

PLEDGE 1%

THE CEO EQUITY PLAYBOOK

Strategies, models and case-studies for CEOs and Founders

UNITED STATES



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CEO OVERVIEW

Dear CEOs,

There's a new trend forming of late-stage companies getting agreement from boards and large shareholder bases to take the 1% equity pledge to sustainably fund their social impact. It was once thought that founders had to commit equity early on, but we at DocuSign, Twilio, PagerDuty, and Twilio SendGrid all took the pledge within a couple years to a couple months of our IPOs, and the impact we've created as a result has been substantial.

We're proud to be part of a growing number noteworthy Pledge 1% member companies (including Atlassian, Salesforce, Slack, Okta, Pluralsight, Zuora, and others) who have ignited over 1/2 billion of new philanthropy. In the last 3 years alone, over \$250 million in new philanthropy has been ignited as a result of late-stage companies who pledged equity on their road to IPO!

We'd love to see this trend continue and permeate to early and growth stage companies as well. We believe that collectively the Pledge 1% movement can be a force multiplier igniting billions of new philanthropy to address the toughest issues of our time.

Pledge 1% has partnered with top executives to create this Equity Playbook to help you, as CEOs, set aside equity for your company's future social impact. We're hoping that by sharing our own personal insights, from a CEO and Board member/investor perspective, (including how to build Board consensus), we can empower you to move forward. This playbook will provide you with clear models, best practices, and detailed templates for your GC, CFO, COO etc. Special thanks to all of the Pledge 1% companies who shared their data, learnings, and recommendations.

There is no doubt in our minds that the value we have created in our companies has far outweighed any dilution resulting from this action. It's helped us to attract and retain top talent, engage our partner and customer networks, and significantly boost our brands.

We are proud to be part of the Pledge 1% movement and hope you will join us in making this the new normal.

- *Amy Lesnick, Chief Executive & President of Pledge 1% and the Pledge 1% Global Visionary Council*



Amy Lesnick

Chief Executive & President



Scott Farquhar

Co-Founder & Co-CEO



Byron Deeter
Partner



Dan Springer
CEO



Jennifer Tejada
CEO



Suzanne DiBianca
Chief Impact Officer



Ron Conway
Founder & Co-Managing Partner



Jeff Lawson
Co-Founder & CEO



Sameer Dholakia
CEO



PLEDGE 1%

SCALABLE IMPACT

Pledge 1% is a global movement that inspires, educates, and empowers every entrepreneur, company, and employee to leverage their own unique assets to be a force for good. We provide a flexible framework for companies to pledge 1% of their equity, profit, product, and/or employee time to ANY cause of their choosing.

**10,000
COMPANIES**

**100+
COUNTRIES**

**\$500+ MILLION
NEW PHILANTHROPY**

In the last 3 years, late-stage Pledge 1% companies have ignited **\$250+ Million** in new philanthropy via their IPOs!

DocuSign

PagerDuty

PLURALSIGHT

SendGrid

slack

twilio

okta

zuora



Pledge 1% is a proud recipient of **Fast Company's #1 Most Innovative Nonprofit Award** and listed as one of their Top 50 Most Innovative Companies.



Cover Photo - Ringing the Nasdaq bell on Giving Tuesday: Pledge 1% has a vibrant community of Builders, a curated and invitation-only group of executives and professionals dedicated to building the movement. Builders meet and collaborate to share best practices and key learnings.

For more information on how to apply to be a Builder, contact Equity@Pledge1Percent.org.

1. Why Donate Equity?

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WHY Donate Equity?

We could give you hundreds of reasons why to donate equity. Ultimately though, each argument boils down to two essential points:



It's the **right** thing to do.

It's the **smart** thing to do.

WHY DONATE EQUITY

It's the **right** thing to do.

The world needs your leadership.

"The most pressing issues of our time are not going to be solved by government and nonprofits alone. We need the resources, technology, funding, influence, and talent of companies working alongside with other sectors to tackle and solve these challenges."



Amy Lesnick
Chief Executive &
President,
Pledae 1%

We have a moral obligation.

"In the last 30 years, the innovation economy has created more value than any other period in the history of mankind, yet this value has not been shared broadly."



Sameer Dholakia,
CEO,
Twilio SendGrid

Setting aside 1% of our company's equity for social impact is just one small way for us, as leaders, to give back to the communities where our customers, employees, and partners live and work..."

We didn't get here alone.

"I believe that we all have a responsibility to give back. No one becomes successful without lots of hard work, support from others, and a little luck."



Ron Conway, Founder
& Co-Managing
Partner, SV Angel

Expectations are changing.

"It's no longer enough to maximize shareholder value. We must be committed to delivering meaningful value to all of our stakeholders."



Suzanne DiBianca,
Chief Impact Officer,
Salesforce

We have the power to drive impact at scale.

"Your actions will inspire and empower others to follow your lead."

It is an obvious future to me that in 10 years the majority of startups and VC backed companies will have implemented a program like this. Imagine the potential when critical mass has taken hold and this (equity pledge for social impact) becomes the default."



John Hering,
Co-Founder & Executive
Chairman, Lookout

WHY DONATE EQUITY

It's the **smart** thing to do.

Attract and Retain Top Talent

“Employees want to be proud of the companies they work at. In this super-competitive environment for top talent, I believe that DocuSign’s strong and visible commitment to Pledge 1% (and to our DocuSign Impact program) has positively impacted our ability to recruit and retain an incredible team.”



Dan Springer,
CEO,
DocuSign

Strengthen Customer Relationships

“At SIGNAL, Twilio’s annual customer conference, the sessions that spotlight the amazing impact of our nonprofit customers and the way they use Twilio’s technology to address social issues are consistently rated as our most popular sessions.

All of our customers are humans too and want to partner with a company that is having a positive impact in the world.”



Jeff Lawson,
Co-Founder & CEO,
Twilio

Attract Investment

“Salesforce Ventures is focused on creating the world’s largest ecosystem of enterprise cloud companies. Values alignment is a core factor we look for when considering our investments, and we believe that truly great companies care about all stakeholders - customers, employees, partners, communities, and the environment. We’re proud that more than 120 of our portfolio companies are members of the Pledge 1% movement.”



Matt Garratt,
SVP, Managing Partner,
Salesforce Ventures

Drive Revenue

“We founded Flexport.org because we believe we have a huge opportunity to use our technology and expertise to empower our entire ecosystem - customers, partners, and NGOs - to realize their missions for humanitarian aid and environmental sustainability.

As an added benefit, Flexport.org programs offer a terrific opportunity for us to partner with new companies that may eventually convert to customers.”



Ryan Petersen,
Founder and CEO,
Flexport

COMMON MISCONCEPTIONS

“ **We should have done this earlier. We missed the window.** ”



Fact: Numerous companies have pledged equity on the road to IPO.

Twilio, Upwork, Zuora, Twilio SendGrid and others have formalized their equity commitment for social impact less than a year (and in some cases, just a few months) before filing their S-1. Donating equity can be accomplished at any stage.

“ **My board would never approve.** ”



Fact: Top investors have supported equity donation.

Investors and Board members from top firms including Accel, Andreessen Horowitz, Bain Capital Ventures, Bessemer Venture Partners, Foundry Group, Salesforce Ventures, Sequoia, Techstars, and others and others have supported their late-stage CEOs in joining the Pledge 1% movement and setting aside equity for social impact.

“ **We can get to this ... *after* our IPO.** ”



Fact: There is a very real countdown clock to get this done before you file your S-1.

It's incredibly rare, if not impossible, to set aside corporate social impact equity after filing your S-1. We're not going to say it can't be done, but we honestly cannot offer you a single example. Donating equity for social impact becomes significantly more difficult post IPO given the substantial increase in shareholders and regulations.

