Koch’s Philosophy of Philanthropy

Koch companies, foundations, employees and family members all have well-deserved reputations for generosity. The Salvation Army, American Red Cross, and United Negro College Fund are among the many organizations that have made points of applauding Koch’s philanthropy. Last summer, a New York publication called David Koch’s donations “outrageously generous.”

For members of the Koch family, charitable giving usually reflects personal priorities. David Koch, a late-stage cancer survivor, has pledged or contributed more than $1.2 billion — much of it to cancer research, as well as educational institutions and the arts.

But for Koch Industries and Charles Koch, philanthropic giving is driven by a very specific vision. “My philanthropy,” explains Charles Koch, “is focused on advancing ideas that help people improve their lives.

“We want to help people develop the values and skills needed for success. We also want to remove regulatory and other obstacles that prevent them from capturing opportunities.”

LOCAL TOUCH

At the local level, hundreds of Koch company sites around the world also make charitable contributions. Many of those contributions mirror Koch Industries’ corporate vision.

Koch sites have the leeway to make donations that address other types of needs in their communities. Molex employees in Munich, for example, have supported a local social project that provides resources to disadvantaged children.

Georgia-Pacific’s Bucket Brigade program has donated more than $1.75 million to dozens of local fire departments for equipment, programs and training. Similarly, FHR’s Pine Bend Refinery donated a specially equipped trailer to the Dakota County Fire Chiefs Association.

In Germany, INVISTA’s nylon 6,6 yarn processing site in Michelau has also contributed to local emergency responders.

Elsewhere, children are the focus of giving. In China, the GP Cellulose Green Hand Project™ (pictured) is giving thousands of schoolchildren access to better sanitation and cleaner water. The Flint Hills International Children’s Festival in St. Paul, Minnesota, has been sponsored by FHR for 16 years. FHR has also been a major contributor to the Texas Aquarium in Corpus Christi.

WHAT IT’S NOT

All Koch donations, whether at the local or national level, are made using a similar thought process.

Meredith Olson, vice president of public affairs for Koch Companies Public Sector, says the core of Koch’s philanthropy is not about buying control.

“We don’t want to be a micro-manager of nonprofits, because that stifles innovation. We’re respectfully investing in their visions because we believe they align with ours,” Olson said. “We’re very open to new ideas, new partners and new ways of advancing our vision of philanthropy.”

Unlike some donors, Koch tends to take a long-term view with charitable investments. It is not the kind of company that writes a check and then walks away or that gives money to try to boost its reputation.

“We don’t give to look good; we give to do good,” Olson said. “We also hold people accountable for results, just as we do with our own businesses.

“Charles Koch continually reminds us that all people have unique talents, abilities and advantages. A free society enables them to discover these and succeed.

“That’s why our overarching goal is to create opportunities for earned success among the least advantaged.”

To learn more about Koch’s philanthropy in action, see the story on Page 10.
Mr. Koch,
As a lifelong employee of Koch Pipeline, I want to express my gratitude for the opportunities Koch has made available to me and my family.

My career with Koch began in 1966 as a part-time college student at the pipeline yard in Duncan, Oklahoma. Two dollars per hour and 48 hours per week was big money to an 18-year-old.

Sterling Varner was gracious enough to introduce us at the Duncan yard where I was working as an electrician. I also was fortunate enough to visit with you in 1969 in Haskell, Texas, after the Service Pipeline acquisition. The fact that you remembered me was amazing.

I remained with Koch until 2005, when ONEOK NGL bought Mid-Continent Gathering. I retired from ONEOK in 2012. Koch Industries must have had a strong affect on me because I am still working as president of Manhattan Inspection in Shawnee, Oklahoma. I have spent the last three years working on the Sterling lines from Medford to Mont Belvieu.

My family and I thank you for making a better life possible through the vision of Koch Industries.

Ronnie D. Sims, president
Manhattan Inspection
Shawnee, Oklahoma

It was a pleasure to watch your interview on “The Kelly File.” I have heard the name “Koch” mentioned so many times on the various news channels and by our politicians, yet I had no idea who you were, what you looked like and what you thought.

