

# CODE OF CONDUCT



EUROPEAN  
VENTURE  
PHILANTHROPY  
ASSOCIATION

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## Introduction and background

EVPA is a membership association and network made up of organisations interested in or practising venture philanthropy and social investment across Europe. Established in 2004, EVPA aims to be the home as well as the highest-value catalytic network of European social investors, venture philanthropists and foundations committed to using venture philanthropy and social investment tools to target societal impact.

EVPA defines Venture Philanthropy as an approach to build stronger investee organisations with a societal purpose by providing them with both financial and nonfinancial support in order to increase their societal impact. The venture philanthropy approach includes the use of the entire spectrum of financing instruments (grants, equity, debt, etc.) and pays particular attention to the ultimate objective of achieving societal impact. The approach includes both social investment and high engagement grant making.

The association's membership covers the full range of venture philanthropy and social investment activities and includes venture philanthropy funds, social investors, grant-making foundations, impact investing funds, private equity firms and professional service firms, philanthropy advisors, banks and business schools. EVPA members work together across sectors in order to promote and shape the future of venture philanthropy and social investment in Europe and beyond.

Currently the association has over 220 members from 29 countries, mainly based in Europe, but also outside Europe, such as Turkey, United Arab Emirates and Asia.

Brussels, March 2017



Madeleine Clarke  
Chair EVPA Board



Bernard Uyttendaele  
Chief Executive Officer EVPA

## Code of conduct

All EVPA members are expected to develop and uphold the highest standards of practice in conducting their affairs with their donors, the investee organisations they work with, governmental authorities and the community at large. This practice is founded on the principles of transparency, ethical behaviour, mutual respect, and the application of venture philanthropy key characteristics for professional business conduct.

We urge all EVPA members to keep in mind that they each contribute in their daily work towards building the venture philanthropy industry (the “Industry”), with enhancing societal impact as an overall objective. Members are encouraged to report situations where the Code of Conduct is not fully applicable or does not provide sufficient guidance.

In pursuit of setting the highest ethical standards for the Industry, EVPA herewith adopts this Code of Conduct (the “Code”) as a set of minimum principles with which compliance is mandatory for all EVPA’s full and VP investing members and their employees. EVPA members are encouraged to share the Code with investees and other stakeholders. Compliance for EVPA members with the Code is dealt with through the Membership Committee on behalf of the Board of Directors of EVPA, to which any complaints should be addressed. No member will take advantage of its position in EVPA or abuse any information addressed to EVPA. Unethical conduct will be deemed to include any evasive practices intended to conceal non-compliance with the Code of Conduct. In the event of a proven serious case of misconduct by a member, the sanction is expulsion of that member from EVPA. The benefit of the Code is that it offers a framework for the resolution of ethical dilemmas.

The primary objectives of the Code are:

- to set the standards of conduct for an emerging industry;
- to state the principles of ethical behaviour that members of EVPA abide by;
- to assert on behalf of the membership the collective view that the highest professional standards, and just and equitable principles of philanthropy trade and investment are observed; and
- to provide the basis for consideration of and dealing with lapses in professional conduct within EVPA

**Acting within the Rule of Law and within the Laws and Conduct of Business Rules of a particular jurisdiction in which an EVPA member organisation operates is the minimum expected of all members and their employees.**

## Guiding principles

**1. Transparency:** Transparency entails openness about the operations of the organisation and enables the development of trust between actors in a community of practice as well as the exchange of knowledge within an emerging industry. Transparency further enhances the reputation of the industry as a whole. Concrete measures include openly communicating financial as well as societal impact measurement and results to relevant stakeholders. Transparency should act as a guiding principle for the engagement with stakeholders, with special attention to the relationship with the following:

- **Investee organisations:** clear information should be provided about expectations, balance of influence, rights and responsibilities.
- **Funders:** clear information should be provided about investment strategy, return expectations and measurement systems.

Within business or operations, conflicts of interest inevitably arise and occur when a person who has a duty to another also has a personal or professional interest that might interfere with the exercise of independent judgement. There should be sound mechanisms for identifying and dealing with potential conflicts of interest and disclosing them to all parties concerned.

