

# **CODE OF GOVERNANCE**

## **For Charities & Institutions of a Public Character (IPCs)**

**Issued by:**

**The Charity Council**

**26 November 2007**

# INTRODUCTION

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## Why a Code of Governance?

As community organisations working for public benefit, charities are accountable to the public. Good governance is becoming an increasingly important criterion in assessing whether to donate or volunteer their services to a charity. This Code of Governance will therefore help members of the public understand the hallmarks of good governance and also help charities prepare themselves to cater to an increasingly discerning public.

Governance in the charity sector refers to the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation. This is done through improving organisational effectiveness to maintain accountability and public trust. The Board has the responsibility to ensure good governance and management for the effective performance and operation of their charity.

This Code sets out principles and best practices in key areas of governance and management that charities are encouraged to adopt.

## Objectives of this Code

The objectives of this Code of Governance are to:

- a) **Enhance effectiveness of charities** by sharing how effective Boards have been governed so as to support Board members in their fiduciary work;
- b) **Promote best practices** by sharing effective non-profit governance practices; and
- c) **Enhance public confidence** in the charity sector by setting the standards of good governance which all charities can aspire towards.

## PREAMBLE

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- 1) The key objective of this Code is to provide guidance on the principles and standards of good governance in the charity sector. For charities and IPCs across all the charitable sectors<sup>1</sup>, the Code will help to support their Board members in the fiduciary duties that they carry out. For members of the general public who donate or volunteer their services to charities, the Code could be used as a tool to decide which charities to support.
- 2) As charities vary greatly in terms of size and activity, not all the Code guidelines will apply to all types of charities. However, notwithstanding the unique circumstances of each charity, all charities are encouraged to consider all sections of the Code and take the necessary action that would spur their charity towards better governance.

### **Tiered Guidelines**

- 3) To accommodate the diverse charity sector, the Code guidelines are tiered into Basic, Enhanced and Advanced sections according to the IPC status and size of the charity. The Enhanced and Advanced sections for IPCs and large charities consist of more guidelines, the compliance of which will help raise the standards of governance. This is because IPCs solicit donations from the public, and these donations enjoy double tax deductions. Higher standards of governance and management are therefore expected of IPCs and large charities as they manage significant amounts of charitable resources for the public benefit.

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<sup>1</sup> These include the arts & heritage, community, education, health, religious, sports, social service and youth sectors.

The specific Code guidelines are tiered as follows:

- (a) **Basic Section** - Applicable to *all charities and IPCs*;
- (b) **Enhanced Section** - Applicable to *all IPCs and large charities with gross annual receipts of \$10 million or more<sup>2</sup>*; and
- (c) **Advanced Section** - Applicable to *large IPCs with gross annual receipts of \$10 million or more<sup>3</sup>*.

Tier / Status	Charities	IPCs & Large Charities	Large IPCs
<b>Basic</b>	√	√	√
<b>Enhanced</b>		√	√
<b>Advanced</b>			√

### Complying with this Code

- 4) This Code is not mandatory regulation. Instead, it sets out the best practices in governance. The Code is operated on the principle of ‘comply or explain’. This means that where charities and IPCs are unable to comply with certain Code guideline, they should be able to explain why they are unable to comply in their particular circumstances. In explaining non-compliance, the charity should also indicate what steps they intend to take to move towards compliance or give explanations if they decide otherwise.
- 5) Some charities may not be able to comply with certain guidelines because they are in the process of working towards them. This could be an explanation for non-compliance. On the other hand, they may exceed the standards outlined in this Code, or it may be that some Code guidelines do not easily relate to the circumstances of a particular charity.
- 6) Charities are encouraged to review or consider amending their governing document, bye-laws and policies as necessary in the best interest of the charities to enable their adoption of this Code.

<sup>2</sup> Large charities are defined as having gross annual receipts of \$10 million or more in each of its 2 immediate preceding financial years. Gross annual receipts include all income, grants, donations, sponsorships and all other receipts of any kind. IPCs and large charities should observe guidelines in the “Enhanced” section in addition to the “Basic” section.

<sup>3</sup> Large IPCs (with gross annual receipts of \$10 million or more in each of its 2 immediate preceding financial years) should observe guidelines in the “Advanced” section in addition to the “Basic” and “Enhanced” sections.

