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MEDIA RELEASE

REFINED CODE OF GOVERNANCE AIMS TO ENHANCE GOVERNANCE AND TRANSPARENCY OF CHARITIES IN SINGAPORE

Charities and IPCs need to apply new reporting requirements beginning 1 Jan 2018

6 April 2017 – The Charity Council (“Council”) has released its refined Code of Governance for Charities and Institutions of a Public Character (IPCs). The new Code will take effect for financial year commencing from 1 January 2018. The Code aims to strengthen the governance practices of charities in Singapore, and enable them to be more transparent and accountable. To support charities in their implementation process, the Council and its partnering agencies will be rolling out a series of learning initiatives and enablers. Funding will also be made available through the VWOs-Charities Capability Fund (VCF) to help charities build up their governance capabilities.

Feedback form an integral part of the review

2 Stakeholders’ feedback is an integral part in the review of the Code. Four dialogue sessions were held with over 183 charities and IPCs across various sectors, followed by a four-week long public consultation. Most respondents were generally supportive of the proposed refinements, with some expressing different views, in particular, concerning Board term limits. Many acknowledged that good governance is a continuous work in progress and is key in ensuring sustainability of their good works.

Key refinements to the Code

3 The Council has carefully weighed the different perspectives put forward during the consultation process and made further modifications to the proposed guideline relating to term limits for board members. The new guideline now requires charities to disclose the reasons for retaining Board member(s) who have served on the Board for



more than 10 consecutive years¹. The intent of this guideline is to encourage charities to practice succession planning at the board level.

Other key refinements to the Code which were supported during the consultation process are:

- **Definition of charity size** to be determined by “Gross Annual Receipts² or Total Expenditure³, whichever is higher, in each of its two immediate preceding financial years;
- **Removing the ‘Not Applicable’ option** in the Governance Evaluation Checklist (GEC). The Code operates on the principle of ‘comply or explain’;
- **Waiving the GEC submission requirement for small charities** that have gross annual receipts or total expenditure of less than \$50,000;
- **Elevating the disclosure of information on Board members**, such as their attendance at meetings and remuneration; and information of staff total annual remuneration, among others; and
- **Introducing Risk Management**, to ensure that there is a process to identify, monitor and review charities’ key risks.

4 Mr Gerard Ee, Chairman of Charity Council, expressed his appreciation to the Code of Governance Refinement Sub-Committee and its three workgroups, charity practitioners and all stakeholders who contributed to the refinement process. He also assured the charity sector, “The Charity Council will work closely with all charities in this journey, so that we can achieve our shared vision of a well-governed charity sector in Singapore. I hope the public will continue to support the charity sector so that charities can continue their good work and help those in need.”

5 The Code is available for download on the Charity Portal (www.charities.gov.sg) and the Charity Council website (www.charitycouncil.org.sg).

¹ The initial proposed guideline would have imposed a maximum term limit of ten consecutive years for at least two-third of Board members.

² Gross annual receipts include all income, grants, donations, sponsorships and all other receipts of any kind.

³ Total expenditure would encompass all costs of generating funds, costs of charitable activities, governance costs and other expenditures as reflected in the unrestricted funds, restricted income funds and endowment funds.



Enclosed:

- Annex A – About the Code of Governance
- Annex B – Feedback Received and Refinements Made On Term Limit for Board Members

For media queries, please contact:

Mr Deon Toh

Assistant Manager, Corporate Communications Division

Ministry of Culture, Community and Youth

Contact Number: (65) 6837 8973

Email: Deon_TOH@mccy.gov.sg



ANNEX A

ABOUT THE CODE OF GOVERNANCE

Governance in the charity sector refers to the framework and processes concerned with managing the overall direction, effectiveness, supervision and accountability of an organisation.

2 In November 2007, the Charity Council introduced the Code of Governance for the charity sector. The Code serves as a best practices guide for charities and IPCs to improve their effectiveness, transparency and public accountability. All charities and IPCs are strongly encouraged to apply the principles and practices in the Code.

