

PUBLIC CONSULTATION

17 MAY – 16 JUNE 2022 (5 weeks)

SIMPLIFICATION OF CODE OF GOVERNANCE FOR CHARITIES AND INSTITUTIONS OF A PUBLIC CHARACTER

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INTRODUCTION

1. The Charity Council invites the public to provide feedback on the proposed simplified Code of Governance for Charities and Institutions of a Public Character (IPCs). This public consultation will run from 17 May 2022 to 16 June 2022.

BACKGROUND

2. The Code of Governance for Charities and IPCs (Code) serves three main objectives:
 - a. enhance charities' effectiveness by sharing recommended good governance and management practices;
 - b. provide 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. boost public confidence in the charity sector by setting the standards of good governance for charities to aspire towards.
3. The Code, introduced in 2007, was updated in 2011 and 2017. In 2021, the Charity Council sought to simplify the Code to continuously introduce best practices for good governance, to keep it relevant to the charities and to help charities apply the Code more effectively. This Code is targeted to be launched in early 2023.
4. Under the purview of the 8th Charity Council, the Code of Governance Sub-Committee was formed in July 2021. The Sub-Committee is headed by Mr Ang Hao Yao, Member of the Charity Council, and comprises 12 members who are representatives from charities /IPCs, professional bodies and academia. Please refer to *Annex A - Composition of Code Sub-Committee Members*.
5. The Sub-Committee aims to:
 - a. Simplify the Code; Adopt a Principle-Based Approach
 - allow different sectors to exercise greater flexibility in applying the Code and to address their sector specific needs; and
 - encourage the charities to undertake a more thorough review of their governance standards by a deeper understanding of the underlying principles, instead of it being just a "ticking the guidelines" exercise.

- b. Review the Governance Evaluation Checklist (GEC) to be aligned with the simplified Code and identify the most appropriate way to capture charities' adherence.

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6. The Charity Council would like to seek public feedback on the draft simplified Code and GEC (refer to the *Summary* and *Annex B*). Should you wish to refer to existing Code of Governance 2017, please refer to *Annex C*.
7. All charities and interested members of the public are invited to provide comments and feedback on the proposed simplified Code of Governance from 17 May 2022 to 16 June 2022.
8. The comments and feedback could be submitted via REACH at this link: <https://go.gov.sg/feedbackcog22> or a survey form at this link <https://go.gov.sg/cogconsult2022> or via email to: charity_council_sec@mccy.gov.sg with the subject: **“Consultation on Proposed Simplified Code of Governance”**.
9. All written comments and feedback should include the following details to enable the Charity Council to follow up and seek clarification, if necessary:

Consultation topic:	Consultation on Proposed Simplified Code of Governance
Name/ Organisation:	
Contact number:	
Email address:	

10. We value all feedback. We seek your understanding that the Charity Council will not be able to individually acknowledge or address every comment received. We will not disclose the identity of person(s) providing the feedback, to maintain the confidentiality of feedback received.

Issued by:

Office of the Commissioner of Charities on behalf of the Charity Council
Ministry of Culture, Community and Youth
17 May 2022

SUMMARY OF THE SIMPLIFIED CODE OF GOVERNANCE

11. The Code of Governance sets out six principles, accompanied with best practices in key areas of governance that charities should adopt to achieve high standards of governance and attain long-term sustainable success.

(1) KEY PROPOSED CHANGES – REVISED TIERING OF CHARITIES

NEW

TIER 1	TIER 2
Small and Medium Non-IPC Charities (with gross annual receipts or total expenditure from \$50,000 to less than \$10 million)	All IPCs
	Large Non-IPC Charities (with gross annual receipts or total expenditure of \$10 million or more)

12. The simplified Code guidelines are applicable depending on the IPC status and size¹ of the charity. Instead of the previous four Tiers, it has been simplified into two tiers.
13. We will set higher requirements for Tier 2 charities. Tier 2 charities will be subjected to prescriptive guidelines in addition to the principle-based approach because:
- IPCs are able to issue tax deductible receipts and should be held to higher standards of accountability.
 - As for Large Non-IPC charities, they are charities with gross annual receipts or expenditure of \$10 million or more and should have sufficient resources to put in place the necessary measures to comply with the Code.
14. The reporting requirements of this Code will be applicable for the charities' / IPCs' financial years beginning on or after 1st January 2024².

¹ Size is to be determined by the charities' / IPCs' Gross Annual Receipts or Total Expenditure, whichever is higher, in each of its two immediate preceding financial years. Gross annual receipts include all income, grants, donations, sponsorships and all other receipts of any kind. 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.

² The first batch of charities that would need to submit the revised GEC will be for those with financial year ending on 31 December 2024. The revised GEC would be due in June 2025.