- 7) This Code has been prepared primarily to meet the needs of registered charities and IPCs in Singapore, especially those which receive public donations. It does not apply to Exempt Charities and grant-makers (e.g. philanthropic foundations which are funded with private family or institutional money) which do not have IPC status, but they are welcome to make use of it as they deem fit.
- 8) It is obligatory for all IPCs to disclose the extent of their compliance with this Code in their annual report and on the Charity Portal ([www.charities.gov.sg](http://www.charities.gov.sg)). In assessing an IPC's application for renewal of the IPC status, Sector Administrators would take into consideration the IPC's extent of compliance of the Code and explanations for non-compliance. While similar public disclosure is not required for non-IPC charities, they must submit a Code evaluation checklist for review by their respective Sector Administrators via Charity Portal.

## **Terminology**

- 9) In this Code, we refer to:
  - (a) All registered charities and Institutions of a Public Character (IPCs) as "charities";
  - (b) The governing body responsible for governance and management of a charity as "the Board"; in practice, various other equally valid terms are also used, such as council or committee;
  - (c) The senior member of a charity's staff team as the "executive head", although there is a range of job titles in use; and
  - (d) The charity's main constitutional document or instrument as being its "governing document", this may in practice be referred to as its Constitution, Charter, Memorandum and Articles of Association, Trust Deed or other term.

This Code is intended to apply regardless of the terms used.

## **Using this Code**

- 10) This Code is organised in sections which follow the key principles of governance best practices. Each section starts by stating the general

principle. In the sub-sections, readers will find practical guidance for Boards to comply with the relevant principles.

# KEY AREAS OF GOVERNANCE BEST PRACTICES

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# 1 BOARD GOVERNANCE

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## **General Principle**

*The charity is governed by a volunteer Board whose members are either elected or appointed according to the charity's governing document. As the highest policy and decision making body, the Board has the responsibility of ensuring that the charity is governed and managed responsibly and prudently to ensure the effectiveness, credibility and sustainability of the charity.*

## **1.1 Board Roles, Composition and Bye-laws**

### **Basic**

- 1.1.1 **Board Roles:** Board members should accept responsibility for directing the affairs of their charity, ensuring it is well-managed, and delivering the charitable objectives for which it has been set up.
- 1.1.2 **Independence:** All Board members of the charity should exercise independent judgement and act in the best interests of the charity. To ensure objectivity in decision-making, it is desirable that the Board be wholly independent from the paid executive management of the charity. Paid staff of the charity may only become Board members where this is explicitly permitted by the charity's governing document. Paid staff should not comprise more than one-third of the Board. A paid staff should not chair the Board.
- 1.1.3 **Bye-Laws:** There should be written policies, governing documents or bye-laws on the Board's composition, election or appointment process, terms of reference and tenure of its office bearers.
- 1.1.4 **Distinction of Duties:** In charities where some Board members may be directly involved in operational decisions and matters, those concerned should make a clear distinction between their Board role and their operational work.
- 1.1.5 **Staff attendance at Board meetings:** Paid staff who are not Board members can attend Board meetings, ex-officio, to provide information and facilitate necessary discussion but should neither take part in decision-making nor vote.
- 1.1.6 **Term Limit:** There should be a maximum term limit of four consecutive

years for Board members holding the Treasurer (or equivalent<sup>4</sup>) appointment. Further re-appointment to the Treasurer (or equivalent) position can be considered after a lapse of at least one year. The Board may also consider setting terms limits to ensure steady renewal of Board members; these may be set out in the charity's governing document.

- 1.1.7 **Board Renewal:** The Board should have a strategy for its own renewal, with succession planning arrangements in place to ensure continuity and timely replacement of Board members resigning or completing their terms of office. Particular attention should be given to succession planning for the appointments of the Chairman, Treasurer and other key office bearers.

### ***Enhanced***

- 1.1.8 **Voting:** For agencies where Board members are elected, each voting member should be allowed only one vote. If the charity is an umbrella body (i.e. members are organisations), each member organisation having voting rights should have only one vote and the person voting on behalf of the member organisation should cast the vote according to the mandate given to him or her by the organisation.