It was nice to get a small opportunity to see and hear from you directly which, in turn, informs me and allows me to develop my own opinion of who you are.

My conclusion: you should do more interviews!

Lynn R. Ferguson
Azusa, California
Last October, Steve Daley, president of Koch’s MBM® capability, gave a special presentation to about 180 international students at the London campus of ESCP Europe Business School.

ESCP, established in 1819, calls itself “the world’s first business school” and also has campuses in Berlin, Madrid, Paris, Turin and Warsaw.

Daley’s presentation included an overview of Koch Industries and an explanation of the differences between good and bad profit as presented in Charles Koch’s new book. A Q&A session with the students followed Daley’s lecture.

“This was a significant opportunity to share our ideas with tomorrow’s business leaders,” Daley said. “Since we believe the concepts of economic freedom and MBM are universal, it was great to have this discussion with a European audience.”

Koch companies employ about 6,000 people at dozens of sites across Europe, ranging from manufacturing plants and research facilities to financial trading operations and business support capabilities.

INVISTA believes biotechnology has the potential to significantly improve the cost and availability of several chemicals and raw materials that are used to produce its current products. For years, it has researched this possibility. Last December, Gary Smith, INVISTA’s vice president of intermediates sustainability based in Wilton, U.K., announced a breakthrough for bio-derived butadiene production through INVISTA’s collaboration with LanzaTech (founded in New Zealand).

“Through our collaboration with LanzaTech, we have developed a metabolic toolkit that has been successfully applied to generate new pathways for bio-derived butadiene production,” Smith said. This work is in an early stage of development. INVISTA hopes to commercialize it within the next several years. Butadiene, a key intermediate chemical used in the production of synthetic rubber and various plastics, is used by INVISTA in its proprietary, butadiene-based adiponitrile (ADN) production technologies.

In early January, INVISTA announced it was granted a patent for bio-derived raw materials technology developed through a collaboration with Arzeda (headquartered in Seattle).

Last December marked Georgia-Pacific’s 10th anniversary as a Koch company.

The acquisition of GP, completed in just 40 days, was valued at $21 billion and remains the largest in the history of Koch Industries.

In Charles Koch’s new book, “Good Profit,” two of the in-depth case studies provided in Chapter 11 involve Georgia-Pacific.

At the conclusion of the section on GP Consumer Products, Koch wrote: that business “is in a much better place today as a result of applying MBM” and has “a much better understanding of what needs to be done to create long-term value for customers, the company, and society.”

To find out more about Georgia-Pacific’s companies, products and careers, visit www.gp.com.
Molding a career

When Julia Huang joined Molex as a senior project engineer 11 years ago, she knew nothing about connectors. But that didn’t stop her from learning or from steadily rising through the ranks and being promoted to project manager in July 2005.

Then, in February 2015, Huang became the first female production manager at the company’s Shanghai manufacturing operation. Today, she leads the 220-member molding department — the group responsible for one of the most important processes for manufacturing new laptop and mobile phone solutions.

“I have been able to learn and grow with Molex through hard work and persistence,” Huang said. “That’s what has made me successful and enabled me to earn this position.”

Born in a country that venerates many traditions, Huang’s remarkable career path has been quite untraditional.

She joined Molex after graduating with a degree in computer science from Shanghai University. But her earliest roles at Molex had little to do with that degree. Instead, she helped the company develop new products and expand its socket business. She also supported tooling development.

Today, Huang works alongside production engineers and tool room supervisors to, as she puts it, “ensure the right people do the right things to create value.”

In addition to her daily tasks, Huang is inspired by the freedom to explore new ideas — a key component of Molex culture that is now reinforced by MBM®.

“From the very beginning,” Huang said, “I was encouraged to break with the status quo as long as it created value. At Molex, there were no confines like I saw at so many other companies.

“It’s very fulfilling to be able to work with your team to pursue ideas and drive innovation and change.”

Change has been a constant throughout Molex’s 77-year history. The demand for innovation in the electronics marketplace has enhanced the importance of overall diversity and created opportunities for employees like Huang who are willing to push long-standing boundaries.