15. Non-IPC charities that have gross annual receipts or total expenditure, whichever is higher, of less than \$50,000 are excluded from the submission of the Governance Evaluation Checklist (GEC). However, these charities are still strongly encouraged to refer to the Code and apply the principles as good practice.
16. Table 1 and 2 illustrated the shift in tiers of charities, from the current Basic, Intermediate, Enhanced and Advanced Tiers to the new Tier 1 and 2. Charities would determine the new tier that they would be under the simplified Code based on their IPC status and charity size.

Table 1

Charity Size	Tiered Guidelines to Comply (Before)	What Changed (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

Table 2

IPC Size	Tiered Guidelines to Comply (Before)	What Changed (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

(2) KEY PROPOSED CHANGES – 6 INSTEAD OF 9 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 future-focused.
Principle 5: The charity is accountable and transparent.
Principle 6: The charity communicates actively to instil public's confidence.

17. The nine principles from the current Code are proposed to be simplified to six principles. The corresponding number of total guidelines in the Code will decrease for most charities.
18. For instance, for the Basic and Intermediate Tier which has 48 to 55 Code Guidelines and 21 to 25 GEC items, we have now simplified the Code and simplified it to 29 guidelines (Code cum GEC). Similarly, for the Enhanced and Advanced Tier which had 66 to 72 Code Guidelines, we have now simplified it down to 37 guidelines.
19. Please refer to [Annex B – Simplified Code of Governance for Charities and IPCs](#) for more details on the principles and guidelines.

KEY GUIDELINES

20. Some key guidelines of the simplified Code of Governance are highlighted in the table below:

Guidelines	Applicable Tier
<p>Principle 2: The charity has an effective board and management.</p> <p><u>Guideline 4</u> Develop proper processes for renewal of leadership. This includes establishing Term Limit for the Board.</p>	Tier 1 and 2

Guidelines	Applicable Tier
<p><u>For all Board members:</u></p> <p>a. The Board should submit all Board members for re-nomination and re-appointment, at least once every three years.</p> <p><u>Guideline 5</u> Develop proper processes for renewal of leadership. This includes establishing Term Limit for the Treasurer (or equivalent).</p> <p><u>For Treasurer³ (or equivalent) only:</u></p> <p>a. Maximum limit of four consecutive years for Treasurer (or equivalent appointment like a Finance Committee Chairman, or key person on the Board responsible for overseeing the finances of the Charity). Should the charity not have an appointed Board member, it will be taken that the Chairman oversees the finances.</p> <p>i. Re-appointment to the Treasurer position or any position which is involved in the finances of a charity (e.g., Assistant Treasurer position or equivalent) can be considered after stepping down from the Treasurer position and with a lapse of at least two years.</p>	
<p>Principle 2 – The charity has an effective board and management.</p> <p><u>Prescriptive Guideline 1 and 2</u> Set a Term Limit of 10 consecutive years for all the Board members.</p> <p><u>For all Board members:</u></p> <p>a. Re-appointment to the Board can be considered after a lapse of at least two years.</p> <p>i. Should the Board member(s) leave the Board for less than two years, their years of service would continue from the time they leave the Board.</p>	Tier 2

³ The Treasurer and Finance Committee Chairman should not concurrently chair the Audit Committee. The Audit Committee Chairman should not be confused with Finance Committee Chairman as their responsibilities are different.

Guidelines	Applicable Tier
<p>ii. Should the Board member(s) leave the Board for more than two years, their years of service would restart.</p> <p>b. Should the charity deem it necessary to retain a particular Board member beyond the Term Limit of 10 consecutive years, this extension beyond the Term Limit should be specifically approved during the general meeting where the Board member is being re-elected (i.e., For a 2-year term, the election at general meeting will be carried out every 2 years).</p> <p>c. The charity should disclose the reasons for retaining Board member(s) who have served on the Board for more than 10 consecutive years, as well as its succession plan, in its annual report.</p> <p><u>For Treasurer (or equivalent) only:</u></p> <p>d. For a Board member holding the Treasurer position (or equivalent appointment like a Finance Committee Chairman or key person on the Board responsible for overseeing the finances of the charity*), the Board member must step down from the Treasurer or equivalent position after a maximum term limit of four consecutive years.</p> <p>i. The Board member can continue to serve in other positions on the Board (except financial matters), not beyond the overall Term Limit of 10 consecutive years.</p> <p>*Note: The Treasurer and Finance Committee Chairman should not concurrently chair the Audit Committee. The Audit Committee Chairman should not be confused with Finance Committee Chairman as their responsibilities are different.</p>	
<p>Introduction and Principle 4 – The charity is well-managed and future-focused.</p> <p><u>How should you use this Code?</u> This simplified Code provides greater clarity and relevance about good governance to the charity sector. This Code also introduces the concept of Environmental, Social and Governance (ESG) to the charity sector.</p>	Tier 1 and 2