- 1.1.9 **Qualifications & Training:** The Board should comprise members who possess suitable personal attributes<sup>5</sup>, core skills/ competencies<sup>6</sup> and commitment necessary for effective governance. The Board as a whole should work to achieve these competencies by attending structured training (e.g. courses in governance and core competencies) within their term of office in the charity. New Board members should be properly inducted and familiarised about their responsibilities and with the charity's operations and governance practices.

### ***Advanced***

- 1.1.10 **Board Evaluation:** The Board should conduct regular self-evaluation to assess its performance and effectiveness. Based on this evaluation, the Board should, where appropriate, consider new members for appointment to the Board.

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<sup>4</sup> Examples of equivalent positions to the Treasurer could be the Audit or Finance Committee Chairman. The Treasurer and Audit Committee Chairman should preferably possess recognised accounting qualifications and appropriate practical experience.

<sup>5</sup> Suitable personal attributes would include: Integrity, informed judgement, financial literacy, mature confidence, high standards of excellence.

<sup>6</sup> Core competencies could include: Accounting, finance, legal, human resources, business & management, strategic planning, fundraising, property, technology, media and sectoral knowledge (health, social services, education, arts/heritage, sports, youth, religious, environment etc.).

## **1.2 Board Structure**

1.2.1 The Board should have committees<sup>7</sup> (or designated Board members) with documented terms of reference in place to oversee the following areas of governance and operations, where appropriate:

### ***Basic***

- (a) Audit<sup>8</sup>;
- (b) Programmes and Services;

### ***Enhanced***

- (c) Fund-raising;
- (d) Appointment / Nomination;
- (e) Human Resource; and

### ***Advanced***

- (f) Investment.

## **1.3 Board Meetings**

### ***Basic***

1.3.1 Proceedings and decisions of Board meetings should be minuted and circulated to the whole Board as soon as practicable.

1.3.2 The Board should meet regularly, to make effective use of the time, skills and knowledge of Board members. The quorum required for a meeting should be at least one-third of the Board or at least three members, whichever is greater, if it is not stated in the charity's governing document.

1.3.3 Board members should make every effort to attend all Board meetings during their tenure.

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<sup>7</sup> Besides the Committee Chairman, other committee members need not be serving on the Board.

<sup>8</sup> Audit Committee: The Treasurer or Finance Committee Chairman should not concurrently chair the Audit Committee.

## 2 STRATEGIC PLANNING

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### **General Principle**

*The charity is established to accomplish certain objectives for the benefit of the society and/ or its members. The vision and mission of the charity should be clearly articulated, and the charitable work should be carefully planned and implemented.*

### **2.1 Vision and Mission**

#### **Basic**

2.1.1 The Board should define and approve the vision and mission of the charity, clearly document and communicate these to the public or its members. The Board should review the mission and vision of the charity periodically to ensure their relevance to its changing environment and needs.

#### **Enhanced**

2.1.2 The Board should define and approve the intermediate and long-term outcomes of the charity, clearly document and communicate them to the public. The Board should review these outcomes at least once in each Board term to ensure their relevance to its changing environment and needs.

### **2.2 Operations Plan**

#### **Basic**

2.2.1 The Board should ensure adequate resources for the operations and programmes of the charity, and that such resources are effectively and efficiently managed.

#### **Enhanced**

2.2.2 The Board should approve a strategic plan for the charity to ensure that the activities are aligned to the charitable objectives (such as an annual work plan, two to three year plan etc). The Board should review the plan periodically.

2.2.3 The charity should collaborate or network with other charities, corporate partners and community or national organisations for greater efficiency in the use of shared resources and for the advantage of its beneficiaries or members.

2.2.4 The Board should ensure that there is adequate reporting of the progress of the charity's programmes and outcomes to relevant stakeholders (e.g. donors, grant-makers, regulators).

***Advanced***

2.2.5 The Board should ensure that there is a current and updated plan on developing the capability of the charity and should monitor the progress of this plan. It should also measure the overall organisational performance of the charity.

### 3 CONFLICTS OF INTEREST

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**General Principle**

*Board members and staff should act in the best interest of the charity. Clear policies and procedures should be set and measures taken to declare, prevent and address conflict of interest that could affect the integrity, fairness and accountability of the charity.*

#### 3.1 Related Party Transaction

**Basic**

3.1.1 Conflicts of Interest Policy: The charity should establish documented procedures for Board members or paid staff to declare actual or potential conflicts of interest to the Board at the earliest opportunity.

