

# 11 questions to ask before making corporate donations

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Charity contributions, sponsorships and donations often form an integral part of a company's social responsibility initiatives. The generosity of companies making donations not only support the company in reaching its internal social responsibility targets, but also spark corporate morale and boosts a company's public image.



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One of the positive sides of society's reaction to the debilitating consequences of the Covid-19 pandemic and its containment measures has been the response from business and private wealth by opening their wallets to support those most adversely affected.

It would be naïve to think that all the funds and charities recently established to receive donor funds for the benefit of pandemic relief will reach their intended destination. Globally, the Financial Action Task Force has warned of risks and compliance failures as criminals worldwide have found ways to tap into this new-found, well-intended resource.

Donors should be encouraged to be generous in this difficult time. But money-flows for this purpose are no different from those in general commerce where due diligence and proper compliance are required at all times. A proportionate due diligence assessment of the prospective recipient organisations and their personnel allow donor companies the benefit of making a measured, risk-based decision on whether to proceed with the intended contribution and taking appropriate risk avoidance or mitigation measures. In this way, the funds will reach those in need.

## **The following are useful guidelines to bear in mind in considering a making a donation:**

### **Establish or verify whether the prospective recipient:**

- is appropriately registered as a non-profit (or similar) organisation;
- is, or has any political affiliations or links and if so, whether the organisation is independently administered;
- does, or is likely to interact with, public officials;
- has a sound reputation;

- has been the subject of adverse media reports;
- has appropriate governance structures in place, and verify the integrity of its board of directors, trustees, senior managers and managers;
- is appropriately audited;
- is a fund or organisation supported by reputable sponsors;
- is appropriately open and transparent in terms of its financial position and use of funds or contributions;
- has adequate internal anti-bribery and corruption and governance controls; and
- intends using third parties as part of the services it offers.

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