Guidelines	Applicable Tier
<p>a. Environmental refers to how the charity’s actions affect the environment; Social pertains to how charities manage relationships with stakeholders; and Governance relates to how charities govern themselves ethically.</p> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>Environmental Charities are encouraged to align their charitable work to be environmentally friendly (e.g., reduce, reuse and recycle etc.).</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 5px;"> <p>Social Charities are encouraged to align their strategies to be socially conscious and responsible (e.g., show appreciation towards your community and your stakeholders to cultivate good relationships etc.).</p> </div> <div style="border: 1px solid black; padding: 5px;"> <p>Governance Charities are encouraged to achieve the highest standard of governance (e.g., comply with the regulations and implement the guidelines stated in the Code etc.)</p> </div>	
<p><u>Prescriptive Guideline 1</u></p> <p>1. Set appropriate internal policies for the charity. This includes:</p> <ul style="list-style-type: none"> • Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT); • Board strategies, functions, and responsibilities; • Employment practices; • Environmental, Social and Governance (ESG); • Finances; • Information Technology (IT), including data privacy management and cybersecurity; • Investment (obtain advice from qualified professional advisors if deemed necessary by the Board); • Service or quality standards; • Volunteer management; and • Other key areas of activity such as fundraising and data protection. 	<p>Tier 2</p>

Guidelines	Applicable Tier
<p data-bbox="204 405 1062 439">Principle 5 – The charity is accountable and transparent</p> <p data-bbox="204 488 371 521"><u>Guideline 7</u></p> <p data-bbox="204 533 1177 651">Set in place reporting structures so that all relevant information, advice, and resources can be accessed by the Board, management, and staff to carry out their roles effectively.</p> <ul data-bbox="252 701 1177 1025" style="list-style-type: none"><li data-bbox="252 701 1177 857">a. Record relevant discussions, dissenting views and decisions in the minutes relating to the agenda of general and Board meetings. Circulate minutes of these meetings to the Board as soon as practicable.<li data-bbox="252 913 1177 1025">b. The Board meetings should have an appropriate quorum of at least half of the Board if it is not stated in the charity's governing instrument.	Tier 1 and 2

(3) KEY PROPOSED CHANGES – GOVERNANCE EVALUATION CHECKLIST (GEC) COMPLIANCE & SCORING

21. The Code will **continue to operate on the principle of ‘comply or explain’**. Charities and IPCs should follow these disclosure guidelines:
- a. All charities are required to submit a Governance Evaluation Checklist on the Charity Portal (www.charities.gov.sg);
 - b. Should explain why it cannot comply or partially comply with certain Code guidelines;
 - c. Should indicate the steps it plans to take to comply, or explain why if it decides not to comply;
 - d. Disclosure of this checklist is made available for public viewing on the Charity Portal for their information;
 - e. For IPCs, their respective Sector Administrators would consider the IPC’s extent of Code compliance, and the reasons for partial compliance and/or non-compliance, when assessing an IPC’s application to renew its IPC status, as well as the length of IPC renewal.
22. Some charities may not be able to comply with certain guidelines because they are in the process of working towards compliance. This could be an explanation for non-compliance. It may also be that some Code guidelines do not easily relate to the circumstances of a particular charity. The charity should explain these circumstances in the checklist.
23. Charities should review or consider amending their governing instruments, by-laws and policies if required when adopting the Code for the best interest of their organisations.

Submission of GEC is a legislative requirement. Should there be non-submission:

24. For non-IPCs: the Office of COC may take enforcement actions and reject the non-IPCs’ application of Charities Capability Fund (CCF).
25. For IPCs: In addition to the above for treatment for non-IPCs, the Office of COC may reject the IPC application and extension or shorten the IPC period.

Should there be late submission of GEC:

26. Late submission of GEC will delay the processing of IPC applications and CCF applications.

SCORING FOR TIER 1:

PRINCIPLES	No. of Guidelines
Principle 1: The charity serves its mission and achieves its objectives.	3
Principle 2: The charity has an effective board and management.	7
Principle 3: The charity acts responsibly, fairly and with integrity.	6
Principle 4: The charity is well-managed and future-focused.	4
Principle 5: The charity is accountable and transparent.	7
Principle 6: The charity communicates actively to instil public's confidence.	2
Total	29

Yes	No	Partial Compliance
1 point	0 point	0.5 point if charity is taking steps to put the principle into action but have yet to achieve the principle.