3.1.2 Management of Conflicts of Interest: Where Board members have:

- (a) personal interest in business transactions or contracts that the charity may enter into; or
- (b) vested interest in other organisations that the charity has dealings with or is considering entering into joint ventures; or
- (c) personal interest as the charity's suppliers, service users, beneficiaries or members of staff;

there should be special procedures to deal with the conflicts of interest. Where a conflict of interest arises at a Board meeting, the Board member concerned should not vote on the matter or participate in discussions. He or she should also offer to withdraw from the meeting, and the other Board members should decide if this is required. The basis in arriving at the final decision on the transaction or contract should be documented in the minutes of meeting.

3.1.3 Staff Appointment of Related Parties: Appointment of paid staff with close relationship (i.e. those who are more than acquaintances) with current Board members or paid staff should go through the established human resource procedures for recruitment. Board members or paid staff should make a declaration of such relationships and refrain from influencing decisions during the recruitment process.



## 4 PROGRAMME MANAGEMENT

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### **General Principle**

*The programmes and activities conducted by the charity determine the charitable work that the charity sets out to accomplish. They should be carefully planned, tracked and reviewed to ensure relevancy to the mission and vision of the charity.*

### **Basic**

- 4.1 The charity should ensure that operations and programmes are directed towards achieving the stated outcomes, mission and vision.
- 4.2 The charity should ensure that the outcomes of each programme are clearly defined.
- 4.3 The Board should be regularly updated on the progress of its programmes and services.

### **Enhanced**

- 4.4 The charity should develop an evaluation system that measures the effectiveness and efficiency of programmes and that their outcomes are in line with its mission and objectives.

## 5 HUMAN RESOURCE MANAGEMENT

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### **General Principle**

*Human resource is an important asset of the charity. The charity has a pool of paid staff and volunteers to run its operations and programmes, and should have human resource policies to address these groups of people.*

### **5.1 Staff and Volunteers**

#### **Basic**

5.1.1 Human Resource Policy: There should be documented human resource policies<sup>9</sup> approved by the Board for paid staff and volunteers.

#### **Enhanced**

5.1.2 Volunteer Management: The charity should ensure that a management system is in place for volunteers.

5.1.3 Reference Checks: The Board should ensure that there are procedures for reference checks on the executive head and key staff that control considerable sums of money. Consideration should be given to volunteers, where applicable.

5.1.4 Recruitment: The human resource policies should aim to attract suitable staff and volunteers with the appropriate type and level of qualification and experience.

5.1.5 Performance Appraisal: The Board should ensure that systems are set up for the regular supervision, appraisal and personal development of the executive head. The charity should also ensure a fair and transparent performance review and appraisal system for paid staff and, where appropriate, for key volunteers as well.

5.1.6 Staff Remuneration: No paid staff should be involved in setting their own remuneration. The Board should ensure that there is a system for setting the remuneration of paid staff (including the executive head). Where there is a performance related element in the remuneration package, it should be linked to the achievement of measurable targets<sup>10</sup> appropriate to the

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<sup>9</sup> HR policies could cover areas such as recruitment, remuneration, benefits, training, development actions, performance appraisal and disciplinary actions.

<sup>10</sup> Where staff remuneration is linked to funds raised, the formula should be clearly stated.

objectives of the charity.

- 5.1.7 Reimbursement: There should be documented procedures for Board members, staff and volunteers to claim authorised travel and other expenses incurred while carrying out the charity's affairs.
- 5.1.8 Training: The charity should ensure a system to identify training needs of staff and volunteers to equip them with the necessary skills to perform their jobs effectively.

***Advanced***

- 5.1.9 Insurance: There should be appropriate insurance coverage for staff and, if necessary, in their work, for volunteers.
- 5.1.10 Feedback Channels: The charity should ensure an appropriate and effective channel of communication for staff and volunteers for feedback and exchange of information.
- 5.1.11 Conflict Resolution: The charity should ensure a system to address grievances and resolve conflicts for staff and volunteers.
- 5.1.12 Exit Policies: The charity should ensure policies and procedures for exiting staff (e.g. exit interviews, commitment of non-disclosure of organisation matters to external parties etc).