“ **I don't have the bandwidth for all this entails.** ”



Fact: You can sort out the details of your social impact program later. Formalizing your social impact equity commitment is the **ONLY element with a countdown clock**

You do NOT need to set up a foundation. You can work with a philanthropic partner to easily set up a corporate donor-advised fund which handles all of the administration. Similarly, you do NOT need to select your causes or impact strategy. You'll get to all of that when you hire the right person to lead this effort down the road. And Pledge 1% is here to help you, your Board, and your team at all phases of your journey.

PLEDGE 1%: CREATING THE NEW NORMAL

“Even more than Atlassian, I believe that my greatest legacy will be my contribution to what we are creating together at Pledge 1%.”

I want to help more founders make what I believe will be one of the best decisions of their lives. Imagine what the world would be like if every company integrated giving back into their core DNA.

My wife Kim and I have personally committed \$3 million in growth capital to help scale this amazing movement. Pledge 1% is also one of the core three pillars of the Atlassian Foundation. I hope you’ll join us in making this the new normal.”



Scott Farquhar,
Co-Founder & Co-CEO
Atlassian;
Co-Founder, Pledge 1%



Suzanne DiBianca,
Chief Impact Officer, Salesforce;
Co-Founder, Pledge 1%

“Salesforce pioneered the 1-1-1 integrated philanthropy model. We believe every business can be a platform for positive change and we co-founded Pledge 1% with the intention of evangelizing that message. Together we are redefining corporate philanthropy and what it means to be a successful company.”



Amy Lesnick,
Chief Executive & President,
Pledge 1%

“When I was at Netscape early on, I used to have to explain that the internet was not going away. Now, that seems absurd.

It’s my hope that in 10 years, similar to the internet, Pledge 1% will just be the default. Setting aside equity for philanthropy will be as common as setting it aside for future employees. It will just be what people do. That’s the transformation we’re striving to achieve.”

HOW to Donate Equity?



2. Equity Models

Source of Equity ... 13

Corporate, Founder, Hybrid

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1% Upfront Model

1% Distributed Model

Founder Equity ... 15

1% Pre-Exit Model

1% Post-Exit Model

SOURCE OF EQUITY

Do you want the equity to come from the company, from the founders/CEO, or a combination? The answers will likely depend on your company's stage of funding, your founder/CEO's personal equity stake & convictions, and Board support levels.

CORPORATE

Corporate equity (the most common approach) visibly demonstrates total shareholder commitment to social impact. This has brand benefits (internally and externally); however, it requires more of a team effort to get it done, especially since dilution is shared. A Board Resolution is needed to authorize the social impact shares or warrants. Depending on the model selected, an annual Board vote will also be required to issue and/or transfer the shares.

Examples: Crunchbase, DocuSign, Gainsight, Okta, PagerDuty, Puppet, Salesforce, Slack, Twilio, Twilio SendGrid, Zuora

FOUNDER

Founder equity (to create a corporate social impact fund) visibly demonstrates a leader's convictions and values. It is most commonly leveraged by early-stage co-founders who have a sizable equity stake in the company. This commitment to personally set aside a piece of the company's future success to address social challenges and/or support the communities where employees live and work can be a powerful motivator for teams.

Since the co-founders are personally donating the equity, they are in control. Typically, no Board Resolution is required since none of the other shareholders are diluted. (It is typically still disclosed in the S-1). This approach is also, at times, leveraged by mid-to-late-stage founders/CEOs, in circumstances when the Board is less supportive of the corporate equity approach.

Founder equity (leveraged to create a corporate social impact fund) can also have personal tax benefits.

Examples: Atlassian, Code42, RightRice, Vlocity

***Noteworthy Risk:** The approach does have risks. If a change of leadership occurs and/or the Founder(s) is no longer on good terms with the company at the time of exit, this could potentially create an awkward situation, especially if the arrangement was not legally binding and the company has publicly promoted its equity commitment.*

HYBRID

Equity can also be sourced from a combination of the co-founders' (and/or the CEO's) equity as well as the company's equity. This approach demonstrates both the founders' convictions AND total shareholder support.

Examples: Lookout

	1% Upfront Model	1% Distributed Model
Summary of Trade-offs	<p>+ Lock in social impact legacy <i>(legally binding)</i></p> <p>- 1% upfront shareholder dilution</p>	<p>+ Spread out shareholder dilution <i>(Example: 0.1% a year for 10 years)</i></p> <p>- Potential for reduced social impact <i>(Risk increases if change in ownership and/or leadership is likely)</i></p>
Directional Examples	Crunchbase, Upwork, Rally, Puppet	Twilio, SendGrid, Okta
Typical Stage	Primarily early and growth stages (>12 months from IPO; preferred model if acquisition likely)	Primarily growth and late stage (<12 months from IPO)
Investor Dilution	All at one time	Over 10 years <i>(Variation: 5 years or TBD number of years)</i>
Upfront	1% <i>Full amount is on the cap table. Shares or warrants can still be sold over a number of years post liquidity. The full 1% is exercisable at liquidity.</i>	0.1% <i>(Variation: Could be 0.2% or a higher percentage)</i>
Per Year/# of Years	N/A	0.1% per year for 9 years post IPO (plus 0.1% upfront) <i>(Variation: Transfer could occur each year pre IPO beginning with timing of Board Resolution)</i>
Vehicle	<p>Penny warrants (can also be shares).</p> <p>Held by corporate donor-advised fund/philanthropic partner. Scheduled sale determined in advance and included in warrant agreement and MOU.</p>	<p>Predetermined percentage or number of shares issued each year (requires annual Board vote). <i>Variation: Number of shares each year is flexible.</i></p> <p>Shares transferred annually to corporate donor-advised fund/philanthropic partner.</p>
Upon Liquidity	<p>IPO or M&A: Sold based on scheduled sale. IPO: Shares typically net exercised after lock up expires (usually 6 months after IPO). <i>(Upon M&A, team and Board may determine best way to manage, etc.)</i></p>	<p>Next installment of 0.1% equity triggered and transferred to DAF <i>(Often second installment of 0.1%). (Upon M&A, team and Board may determine best way to manage. Potential for acceleration, reduction of shares, and/or special "care out" based on circumstances).</i></p>
Pros	<p>Social impact legacy: 100% protects and preserves social impact commitment even in the event of a change of control or leadership. This is a legally binding agreement. <i>(Especially important if the company is an acquisition target or if it's likely that a new CEO will be in place at the time of IPO.)</i></p> <p>Simpler execution: Does not require annual Board vote post liquidity.</p>	<p>Minimal shareholder dilution: Spreads investor dilution over 10+ years. Investors are only diluted 0.1% upfront. This model tends to be appealing for late-stage companies very close to an exit.</p> <p>Ongoing Board engagement: Annual Board vote enables social impact commitment and results to stay top of mind.</p>
Cons	<p>Shareholder dilution: Investors are impacted by the full 1% dilution upfront.</p>	<p>Potential for reduced social impact: If the company changes ownership, leadership, or Board, anything beyond the upfront equity is at risk. <i>(This risk is even more relevant if the company is an acquisition target. Potential to overcome with M&A parameters in Board Resolution & DAF.)</i></p> <p>Ongoing Board management: An annual board vote is typically required to issue shares each year.</p>

Other Critical Decisions (see Equity Execution chapter):

Scheduled Sale/Riding stock upside, "topping off" social impact fund prior to IPO, and desired M&A outcome.