**2. Ethical behaviour:** Ethical behaviour rests on the pillars of integrity, fairness and responsibility:

- Integrity is the fundamental building block of trust in business relationships. Trust is built upon repeated interactions between individuals which involve transparency, reliability and honesty. Integrity implies that competitive advantage and commercial success are derived from the application of superior individual and collective skill and not through the use of manipulative or deceptive devices or practices
- Fairness means playing by the rules, based on facts and circumstances and looking towards ensuring a balanced outcome
- Responsibility implies not seeking to evade or avoid the consequences of error but rather use them as a learning/development tool

Ethical behaviour further implies keeping promises regardless of whether or not there is a legal obligation to do so. Within the Industry, commitments are made subject to the provision of further information, carrying out due diligence, the results of uncertain external events and other matters. This means that clarity about what is committed and what is subject to further investigation is very important. Rules for operating in our Industry may vary between countries, regions, societies, legal systems and transactions. It is important that members understand the different rules that apply to their particular operation and situation.

In the ordinary course of business and in the carrying out of due diligence, individuals and organisations will obtain sensitive information from others. In an effort to safeguard the interests of disclosing parties, reasonable steps should be taken to protect such information.

**3. Mutual respect:** The Industry is a meeting place between professionals from diverse backgrounds. The hybrid nature of the Industry makes it especially important to keep an open mind and stay away from stereotyped prejudices. Members are encouraged to treat each other and any other player with mutual respect. Part of this mutual respect should be manifested in the partnership nature of the relationship between investor and investee organisations. No member shall malign, defame or unfairly criticise any other member in any dealings.

At EVPA we ensure an environment that holds to its primary objectives and mission. EVPA and its members work together to maximise societal impact, cross-sectoral learning, and to increase the capital coming into the sector. EVPA encourages co-investing, both within our community as well as with diverse stakeholders such as government and institutional investors. However, there is a general no fundraising policy within the EVPA community: (i) no direct or persistent soliciting of funding from fellow members and (ii) no distribution of pitch books, flyers or other direct solicitation materials online or in person.

**4. Applying venture philanthropy key characteristics for own professional business conduct:** To build the reputation of the industry and ensure a continued flow of resources, Industry participants are encouraged to “apply venture philanthropy” (see definition in Appendix) principles to themselves. Members are urged to maintain accounts in accordance with the standards and practices in their respective countries and encouraged to run their own organisations in accordance with accepted governance standards to promote efficiency and sustainability, ensuring that their own management and resources are sufficient to meet their stated objectives. Concrete measures to ensure efficiency and sustainability include offering fair and reasonable compensation to employees, as well as carrying out internal evaluations of the effectiveness of their investment programmes and external audits of both financial performance and where possible societal impact.

Venture Philanthropy is an emerging industry with a brief history and short track record. As such, it suffers from the “liability of newness”, meaning that it is still building the reputation and legitimacy needed to attract resources. It should be in everyone’s interest to work together to ensure that VP becomes a recognised industry. As a baseline, members should conduct their operations in a responsible manner and not engage in practices which may be damaging to the image and interests of the Industry. Furthermore, members are encouraged to contribute to the work of the Association to develop guidelines, training programmes and to collect data, as well as to transfer best practices. The association will survey its members on an annual basis about their VP operations in order to create an industry database and publish an industry report that should enhance the legitimacy of the Industry. Reliable data on the VP Industry can be used by EVPA members to improve their practices through benchmarking exercises, to attract resources including funding and professionals, and to make their voices heard.

The association will use the industry data to better target its services to the needs of its members. Responding to the industry survey is an important contribution to building the industry and is a requirement for being included in the EVPA Directory.

## Venture Philanthropy - An introduction

While European societies need new and innovative models to tackle societal issues, social enterprises and social purpose organisations (SPOs) lack stable funding, capacity and partnerships to take up their own, ever-increasing challenges. This is where **venture philanthropy** and **social investment** come in.

