

Corporate Governance

Revised Code of Corporate Governance Applies to Charities for Financial Year Starting from 1 January 2024

On 4 April 2023, the Charity Council ("**Council**") released the revised Code of Governance for Charities and Institutions of a Public Character ("**IPCs**") ("**revised Code**") with changes that will impose a higher standard of governance on charities in Singapore. The revisions were made with the aim of assuring Singapore donors that their donations are utilised in accordance with the objectives of charities. The revised Code will apply to the charities' financial year starting from 1 January 2024, on a "comply or explain" basis. By way of background, the Council has issued a [public consultation](#) (page 15) to seek feedback on the proposed simplified Code from 17 May 2022 to 16 June 2022. The revised Code has incorporated the feedback received pursuant to the public consultation, where appropriate.

The key changes introduced in the revised Code are as follows:

- (a) **New Principle-Based Code with Guidelines.** The revised Code sets out six principles, accompanied with an explanation and guidelines. The guidelines encourage 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. This application of mind is a paradigm shift from a box-ticking exercise.
- (b) **Maximum of ten-year Board Term Limits.** All IPCs and large non-IPC charities should set a maximum term limit of ten consecutive years for all Board members, with the option to re-elect Board members to serve subsequent terms. This guideline's intent is to encourage charities to practice succession planning at the board-level.
- (c) **Environmental, Social and Governance ("ESG") Activities.** Charities are encouraged to: (i) conduct their activities in an environmentally- friendly and sustainable manner; (ii) maintain good relationships with their stakeholders; and (iii) maintain high standards of governance. The revised Code also recommends charities to communicate these ESG activities to their stakeholders.
- (d) **Tiers of Charities Reduced from Four to Two.** Charities will be categorised into two tiers as follows, instead of four tiers:
 - **Tier 1** consists of 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.

Client Update: Singapore

2023 APRIL

Corporate Governance

- **Tier 2** consists of all IPCs and large non-IPC charities, where large non-IPC charities refer to charities with gross annual receipts or total expenditure (whichever is higher) of S\$10 million or more.
- (e) **Revised Governance Evaluation Checklist Compliance and Scoring Matrix.** The revised Code will continue to operate on the principle of "comply or explain". Charities that have been taking steps to comply with the Code but have yet to achieve full compliance can select the "Partial Compliance" option in their Governance Evaluation Checklist ("**GEC**"), instead of the "Non-Compliance" option. When selecting the "Partial Compliance" option, charities will need to detail the measures put in place to partially comply with the Code. The GEC Scoring Matrix has also been included to help charities understand their scores against the governance standards easily. This revision will enhance the charity sector's level of transparency and encourage better disclosure practices.

Among other things, the following new requirements will apply to the Tier 2 charities:

- (a) In addition to the current prescribed internal policies, Tier 2 charities should also set the following internal policies and review them on a regular basis:
- Anti-money laundering and countering the financing of terrorism (AML/CFT);
 - Information technology (IT) including data privacy management and cybersecurity; and
 - Data protection.
- (b) Tier 2 charities should also implement a media communication policy to help the Board and Management build positive relationships with the media and the public.

[Commercial Litigation Practice](#) Partner, [Gregory Vijayendran, SC](#), is a member of the Charity Council. Among the key objectives of the Council is to promote good governance standards and best practices and to enhance public confidence in the charity sector.

Click on the following links for more information (available on the Charity Portal at www.charities.gov.sg):

- [Ministry of Culture, Community and Youth Media Release titled "Code of Governance for Charities Revised to Set Board Term Limits and Strengthen Disclosure Practices" \(including Annex A on Six Principles, Annex B on Revised Tiers of Charities, Annex C on Summary of Feedback and Response to the Public Consultation, and Annex D on the Code of Governance\)](#)
- [Code of Governance for Charities and IPCs \(April 2023\)](#)
- [Slides from "In Conversation with Commissioner of Charities & Charity Council 2023" held on 4 April 2023](#)

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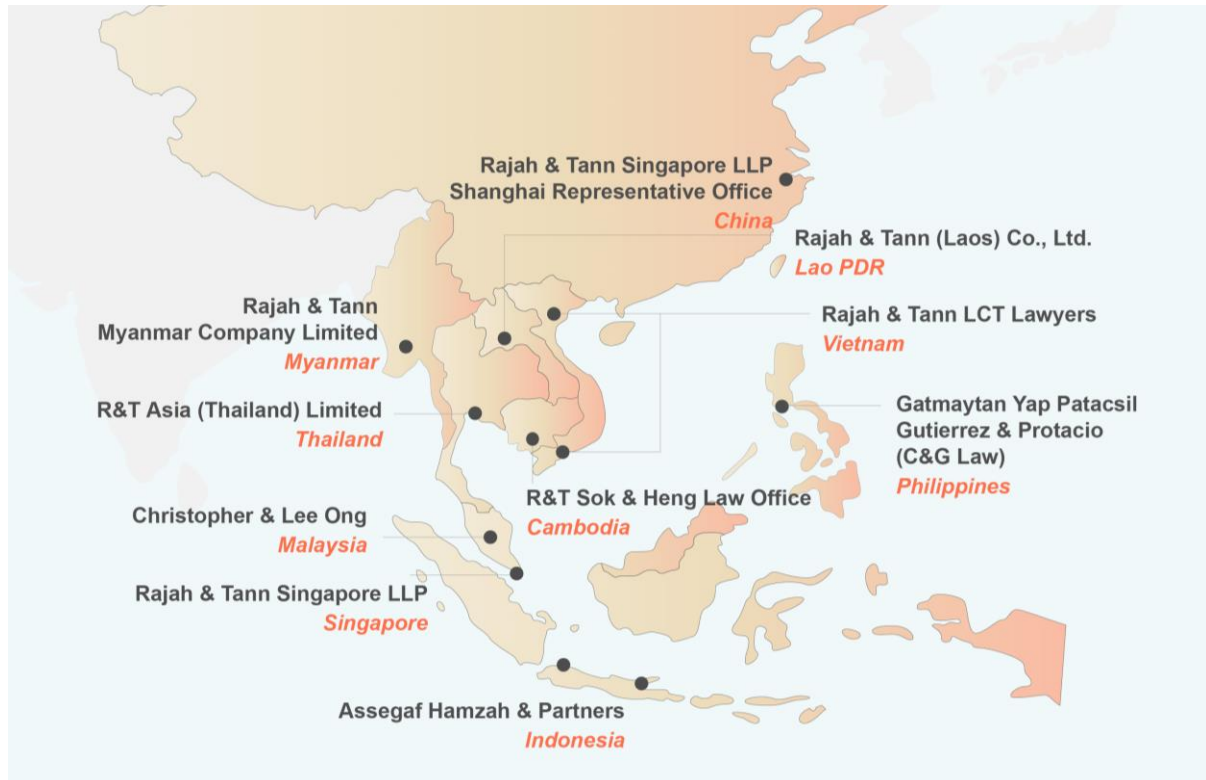
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