

MEDIA RELEASE

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CODE OF GOVERNANCE FOR CHARITIES REVISED TO SET BOARD TERM LIMITS AND STRENGTHEN DISCLOSURE PRACTICES

4 April 2023 (Tuesday), Singapore – The Charity Council (“Council”) has published the revised Code of Governance for Charities and Institutions of a Public Character (IPCs) (“Code”). A robust Code will raise the standards of governance in the Charity sector and instil confidence in Singaporeans to give and support our charities and their causes. The revision, led by a 12-member Sub-Committee appointed by the 8th Charity Council, sees a move towards a principle-based Code with clearer guidelines to strengthen the governance practices of charities in Singapore. The revision to the Code was first announced by Dr Gerard Ee, Chairman of the 8th Charity Council in 2021.

Key revisions to the Code

2 The revised Code will take effect from the charities’ financial year beginning on or after 1 January 2024. The key revisions are:

- a. **New Principle-Based Code with guidelines** – The revised Code sets out six principles, accompanied with an explanation and guidelines, to provide charities with a better understanding of the principles and how it is applied. It encourages the charities to take a more active role in reviewing and assessing whether their operations are in line with the overarching principle based on their organisation’s own setting and operating context, instead of viewing the Code Governance Evaluation Checklist (“GEC”) submission as a box-ticking exercise. More details about the six principles are in *Annex A*.
- b. **Setting a maximum of 10-year Board Term Limits for all IPCs and Large non-IPC charities** – Charities should impose a maximum term limit of 10 consecutive years for all Board members, with the option to re-elect Board members to serve subsequent terms. The intent of this guideline is to encourage charities to practise succession planning at the board-level. The previous Code did not impose a maximum term limit but had started easing charities into this practice by requiring reasons for retaining Board member(s) who have served for more than 10 consecutive years.

- c. **Introducing Environmental, Social and Governance (ESG) concept** - Charities are encouraged to (i) keep their activities environmentally friendly and sustainable, (ii) maintain good relationships with their stakeholders and (iii) maintain high governance standards. They should also communicate these ESG activities to their stakeholders.
- d. **Revised Tiers of charities** – The number of tiers has been reduced from four to two. Small and Medium non-IPC charities are in Tier 1, and all IPCs and Large non-IPC Charities are in Tier 2.
 - i. Tier 1 charities will be subjected to the guidelines under each principle.
 - ii. Tier 2 charities will be subjected to additional guidelines under each principle as IPCs must be held to higher standards of accountability as they enjoy benefits from their IPC status. The Large non-IPC charities, which have a gross annual receipts or expenditure of \$10 million or more, should have sufficient resources to put in place the necessary measures to comply with the revised Code. More details about the new tiers are in [Annex B](#).
- e. **Revised GEC Compliance and Scoring Matrix** – Charities that have been putting effort to comply with Code but have yet to achieve full compliance can now select the “Partial Compliance” option in their GEC, in addition to the existing “Non-Compliance” option. For the former, they will need to detail the measures put in place to partially comply with the guidelines. This revision will enhance the charity sector’s level of transparency and encourage better disclosure practices. The GEC Scoring Matrix has also been included to help charities understand their scores against the governance standards easily.

Charities and public engaged ahead of revisions

3 The revised Code follows an extensive public consultation with members of the public and the charities from 13 May 2022 to 16 June 2022. The Council received public feedback and comments through an online feedback exercise and organised four physical dialogue sessions with 143 representatives from 134 charities (68 charities and 66 IPCs) across various sectors. Most respondents were supportive of the proposed revisions, with majority of the feedback focused on setting board term limits and the adoption of ESG practices which is new to the Code. The Code will still operate on a “Comply or Explain” basis. A summary of the feedback received can be viewed in [Annex C](#).

4 Mr Ang Hao Yao, Chairman of the Sub-Committee leading the Code revision said, “The Code sets the benchmark of good governance standards for charities for the last 16 years. To ensure charities move with the times and be sustainable, we have revised the Code by taking into account the changing charity landscape and latest governance practices, to ensure the effectiveness and relevance of the Code. I wish to express my appreciation to all those who provided feedback and suggestions during the public consultation exercise, as this allowed us to review the draft and make further improvements to the Code.”