## 6 FINANCIAL MANAGEMENT AND CONTROLS

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### **General Principle**

*Being an organisation providing services for the good of the public (or its members) and having donated funds as its major source of income for its operations, the charity should have sound financial management and compliance with applicable laws to ensure accountable and legitimate use of their resources.*

### **6.1 Budget Planning and Monitoring**

#### **Basic**

6.1.1 The Board should approve an annual budget appropriate for the charity's corporate and programme plans and monitor regularly its budget expenditure to prevent or minimise operating deficits. Financial statements with comparative budget figures should be presented at the Board meeting, with analysis and explanations for major variances, if any, for Board discussion and adoption.

### **6.2 Operational Controls**

#### **Basic**

6.2.1 There should be a policy to seek the Board's approval for any loans made by the charity or donations to external parties.

6.2.2 The Board should ensure periodic internal audit on controls, processes, key programmes and events (e.g. fund-raising).

6.2.3 The charity should ensure internal control systems are in place with documented procedures, approved by the Board, for financial matters, such as:

- (a) Procurement procedures and controls (e.g. three quotations for large purchases);
- (b) Quotation or tender procedures and controls for purchases above certain amount;
- (c) Receipting, payment procedures and controls (e.g. double signatories); and

- (d) System for the delegation of authority and limits of approval.

### **6.3 Asset Management**

#### ***Basic***

- 6.3.1 While all charities should maintain some level of reserves<sup>11</sup> to ensure long-term financial sustainability, the charity should disclose its reserves policy<sup>12</sup> in the annual report. The charity should not create separate funds, except for endowment or restricted funds<sup>13</sup>.
- 6.3.2 The charity should ensure that capital funds are only set up for clear and justifiable needs. The charity should ensure that prospective donors are informed of the purpose of the funds, amount of funds needed and the planned timing of the capital development, i.e. planned commencement and targeted completion dates. For existing capital funds, the charity should disclose the purpose and size of each fund as well as the planned timing of the capital development.
- 6.3.3 The charity should ensure that the capital of all endowment funds are not utilised or transferred to other funds unless explicit permission is given by the donor of the endowment fund. The charity should ensure, within reason, that the endowment funds are utilised for the purposes stipulated by the donor. For existing endowment funds, the charity should disclose the purpose and size of each fund.
- 6.3.4 There should be a fixed assets register to account for all the fixed assets of the charity. The charity should safeguard the value of their assets, e.g. arranging for adequate insurance coverage for fixed assets.

#### ***Advanced***

- 6.3.5 The charity may invest its reserves, if the governing document permits and it is in accordance with an investment policy approved by the Board. It should obtain advice from qualified professional advisors, where appropriate.

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<sup>11</sup> "Reserves" is used to describe that part of the charity's income funds that is freely available for its operating purposes not subject to commitments, planned expenditure and spending limits. "Reserves" normally excludes: permanent endowment funds, expendable endowment funds designated and restricted funds.

<sup>12</sup> A policy on reserves states the level of reserves held and why they are held. Where material funds have been designated, the reserves policy statement should quantify and explain the purpose of the designations and, where set aside for future expenditure, the likely timing of that expenditure.

<sup>13</sup> Restricted funds are donated funds that can be applied for particular purposes, according to the expressed wishes of a donor or the terms of an appeal.

6.3.6 There should be a policy to ensure that the facilities and assets of the charity are efficiently utilised for maximum value to the charity.

## 7 FUND-RAISING PRACTICES

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**General Principle**

*As fund-raising is one of the key interactions between the charity and the public or its members, the charity should ensure that its fund-raising activities are transparent, ethical and uphold the public's confidence in the cause of the charity.*

IPCs and charities that raise funds publicly should refer to the **Annex on “Good Fund-raising Practices”** for specific Code guidelines on fund-raising.

## 8 DISCLOSURE AND TRANSPARENCY

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### **General Principle**

*As the charity operates with public support through both donations and the use of volunteers, it should be transparent in its operations to maintain the integrity of serving for public trust and community good instead of personal gain. As such, the charity should demonstrate its openness to the public by providing the public with information about its mission, structure, programmes, activities, performance and finances.*

### **Basic**

8.1.1 The charity should make available to its stakeholders an annual report on the charity's programmes, activities, audited financial statements and listing of members on its governing Board and executive management. Financial accounts should be tabled at the Annual General Meeting if required by the governing document.