In addition to her supervisor role, Huang is an active member of the Molex Women’s Business Council, a company-sponsored business resource group committed to helping women develop and advance their careers within the company.

Having been successful in her own career, Huang believes she is better prepared to help others. “I hope my example can encourage more female colleagues,” she said.

“I’m proud to work for Molex. This company provides a platform where, if you work hard, you can create value and make a real difference.”

On October 13, Charles Koch’s new book, “Good Profit,” was published. A week later, it debuted at No. 7 on The New York Times Best Sellers list for its category. It reached No. 3 overall for book sales on Amazon.

A U.K. version was also published in October and work on a Chinese translation is underway.

Several notable reviews of the book have appeared recently. Patrick O’Connor, writing for The Wall Street Journal, called it “a blend of biography, social theory and management advice.”

In Human Events magazine, Mark Skousen described it as “a guide for business owners and entrepreneurs” with some good “advice for investors.”

F. H. Buckley, writing in The American Spectator, recommends the book for those who want “to know how a company that forswears crony capitalism can thrive, as Koch Industries did.”

Writing in the National Review, William Bennett called it “as much a course in ethics as business management.”

And in the U.K., Ed Crooks of the Financial Times described it as “a framework for encouraging effort and creativity.”

“Courage is what it takes to stand up and speak. It’s also what it takes to sit down and listen.”

~ Winston Churchill
JANUARY

6 Molex completes its acquisition of SDP Telecom, a global manufacturer of wireless communication tools.

7 An important op-ed by Charles Koch and Mark Holden promoting criminal justice reform is published in Politico magazine.

30 FHR acquires an ethanol plant in Georgia, its seventh plant overall and the first outside the Midwest U.S.

FEBRUARY

10 KS&T announces it has expanded its portfolio to include European power, global renewables and emissions trading.

11 Koch Nitrogen launches a website about its biggest project ever: a $1.3 billion expansion in Enid, Oklahoma.

19 Koch joins the Coalition for Public Safety, a nonpartisan organization promoting criminal justice reform in the United States.

MARCH

12 Koch Business Solutions opens a new office and technical “hub” in Reno, Nevada, supported by a local ad campaign.

13 Georgia-Pacific acquires the Rocky Creek lumber facility in Mexia, Alabama.

APRIL

10 Koch Agronomic Services launches a new brand: Koch Turf & Ornamental, with solutions for golf, lawn care and ornamental markets.

20 INVISTA and GP receive Pinnacle Awards for chemical transportation safety from Union Pacific Railroad.

30 A Koch company acquires complete ownership of the 52-story Georgia-Pacific Center in Atlanta, GP’s headquarters.

MAY

3 David H. Koch celebrates his 75th birthday with family and friends in Florida.

5 Molex acquires assets from Soligie for making printed and flexible electronic components, such as those used in medical devices.

19 Molex acquires ProTek Medical Ltd., manufacturer of customized medical devices for the global medical industry.

JUNE

1 Employees begin moving into Building H, the first new office facility to open on the Wichita campus in 23 years.

4 KII and FHR donate $100,000 to the American Red Cross to assist families hard-hit by a series of violent storms in Texas.

24 Koch Agronomic Services announces plans for an AGROTAIN® DRI-MAXX nitrogen formulation plant in the Netherlands.
IN REVIEW

**JULY**

10 Tri-State Fertilizer announces an agreement to build a liquid fertilizer terminal in North Dakota for Koch Fertilizer.

13 Koch announces that its quarterly newsletter, Discovery, is now available as a public app for electronic devices.

21 Announcement that all of Koch Industries’ proceeds from the sale of “Good Profit” will be donated to the Youth Entrepreneurs Foundation.

**AUGUST**

6 Koch Pipeline donates $30,000 worth of emergency response equipment to the Waupun, Wisconsin, fire department.

8 Hundreds of FHR employees and their family members celebrate Pine Bend Refinery’s 60th anniversary.

18 A Koch Fertilizer affiliate and a subsidiary of Germany’s K+S Aktiengesellschaft sign an exclusive potash supply agreement.

