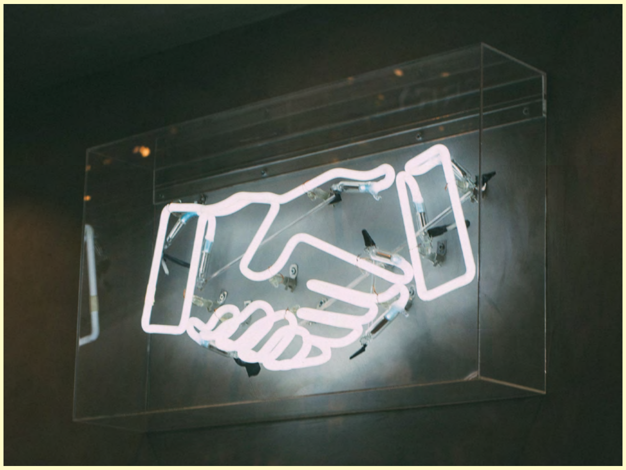
One company told us they had taken a grassroot focus originally in response to the pandemic, but were not sure how enduring these new partnerships would be:

> *"...We went very grassroots in our response to COVID-19. We did donate to charities that we had not donated to before. Because we knew that the charitable sector was quite fragile and the local charities were serving people quite directly... I don't think in the long term that we would maintain a lot of those very micro relationships that we did in the first wave."*

For many years, it has been clear that most corporate funding goes to larger organizations. The current focus on racial equity has raised questions about whether companies will develop direct partnerships with smaller grassroots groups. Some were skeptical about this happening, with one expert telling us:

> *"I don't see any evidence [the current environment is] going to change the practice of any business [around partnership]. I mean, the truth is the bigger charities always have, and probably always will have better assets that are more attractive to corporations. They have brands that are known. They have distribution channels, they have the ability to engage employees and volunteers. So the concentration on some of the larger charities is there for a reason. Ultimately, corporations are risk averse, I don't see that changing as a result of the pandemic."*

Others highlight that the focus on local partnership is something done at the local level, especially during the pandemic when conditions are changing rapidly:



> *We have our big partnerships. They're not changing. They're not going anywhere. They're [with] pretty resilient, stable organizations, in which we have a high degree of confidence. Which is why an organization of our size has chosen to go with that route. And then we've balanced out the investment portfolio basket by giving that autonomy at the store level.*

Another executive with substantial marketing focus encouraged her colleagues to allocate more funding towards smaller organizations:

> *"Corporations should not shy away local, smaller community partnerships. Direct impact turns into storytelling – a natural motivator for further engagement, and further engages employee involvement as well."*

A representative from one company shared what they are looking for in a successful partnership:

> *“Whether I am looking for a vendor or a nonprofit, what I am really looking for is one plus one equals three. You know you’ve found the right partner when what can do with you together is greater than what either of you can do separately.”*

Data is also increasingly playing a key role for large companies:

> *“[I ask nonprofits] will you be able to provide [outcome] data. If the answer is no... we’re not able to work together because I’m not getting measured impact, so that filters out organizations. [For our leadership], I use that data to justify continuing with the program and increased investment by showing the great success we’ve had”*

Another shared that regular updates and stories are critical to ongoing engagement:

> *“The partners that we’ve had the most success and longevity with, they have fairly sophisticated reporting systems in place. They’re coming back to us quarterly with results. They’re able to help mine for stories... We want these authentic brand moments but also want to help spotlight some of the work these community organizations are doing, and we can leverage our channels to do that.”*

10. COVID-19 and Climate Change: *Learning from the pandemic*

Climate change and climate related disasters remains a looming issue during the pandemic

While recent attention has been understandably focused on COVID-19, the immediate and long-term consequences of climate change cannot be forgotten. July 2020 was the hottest month ever recorded for many Canadian cities,[99] the California wildfires ravaging the West Coast in October 2020 set a new record with more than 1.6 million hectares of land burned,[100] and the 2020 Atlantic hurricane season was already the second most active in history by early October.[101]

Natural disasters are becoming more frequent and more expensive due to climate change and they will certainly increase over time. Insurance payouts in Canada for extreme weather events have been doubling every five to 10 years. Those working in the field highlight that rapid action over the next decade is critical to avoid irreversible consequences due to climate change.[102]

As one interviewee at one of the largest companies in Canada told us:

> ***"COVID-19 was a wakeup call on climate as well."***

Bill Gates wrote in August 2020:

> *"COVID-19 is awful. Climate change could be worse. If you want to understand the kind of damage that climate change will inflict, look at COVID-19 and spread the pain out over a much longer period of time. The loss of life and economic misery caused by this pandemic are on par with what will happen regularly if we do not eliminate the world's carbon emissions."*[103]

From the early stages of the pandemic it has been clear that the most vulnerable are the most affected. A recent article in the Stanford Social Innovation Review explains that this is true of all disasters, as **"abrupt and disorderly economic and societal transitions are most devastating to vulnerable populations, amplifying existing inequities and injustice."**[104]

This is true of heat waves, which disproportionately impact those who cannot afford air conditioning, to flooding, which is more likely to cause power outages in older buildings, to wildfires and ice storms, that have the greatest impact on those who cannot evacuate or properly prepare. For many types of climate related disasters, those with more resources are better able to prepare and cope.

In the wake of the pandemic, the 2020 UN Global Biodiversity Outlook report highlighted the connection between the staggering loss in biodiversity across the globe and increased spread of disease.[105] Worldwide, natural ecosystems have declined by 47%, putting humans increasingly in close contact with wildlife as their natural habitats decline.

Canada does have an important role to play in biodiversity, as the only one of the 10 largest countries by landmass that has committed to protecting 30% of our land and oceans by 2030 and with the second largest area of ecological integrity remaining in the world.[106] In Canada, species of global conservation concern have decreased by 42% from 1970 to 2016, highlighting the importance of local efforts.

How companies and charities respond to COVID-19

Funders that focus on climate change and its impact are worried about the growing risk of natural disasters. Said one funder:

> *"When we look at the current environment it becomes clear that when two major crises present themselves at the same time, the charitable sector is going to struggle to meet that demand for services."*

One nonprofit representative shared that preparedness planning for climate emergencies were put into effect by nonprofits almost immediately in response to COVID-19:

> *"Many nonprofits leveraged their preparedness plans for extreme weather events like flooding, power outages, and ice storms, and that kind of thing [to respond to COVID-19]. They were able to act quite quickly in the pandemic to make sure people got food and medical supplies. Some frontline organizations repurposed their buildings into shelter if that was needed, and so many other things. It was really incredible to see that connection of emergency preparedness and climate resilience coming together through in the pandemic response on the ground."*

And in many situations, charities are on the front lines of support, whether it be organizations working on disaster relief like the Red Cross, food banks working to ensure that people have adequate support, other health organizations and hospitals coping with those directly harmed by the natural disasters, social services organizations working with those impacted, and mental health supports provided to those impacted over the long-term. With growing risk of climate related disasters, the strain on charities can be two-fold as they both immediately respond to the crisis but also as funding gets diverted. As one funder told us:

> ***"As wildfires and flooding increasing hit Canada, both [charities and funders] will divert resources away from their core programming to focus on climate issues."***

So far this year, Canada has been relatively spared from the worst of many natural disasters outside of COVID-19. But Imagine Canada's 2018 research study underscored the critical role that companies play in responding to climate related disasters.[107] In that study, two-thirds of a sample of many of the largest companies reported that they donated in response to the Fort McMurray wildfires, for example, while a third responded to Quebec and Eastern Ontario flooding.

Most companies already were donating cash, goods and products, and many were leveraging volunteers for everything from raising funds to directly supporting the response. Many major corporate funders we spoke to suggested there was relatively little change to how they were responding to any natural disasters.

How companies are changing funding models to deal with climate change and disaster preparedness

COVID-19 has placed dramatic strains on Canadian society. But as we consider how to strengthen society and build better social infrastructure, responding to climate change needs to be front and centre.

As companies thought through their pandemic response, some began more highly prioritizing environmental issues. As one company told us:

> ***For them, climate funding has "become an increasingly large part of our portfolio. The response has taken two focuses including "building the capacity to respond to environmental related disasters including COVID-19. But also, how can we mitigate or improve the climate situation.***

RBC is one company that took the opportunity to advance their environmental work virtually during the pandemic. This summer, they announced a number of new partnerships through their Tech for Nature program (part of their Climate Blueprint), centered around making community investments in technology-based and innovative solutions addressing climate change. With the widespread pivot to virtual platforms brought on by the pandemic, RBC is helping to not only fund these solutions, but also accelerate their partners' digital capabilities.