### **Enhanced**

8.1.2 Generally Board members should not receive remuneration for their Board services. Where the charity's governing document permit remuneration of Board members, the charity should disclose the exact remuneration and benefits received by each individual Board member in the annual report. No Board member should be involved in setting their own remuneration.

8.1.3 The charity should disclose the annual remuneration of the top three key executives in salary bands of less than \$100,000, and subsequent bands of \$50,000 in the annual report. For example, amongst the top three executives, how many receive annual remuneration of less than \$100,000, how many receive annual remuneration between \$100,000 to \$150,000 etc.

## 9 PUBLIC RELATIONS AND CORPORATE COMMUNICATIONS

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### **General Principle**

*The charity provides important services to the community. It therefore needs to communicate its mission, programmes or activities to key stakeholders and respond readily to requests for such information.*

### **9.1 Public Image**

#### **Basic**

9.1.1 The charity should build up a positive image and represent the interest of its beneficiaries. The Board should ensure that the charity does not engage in any form of party politics or misrepresent itself to the public.

#### **Enhanced**

9.1.2 The Board should ensure that there are procedures relating to releasing information about the charity and its activities to the media, its stakeholders and the public.

9.1.3 The Board should designate an appropriate spokesperson(s) for the charity.

## GOOD FUND-RAISING PRACTICES

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### 1.1 Fund-Raising Practices

- 1.1.1 The charity and its fund-raisers should ensure that the conduct and communication of their fund-raising activities will preserve the integrity and transparency of the charity and promote the public trust and confidence in the charity and its activities.
- 1.1.2 In its communications with donors and the public, the charity and its fund-raisers should avoid stirring negative emotions. They should observe the following:
- (a) Avoid stirring feelings of guilt in the public who may not wish to donate;
  - (b) Show respect for the dignity of those benefiting from the appeal;
  - (c) Avoid making comparisons of charitable organisations;
  - (d) Avoid presenting an exaggerated impression of the scope or nature of the cause or problem handled by the charity;
  - (e) Avoid misleading the public with regards to the purpose and use of the donations;
  - (f) Avoid the use of messages or images that discriminate against any race, religion or culture; and
  - (g) Do not subject prospective donors to coercion, harassment or undue pressure.
- 1.1.3 Charities with sufficient reserves should not actively raise more donations unless there are concrete plans to expand their activities or services.
- 1.1.4 The charity should have a system for the approval of the use and application of the charity's name and logos by third parties.

### 1.2 Financial Accountability

**General Principle**

*The charity should ensure that proper accounting practices and records are maintained for the fund-raising activities.*

- 1.2.1 The charity and its fund-raisers should ensure the prompt banking of solicited funds. Fund-raisers should ensure the timely transfer of collected funds to the charity.

### **1.3 Accountability to Donors**

***General Principle***

*The charity and its fund-raisers should be accountable to their donors for the donations received.*

- 1.3.1 The charity and its fund-raisers should ensure that donors receive informed and ethical advice about the charity, intended use of donation, value and tax implications of potential donations.
- 1.3.2 The charity should, whenever possible, express appreciation to their donors through “thank you” letters, tokens, certificates, award ceremonies, or some other similar means. However, the charity should guard against over-spending on such initiatives.

### **1.4 Confidentiality of Donors**

***General Principle***

*Charities and their fund-raisers should respect donors’ confidentiality.*

- 1.4.1 Charities and their fund-raisers should enquire whether donors wish to be named or to remain anonymous, or state its practice upfront on any public recognition of donors.
- 1.4.2 Charities and their fund-raisers should honour any request by donors to be excluded from the donors list.
- 1.4.3 Charities and their fund-raisers should respect any request by donors or prospective donors to reduce or discontinue contacting them in total or to restrict the frequency of solicitations, through the use of mailings, email, telephone or other approaches.