**SEPTEMBER**

9 Koch companies surpass 1,000 awards for safety, environmental excellence, community stewardship, innovation and customer service since 2009.

25 An affiliate of Koch Equity Development and its partners agree to acquire Truck-Lite, a provider of safety lighting and filtration systems.

29 Forbes publishes an extensive online interview with Charles Koch regarding his upcoming book and the 2016 presidential election.
OCTOBER


21 Georgia-Pacific announces plans for $110 million in upgrades for its Alabama River Cellulose mill in Monroe County.

30 Thousands of Koch company employees in Wichita join the Koch family in celebrating Charles Koch’s 80th birthday.

NOVEMBER

3 Paris-based Deinove announces plans to develop animal nutrition ingredients using raw materials from FHR’s biofuels plants.

12 KII receives the Conservation Education Award from the Wildlife Habitat Council. WHC has certified 13 Koch sites in nine states.

17 Ceres Global Ag Group announces an agreement with Koch Fertilizer for storing and handling dry fertilizer products in Saskatchewan, Canada.

DECEMBER

1 INVISTA and LanzaTech announce a breakthrough in the development of bio-derived butadiene production.

2 Harvard University announces a $2.93 million donation from the Charles Koch Foundation to fund fellowships at the John F. Kennedy School of Government.

16 Charles Koch signs more than 750 copies of his new book, “Good Profit,” for employees.
INVISTA: Doing it Wright

At a quiet intersection in Wichita’s College Hill neighborhood stands a house Frank Lloyd Wright called “one of my best.” USA Today agrees, calling it one of the “10 great Frank Lloyd Wright home tours” in the nation.

Frank Lloyd Wright’s Allen House is named after its first owners, Henry and Elsie Allen. Henry was a Wichita newspaper publisher and two-term Kansas governor.

Commissioned in 1915 and completed in 1918, this was the last house Wright designed in his so-called Prairie School style, which emphasized horizontal lines, earth tones and a blending of interiors with exteriors.

It features more than 30 pieces of Wright-designed furniture (23 of them on loan from Wichita State University), all of its original art glass and several new—for-their-time innovations, such as wall-hung water closets and an attached garage.

For more than 25 years, the house and its programs have been funded by Koch-supported foundations.

Guided tours of the house are quite popular, however, due to its size and configuration, visiting groups must be limited to no more than 25 persons at a time.

Even so, there has been considerable wear and tear on the carpet, which was last replaced about 25 years ago.

To help solve that problem, INVISTA, in partnership with Bentley Mills of Los Angeles, has donated brand new custom carpet made from INVISTA’s ANTRON® nylon carpet fiber. Star Lumber & Supply of Wichita donated the installation.

“We were delighted to have the opportunity to contribute to this marvelous house,” said Marc Ahrens, vice president of INVISTA’s commercial flooring business. “It’s a treasure we want to share with everyone.”

Howard Ellington, executive director of the Frank Lloyd Wright Allen House, noted that replacing carpet in such an historic home is not a simple project.

“For an architectural restoration like this,” said Ellington, “the color has to be absolutely correct. Wright specified a light ochre and there can be no pattern in the weave of the carpet.

“We’re also using an integral carpet pad so we can avoid the carpet staining caused by the adhesive that was used on the previous replacement.”

Installation, which involved moving much of the historic furniture, began in mid-January. Tours are expected to resume in February and can be booked at fllwallenhouse.org.

A popular film about Wright (directed by Ken Burns and Lynn Novick) was made possible by funding from David H. Koch. It is available from PBS and many retailers.
In keeping with Koch Industries’ vision for philanthropy (see Page 1), most of the company’s donations are focused on helping the least-advantaged and most vulnerable in society. This is usually done in one of two ways: by funding opportunities for self-improvement, or by helping remove obstacles to earned success.

CREATING OPPORTUNITIES
Education is a powerful tool for creating the opportunities that can transform lives. Charles Koch began contributing to university programs more than 50 years ago. Today, various Koch entities support programs at hundreds of colleges and universities, and dozens of public school systems across the U.S.