Upon reviewing an initial draft of this report, one of our interviewees highlighted that many of the trends our report examines in relation to COVID-19 are trends similarly impacted by climate change:

> ***"Climate change, like COVID-19, is an accelerant for many of the trends and challenges facing the charitable sector."***

One example is the critical need for cross sector partnerships and using philanthropy to leverage bigger impacts:

> ***"[We are] really looking at how we think about stakeholder voice and social and environmental impact as we take any action to address inequality and climate change."***

They went on to describe how there is rich government, private sector, and civil society agendas, but emphasized the importance of "philanthropy and how essential it is to get certain types of social and environmental value created," both directly "but also as a stepping stone to leveraging" other types of private investments, corporate funding, and government resources.

Another representative of a company told us how the current situation has made them also more deeply consider their environmental priorities around biodiversity:

> ***"COVID was a real eye opener in terms of how biodiversity loss is contributing to the very human problems like COVID-19. I do think there will be increased importance placed on biodiversity conservation and then rehabilitation of a lot of these ecosystems that have been degraded, now there's that extra human health element to it."***

The scale of challenges has also been making companies reconsider their big picture priorities. One company with international operations that had been responding to many of the natural disasters hitting the United States told us that the current situation is making them rethink how they approach funding and really focus on viewing all of their funding differently:

> ***"To build healthier communities, we need stronger partnerships, we need new ways of operating, we need resilient organizations. The pandemic is one threat multiplier, but there have been and will be others, whether they be natural disasters, climate change, or global unrest. Now is a great window of opportunity to change how we operate and how we collaborate. If we don't, the loss of faith in our companies, our society, and our institutions will only grow. If we do, we may unlock new solutions, new opportunities, and innovate in ways that will shape our country and our communities for decades."***

Throughout this report, we highlighted the importance of revising funding practices, including providing unrestricted funding to enable organizations to strengthen their core capacities and to innovate, while also deepening multisectoral partnerships. The same practices that companies adapted in response to COVID-19 will also be needed to build resilient organizations capable of responding to the challenges caused by climate change.

Recomendations for philanthropic funding

Environment Funders Canada recently published a detailed guide that included recommendations for those looking at funding related to climate action. Their recommendations are summarized below:

Fill key gaps in climate action

- Review and address gaps and opportunities in sector levers and cross-cutting levers.
- Ensure sufficient resources for implementation.
- Professionalize government relations.
- Ramp up public communications to broaden the tent.
- Sustain and build capacity.
- Innovate.

Review internal decision-making criteria and bring co-benefits to the forefront

- Align with and support post-COVID strategies and priorities
- Promote equity, social justice and other co-benefits.
- Integrate low carbon resilience
- Further reconciliation efforts through climate action.

Convene to build strength in numbers and diversity

- Coordinate action and focus on outcomes.
- For complex challenges: make room for exploration.
- Promote cross-sector and cross-jurisdictional collaboration and coalition-building.
- Attract new funders and promote the use of a climate lens on all funding.

Invest strategically and deliberately

- Match climate urgency
- Lead by example: decarbonize endowments.
- Invest in high-impact, scalable climate solutions and be willing to take risks.

They also highlighted a number of key actions to address climate change and highlight numerous opportunities across sectors. This material is presented below but additional information is available in their report.

Initiatives: ***Types of action to address levers***	
	Grassroots campaigns: Bottom-up citizen mobilization, often volunteer-driven
	Public communication: Media, communication, education, dialogue
	Capacity building and coordination: Staffing, networking & convening
	Government relations: Political and government advocacy efforts
	Technology solutions: R&D and innovation
	Policy development: Research, analysis and development of policy and regulations
	Implementation: Execution and scaling up of policies and projects

Source: Building Canada's Low Carbon Future: Opportunities for the Philanthropic Sector published by Environment Funders Canada. September 2020. [108]

Conclusion

The pandemic has brought on tremendous social strain. As we discuss in the report, lower-income Black, Indigenous, and People of Colour have been disproportionately impacted byCOVID-19.

Demands for many critical services have soared, with increasing challenges around many social indicators. Nonprofits are often on the frontline in providing services to support those in need but have seen unprecedented decreases in revenues, putting them at great strain to continue to provide these supports.

