



THE FOUNDATION FOR A HEALTHY PLANET.

Organizational Effectiveness Assessment 2020 - 2022

November 2022

Background

In 2010, the Sierra Club Foundation Board of Directors adopted a policy to examine the Foundation's performance and effectiveness in achieving its mission. The policy was designed to meet the Better Business Bureau Wise Giving Alliance's Standards for Charity Accountability (Standard 6), which requires charities to "have a board policy of assessing, no less than every two years, the organization's performance and effectiveness and of determining future actions required to achieve its mission." The assessment identifies measurable goals and objectives for the Foundation and evaluates activities the Foundation undertook in the past two years to address them. The assessment concludes with recommendations for future actions based on findings.

Fundraising

The Sierra Club Foundation (SCF or the Foundation) contracts with the Sierra Club's Office of Advancement through a fundraising cost-sharing agreement to raise charitable 501(c)(3) funds. Raising unrestricted support is a high priority for the Foundation each year, recognizing that large-sum donations continue to be highly restricted. The close of 2022 marked the fourth year of our comprehensive fundraising campaign. Since 2019, over \$600 million dollars has been raised towards a \$1 billion dollar goal. In 2022, the campaign timeline was extended an additional year (from 2023 to 2024) to align with the Sierra Club's 2024 organizational outcomes and 2030 Strategic Framework that were adopted by the Sierra Club in late 2021. The timeline extension also recognizes the significant organizational transition and transformation that the Sierra Club has experienced over the last two years.

In 2021, the Foundation's fundraising goal was \$72.2M and this goal was surpassed by \$8.2M, driven by significantly higher than projected support for the Clean Energy for All Campaign and bequests to the Foundation. In 2022, the Foundation expects to receive \$67M in revenue and as of August 2022, has raised \$54M. As of October 2022, the Foundation's 501(c)(3) fundraising efforts are projected to exceed budget projections.

Board Governance

In 2021, the Executive Committee oversaw the work of identifying, recruiting, and onboarding new directors. In 2022, the Executive Committee formed a Nominating Working Group to take on candidate identification and recruitment responsibilities, but retained the authority to make recommendations on candidates to the Board of Directors. The Nominating Working Group is composed of members of the Executive Committee and open to other interested directors; all directors were encouraged to identify candidates to the working group for their review and consideration.

Each year, directors complete two surveys: the Director Experience Survey and a Board Effectiveness Survey. The surveys were created to evaluate directors' perceptions of how effective the Board and Foundation are in achieving our mission, how directors individually feel about their role in the organization, and they offer space for general feedback. The results are used to help evaluate what work the Foundation should focus on for the following year and what processes or policies we should evaluate and change.

In 2020, the Risk Management Committee determined that it would be best practice to have all directors participate in an anti-harassment training or sign a waiver to acknowledge that they have completed an anti-harassment training through another organization within the last two years. Staff worked with outside counsel to hold this training during the November 2021 Board meeting and expect to have another training in 2023. This is not a legal requirement, but was decided to be a best practice that the Foundation would institute.

In February 2019, the Organizational Goals and Priorities took on a new structure to frame the work of the Foundation under three strategic roles:

1. **Serve as** an effective 501(c)(3) **fiscal sponsor** of and **grantor** to the charitable programs of Sierra Club and **grantor** to partner organizations.
2. **Create and deepen relationships** of donors and influencers to **raise additional funds** that advance Sierra Club's charitable activities at this crucial moment in environmental protection and social change.
3. **Steward our assets** to lead the shift of trillions in capital toward climate solutions, social justice, and land/water/wildlife protection.

These roles continued to be used in 2021 and 2022 as the basis for creating the annual Foundation goals and priorities. With these roles defined, the Foundation worked with the Sierra Club to develop a strategic framework to identify where each organization's strengths can be better aligned for maximum synergistic impact. The strategic framework was completed and adopted by the Sierra Club, and has helped elevate the collaboration with the Foundation on shifting trillions of dollars from fossil-fuel investments to a clean energy economy.