3 The Code was first refined in 2010. In August 2015, the Charity Council embarked on a second refinement of the Code. The objective was to enhance the Code's relevance and clarity, taking into consideration developments in other jurisdictions and increased global focus on good governance, transparency and accountability to enable informed giving decisions.

4 Charities, as community organisations working for public benefit, are accountable to the public and other stakeholders. All charities are strongly encouraged to apply the principles and practices of governance and management listed in the Code of Governance.

For Charities

5 Governance is important because it affects how a charity is run and the services that the organisation provides. The Board of a charity is responsible for putting in place the principles and practices of good governance in the organisation. The Code also helps charities to be more effective, transparent and accountable to their stakeholders. Charities should read this Code in conjunction with the Charities Act and Regulations.



For The Public

6 Members of the public donate and volunteer services to charities. This Code aims to help the public understand what the fundamental good governance practices are, and also to aid the public to make an informed decision on which charities to support.

7 The objectives of the Code of Governance are:

- ***Making charities more effective*** by sharing recommended practices on how effective charities are governed and managed;
- ***Providing guidance to Board members*** to help them carry out their duties as fiduciaries (representatives entrusted to act in the interests of the charity);
- ***Boosting public confidence*** in the charity sector by setting the standards of good governance for charities to aspire towards.

6 For more information on the Code of Governance, please visit the Charity Council website (www.charitycouncil.org.sg).

ANNEX B

Feedback Received and Refinements Made On Term Limit for Board Members

(I) Term limit for board members	
<ul style="list-style-type: none"> Initial proposal: 	<p>There is a maximum term limit of ten consecutive years for at least two-third of the Board members to ensure steady renewal of the Board.</p> <p>Re-appointment to the Board can be considered after a lapse of at least two years.</p>
<ul style="list-style-type: none"> Feedback received: 	<p>Majority of feedback received indicated that the initial proposed Code guideline was too stringent. Some opined that each organisation should be given the discretion to determine the appropriate term limit for its board. Some also opined that the requirement goes against the spirit of treasuring experiences of the older contributors.</p>
<ul style="list-style-type: none"> Refined Code Principle: <p>Code ID: 1.1.13</p> <p>Applicable to Enhanced and Advanced tiers: <i>Charities with gross annual receipts or total expenditure, whichever higher, of more than \$10million, and IPCs with gross annual receipts or total expenditure, of more than \$500k.</i></p>	<p>The charity should establish term limits for all Board members to ensure steady renewal of the Board. These should be set out in the charity's governing instrument.</p> <p>Re-appointment to the Board can be considered after a lapse of at least two years.</p> <p>The charity should disclose the reasons for retaining Board member(s) who have served on the Board for more than 10 consecutive years, in its annual report.</p>
<ul style="list-style-type: none"> Charity Council's comments: 	<p>The Charity Council values the importance of establishing term limits for Board members as it aids in ensuring Board renewal and succession planning, which is paramount to the long-term sustainability of the charities.</p> <p>The Council has modified the Code guideline to provide flexibility while strengthening the emphasis on the disclosure of reasons for retaining board members who have served for more than 10 consecutive years. This increased visibility and transparency will enable donors and the public to</p>

be more informed when making giving decisions. The revised guideline also encourages charities to be transparent with board succession.

The Council intends to implement the 10-year term limit requirement in later years. In the interim, the Council will be working with partners, such as the Centre for Non-Profit Leadership (CNPL) and Social Service Institute (SSI), to build capacity and capability of the volunteers and prepare the ground for the future implementation. The Council will also continue to step up efforts in encouraging existing board members to receive appropriate and relevant training for continuous upskilling through various training platforms.

This approach was taken as the Council recognises that sufficient time is needed for charities to make board composition changes and acknowledges the practical challenges faced by a number of charities in finding suitable board members.