Venture philanthropy (VP) and social investment (SI) address the growing need for support and flexible funding. Through **three core practices**, VP/SI offers an effective, **high-engagement** and **long-term** approach to supporting **the core** of social purpose organisations (SPOs) in generating social impact.

- **Tailored financing**

Venture philanthropists use a wide range of financing mechanisms (including grants, debt, equity hybrid financing...) tailored to the specific needs of the supported organisation.

- **Organisational support**

Added value support services to strengthen the SPO's organisational resilience and financial sustainability, by, for instance, developing skills or improving structures and processes.

- **Impact measurement and management**

Impact measurement helps pinpoint what works and what doesn't, so you can manage your impact better. This is why we talk about impact 'management' rather than 'measurement' or 'assessment'.



## Key stakeholders in venture philanthropy

- **Individuals** - Giving something **back to society** beyond cash;
- **Private equity** - Applying a **PE/VC approach** to the social sector;
- **Foundations** - Another **tool** in their toolbox;
- **Social enterprises** - Interested in **alternatives to fundraising**;
- **Government** - New ways to tackle **social challenges**;
- **Corporates** - Credibility and experimentation with **new business models**.

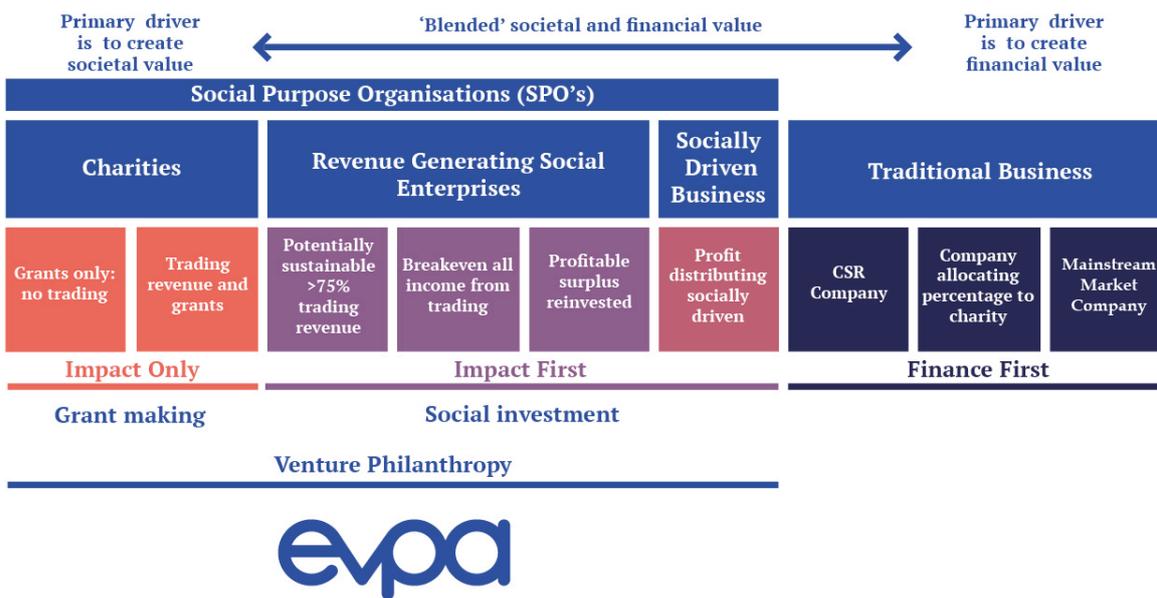
## Why use venture philanthropy?

**Venture philanthropy** is one of the most effective tools in the social investment and philanthropy toolkit. It has emerged in Europe as a high-engagement approach to social investment and grantmaking across a wide range of SPOs. It can be applied in both charities and non-profit organisations and socially-driven businesses.

**Social investment** refers to funding that may generate a financial return, but where societal impact comes first – the so-called **Impact First** strategies. **Grant funding** on the other hand means non-repayable donations are made to the social purpose organisation supported – an **Impact Only** strategy.

**Finance first strategies, where the financial return is maximised and the societal impact is secondary, are not included in EVPA's definition of venture philanthropy.**

# The EVPA spectrum



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