### **1.5 Interests of Fund-Raising Personnel**

***General Principle***

*The charity and its fund-raisers should effectively manage and take care of the interests of their fund-raising personnel.*

- 1.5.1 The charity and its fund-raisers should take reasonable care to ensure the welfare and safety of all fund-raising personnel.
- 1.5.2 The charity and its fund-raisers engaging children below 16 years of age to raise funds should obtain prior approval from the relevant regulatory authorities and consent from the parents or guardians of those children. Parents or guardians should have the right to decline such requests.
- 1.5.3 The charity and its fund-raisers should ensure that children below 16 years of age who are engaged in fund-raising are encouraged to do so in the spirit of volunteerism and giving. Appreciation for their acts may be given and are encouraged. However, incentives that would be seen as dishonouring the spirit of volunteerism should be avoided.
- 1.5.4 The charity and its fund-raisers should brief all fund-raising personnel (staff, volunteers, hired solicitors) on all relevant aspects of the charities and the fund-raising exercise, so that they understand and are able to communicate these to prospective donors.
- 1.5.5 The charity should, whenever possible, express appreciation to the volunteers and other fund-raising personnel.

## 1.6 Use of Commercial Third Party Fund-Raisers<sup>14</sup>

### **General Principle**

*The charity should be prudent in engaging commercial third party fund-raisers. Notwithstanding the use of a third party fundraiser, the charity itself remains responsible for complying with this Code as if it carries out the fundraising activities itself.*

- 1.6.1 The charity should exercise due care in engaging commercial third party fund-raisers. It should take into account how the use of such commercial third party fund-raisers may be perceived by the donating public.
- 1.6.2 The use of a commercial third party fund-raiser, its rationale and the detailed arrangements should be disclosed to and formally approved by the Board (or equivalent) of the charity.

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<sup>14</sup> A commercial third party fund-raiser means any person who for reward solicits or otherwise procures money or other property for, or purportedly for, the benefit of an approved institution of a public character. It excludes service providers who are paid a fixed fee in return for services rendered in the fund-raising event, e.g. event companies.

1.6.3 A contract in writing should be entered with the commercial third party incorporating the following details:

- (a) Roles and responsibilities of the charity and the commercial third party fund-raisers;
- (b) Fund-raising concept and methodology;
- (c) Period, venue and other details of fund-raising events;
- (d) Intellectual property right for publicity materials;
- (e) Budget for fund-raising activity costs;
- (f) Agreement on the retainer and salaries to paid manpower, if any;
- (g) Allocation of proceeds to designated charities, such as guarantee amount and term for delivery of proceeds;
- (h) Procedures for settling disputes;
- (i) Clauses for termination of the contract;
- (j) Indemnity clauses;
- (k) Proper accounting procedures for monies received and expended;
- (l) Proper and fair representation of the charities in all publicity materials; and
- (m) Legitimacy of the commercial third party fund-raiser.

1.6.4 In general, paying commercial third party fund-raisers based on finders' fees<sup>15</sup>, commissions or other payments based on the value of donations is discouraged. Donations should be based on a target set to meet the charity's needs.

## 1.7 Co-Ventures<sup>16</sup>

### **General Principle**

*The charity should be prudent in entering into co-ventures.*

1.7.1 The charity should exercise due care in entering into co-ventures. It should take into account how the specific co-venture partners would be perceived

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<sup>15</sup> Fee paid for bringing in a donor or a charitable contribution to the IPC.

<sup>16</sup> A co-venture is an arrangement with a commercial organisation where the IPC receives some financial benefits in the sale of products and/or services by the commercial organisation.

by the donating public and the implication of such co-ventures on the charities' image and reputation.

- 1.7.2 Co-ventures should be approved by the Board (or equivalent) of the charity.
- 1.7.3 An agreement which sets out the details of the arrangement should be worked out in writing with the co-venture partner. The following items should be included in such an arrangement:
  - (a) Roles and responsibilities of the charity and the co-venture partners;
  - (b) Co-venture concept and methodology;
  - (c) Period, venue and other details of fund-raising event(s);
  - (d) Intellectual property right for publicity materials;
  - (e) Specifics of any items to be paid or potentially paid for by the charity;
  - (f) Specifics of the sharing arrangement for revenue from the co-venture partner;
  - (g) Procedures for settling disputes;
  - (h) Clauses for termination of the contract;
  - (i) Indemnity clauses;
  - (j) Proper accounting procedures for monies received and expended;
  - (k) Proper and fair representation of the charity in all publicity materials; and
  - (l) Limitations on use and communication of the charity's name and assets by the co-venture partner.
- 1.7.4 The charity should monitor the progress of the co-venture to ensure that it is functioning as intended and properly.