Item	Example No. of GEC items complied	Score
Yes	22	$22 \times 1 = 22$
No	3	$3 \times 0 = 0$
Partial Compliance	4	$4 \times 0.5 = 2$
Total	29	$22 + 0 + 2 = 24$
Total Score (%)		$24 / 29 * 100\% = 83\%$

SCORING FOR TIER 2:

PRINCIPLES	No. of Guidelines	No. of Prescriptive
Principle 1: The charity serves its mission and achieves its objectives.	3	1
Principle 2: The charity has an effective board and management.	7	2
Principle 3: The charity acts responsibly, fairly and with integrity.	6	0
Principle 4: The charity is well-managed and future-focused.	4	3
Principle 5: The charity is accountable and transparent.	7	1
Principle 6: The charity communicates actively to instil public's confidence.	2	1
Total	29	8

	Yes	No	Partial Compliance
Guideline	1 point	0 point	0.5 point if charity is taking steps to put the principle into action but have yet to achieve the principle.
Prescriptive	1 point	1 point (minus)	0.5 point (minus)

Item	Example No. of GEC items complied	Score
Yes (Guideline)	29	$29 \times 1 = 29$
Yes (Prescriptive)	4	$4 \times 1 = 4$
No (Guideline)	0	0
No (Prescriptive)	2	$2 \times 1 = 2$ (minus)
Partial Compliance (Guideline)	0	0
Partial Compliance (Prescriptive)	2	$2 \times 0.5 = 1$ (minus)
Total	37	$29 + 4 + 0 - 2 + 0 - 1 = 30$
Total Score (%)		$30/37 \times 100\% = 81\%$

PROPOSED IPC PERIOD BASED ON GEC SCORES

S/N	GEC Score	IPC Period
1	Above 80% (minimum 30 points)	Computed IPC renewal period
2	70% to less than 80% (minimum 26 points)	Possible to deduct up to 6 months from the computed IPC renewal period
3	60% to less than 70% (minimum 22.5 points)	Possible to deduct up to 12 months from the computed IPC renewal period
4	55% and below (minimum 20.5 points)	Possible to deduct up to 18 months from the computed IPC renewal period

Example of GEC for Tier 2 for Principle 1:

SN	Call for Actions	Did the charity put this principle into action? • Yes (1 point) • No (0 point) • Partial Compliance (0.5 point)	If you have indicated “No”, please explain the reasons for not being able to achieve the actions. If you have indicated “Partial Compliance”, please describe the action/s complied, and share the details if the charity plans to take further steps to comply fully.
Principle 1: The charity serves its mission and achieves its objectives.			
1.	Clearly state and include the charitable purposes (i.e., vision and mission, objectives, use of resources, activities etc.) in the charity’s governing instrument and online platforms (i.e., Charity Portal, website, social media channels etc.).		
2.	Develop and implement strategic plans regularly to achieve the stated charitable purposes.		
3.	The Board sets dedicated time to review the charity’s strategic plans regularly to ensure that the charity is achieving its charitable purposes, monitor, evaluate and report the outcome/s and impact of its activities.		
1.	<p>Prescriptive Guidelines for Tier 2</p> <p>Document the plan to regularly develop the capacity and capability of the charity and the Board monitors the progress of this plan.</p> <p>“Capacity” refers to infrastructural and operational aspects (hardware), while “capability” refers to aspects of expertise, skills and knowledge (software).</p>		

SURVEY FORM ON FORM.SG (<https://go.gov.sg/cogconsult2022>)

Instructions

All charities and interested members of the public are invited to provide comments and feedback on the proposed simplified Code of Governance from 17 May 2022 to 16 June 2022.

Please refer to Annex B - Simplified Code of Governance for Charities and IPCs for more details on the principles and guidelines, and Annex C – Code of Governance (2017).

We value all feedback. We seek your understanding that the Charity Council will not be able to individually acknowledge or address every comment received. We will not disclose the identity of person(s) providing the feedback, to maintain the confidentiality of feedback received.

Thank you for your feedback!

About You

- Name
- Organisation
- Mobile Number
- Email

1) Key Proposed Changes – Revised Tiering of Charities

- Comments on how the change in tiering will affect charities/IPC, especially for charities/ IPCs that are currently under Basic and Intermediate Tier. *[Long Text]*
- Other Comments *[Long Text]*

2) Key Proposed Changes – 6 instead of 9 Principles

- Comments on the proposed principle-based Code of Governance. *[Long Text]*
- Comments on the proposed 6 Principles, 29 Guidelines and 8 Prescriptive Guidelines. *[Long Text]*
- Other Comments *[Long Text]*

3) Key Proposed Changes – Governance Evaluation Checklist (GEC) Compliance & Scoring

- Comments on the proposed GEC Scoring Metrics (i.e., Yes = 1 point, No = 0 point, Partial = 0.5 point) *[Long Text]*
- Comments on the proposed GEC Scoring Band (i.e., score 70% = deduct up to 6 months from the computed IPC renewal period) *[Long Text]*
- Other Comments *[Long Text]*

SUBMIT