	1% Pre-Exit Model	1% Post-Exit Model
Summary of Trade-offs	<p>+ Lock in social impact legacy <i>(Ownership of equity transferred to nonprofit and/or corporate donor-advised fund)</i></p> <p>- Not optimized for personal tax benefits <i>(Always consult your tax advisor)</i></p>	<p>+ Likely personal tax benefits <i>(Always consult your tax advisor)</i></p> <p>- Potential risk to social impact legacy <i>(Risk increases if change in ownership and/or leadership is likely.)</i></p>
Directional Examples	Atlassian, Vlocity, RightRice, Code42	Pluralsight
Investor Dilution	N/A - Only impacts founders (and/or CEO)	N/A - Only impacts founders (and/or CEO)
Upfront	1% <i>(Same time as commitment)</i>	None <i>(All equity transferred post exit)</i>
Vehicle	<p>Shares transferred to philanthropic entity (i.e. Corporate donor-advised fund) or nonprofit</p> <p><i>Variations:</i></p> <ul style="list-style-type: none"> • Transfer of shares and/or cash could be made around time of a secondary offering (possible tax benefits) • Can also have additional value component (i.e. coupled with CEO commitment transferred post exit) 	<p>Legally binding agreement committing X shares to philanthropic entity or nonprofit post exit.</p> <p><i>Variations:</i></p> <ul style="list-style-type: none"> • Transfer of shares can be spread over a number of years • Agreement can be non legally binding (not recommended)
Pros	<p>Social impact legacy: 100% protects and preserves social impact commitment even in the event of a change of control or leadership.</p> <p>Potential for pre-exit liquidity: Nonprofit (and/or corporate DAF) could potentially sell a portion of the shares pre-exit (pending company approval) to fund impact.</p>	<p>Likely founder tax benefits: In most cases, founders will receive greater tax benefits if shares are transferred post exit or during a secondary if the founder is selling shares. Founders should always consult a tax advisor, but pledging today to donate shares post-exit allows founders to benefit from goodwill created by formalizing commitment today and tax benefits of transferring the shares after liquidity event.</p> <p>Potential to avoid social impact dilution: If the founder commits to a number of shares equal to 1% at the time of exit (vs. 1% at the time of commitment), he/she can avoid dilution to the social impact commitment.</p>
Cons	<p>Likely reduction in founder tax benefits: In most cases, founders will receive greater tax benefits if shares are transferred post exit or during another time when these offsets could be helpful (i.e. secondary). Founders should always consult a tax advisor.</p>	<p>Social impact legacy risk: Possible risk if founders are no longer at the company at the time of exit and/or founders are no longer on good terms with the company. This scenario could be especially awkward if the company has publicly promoted the equity commitment. (This risk is mitigated if the founder agreement is legally binding).</p>

Other Critical Decisions (see Equity Execution):

- Legally binding vs. non- legally binding agreement
- “Topping off” social impact fund prior to IPO
- Hybrid model



3. Equity Execution

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CRITICAL CONSIDERATIONS

OUTLINE PLANS FOR CHANGE OF OWNERSHIP

Be sure to include in your Board Resolution, and warrant agreement if applicable, the desired impact of a change of ownership on your social impact fund. If you are many years away from an exit (early or growth stage) and/or believe you are an acquisition target, this plan will be especially important. We suggest the following:

1. Factor your likely exit into your equity model selection.

If you believe your likely exit is an acquisition, we recommend the Corporate 1% Upfront Model because it's the best way to 100% protect your social impact legacy (warrants are legally binding).

2. Take steps to preserve at least 45% of your social impact commitment.

Regardless of the model you select, we suggest that you take steps up front to ensure your desired outcome. Most companies seek to preserve 100% of your social impact commitment. If it's not feasible, we recommend that you establish a floor of preserving at least 45% of your social impact commitment. Formalize this by including it in your warrant agreement and/or Board Resolution.

You might also want to think about how long the social impact fund will exist post-acquisition and who will have control over directing the social impact funds. This can also be decided later.

Corporate 1% Upfront Model

- **Clearly define treatment of warrants at acquisition.**

The Pledge 1% standard warrant templates (most commonly used) specifies that, at the time of an acquisition, 100% of the warrants are immediately exercisable. If this is not feasible, we recommend that at the very least, 45% of the warrants become immediately exercisable, so that 45% of the original social impact legacy would be preserved.

You might also want to include language in the warrant agreement and Warrant MOU directing your philanthropic partner how and when the charitable proceeds from the sale of the warrant shares should be allocated after acquisition.

- **Do not include a “vesting” period for warrants.**

We recommend that 100% of the warrants be exercisable at the time of a liquidity event.

Corporate 1% Distributed Model

Clearly define the treatment of outstanding social impact shares at acquisition.

If possible, we recommend that the Board Resolution approving the issuance of shares for social impact, include language which commits to the following in the event of an acquisition:

- Remaining portion of the originally reserved social impact shares (or the current value thereof) will continue to be issued on the original schedule to the philanthropic partner for distribution to charitable purposes.
- If it is not practical to continue this over the remaining portion of the X-year period, a minimum of 45% of the total originally reserved social impact shares will be transferred at the time of the acquisition to the philanthropic partner (likely 0.1% at time of Board Resolution and another 0.35% at exit).

There may be some circumstances in which this is simply not feasible. At the end of the day, we want this to be a positive and happy element of your M&A outcome. It will be up to you and your Board to figure this out at the time of the acquisition; however, we suggest you have something about this in your Board Resolution¹⁷ and/or MOU Establishing DAF if possible.

CRITICAL CONSIDERATIONS

LOCK IN AT LEAST 0.1% UPFRONT

Regardless of which corporate model you select, we strongly recommend that you transfer to your philanthropic partner/corporate donor-advised fund, and/or make exercisable at least 0.1% of your equity at the time of your Board Resolution. (You may want to consider a higher number and/or initiate the annual transfers pre exit. See Lookout case study on page 36). Your .1% upfront can be achieved via a Warrant Agreement that becomes exercisable upon a liquidity event or via a stock transfer agreement, that transfers the shares to your Philanthropic Partner right away. The benefit of the warrant is that they are non-voting shares.

This will ensure that no matter what happens, some level of social impact legacy will be preserved.

Note: This is a new best practice based on the advice of the Pledge 1% Global Visionary Council.

TAKE ACTION TO MINIMIZE SOCIAL IMPACT LEGACY DILUTION

This is particularly relevant for early- and growth-stage companies. By locking in your social impact commitment early, you've demonstrated to your employees, future employees, partners, and customers your company's core values and culture. But, as you raise subsequent rounds of funding, your social impact legacy will be diluted.

There are a few actions you can take to avoid this:

- **Topping off:** We recommend that at the very least, you discuss “topping off” with your Board at the time of your commitment. “Topping off” is simply setting aside additional equity pre exit so that your social impact commitment once again equals 1% of your fully diluted shares. If possible, we suggest that you include in your Board Resolution an “intent” to top off either right before your IPO (or with each subsequent funding round). However, if this adds too much friction, we suggest that you focus first on simply getting the equity pledge done. If needed, you can always address this later.
- **Anchor your 1% social impact commitment on the number of outstanding shares at IPO:** Quite candidly, we have not seen this approach applied yet. However, for you pioneers out there, you could specify in your Board Resolution that the 1% for social impact will be calculated based on the number of fully diluted shares at the time of your IPO (rather than at the time of the Board Resolution). Note - this primarily applies to those selecting the Corporate 1% Distributed Model.

RIDE THE UPSIDE OF YOUR STOCK (SCHEDULED SALE)

If you believe that it's likely that your stock price will rise over time, post IPO, we recommend that you spread the sale of your shares and/or warrant shares over a period of 5 to 10 years.

Most warrant/DAF agreements will require you to include this “**scheduled sale**” in the signed agreement. This is important because, as a matter of policy, most DAF providers are required to sell all shares immediately following the lock up post exit unless otherwise specified in the legal agreements. Note - even though there is a “scheduled sale,” it's still common practice for the warrants to be immediately exercisable post exit to protect the social impact legacy.

CRITICAL CONSIDERATIONS

AVOID STOCK VOLATILITY

Consider pre-setting the first sale of your social impact shares to a date other than the end of the lock-up period i.e. 1 year anniversary of your IPO or 2 months after the lock up.