Overall, the Foundation board of directors continues to be a high-functioning entity governing the professional staff and direction of the Sierra Club Foundation. As fiduciaries, directors are committed to adopting policies and best practices to ensure sound financial management, strategic decision-making, robust fiscal sponsorship and compliance oversight, and efficient and effective organizational functioning. Many organizational policies are being updated by staff for the Board to review at the November 2022 board meeting, with more expected to be reviewed in 2023.

Board Development

The board of directors continues to have strong representation across a varied skill set, including legal, investment, financial management, and compliance expertise. Additionally, the Executive Committee continues to seek directors from states and regions not represented on the board for geographic diversity.

In 2021, the board appointed one new director, Mark Walters. Director Walters is a Research Associate at the University of Miami Miller School of Medicine where he conducts translational research on brain cancer. He is a long-time Sierra Club volunteer and past chair of the Florida Chapter. He is a founding trustee of the Virginia Key Beach Park Trust, established by the City of Miami to protect the historic landmark. Located on a barrier island in Biscayne Bay, the park is a living record of the rich legacy of Black, Indigenous, and immigrant communities' connection with southern Florida since the 1920s. Mark currently resides in Miami, FL

In 2022, the board appointed three new directors: Pedro Henriques da Silva, Christian Okoye, and Peter Liu.

Director Henriques da Silva is an innovator, child of immigrants, and Associate at Global Endowment Management (GEM), a leading Outsourced Chief Investment Office (OCIO) that provides institutional investment capabilities for endowments, foundations, and other long-term investors. He leads work on impact measurement and theories of change for the firm's investments, and helped design GEM's frameworks for applying racial and social equity lenses to its portfolio. Prior to GEM, he was an educator with Teach for America. Henriques da Silva holds a B.A. in Economics from Reed College, where he was elected to Phi Beta Kappa, and completed the General Course at the London School of Economics. He resides in Charlotte, North Carolina.

Director Okoye is a principal at Generate Capital responsible for investments in emerging sustainable infrastructure opportunities. Prior to Generate, he was a partner at Sidewalk Infrastructure Partners. Before Sidewalk, he was a director of Venture Investments at Emerson Collective where he managed venture capital and growth equity investments across energy and environmental solutions, including waste to energy, distributed energy resource management, and energy efficiency technologies. Okoye holds an MBA and MS in

Energy and Environmental Resources from Stanford University, and a BA in Economics from the University of Chicago. He resides in Oakland, CA.

Director Liu has launched several companies that are active today in clean energy and resource efficiency. In his current role, Director Liu is Managing Partner at Meridian Clean Energy which seeks to implement solutions to enable a fully decarbonized power grid. He formerly worked in the banking sector focused on energy and project finance and has served on the clean technology advisory board for the California Public Employees Retirement Systems and the California Teachers Retirement Systems. He is also the founder of the New Resource Bank, the first green commercial bank in the US. Peter has served as a board member for Bay Area organizations including the Christensen Fund, the Bay Area Open Space Council, Regional Parks Foundation, and the Climate Action Reserve. He resides in Oakland, CA.

The board and individual directors recognize the importance of building an inclusive board and organization and will continue the intentional examination through ongoing discussions and learnings, and they are open to suggested changes to practices or policies that may be harmful to Black, Indigenous, and People of Color (BIPOC) staff, volunteers, or partners. The board continues to undertake annual performance assessments to gather important feedback on directors' experiences, which are used to inform organizational goal setting and priorities. As 2023 organizational goals are developed, the Foundation will continue to prioritize a commitment to equity, inclusion, and justice as key components of board makeup and the candidate selection process.

Fiscal Sponsorship, Grantmaking, and Legal Compliance

Throughout the review period, the Foundation maintained its core goal of effective fiscal sponsorship, grantmaking, and compliance oversight to both protect the Foundation's charitable status and support the Sierra Club's charitable environmental programs; the Foundation also provided strategic programmatic grant support to select partner and ally organizations working toward shared goals. The Foundation continues to provide compliance training for new Foundation staff and board members and new Sierra Club staff hired as gift officers with major donor and fundraising roles in the Sierra Club's Office of Advancement as well as for new Sierra Club staff hired as senior program and/or campaign staff. A fiscal sponsorship and compliance training was provided to Sierra Club senior leaders and managers in February 2021 by Sierra Club and Sierra Club Foundation compliance staff.