Despite these challenges, the pandemic also ushered in new waves of innovation within our communities, which needs to be recognized and supported.

Faced with unprecedented challenges in 2020, the companies that we spoke to in our study have been engaged, responsive, empathetic, and flexible. The challenge and opportunity that lies ahead will be asking how this can serve as a wake-up call to continue this effort, do better, and do more.

As we highlighted in the introduction, the pandemic has taught us a number of lessons about funding and practices that we need to take going forward:

- Rethink our funding strategies and criteria to ensure that Black, Indigenous, and racialized communities benefit equitably from philanthropy
- Commitment from corporate funders to fund their charitable and nonprofit partners for the long-term, even if profits decline
- Leverage a broader range of corporate assets in our community investment, as cash is only a small fraction of the resources that companies can bring to bear on social issues
- More unrestricted (and multi-year) funding is necessary to help charities and nonprofits build stronger communities
- The only way we can have a real recovery is if all sectors of the economy – nonprofit, private, and public – partner together to ensure an equitable recovery for all
- Corporate leaders will need to increasingly lend their voice to social issues and funding issues to meet changing consumer expectations and rising inequality

As Valerie Chort, Vice President, Corporate Citizenship, RBC and Executive Director, RBC Foundation, wrote in the foreword to this report:

> ***"As funders, it has never been more important to deeply engage with our partners, listen, and be proximate to better understand the evolving issues. It's also an opportunity to challenge ourselves to think differently about how we can support the sector – whether it's considering to take on risks that governments might not, catalyze ideas and innovations, or rethink the need for operational versus programmatic support."***

If business leaders wish to make systemic social changes in Canada, they need to recognize the immense scale of challenges facing our communities and do more. Now is the time to be at the podium on social issues, making long-term social investments, and in collaboration across all sectors.

The good news for corporations is that most Canadians (69%) have a desire for change, and they want corporate leaders to be more outspoken about climate change, income inequality, and racial justice. Corporate funders may have previously been able to exclusively make donations to large nonprofits tackling uncontroversial social issues and be viewed as good corporate citizens, but in the future, there will need to be a growing focus on system change or risk being out of touch with widespread calls for justice.

And while new practices are required now and in the coming years to cope with the changes brought on by COVID-19, they will also be needed for the time to come. Climate activists have been ringing the alarm bell for years about how rapidly rising temperatures will have devastating consequences for low-income people around the world, including in Canada. COVID-19 provided a dress rehearsal for Canada's preparedness to face the consequences of climate change, and we clearly have opportunities to improve. Many of the same funding changes and practices that need to be implemented to respond to COVID-19 will be required to create a resilient country that can respond to any other crisis that comes.

Caring Companies

18 Asset Management, Inc.
Access Communications Co-Operative Limited
Alberta Blue Cross
Alectra Inc
Bayshore Home Health
BCAA
Blackwood Family Enterprise Services
Blue Shore Financial
Carters Professional Corporation
CIBC
Clearway Group
Coast Capital Savings Federal Credit Union
Cogeco Communications Inc
Co-Operators Group Ltd.
Digital Echidna
Federated Co-operatives Limited
Fidelity Investments Canada ULC
First West Credit Union
GlaxoSmithKline Inc.
GoodLife Fitness
Harvey McKinnon Associates
Highstreet Asset Management Inc.
Innovation Credit Union
Investors Group Inc.
Johnston Group Inc.
KCI (Ketchum Canada Inc.)
Loblaws Inc.
Mackenzie Investments
Manitoba Liquor and Lotteries Corporation
Medavie Blue Cross
Meridian Credit Union
Mountain Equipment Co-op
NAV CANADA
Partnership Group - Sponsorship Specialists
Peartree Financial Services Ltd.
Power Corporation Du Canada
PricewaterhouseCoopers, LLP
Raymond James Ltd.
Royal Bank of Canada
Sandstone Asset Management Inc.
Selectpath Benefits & Financial Inc.
Shoppers Drug Mart
Smith's Funeral Homes (Burlington) Limited
Stratos Inc.
TD Bank Group
Terrapure Stoney Creek Regional Facility
The Canada Life Assurance Company
Trico Homes Inc
Trisura Guarantee Insurance Company
Tundra Process Solutions Ltd.
WCPD
Westminster Savings Credit Union
Windsor Family Credit Union
Woodbine Entertainment Group

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