Typically, as a matter of policy, most philanthropic partner/donor-advised fund provider, are required to sell the shares as soon as they are able to do so, unless you specify otherwise in your legal agreement. If you want to avoid any stock volatility that may occur in conjunction with the end of your lock-up period, it's important for you to be specific in your warrant agreement and donor-advised fund MOU about your desired sell date (the initial date, the "scheduled sale" over a number of years, and any conditions that should trigger a change). These terms are extremely difficult, if not impossible, to change at a later date.

LEVERAGE THE SIMPLICITY OF A CORPORATE DONOR-ADVISED FUND (DAF)

For most Pledge 1% member companies, a corporate DAF is the preferred avenue for setting up a social impact fund. DAFs are much easier to create and manage than a foundation. The DAF provider takes care of all administration (audits, nonprofit validation, reporting, etc) so that your team can focus on impact. DAFs also enable you to keep the social impact (and your social impact employees) integrated in your core business. Foundations have greater restrictions here.

Pledge 1%'s preferred philanthropic partner for U.S. Corporate donor-advised funds is Tides (with the exception of Boston and Colorado). Tides has worked with numerous Pledge 1% members (Twilio, Okta, Upwork, PagerDuty, Box, etc) and is very familiar with the Pledge 1% equity models as well as our member needs. The Boston Foundation, The Community Foundation of Boulder County, Rose Community Foundation, and The Denver Foundation have also worked very closely with Pledge 1% to support members in their regions. That said, Pledge 1% is happy to partner with any philanthropic entity that you select.

Note: Similar to foundations, donor-advised funds cannot be used for internal operating expenses or marketing activities that benefit your company. In addition to a DAF, most corporate social impact programs will also have an annual operating budget (similar to other departments within your company). See Impact Maximization chapter on page 25 for more information.

CONSULT TAX ADVISOR/ACCOUNTANT

Regardless of the Equity Model you select, we recommend that you consult your corporate accountant and/or personal tax advisor for confirmation of tax implications. We've observed that for most companies and founders, tax considerations rarely drive the decision to pledge equity and/or the selection of the optimal model, however, maximizing tax benefits is never a bad thing.

For Founders, it's worth noting that if you select the post-exit model, and execute a legally binding Founder pledge agreement, per Deloitte Tax Memo (Appendix A of the Companion Guide) you will be able to take your tax deduction in the year that your exit occurs and/or you transfer the shares, not when you execute the pledge agreement.

DECISION CHECKLIST

EQUITY SOURCE

- Corporate
- Founder
- Hybrid

CORPORATE EQUITY MODEL

- 1% Upfront
- 1% Distributed

FOUNDER EQUITY MODEL

- 1% Pre-exit
- 1% Post-exit

% LOCKED IN UP FRONT

- Full 1% upfront
- 0.1% (additional .1% a year spread over 9 years)
- 0.2% (additional .2% a year spread over 4 years)

CHANGE OF OWNERSHIP

- 100% of the 1% Equity Social Impact legacy preserved (exercisable/transferred)
- 45% total of the 1% Social Impact Legacy preserved (accelerate remaining warrants/shares)
- All remaining warrants/reserved shares go away

SOCIAL IMPACT DILUTION

- Establish your intent to top off pre liquidity
(Social Impact commitment equals 1% of fully diluted shares at exit)
- Establish your intent to top off with each funding round
(Social Impact commitment equals 1% of fully diluted shares at exit)
- Anchor 1% commitment on number of fully diluted shares at time of exit
- Incorporate written commitment to top off in Board resolution and legal documents

UPSIDE OF STOCK/SCHEDULED SALE

- 0.1% a year for 10 years post liquidity
- 0.2% a year for 5 years post liquidity
- Immediate sale of all social impact shares upon liquidity
- Other (i.e. scheduled transfer and possibly sale begins pre-liquidity)

AVOID VOLATILITY/INITIAL SALE

- As soon as possible after lock up
- 2 months after lock up
- 1 year anniversary of IPO

LEVERAGE CORPORATE DONOR-ADVISED FUND

- Yes - Tides
- Yes - Other Philanthropic Partner
- No- Foundation and/or other philanthropic structure



4. Board Support

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ADVICE FROM CEOS

Before speaking to anyone on your board, it's important to understand your positioning. Take a minute to solidify this commitment in your own mind.

Have conviction.

"Clearly articulate why making the pledge can drive purpose and employee engagement. Show your conviction for why it is good for business and for the world."

- **Jennifer Tejada, CEO, PagerDuty**



Be prepared.

"Anticipate objections. Learn from others who have done this before you. READ THIS PLAYBOOK!"

- **Sameer Dholakia, CEO, Twilio SendGrid**



Stay firm.

"Don't let others talk you into a lower number. It's called Pledge 1% for a reason!"

Many successful companies have set aside equity, including Twilio, Twilio SendGrid, DocuSign, Salesforce, PagerDuty, Zuora, Pluralsight, Upwork, Okta, Lookout, and others. Join us, and help change the way the world does business."

- **Jeff Lawson, Co-Founder & CEO, Twilio**



Reach out.

"You are not alone. The Pledge 1% team along with CEOs and Board members of Pledge 1% companies are here to help you."

And some day, we hope you will be there to inspire and support other CEOs that follow in your footsteps."

- **Dan Springer, CEO, DocuSign**



RECOMMENDED APPROACH

STEP 1: Choose a Boardroom Ally

“Start by meeting 1:1 with the Board member who is most likely to support you. You probably have a rough idea of who prioritizes impact or is most friendly to your ideas, but search for investors or firms who have a track record of supporting social impact. This individual will become your ‘Boardroom Ally’ and your partner to get the equity done.”



Byron Deeter
Partner,
Bessemer Venture
Partners

Finding Your Pledge 1% Boardroom Ally

Look for investors who are explicitly supportive of their portfolio companies setting aside equity for philanthropy.

We recommend that you identify firms and/or specific investors who have served on Boards of other Pledge 1% companies who have taken the equity pledge (**see list to the right**). These investors will be familiar with the Pledge 1% equity models and best practices. They can be your thought partners as you refine your Equity pledge recommendations and navigate your Board.

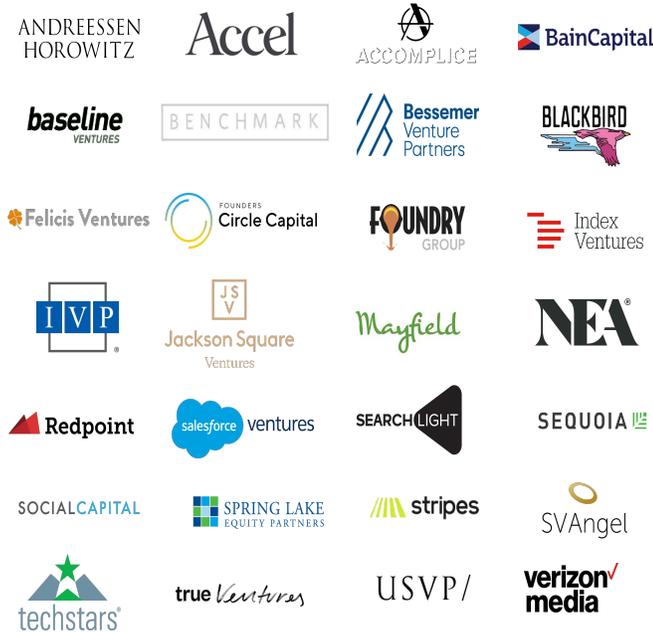
Pledge 1% can help you with this research. Later this year, we’ll be launching a broader “Boardroom Allies” initiative that will enable you to more easily access this information. Stay tuned!