The Foundation continues to provide anti-harassment training programs for all staff (supervisory and non-supervisory) as mandated by recent changes in California law. The training requirements are periodically reviewed by the Risk Management Committee to ensure ongoing compliance.

As part of a periodic review of the Foundation's Enterprise Risk Management Program, a review of the Foundation's IT and cybersecurity risk management plan was undertaken in 2021 by senior management staff and the Risk Management Committee. IT and cybersecurity services are provided to the Foundation by the

Sierra Club under a cost-sharing agreement. A comprehensive update on current IT and cybersecurity risk management strategies and practices was presented to the Risk Management Committee by Sierra Club senior IT staff. The Foundation also reviewed its IT and cybersecurity insurance coverage to ensure it is up-to-date given the fast changing nature of IT and cybersecurity threats.

In both 2020 and 2022, the Foundation implemented an Election Year Compliance Review Process to ensure that any Sierra Club materials funded in part or entirely with 501(c)(3) funds are compliant with IRS regulations that prohibit electioneering by tax-exempt public charities. We continue to maintain heightened standards of review for Foundation-funded materials and activities during election years to ensure the Sierra Club Foundation meets its compliance oversight requirements regarding the use of charitable funds.

Financial Management and Investment

The Finance, Audit, and Investment Committees continue to provide oversight over the Foundation's financial management and investment portfolios. Finance Department staff provide regular monthly financial reporting and budget monitoring, with particular attention to liquidity and unrestricted reserves balances. Currently, reserves balances meet our policy of a six-month minimum for fundraising and administrative costs.

The Foundation maintains its commitment to fossil fuel-free investing and is increasingly investing in climate and clean energy solutions. Notable sections of the Foundation's Investment Policy Statement include the Foundation's philosophy and approach to selecting opportunities in all asset classes and portfolios, a more explicit description of investment fiduciary responsibility taking into account a new focus on catalytic capital investing that prioritizes mission impact over financial return, strategies for investment monitoring and reporting, and risk tolerance.

In 2020, the Foundation initiated a comprehensive review of its investment practices and priorities, in part to further clarify how the Foundation can use its assets, name association with the Sierra Club ("brand"), and networks to help "shift trillions" of dollars of capital towards just clean energy and climate solutions as an influencer of our philanthropic peers and capital markets more generally through our investments and shareholder advocacy (one of our three strategic roles described above). We became a signatory to the [Belonging Pledge of Confluence Philanthropy](#), a commitment to advancing racial equity in our investment policies and practices. We also developed a theory of change that will guide the development of catalytic capital investment management policies and processes, as well as clarify SCF's impact thesis, strategy and performance. The theory of change aligns with impact investment norms and conventions, including the United Nations' Sustainable Development Goals (SDGs). The theory of change integrates impact considerations into the Foundation's approach to sourcing, conducting due diligence, structuring investments, managing its catalytic capital investment portfolio, and evaluating ongoing impact across all of its investment portfolios.

Catalytic Capital Impact Investment Portfolio

The Foundation formally established a High Impact Investment Fund in 2018, which underwent a comprehensive review and update in 2021 and was renamed the Catalytic Capital Portfolio. SCF's primary investment objective for the Catalytic Capital Portfolio is to provide catalytic capital for projects and funds that advance climate solutions, social equity, and justice while striving for return of capital over the long-term so that the funds can be redeployed into future catalytic investment opportunities.

Catalytic capital investments are intended to catalyze additional investment by helping to de-risk early-stage development projects, blending capital with a range of other types of capital, and maximizing community control over and/or ownership in projects. The Catalytic Capital Portfolio may invest in projects and funds that accomplish at least one of the following goals: (a) deploy and scale clean energy, energy storage, and energy efficiency solutions for under resourced populations; (b) enhance equitable and just access to affordable clean energy or other climate solutions; (c) create good jobs, especially in under resourced communities, to support the transition to a low carbon economy; (d) support natural systems solutions that effectively take carbon out of the atmosphere.