Sometimes these donations are quite large and attract significant attention — such as Koch’s $25 million gift to the United Negro College Fund. More often, the gifts are unnoticed — such as the fact that all of Koch Industries’ proceeds from the best-selling book “Good Profit” are being donated to the Youth Entrepreneurs Foundation.

YE, which was founded in 1991 by Liz and Charles Koch, has helped thousands of disadvantaged high school students learn the values and skills necessary for success. It also provides scholarships and venture capital grants, and arranges for mentoring by local business leaders.

A different sort of educational program, launched last summer, is being supported by three Koch companies — Flint Hills Resources, Koch Ag & Energy Solutions and Molex — in southeast Nebraska. Those companies are contributing $200,000 over four years to The Career Academy in Lincoln.

TCA is a partnership that includes Lincoln’s public schools, Southeast Community College and dozens of regional businesses and industries. It offers high school and college students temporary roles at local employers as a way of evaluating different career pathways.

“Exposing students to a wide range of career opportunities is what TCA is all about,” said Wendy Van, president of the Foundation for Lincoln Public Schools. “Our business partners are critical to making education come alive by opening their doors to students.”

“The Career Academy helps prepare students by giving them exposure to high-skill, high-demand careers,” explained Laura Hands, Koch’s community affairs director. “By working in one of our biofuels plants or manufacturing facilities, these students get essential hands-on experience and a better understanding of their career options.”

The Career Academy concept is popular with many communities because it not only helps develop students into better employees, it creates an incentive for skilled and technical workers to remain in the area, where they contribute to economic growth.

Wendy Birdsell, president of the Lincoln Chamber of Commerce, is enthusiastic about this Koch-supported program.

“The Lincoln Chamber of Commerce views The Career Academy as a vital component to bridging the gap in our workforce needs,” Birdsell said. “We see the connection of business and education coming together today, building the Lincoln of our future.”

REMOVING OBSTACLES
Koch’s fight to eliminate needless licensure barriers is a good example of how the company tries to remove barriers to opportunity. At first glance, neither this nor criminal justice reform might seem like philanthropic endeavors, but both initiatives are helping people improve their lives.

In 2015, the White House released a report that estimated “more than one-quarter of U.S. workers now require a license to do their jobs” and “the share of workers licensed at the state level has risen five-fold since the 1950s.” Many licensure requirements often seem arbitrary and counter-productive. For example, on average, it takes more than a year to
Would-be entrepreneurs, ranging from dog walkers to fitness trainers, have become frustrated with licensing requirements that often make no sense. The cost to the economy of all this licensure is much larger than most people realize.

In his recent op-ed for *The Wall Street Journal*, Koch Industries’ general counsel, Mark Holden, wrote: “The harm of licensing rules shouldn’t be underestimated. By one assessment, such regulation has prevented the creation of nearly 3 million jobs” in the U.S.

To help remove these obstacles to opportunity, Koch provided seed capital for the Institute for Justice, a nonprofit based in Arlington, Virginia, that has taken the lead in tackling the problem of too much occupational licensing in the U.S. “In many cases,” the website for the Institute for Justice states, licensing “boards operate without any direct oversight from state lawmakers or executive branch officials. Often, they are filled with representatives of the very industry the board is supposed to regulate, and the rules they approve are intended not to protect the public’s health and safety, but rather to erect barriers that limit competition and keep prices artificially high.”

As an example of how egregious this problem has become, the Institute for Justice website includes the story of an Iowa woman who has braided hair professionally for 15 years but has been told by the State Board of Cosmetology that she cannot do so in Iowa without a cosmetology license.

“Reducing burdensome requirements on job seekers is also essential for reforming the criminal justice system,” said Holden. “If we prevent non-violent ex-cons who have paid their debt to society from getting good jobs, how can we expect them to improve their lives and eventually become productive citizens?”

**WHATEVER IT TAKES**

To help create opportunities for others, Koch companies have donated to a wide variety of organizations and initiatives. Koch has also shown a willingness to partner with traditional as well as unconventional allies who share the company's vision of removing obstacles to opportunity.