Leveraging Your Boardroom Ally

Your Boardroom Ally can be a valuable asset as you think through equity model selection, flesh out details (% upfront, number of years, M&A implications, etc), navigate any “naysayers,” strategize appropriate timing, and build a coalition of Board support.

STEP 2: Meet With Each Board Member 1:1

After you win the first member’s support (likely your Boardroom Ally), we recommend you meet with each Board member individually and/or connect with each Board member in a manner that he/she likes to engage with you so that you can address any questions without putting him/her on the spot in a group setting. Start with the next Board member most likely to support you. Let him/her know that the first Board member is supportive and make your case. Continue this process, building a coalition of support, as you meet 1:1 with every Board member.



Contact Pledge 1% for more information at BoardroomAllies@Pledge1Percent.org

RECOMMENDED APPROACH

STEP 3: Present a Compelling Case

Help Board members to understand why this is both the right thing and the smart thing to do for the company. See how Jeff Lawson, Co-Founder & CEO of Twilio, walks through his strategy:

1. Commit to the discussion: Put the item on the board agenda and be unwavering in your desire to address it.

2. Explain your motivation: Articulate why you care about equity donation.

3. Highlight existing companies: Showcase other companies (ex. Twilio, Twilio SendGrid, PagerDuty, DocuSign, Slack, etc.) that have donated equity at a late stage.

4. Make the business case: Highlight how equity donation can benefit your business goals.

5. Emphasize existing support: Assert Board members who already support this initiative.

6. Review equity model implications: Provide a quick overview of the model you selected, the implications, and trade-offs i.e. Corporate 1% Distributed Model 0.1% upfront and 0.1% a year post liquidity for 9 years; dilution spread out; annual board vote; some social impact risk.

7. Relay urgency: Reassure your board that you don't need to have all the answers now, but that you do need to decide quickly. You'll need to formalize the equity grant, before you file your S-1, and you will want to include language about the grant in your S-1. Any decisions about cause selection, how to hire a leader, and empower employees can occur later.



Jeff Lawson,
Co-Founder &
CEO, Twilio

STEP 4: Make it Official

● Pass a Specific Board Resolution

At minimum, the Board Resolution should include:

- Specific number of shares authorized to fund the company's philanthropic endeavors (typically 1% fully diluted shares at the time of the Board Resolution)

Ideally, the resolution should include (or have a clear pathway to include) the following:

- When/how the shares and/or warrants will be issued/transferred/etc. (including any amount of shares transferred or exercisable upfront and possibly scheduled sale parameters).
- Information on Corporate DAF provider, philanthropic partner to receive shares
- Desired outcome if change of ownership
- If relevant, intent to "top off" prior to liquidity

● Complete Warrant Agreement (And/Or Transfer Upfront Shares)

● Complete MOU(s) with Philanthropic Partner/Corporate DAF provider

5. Impact Maximization

Five Key Elements for Success

1. Hire an Amazing Social Impact Leader ... **26**
2. Combine Pledge Types ... **27**
3. Plan for at Least 2+ Sources of Funding ... **28**
4. Fund Social Impact Pre-Liquidity ... **29**
5. Pledge it Forward! ... **30**

Impact Maximization: 5 Key Elements for Success

1. HIRE AN AMAZING SOCIAL IMPACT LEADER

“One of the most common mistakes companies make is to bring on someone too junior. Find a leader who can drive your strategy and make things happen. Ideally, your Head of Social Impact should report to the CEO.”

- **Suzanne DiBianca, Chief Impact Officer & EVP of Corporate Relations, Salesforce; Co-Founder, Pledge 1%**



If you are late stage and/or close to an IPO...

We suggest that you hire (or designate) a senior leader, ideally at least 6 months before your IPO. A common title for this role is Executive Director of XXX Impact (i.e. DocuSign Impact) or XXX.org. (i.e. Twilio.org). A very senior hire might come in as Chief Philanthropy Officer. Most of these individuals report directly to the CEO or an executive sponsor such as a co-founder, CPO, COO, or CMO.

The ideal candidate will be able to develop the strategy for your social impact and drive execution. He/she should connect well at all levels and be a master at rallying both people and resources across your company.

Your social impact team size will likely grow post IPO. We recommend that you start with your leader first.

If you are earlier in your company's evolution....

This role could be a passionate team member, take up 25% of an existing team member's time, or even a responsibility/function shared across a few people (i.e. 30% of 3 people's time).

If it is a portion of a role, or shared across a few people, we strongly suggest this is formally built into their OKRs and/or goals and performance evaluations.

For many early-stage companies, the CEO and/or co-founder wants to be directly involved as both the “executive sponsor” and the Pledge Jedi (Head of Social Impact). He/she may leverage an executive assistant or junior team member to support his/her efforts. This can work as well. However, as you grow, we suggest that you get some designated help. Otherwise, your social impact commitment might drop to the bottom of your list as you're building your company.

Impact Maximization: 5 Key Elements for Success

2. COMBINE PLEDGE TYPES: EQUITY + PROFIT/TIME/PRODUCT

“One of our key values at Twilio is to empower others. We started Twilio.org to empower nonprofits and social enterprises with communications technology to improve lives around the world.

Today, we’re able to ignite positive social change on a global scale by leveraging not only the funding made possible through our 1% equity commitment, but also the full power of the Twilio product platform coupled with technical and strategic support from our passionate employees and our developer network.”



Jeff Lawson,
Co-Founder &
CEO, Twilio

Leverage all of your unique assets to be a force for good.

The true magic comes when companies blend pledge types and get creative about leveraging multiple assets. We recommend that you even think beyond equity, profit, product, and time to your other assets i.e. partner network, voice, influence within your region/sector/etc. Get your employees engaged in this effort.

For example, as a result of employee input and engagement, Pledge 1% member Postmates, is leveraging their merchant network, technology platform, and courier base to tackle food insecurity. In 2019, they piloted FoodFight!, a program which picks up excess food from restaurants at the end of the day and delivers it via Postmates couriers to nonprofit partners who distribute it to those in need. This program, which leverages a time and product pledge, delivered over 100,000 pounds of food (that would have otherwise been wasted) in its first few months. In 2020, Postmates is expanding this program to all of its markets and looking to partner with other Pledge 1% members on broader issues around hunger.

Don’t wait to get started.

Since an exit may be several years away, many companies engage employees around time and product pledges long before a liquidity event that transforms their equity pledge into their social impact fund.

Impact Maximization: 5 Key Elements for Success

3. PLAN FOR AT LEAST 2 SOURCES OF SOCIAL IMPACT FUNDING

“At Atlassian, in addition to pledging 1% of equity and 1% of profit for social impact, we decided to donate to Room to Read the revenues from our Starter Licenses, which allowed our customers to have 10 users for \$10. When we made this decision, we had no real insight into how much this would raise for Room to Read. Not only did this pledge strengthen our relationship with our customers, but as a result of this program and our profit pledge, we were also able to donate over \$6 million to Room to Read before our IPO.



**Scott Farquhar,
Co-Founder &
Co-CEO, Atlassian**

Today, the Atlassian Foundation is very well resourced. The Foundation has benefited from the substantial appreciation in the price of Atlassian shares since our IPO in 2015. Its annual funding sources include income from a diversified portfolio of investments, the proceeds from gradual sale of part of its shareholding in Atlassian, 1% of our profits and all revenues from our Starter Licenses. We are also exploring the creation of new recurring funding sources for the Foundation.”

Integrate social impact into your annual budget.

Most Pledge 1% companies have an operating budget for social impact in addition to their equity set aside. In fact, in addition to the direct funding for social impact in their annual budgets, quite often, the Social Impact team will partner with other departments i.e. HR (talent recruitment & retention), Marketing, Customer Success, etc. to leverage their budgets to fund employee and partner/customer engagement activities as well as PR & sponsorships that strengthen their brands.

