

The Revised Code of Governance for Charities

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1. Introduction

On 4 April 2023, the Charity Council published the revised Code of Governance for Charities and Institutions of a Public Character (the Code). The Code aims to raise the standards of governance in the charity sector and instil confidence in Singaporeans to give and support charities and their causes.

The Code is formulated after a public consultation and four (4) dialogue sessions with 134 charities and will take effect from the financial year of charities beginning on or after 1 January 2024.

This article will highlight and discuss the principle-based approach reflected in the Code, with the introduction of clearer guidelines to strengthen the governance practices of charities in Singapore, as well as some of the key amendments brought about by the Code.

2. Principle-based with guidelines

The Code sets out six (6) principles, accompanied with an explanation and guidelines, to provide charities with a better understanding of the principles and how they are applied. Each charity is now encouraged to be more active in reviewing and assessing whether its operations are in line with each overarching principle based on its operating context, rather than simply viewing the Code's Governance Evaluation Checklist (GEC) submission as a box-ticking exercise.

The six (6) principles are as follows:

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

Principle 2: The charity has an effective governing board (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.

In addition to the principles, the Code provides charities with information on why each principle is important and more specific guidelines on how a charity might achieve a high standard of governance under each principle. By way of example, while charities must act responsibly, fairly and with integrity (in accordance with Principle 3), in achieving this principle, the accompanying guidelines more specifically require charities to, amongst other things, ensure that no Board member or staff is involved (whether directly or indirectly) in setting his or her own remuneration. For many of the principles, there are also additional guidelines to be complied with for “Tier 2” charities, which are discussed in more detail in section 3 below.

The Code operates on a “comply or explain” basis, and, unless exempted, every charity is required to:

- (a) submit a GEC on the Charity Portal, which is available for public viewing;
- (b) explain why it cannot comply fully or can only partially comply with certain guidelines; and
- (c) indicate the steps it plans to take to comply or explain why it is unable to comply.

The following organisations are not required to submit a GEC:

- (1) exempt charities and self-funded grantmakers that do not have Institution of a Public Character (IPC) status, such as philanthropic foundations funded with private family or institutional money; and
- (2) non-IPC charities with gross annual receipts (or total expenditure, whichever is higher) of less than S\$50,000.

3. Revised tiers of charities

The number of tiers of charities has been reduced from four (4) to two (2). Small and Medium non-IPC charities are in Tier 1, and all IPCs and Large non-IPC charities are in Tier 2.

- (a) Tier 1 charities will be subjected to the guidelines under each principle.
- (b) 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 that have gross annual receipts or an expenditure of S\$10 million or more should have sufficient resources to put in place the necessary measures to comply with the Code.

The revised tiers of charities are as follows:

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

Charity Size	Tier (Before)	Tier (New)
Charities with gross annual receipts or total expenditure from S\$50,000 to less than S\$500,000	Basic	Tier 1
Charities with gross annual receipts or total expenditure from S\$500,000 to less than S\$10 million	Intermediate	Tier 1
Large Charities with gross annual receipts or total expenditure of S\$10 million or more	Enhanced	Tier 2

IPC Size	Tier (Before)	Tier (New)
IPCs with gross annual receipts or total expenditure of less than S\$500,000	Intermediate	Tier 2
IPCs with gross annual receipts or total expenditure from S\$500,000 to less than S\$10 million	Enhanced	Tier 2
Large IPCs with gross annual receipts or total expenditure of S\$10 million or more	Advanced	Tier 2

4. Revised GEC compliance and scoring matrix

Charities that have been putting in effort to comply with the 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. By selecting the former, charities 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 easily understand their scores against the governance standards.

A point allocation system will also be adopted for the GEC scoring matrix, instead of a point deduction system. For compliance with a guideline, a full score of two (2) points will be allocated. One (1) point will be allocated for partial compliance and no points will be awarded for non-compliance. The Sector Administrator will consider the:

- (a) IPC's extent of compliance with the Code; and
- (b) 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 of above 80% will be considered favourably by the Sector Administrators when charities submit their new IPC, or renewal of IPC, applications.

Charities will need to comply with the new reporting requirements of the Code for their financial years beginning on or after 1 January 2024. The first batch of charities that need to submit the revised GEC will be those with financial years ending on 31 December 2024. The revised GEC are to be submitted by June 2025.

5. Key amendments of note

a) Maximum of 10-year Board term limits for Tier 2 charities

Under the Code, as an additional guideline for Tier 2 charities, it is provided that the term limit for all Board members should be set at ten (10) consecutive years or less, and re-appointment to the Board being considered after at least a two-year break.

Should the charity consider it necessary to retain a particular Board member beyond the maximum term limit of ten (10) consecutive years, the extension should be deliberated and approved at the general meeting where the Board member is being re-appointed or re-elected to serve for the charity's term of service.

The intent of this guideline is to encourage charities to practise succession planning at the board-level. The previous iteration of the Code issued in 2017 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 ten (10) consecutive years.

b) Introducing Environmental, Social and Governance concepts

In addition to providing greater clarity on the good governance guidelines for the charity sector, the Code introduces the concept of Environmental, Social and Governance (ESG) to the charity sector. The "Environmental" aspect refers to how the charities' actions affect the environment, the "Social" aspect pertains to how charities manage relationships with stakeholders, and the "Governance" aspect relates to how charities govern themselves. 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.

Charities should also communicate these ESG activities to their stakeholders.

6. Concluding remarks

As the charity sector matures and public expectations of charities change, the Code will provide a revised framework and set new standards for the governance of charities. Charities should review and/or consider amending their governing instrument, by-laws and policies to comply with the Code, and seek legal guidance and assistance where necessary.

KEY CONTACTS



Marian Ho

Senior Partner
Corporate

D +65 6885 3610

marian.ho@dentons.com



Sean Gallagher

Senior Legal Executive
Corporate

D +65 6885 2765

sean.gallagher@dentons.com



Wei En Tan

Associate
Corporate

D +65 6885 3692

weien.tan@dentons.com