“It’s true that we always evaluate our philanthropic opportunities within the framework of a specific vision,” said Meredith Olson, vice president of public affairs for Koch Companies Public Sector. “But we are very open to new ideas and eager to innovate.

“We want to give a hand up to the people who need it most, and we see philanthropy as an essential tool for helping to make that happen.

“We also want to optimize our giving so we can really influence social change. Whether it’s Big Brothers Big Sisters, YMCA Job Prep, Rise Up For Youth or Youth Entrepreneurs, we want to put our money where it will really make a lasting difference,” Olson said.
Last month, I celebrated my 10th year as KII’s president and chief operating officer. So this seems like a good time to reflect on what’s changed, what hasn’t and what’s next for Koch.

Our changes during the past 10 years have been significant. Just to name a few, we’ve updated our Vision and Guiding Principles, spent more than $46 billion on acquisitions, investments and capital expenditures, and transformed our Wichita campus.

Our strong financial performance helped us acquire Molex (which has more employees than any other Koch company) and enabled FHR, GP, Koch Chemical Technology Group and Molex to make significant acquisitions. We have also funded the building of world-class production facilities (still under construction) for INVISTA and KAES.

On a more personal note, Charles Koch wrote two best-selling books, celebrated the marriages of both of his children and is now a proud grandfather.

Not so happily, we have become even more of a target — especially for politicians and media attackers who choose to misrepresent our company, our principles and our owners. Consequently, we are managing our corporate reputation and telling our story much more actively.

**WHAT HASN’T CHANGED**

As much as we talk about embracing change, it should be clear to everyone that our shareholders have remained steadfast in doing what’s best for the company in a way that benefits society. They continue to fund our growth by reinvesting 90 percent of profits back into the company.

Our desire to remain private, to hire based on values before skills, to be principled entrepreneurs and to emphasize humility and integrity continue to set us apart.

I am especially proud of our company’s commitment to environmental, health and safety excellence. It is a big part of what defines us as a company.

We also continue to believe that Koch companies are capability-based rather than limited by industry areas. That’s why we continue to seek new opportunities where our capabilities can add value, rather than just doing more of the same.

And our fundamental goal to succeed by creating value for our customers and society as a whole is unchanged — which is why our opposition to corporate welfare remains so strong.

**WHAT’S NEXT?**

As Charles often reminds us, “the future is unknown and unknowable.” Even so, I’m willing to hazard a few thoughts about what’s ahead of us.

If we live up to our Vision of doubling earnings, on average, every six years, we will be a much bigger and even more diverse company in the year 2022. Just as we broadened our horizons with the acquisitions of INVISTA, Georgia-Pacific and Molex, I have no doubt that 10 years from now we’ll be in businesses that most of us can’t even imagine today.

Given the significant investments we’re making in new software, and the unrelenting pace of technological innovation in general, the tools we will have at our disposal are likely to be radically different in the years to come.

We’re already hard at work developing bio-derived processes for creating chemicals and fuels, and finding new ways to engineer smart processes into our operations and products.

When I became president 10 years ago, there were no iPhones. Twenty years ago there were no DVDs. The future is likely to bring about more life-improving innovations at an even faster pace.

**SO WHAT?**

I’m confident that as an employee of a Koch company, you can look forward to more, better and different opportunities for applying your comparative advantages, leading to an even more fulfilling work life.

This company, shaped by our MBM® Guiding Principles, has made a real difference in the world and will continue to do so.

Every day, we have more than 100,000 employees around the world working to produce products and provide services that help people improve their lives. That’s something I’m proud of, and I hope you are as well.

When I look back — not just 10 years ago when I started this role, but to 1984, when I began my career here with Koch’s asphalt business — it’s amazing to reflect on what has happened.

What’s even more amazing is to think about what we will do tomorrow, next year and in the next 10 years.

Given our unique combination of shareholders, private status, MBM culture, Guiding Principles and extremely talented employees, I have great confidence in the future of Koch Industries.

As Charles wrote in the conclusion of his new book, “Good Profit,” what we are doing at Koch contributes to a better life for millions of others around the world.

By pursuing our capabilities and passions, we “make a difference by helping others improve their lives.”