5 Ms Theresa Goh, Chairperson of the 9th Charity Council, expressed her appreciation to Dr Gerard Ee (Chairman of the 8th Charity Council), the Code Sub-Committee, and all the stakeholders who contributed to this revision process, “Given the diversity of the charity sector, we recognise the unique circumstances faced by each charity to fully adopt the Code. The revised Code is designed to help charities apply principles and prescriptions based on their maturity and readiness to put in place effective governance systems, processes, and people practices in their charities. We hope the public and organisations will provide more support to our charities after experiencing better services and programmes or having more confidence in the charities due to improvement in their governance and administration.”

6 Charities may visit the Charity Portal (www.charities.gov.sg) to download the revised Code of Governance. Relevant guides and templates can also be found on the Charity Portal.

Enclosed:

Annex A	6 Principles
Annex B	Revised Tiers of charities
Annex C	Summary of the feedback
Annex D	About the Code of Governance

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OTHER INFORMATION

ABOUT THE CHARITY COUNCIL

The Charity Council was first established in 2007 and members to the Council for each term are appointed by the Minister for Culture, Community and Youth. The current 9th Charity Council is appointed from 1 March 2023 to 28 February 2026, comprises 15 members, including Mdm Chair.

Roles of the Council

- Promoter - the Council will promote good governance standards and best practices, to enhance public confidence in the charity sector;
- Enabler - the Council will help build the governance capabilities of charities and IPCs to enable them to comply with regulatory requirements and be more accountable to the public; and
- Advisor - the Council will advise the Commissioner of Charities (COC) on key regulatory issues and significant cases, so that the COC can make more informed and robust decisions.

The Charity Governance Report 2023 can be found on the Charity Portal. The report highlights key initiatives undertaken by the 8th Charity Council to promote good governance and strengthen charities' capabilities during its term from March 2021 to February 2023. These initiatives include the annual Charity Governance Conferences, Charity Transparency and Governance Awards 2022 and various governance training sessions.

ANNEX A – 6 PRINCIPLES

Principle 1: The charity serves its mission and achieves its objectives.

Principle 2: The charity has an effective Board and Management.

Principle 3: The charity acts responsibly, fairly and with integrity.

Principle 4: The charity is well-managed and plans for the future.

Principle 5: The charity is accountable and transparent.

Principle 6: The charity communicates actively to instil public confidence.

ANNEX B – REVISED TIERS OF CHARITIES

Tier 1	Tier 2
Small and Medium Non-IPC Charities <i>With gross annual receipts or total expenditure (whichever is higher) from \$50,000 to less than \$10 million.</i>	(i) All IPCs
	(ii) Large Non-IPC Charities <i>With gross annual receipts or total expenditure (whichever is higher) of \$10 million or more.</i>

CHANGES IN TIERS

CHARITY SIZE	TIER (BEFORE)	TIER (NEW)
Charities with gross annual receipts or total expenditure from <u>\$50,000 to less than \$500,000</u>	Basic	Tier 1
Charities with gross annual receipts or total expenditure from <u>\$500,000 to less than \$10 million</u>	Intermediate	Tier 1
Large Charities with gross annual receipts or total expenditure of <u>\$10 million or more</u>	Enhanced	Tier 2

IPC SIZE	TIER (BEFORE)	TIER (NEW)
IPCs with gross annual receipts or total expenditure of <u>less than \$500,000</u>	Intermediate	Tier 2
IPCs with gross annual receipts or total expenditure from <u>\$500,000 to less than \$10 million</u>	Enhanced	Tier 2
Large IPCs with gross annual receipts or total expenditure of <u>\$10 million or more</u>	Advanced	Tier 2