For early-stage companies, this budget allocation could be as simple as the funds to support the integration of some sort of volunteer activity (likely coupled with refreshments) at a quarterly or annual all hands meeting. Growth stage companies often integrate a volunteer activity into their employee onboarding. Most post-IPO Pledge 1% companies have an annual budget of \$1+ million for social impact staff & employee engagement activities in addition to their grant-making dollars. It's important to note that funds put into a corporate donor-advised fund (DAF) or foundation as a result of an equity pledge, cannot, in most cases, be used to fund social impact staff or nonprofit sponsorships perceived to directly benefit the company. Often, even employee matching programs are funded out of HR (as an employee benefit) or another budget pool other than the corporate DAF.

Identify revenue streams to sustain your social impact.

Several Pledge 1% companies, such as Twilio and Pluralsight, direct revenue and/or profits from sales to nonprofit and/or higher education customers back to their social impact fund. Contact Pledge 1% to learn more about this social enterprise approach. Others, like Atlassian and Appfire, donate a percentage of profits overall and/or profits or revenue from a specific product line to fund their social impact activities.

Impact Maximization: 5 Key Elements for Success

4. FUND YOUR SOCIAL IMPACT PRE-LIQUIDITY

“At Lookout, each of our co-founders as well as our CEO contributed cash (in addition to our personal equity commitment) to seed our social impact activities.

Our employees are passionate about changing the world. This is a core part of our Lookout corporate culture. We recognized that even though a liquidity event could be years away, we didn’t want to wait to make the community a key stakeholder in our business, and empower our employees to give back. “



John Hering,
Co-Founder &
Executive
Chairman, Lookout

Keep your employees inspired and engaged.

Employees want to work for companies where profits and purpose are intertwined. Profit and purpose are no longer in conflict. As discussed earlier, giving back is BOTH the right thing to do for the world and the smart thing to do for your company, especially when it comes to attracting and retaining top talent.

Many late-stage companies are staying private longer. If you’re company is doing well, and you’re at a stage where you’re investing in other employee benefits (food, buess, employee team events, wellness benefits, etc) to engage your team, this would be a good time to also think seriously about how you are giving back as a company and supporting your team members in giving back as well. (As you evolve into a growth or late-stage company, your employees will expect this of you).

Provide some seed funding for your social impact grants.

As discussed on the prior page, this funding can come directly from your annual operating budget. You’re social impact can also be supplemented and/or seeded by individuals, i.e. founders, as was the case for Lookout as well as many smaller Pledge 1% members such as Appfire.

We recommend you engage your team in determining where the grant dollars go. It doesn’t have to be a huge amount of money. A little bit can go a long way especially when also coupled with employee expertise and your product.

Impact Maximization: 5 Key Elements for Success

5. BE A LEADER IN THE MOVEMENT- PLEDGE IT FORWARD!

“Working with Pledge 1% to help other CEOs set aside equity is one of the most impactful uses of my time. Personally, I’d like to ignite \$1 Billion of new philanthropy. And we’re definitely on our way!”

At SendGrid, we were fortunate that I happened to have lunch with Jeff Lawson shortly before we filed our S-1. Had we not had lunch, I wouldn’t have thought it was possible to take the pledge so close to our IPO. We want to systematize that playbook for all late stage CEOs and take “chance” out of the equation. As a founding member of Pledge 1%’s Global Visionary Council (GVC), I’m working alongside other leaders to “systematize this serendipity” and make this the new normal for business. Twilio and Twilio SendGrid are also proud Pledge 1% “Builders” (an invite only premium program for top Pledge 1% companies who invest time and funding to build the Pledge 1% movement).

Pledge 1% is a HUGE force multiplier. I want to invite and encourage YOU to join us as leaders in the movement. It’s your turn to inspire and empower other CEOs and redefine normal for our sector.”



Sameer Dholakia,
CEO, Twilio SendGrid

The “PLEDGE-IT-FORWARD” Ethos

Movements are about people. Change happens when coalitions are too big to ignore. At Pledge 1%, we ask our every member to ask themselves:

What are YOU doing to invite, encourage, and empower others (customers, employees, peers, suppliers, partners) to join Pledge 1% and leverage their own unique assets for good?

CEO/Founder leadership opportunities

Please contact Pledge 1% Chief Executive & President, Amy Lesnick at Amy@Pledge1Percent.org to learn more. Examples:

- Co-host a CEO Roundtable and/or participate as a Pledge 1% advocate
- Present at your VC, accelerator, or bank’s CEO summit (or your own user conference)
- Personally reach out to 1-3 of your CEO/Founder peers and encourage them to join Pledge 1%
- Incorporate Pledge 1% into your keynotes and industry talking points and/or press interviews
- Let us know if you’re interested in our Global Visionary Council.
- Encourage your Board and investors to become Pledge 1% Boardroom allies

Company leadership opportunities

- Announce your Pledge 1% program. Leverage Pledge 1% for support on your marketing/roll out.
- Integrate Pledge 1% into your hiring, onboarding, and web presence (crunchbase, linkedin, etc)
- Integrate Pledge 1% into your user conference (celebrate impact of partners and customers)
- Apply to become a Pledge 1% Builder

6. Case Studies

Corporate Equity ... 32

1% Upfront [Crunchbase] ... **32**

1% Distributed [Twilio] ... **33**

Founder Equity ... 34

1% Pre-Exit [Atlassian] ... **34**

1% Post-Exit [Pluralsight] ... **35**

Hybrid ... 36

Corporate & Founder
[Lookout]

CORPORATE: 1% UPFRONT

Transferred 1% of equity via warrants directly to corporate donor-advised fund (DAF)



Jager McConnell

Chief Executive Officer, Crunchbase

- Pledge 1% member since October 2018 (*Builder*)
- Pledge Types: Equity, Time, Product
- Stage: Private, Series C

“Our mission is to help democratize access to opportunities. We believe that if we can help level the playing field, or at least raise awareness for the fact that the field isn’t level, then we can begin to affect change”

OVERVIEW

Equity Source:

Corporate: 1% Upfront Model

Timing of Commitment:

Between Series B & C

Vehicle:

Warrants

Funding/Sale Schedule:

One-time grant of equity to DAF;
Scheduled sale over 5 years.

Investor Dilution:

1% upfront (time of warrant)

% Upfront:

100% (warrants legally binding; impact secured)

“Top Off”: N/A

Donor-advised fund:

Yes- Tides

Background

Crunchbase CEO Jager McConnell was no stranger to the Pledge 1% model having spent 11 years of his career at Salesforce. Jager had experienced firsthand the powerful impact that a model like Pledge 1% can have on a company’s culture and success. He believed deeply that by integrating social impact into the DNA of Crunchbase, the company could leverage its assets (beyond equity) in unique ways to be a force for good. To that end, Jager wanted to be absolutely certain that the equity model Crunchbase selected fully protected the company’s social impact legacy regardless of their pathway to liquidity.

Strategy

Jager jumped into Pledge 1% full force. Not only did Crunchbase become a member, they immediately signed up to be a leader in the Pledge 1% movement via the Builders program. Crunchbase leveraged their product pledge to integrate Pledge 1% into their platform. Specifically, they used their platform to highlight member companies who are giving back. In 2018, Jager got Board approval for a 1% equity pledge.

Execution

In February 2019, Crunchbase issued a warrant to Tides (DAF provider) to purchase up to 534,661 shares of common stock (1% of shares then outstanding) at an exercise price of \$0.01 per share. Crunchbase implemented a scheduled sale, spreading the sale of the shares over a period of 5 years. This will enable Crunchbase’s social impact fund to benefit from the hopeful rise in Crunchbase’s stock over time.