The Catalytic Capital Portfolio is an impact-first investment vehicle; the primary intent of the Portfolio is to accomplish the charitable purposes and programmatic goals of the Foundation first rather than the production of income or appreciation of property. As of November 2022, SCF has a total of eight catalytic capital investees, including a mix of investments in BIPOC-led renewable energy initiatives and companies, a clean technology fund, and intermediary organizations that provide innovative financing for clean energy solutions that serve BIPOC communities.

Marketing and Public Relations

The Foundation continues its commitment to achieving the highest standards of accountability and transparency in the nonprofit and philanthropic sectors. The COVID-19 pandemic delayed data analysis of Form 990 public charity tax returns by the IRS and other charity watchdogs for fiscal years 2020 and 2021, including Charity Navigator. However, over the last twelve years, the Foundation has maintained [consecutive four-star ratings from Charity Navigator](#), the highest possible score. Only 1% of U.S. public charities have achieved this score for as many consecutive years. We continue to [meet all 20 standards of the Better Business Bureau's Wise Giving Alliance](#) and are an ["A" rated organization by Charity Watch](#). These ratings not only acknowledge the Foundation board and staff's dedication to accountability, they also increase our ability to fundraise as donors know their financial contributions are being put to good use and managed responsibly.

We continue to work with the Sierra Club's Office of Advancement (the Advancement Communications Team in particular) to put out regular reports on our work and progress. The most significant of these is our annual report, which is our most comprehensive document highlighting achievements, impact, and growth each year.

The 2020 Annual Report, entitled [*Resist Renew Reimagine*](#), highlighted the work we supported to accelerate just and equitable climate solutions in light of climate studies showing that climate change is intensifying with only ten years left to avoid irreversible catastrophic ecosystem disruption. The recently released 2021 Annual Report, entitled [*People & Nature, Powerful Together*](#), profiled work we supported to secure a cleaner future and healthier environment for frontline communities by halting the extraction and distribution of fossil fuels, collaborations with Tribes and local communities to restore natural treasures and monuments, and community organizing and outreach with partner organizations, networks, and communities to get more people outdoors to experience the healing power of nature. These reports are key public relations resources for donors, reporters, the public, and more.

We continue to regularly publish news and blog posts on our website and publish our board of directors alumni newsletter throughout the year. These communications are keeping our community of directors, donors, and stakeholders more engaged in our work and ensuring that the Foundation maintains its own brand and identity.

Innovative Approaches to Achieving Mission

Movement Forward Fund

SCF's programs and compliance team, together with advisors from the Sierra Club's program department, began implementing the Movement Forward Fund, which was approved by SCF's board of directors in September 2021. This is a new grantmaking program developed to support partner organizations of the Sierra Club or SCF whose work advances our shared program goals, but may not align squarely with a single c3 restricted Sierra Club project fiscally sponsored by SCF. The Fund prioritizes program grants that center racial justice and build movement infrastructure. The primary (though not exclusive) focus is on supporting programmatic efforts that advance shared climate and social justice goals toward a just, equitable, and sustainable future for all, including multi-year goals of the Sierra Club's 2030 Strategic Framework.

Active Assets Owners Working Group

The Foundation created the Active Asset Owners Working Group in 2021 as a subgroup of the Investment Committee to focus on shareholder resolutions and sign-on letter opportunities to advocate for climate action by investment asset managers and financial institutions. With assets of over \$250 million, the Foundation collaborates with the Sierra Club's Fossil-Free Finance campaign to change how asset owners and asset managers deploy capital. The Foundation began engaging with other asset owners and asset managers to secure climate, environmental sustainability, governance, and justice actions from companies. Engagement tools include direct dialogue, letter writing, joint investor statements, proxy voting, and shareholder resolutions. Building on the Fossil-Free Finance campaign that secured commitments from all the major U.S. banks to end their financing of oil and gas development projects in the Arctic, the Sierra Club and the Foundation are collaborating on a new initiative targeting banks that finance new fossil fuel development. In

late 2021, the Foundation filed shareholder proposals with each of the six major U.S. banks requesting that each company adopt a policy that ensures that the company's lending and underwriting activities do not contribute to new fossil fuel development. The six major U.S. banks are among the world's largest providers of funding to the fossil fuel industry, having provided over \$1 trillion in fossil fuel financing since the Paris Agreement from 2016 through 2020.