ANNEX C - SUMMARY OF RESPONSE TO THE PUBLIC CONSULTATION

1. **Proposed Revision: Setting a maximum of 10-year Board Term Limits for all IPCs and Large non-IPC charities** – Charities should impose a maximum term limit of 10 consecutive years for all Board members, with the option to re-elect Board members for subsequent terms.
 - a) Feedback: Some charities expressed support for this guideline as it facilitated board renewal and provided flexibility to retain long-serving Board members through re-election. However, some charities shared challenges in finding Board members and that the guideline did not fully consider the contributions made by long-serving Board members to the charities.
 - b) Charity Council's response: The guideline is in place to encourage board renewal and succession planning. In the previous Code, there was a guideline which stated that the charity should establish term limits for all Board members to ensure steady renewal of the Board. The charity should also disclose the reasons for retaining the Board members(s) who have served on the Board for more than 10 consecutive years, in its annual report. For the next phase of development, it is timely to do so in this latest revision. While this new guideline also applies to smaller IPCs, the Code still operates on a “Comply or Explain” approach and they can share their reasons if they have difficulty meeting the requirement. Should the charity decide it is necessary to retain a Board member beyond 10 years, they should share their reason/s and put the proposal to a vote during the election process at the general meetings.
2. **Proposed Revision: Introducing ESG concept** - Charities are encouraged to keep their activities environmentally friendly and sustainable, maintain good relationships with their stakeholders and high governance standards. Tier 2 charities are required to set appropriate internal ESG policy.
 - a) Feedback: Most charities were concerned that it would be too costly to develop an ESG framework, and the process to measure and report the impact for ESG would be too tedious. Some shared that they did not have the resources to comply with this guideline and asked if the Charity Council would be helping charities to apply ESG in their work.
 - b) Charity Council's response: The Charity Council noted the charities' concerns and removed the requirement for Tier 2 charities to set internal ESG policy and included the guideline for all Tier 1 and 2 charities to take into consideration the ESG factors when conducting the charity's activities. The Charity Council will collaborate with various partners to develop relevant ESG guides/templates and conduct trainings to raise charities' knowledge on ESG and ways to incorporate ESG factors in their policies and programmes.

3. **Proposed Revision: GEC Compliance and Scoring Matrix** – For Tier 2 charities, failure to comply with additional guidelines would result in deduction of 0.5 to 1 point. This may result in their IPC renewal period being shortened.
- a) Feedback: Majority of feedback received indicated that the deduction point system was demoralising to IPCs that were putting effort into complying with the Code.
 - b) Charity Council's response: A point allocation system will be adopted for the GEC scoring matrix, instead of a point deduction system. For compliance of each guideline, a full score of 2 will be allocated, 1 point for partial compliance, and 0 point for non-compliance. The Sector Administrators will consider the (i) IPC's extent of compliance with the Code and (ii) reasons for partial compliance and/ or non-compliance, when assessing an IPC's application to extend its IPC status, as well as its length of IPC extension. Prompt submissions and accurate GEC scores above 80% will be considered favourably by the Sector Administrators when charities submit their IPC new/renewal applications.

ANNEX D - ABOUT THE CODE OF GOVERNANCE

Good governance is crucial to the success of charities. Governance in the charity sector refers to the framework and processes that guide the overall direction, effectiveness, supervision, and accountability of a charity.

2 Charities are community organisations working for public benefit and are accountable to the public and other stakeholders. Good governance helps charities to comply with the relevant legislations, to achieve their charitable objects, enhance their impact and ensure their viability.

3 The Code of Governance for Charities and Institutions of a Public Character (Code) was introduced by the Charity Council in November 2007 and was refined in 2011 and 2017.

4 In 2021, the Charity Council formed a Sub-Committee comprising representatives from charities, Institutions of a Public Character (IPCs), professional bodies and academia to review the Code to help charities apply the guidelines more effectively.

5 The Code serves three objectives:

- a. Enhancing the effectiveness of charities by recommending good governance and management practices;
- b. Providing guidance to Board members to help them carry out their duties as fiduciaries (representatives entrusted to act in the interests of the charity); and
- c. Boosting public confidence in the charity sector by setting the standards of good governance for charities.

6 All charities are strongly encouraged to apply the principles and practices of governance and management. The Code also helps charities to be more effective, transparent, and accountable to their stakeholders.

7 The Code also help the public to understand what good governance and management practices are and how the charities should conduct their activities. The charities' GECs are also published on the Charity Portal and the public can refer to the charities' compliance of the GEC to make informed decisions when making donations and volunteering their services to charities.