Pros/Cons of This Approach

✓ Locks in social impact legacy (legally binding; cannot be altered with change of leadership or ownership; full 1% upfront)

✓ Simpler execution. No annual Board vote

☒ Full 1% shareholder dilution felt upfront

☒ Potential for social impact fund dilution (as company has future funding rounds)

CORPORATE: 1% DISTRIBUTED



Committed 0.1% of company shares a year for 10 years post IPO



Jeff Lawson

Co-Founder & Chief Executive Officer, Twilio

- Pledge 1% member since August 2015 (*Builder*)
- Pledge Types: Equity, Product, Time
- Stage: Public (IPO 2016)

“One thing that we didn’t consider when we started Twilio was the role that we could play in helping nonprofits improve the world.”

OVERVIEW

Equity Source:

Corporate: 1% Distributed Model

Timing of Commitment:

Late Stage. < 6 months pre IPO

Vehicle:

Shares

Funding schedule:

0.1% shares transferred per year for 10 years; begins on 1 year anniversary of IPO

Investor dilution:

1% spread over 10 years post IPO

% Upfront:

NA (Timing so close to IPO)

“Top Off”: N/A

Donor-advised fund:

Yes- Tides

Background

Twilio CEO and Co-Founder, Jeff Lawson, wanted equity to support Twilio.org until it could be self-sustaining (a portion of profits generated as a result of sales to nonprofit, education, and government verticals are earmarked to fund social impact activities). Twilio’s Board was generally supportive, but concerned about the 1% dilution, especially since Twilio was within months of filing their S-1. (*Twilio’s Board actually approved their social impact equity commitment during the same Board meeting as their S-1 filing approval, just months prior to IPO.*)

Strategy

Jeff and the Board essentially pioneered the Pledge 1% Distributed model. Together, they creatively invented the concept of spreading out shareholder dilution over 10 years. Additionally, by committing to transfer 0.1% of their social impact equity a year (for 10 years) to their donor-advised fund, they also enabled Twilio.org to benefit from the rise in Twilio stock. As a result, the value of Twilio’s social impact commitment today is over 4x the size of their original commitment.

Execution

Twilio reserved 780,397 shares of common stock (1% of total shares at time of board vote) to fund Twilio.org. Twilio committed to allocate 0.1% of shares a year for social impact for a period of 10 years post liquidity. To avoid any potential stock volatility around the lock up expiration date, Twilio specified that the first transfer of these shares to their corporate donor-advised fund would occur on the 1 year anniversary of their IPO.

Pros/Cons of This Approach

- ✓ Minimizes shareholder dilution (spread out)
- ✓ Social impact fund benefits from stock upside
- ✓ Annual vote keeps Board engaged

☒ Social impact legacy risk (especially if a change of ownership or leadership is likely); not legally binding

☒ Possible future friction: An annual Board vote is required to issue/transfer social impact shares

FOUNDER: 1% PRE-EXIT



Co-founders committed personal equity equal to 1% of company; Ownership transferred pre exit



Scott Farquhar & Mike Cannon-Brookes
Co-Founders & Co-Chief Executive Officers,
Atlassian; Co-Founders, Pledge 1%

- Pledge 1% member since Dec 2014 (*Builder*)
- Pledge Types: Equity, Product, Profit, and Time
- Stage: Public (IPO 2015)

“We want to help other founders make what we believe will be one of the best decision of their lives.”

OVERVIEW

Equity Source:
Co-founders: 1% Pre-Exit Model

Timing of Commitment:
Early stage. >9 years pre IPO

Vehicle:
Shares

Funding schedule:
Full 1%+ shares transferred to Atlassian Foundation in 2010; Social Impact also funded via profit pledge and company revenue from “Starter Licenses” beginning 2009

Investor dilution: None

% Upfront:
100%

“Top Off”: >1% upfront

Donor-advised fund:
No- Atlassian Foundation

Background

Scott Farquhar and Mike Cannon-Brookes founded Atlassian in 2002. They were both very passionate about giving back and wanted to share a piece of the company’s future success with the community. In 2006, Scott and Mike publicly announced that they would be using 1% of Atlassian’s equity, profit, time, and product for good. In 2008, they created the Atlassian Foundation and in 2010, just prior to raising money from external investors, Scott and Mike transferred slightly in excess of 1% of their equity to the Atlassian Foundation.

Strategy

Since Scott and Mike were the primary shareholders in the company, they were in total control. No other investors were impacted. The co-founders also wanted the Atlassian Foundation to be funded pre-liquidity. In 2009, Atlassian created a “Starter License” program that directed 100% of revenues to the Atlassian Foundation. In 2014, as part of a capital raise by Atlassian, the Atlassian Foundation sold some of its shares to a venture capital fund.

Execution

In 2010, the co-founders transferred their equity to the Atlassian Foundation via a legally binding stock transfer agreement. They hired a seasoned executive to run the Foundation and a professional investment manager to create and manage a more diversified portfolio.

Today, the Atlassian Foundation’s funding sources include 1% of Atlassian profits, proceeds from the gradual sale of part of its shareholding in Atlassian, investment income from a diversified portfolio and revenue from Atlassian’s Starter Licenses.

Pros/Cons of This Approach

- ✓ Founders in control. No board approval needed.
- ✓ No other investors diluted.
- ✓ Company demonstrated commitment beyond founders by directing other revenue to Foundation.
- ✓ Founders and company demonstrated tangible commitment early.

Lower personal tax benefits for founders since shares were transferred pre-exit.

FOUNDER: 1% POST-EXIT



Founders committed personal equity equal to 1% of company; Ownership transferred post exit



Aaron Skonnard

Co-Founder & Chief Executive Officer, Pluralsight

- Pledge 1% member since August 2017 (*Builder*)
- Pledge Types: Equity, Product, Profit, and Time
- Stage: Public (IPO 2018)

“We believe technology has the power to create freedom, equality and opportunity around the globe... that’s why we created Pluralsight One and joined the Pledge 1% movement”

OVERVIEW

Equity Source:

Co-founders: 1% Post-Exit Model

Timing of Commitment:

Late Stage. <1 year pre IPO

Vehicle:

Shares

Funding schedule:

Co-founders transfer 0.1% a year post IPO for 10 years

Investor dilution:

None

% Upfront:

N/A

“Top Off”:

NA

Donor-advised fund:

Yes - Silicon Valley Community Foundation

Background

Aaron Skonnard (CEO) and Fritz Onion cofounded Pluralsight in 2004. They founded the company with the mission to democratize technology skills, believing in the power of technology to address the world’s greatest challenges. They launched Pluralsight One in 2017, demonstrating the company’s commitment to drive significant, lasting social impact by improving equal access to technology skills and investing in catalytic solutions.

Strategy

Pluralsight had been mission-driven since inception, but Aaron took things to the next level about 10 months prior to Pluralsight’s IPO. Pluralsight hired a Chief Impact Officer, built and launched its social enterprise, Pluralsight One, and joined the Pledge 1% movement, while publicly announcing their commitment of 1% of equity, product, time, and profit.

Aaron and Fritz both committed to donating shares out of their personal holdings, which equaled 1% of the company’s outstanding shares.

Execution

The co-founders committed to donate 0.1% a year for 10 years (first grant in 2018), which enables Pluralsight One to benefit from any rise in the stock price. They formalized their personal pledge via a legally binding agreement with SVCF, their corporate donor-advised fund provider.

Pluralsight’s S-1 disclosed the founders’ personal equity commitment along with the company’s commitment to 1% of profits, time, and product for Pluralsight One initiatives. In addition to equity and profits, Pluralsight One is also funded from profits generated from sales to nonprofits.

Pros/Cons of This Approach

- ✓ Founders in control. No board approval needed.
- ✓ Social impact legacy protected; legally binding.
- ✓ Demonstrates company commitment (beyond founders) via profit, product, and time pledge.
- ✓ 10-year spread: Pluralsight One benefits from stock upside and Founders likely have tax benefits.
- ☒ Risk of stock downturn (equity is not diversified).