While the 2021 shareholder resolutions requesting policy commitments did not pass, they did all receive enough votes to be refiled in the 2022-2023 annual shareholder meetings. At the time of this report, the Active Asset Owners Working Group is updating the shareholder resolutions to file and has grown the group of allies to include some state pension funds.

Management and Administration

The Foundation continued to maintain a dedicated group of employees, with only one position experiencing turnover. In 2021, the Administrative Coordinator, Michelle Arellano moved and took a position with the Sierra Club, and we welcomed Kassandra Lopez who brought excellent customer service and administrative skills to support the Foundation.

In 2022, the Board agreed to creating a new staff position: Director, Shifting Trillions. This role will expand the impact of the Foundation's work to shift trillions of dollars to a fossil-fuel free economy. The job description is being reviewed with the goal of filling this role by mid-2023.

With the move to cloud-based constituent relationship management (Salesforce) and accounting (NetSuite) systems, in 2020, the Foundation initiated a review of its core business processes for project fiscal sponsorship and grantmaking with the goal of selecting a grants management system to replace the current proprietary system. Working with an outside consultant (Grantbook) and Sierra Club stakeholders, a Business Requirements Document was completed in 2021 that served as the basis for engaging prospective vendors and evaluating prospective grants management systems for selection and implementation in 2022. After a thorough evaluation of vendor options identified by Grantbook, the Foundation opted for a custom-designed grants management system built in Salesforce. Extensive development and testing of the new system was conducted in the first half of 2022 and implemented in August 2022.

In 2020, the COVID-19 pandemic and subsequent shelter-in-place directives from local and state public health officials forced the closure of the Foundation's physical office. Despite the challenges of working remotely, the Foundation's staff has been able to continue its operations at full capacity due to the hard work and dedication of all nine members of the team. The Foundation continues to monitor the pandemic and prioritizes the safety and wellbeing of staff. Additional support has been offered to ensure staff have the resources they need to be healthy and appreciated members of the team.

Overall, the Sierra Club Foundation in 2022 is operating efficiently and effectively and with increased capacity due to these staff and technology platform changes. Our commitments to innovative mission-aligned investment strategies, strategic partnership grantmaking, compliance accountability, sound financial management, and effective fundraising are well supported by our staff and board, and we are excited to continue these commitments in the coming years.

Recommendations for Future Actions

This report outlines major successes and outcomes for the Sierra Club Foundation for the past two years. In alignment with our annual organizational goal setting document, these future actions are suggested to continue the growth and success of the organization:

- o **Fundraising:** Financial modeling indicates potential for growth in revenues from the planned giving program with additional investments in prospecting and donor stewardship.
- o **Board Governance:** Continue working to ensure the board meetings reflect an equitable space that is welcoming to all Directors and that Directors are effectively fulfilling their legal and fiduciary responsibilities;
- o **Board Development:** Work to further diversify the board in race, geographic location, and experience working with frontline community groups to better meet the needs of a movement building and equity-based organization;
- o **Fiscal Sponsorship, Grantmaking, and Legal Compliance:** Maintain critical protocols and compliance guidance to inform complex decisions as fiscal sponsor for the charitable programs of the Sierra Club and as an independent grant-maker and impact investor;
- o **Financial Management and Investment:** Monitor the outcomes of catalytic capital investments and continue commitment to a fossil fuel-free portfolio while encouraging other foundations and peers to enter the impact investing space; implement theory of change regarding impact across all investment portfolios; incorporate racial and social justice criteria into investment policies and practices;
- o **Marketing and Public Relations:** Invest in the continued development of an independent voice and brand for the Foundation and retain highest ratings on charity watchdog reviews;
- o **Innovative Approaches to Achieving Mission:** Continue to make strategic programmatic partnership grants through the Movement Forward Fund and expand catalytic capital impact investments;
- o **Management and Administration:** Continue to support staff training and professional development needs as fully as possible and continue to strengthen competencies related to anti-racism, implicit bias, and social justice to ensure the organization is welcoming, equitable, and inclusive for all.