HYBRID: FOUNDER & CORPORATE



1% of equity via co-founder's and CEO personal holdings & Corporate equity; Transferred pre-exit



John Hering

Co-Founder of Lookout

- Pledge 1% member since April 2015 (*Builder*)
- Pledge Types: Equity, Time, Product
- Stage: Private, Series F

“Technology is changing the world, and it is critical that we ensure it is for the better. Pledge 1% is a platform that enables companies to express their core values in the form of positive impact”

OVERVIEW

Equity Source:

Hybrid: Founders/CEO & Corporate

Timing of Commitment:

Late stage: Series F

Vehicle:

Shares

Funding schedule:

Company transfers 0.2% a year for 5 years (pre exit)

Investor dilution:

Over 5 years (pre exit)

% Upfront:

0.2% corporate equity & unknown founder equity

“Top Off”:

NA

Donor-advised fund:

No - Lookout Foundation

Background

Lookout's co-founders John Hering, Kevin Mahaffey, and James Burgess, were all very philanthropic and passionate about giving back. When they hired a new CEO, Jim Dolce in 2014, he shared this core value. Together, they decided to create the Lookout Foundation, an employee-run initiative, and each donated a combination of personal cash and stock to jumpstart the Lookout Foundation's social impact activities. They saw an opportunity to persuade the Board to set aside 1% of company equity during a Series F funding round--a moment in time where the company could proclaim its culture of giving.

Strategy

John, his co-founders, and his new CEO, believed that by demonstrating their personal commitment first, they would be able to more easily convince the Board to set aside 1% of company equity, despite their late stage of funding. The strategy worked! The Lookout Board committed to transfer 1% of the company's outstanding shares to the Lookout Foundation over a period of 5 years (0.2% a year).

Execution

During its 2015 Series F round, Lookout passed a board resolution to a grant 1% of outstanding shares to the Lookout Foundation. The shares, which were newly issued as part of its Series F round, were scheduled to be granted 0.2% per year for 5 years starting in 2015 (pre exit). Additionally, the co-founders and CEO donated cash and/or equity to seed the Foundation.

The Lookout Foundation is an independent organization run by employee volunteers who drive grant-making activities and employee engagement.

Pros/Cons of This Approach

✓ Demonstrates both founder/CEO and Board commitment to social impact.

✓ Seed funding/equity vesting (pre-exit) keeps employees engaged pre-liquidity.

☒ More administrative overhead with Foundation than DAF.

☒ Typically greater continuity and impact with a strong social impact leader vs. volunteers.

AUTHORS & CONTRIBUTORS

Pledge 1% Team



Amy Lesnick
Chief Executive &
President



Jan D'Alessandro
Equity Lead &
Legal Advisor



Lindsey Kirchoff
Content Lead



Sophia Skowronski
Development Associate

Pledge 1% Global Visionary Council



Scott Farquhar
Co-Founder & Co-CEO,
Atlassian



Byron Deeter
Partner,
Bessemer Venture Partners



Dan Springer
CEO,
DocuSign



Jennifer Tejada
CEO,
PagerDuty



Suzanne DiBianca
Chief Impact Officer,
Salesforce



Ron Conway
Founder & Co-Managing Partner,
SV Angel



Jeff Lawson
Co-Founder & CEO,
Twilio



Sameer Dholakia
CEO,
Twilio SendGrid

Legal, Tax and Philanthropic Experts

With appreciation for expert guidance from ...



Robert Wexler
Principal,
Adler & Colvin



Mike Platt
Partner in Charge,
Cooley



Jennifer Barnette
Associate,
Cooley



Anthony McCusker
Partner,
Goodwin



Scott Dettmer
Founding Partner,
Gunderson Dettmer



Mark Foster
Partner,
Gunderson Dettmer



Ibrahim Elshamy
Associate,
Gunderson Dettmer



Leena Barakat
Director of Strategic
Partnerships,
Tides



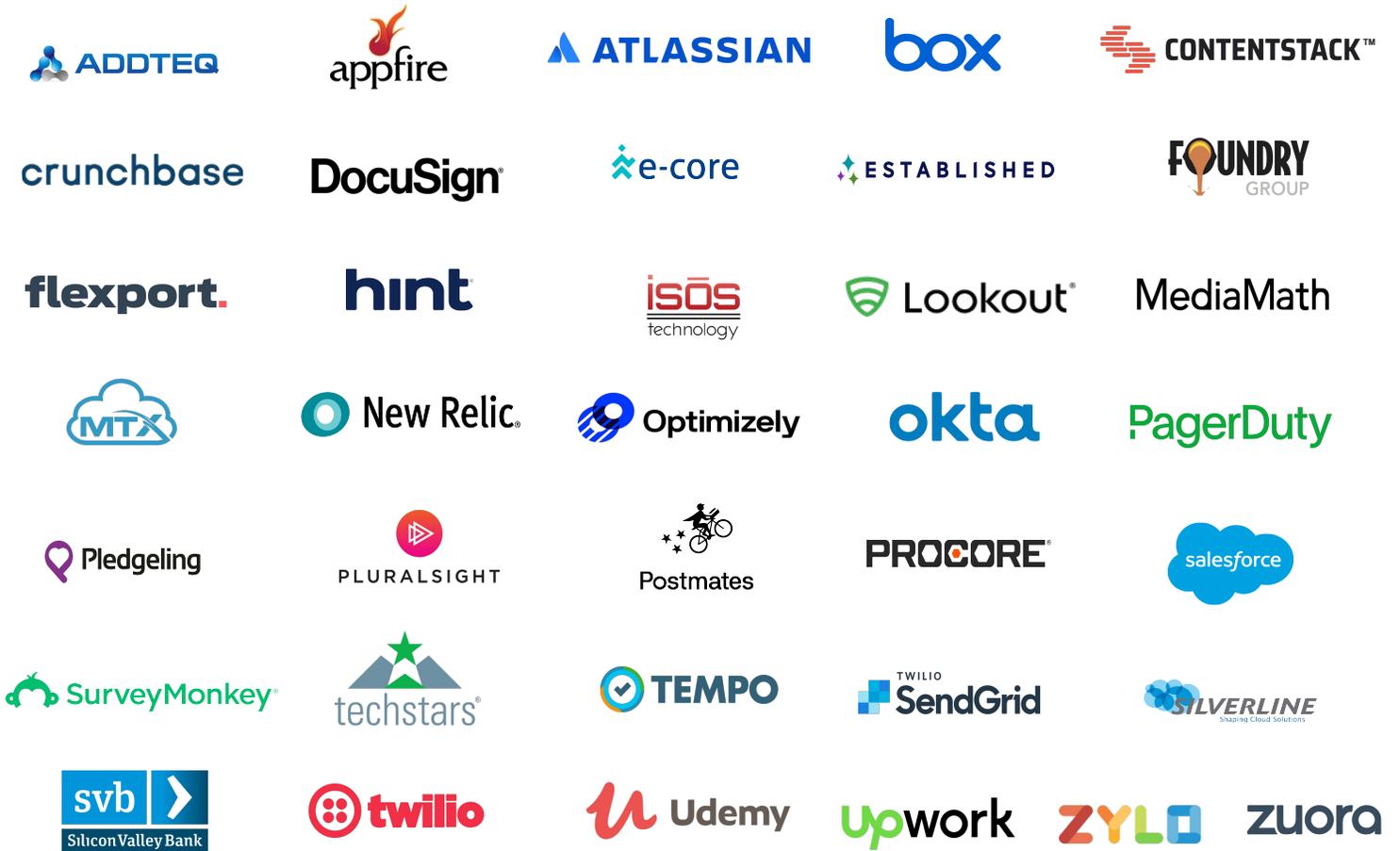
Suneela Jain
General Counsel,
Tides



Lee Kirkpatrick
Former CFO,
Twilio

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Contact: Equity@Pledge1Percent.org