

CODE FOR CHARITY GOVERNANCE



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Incorporated under an Act of Parliament



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FOREWORD

कोहिभारःसमर्थानांकिंदूरंव्यवसायिनाम् ।
कोविदेशःसुविद्यानांकःपरःप्रियवादिनाम् । ।

What is too heavy for the strong and what place is too distant for those who put forth effort? What country is foreign to a man of true learning? Who can be inimical to one who speaks pleasingly?

Gaining motivation from the above shloka of *ChanakyaNiti*, if no country is foreign to a man of true learning, how can any arena of activity be far-fetched for an institution whose intent is to imbibe good governance in the heart and soul of the nation?

Charity, alms, philanthropy have played their role in bridging the gap between the disparities that have existed in the society for auld langsyne. What began as a moral and ethical responsibility found its future in the formation of dedicated organizations and institutions; entities who solely and wholeheartedly dedicated themselves to the social cause for which they had been established.

Understanding the role and significance of charitable entities in the modern day and more so, the obligation to dispense with their social responsibilities, corporates globally took to utilizing these entities as vehicles for inducing social welfare. However, the recent revelations have been, while being the perfect eye openers, ones requiring soul searching. And it is the result of this soul searching that the **Code for Charity Governance** has gained shape and existence. The Code laden with principles, all of which point towards the ultimate goal of good governance shall ignite the much needed spark keeping in sight the ultimate goal of empowering national governance.

It gives me immense pleasure to place on record my acknowledgements towards CS (Ms.) Preeti Malhotra, Past President, ICSI and Chairperson of the Core Group on Charity Governance, and all the Members of the group for their sensitized approach towards this issue and their practical suggestions in finalisation of the principles. I would also take this opportunity to commend the efforts of the members of the Secretariat, ICSI, CS (Dr.) Pooja Rahi, Mr. Manoj Kumar, CS Banu Dandona and CS Samir Raheja from Directorate of Corporate Laws and Governance for their pursuits in the formulation of this document.

At this juncture I am reminded of the words of the CEO of Apple Inc., Tim Cook, *"You want to be the pebble in the pond that creates the ripple for change"*. The Code, its principles and their

guidelines underlying shall fit perfectly into the role of these pebbles for creating not just ripples but waves of change in the manner in which the charitable entities are governed.

दातव्यमिति यद्दानं दीयतेऽनुपकारिणे ।
देशे काले च पात्रे च तद्दानं सात्त्विकं स्मृतम् ॥

Taking a cue from the above *shloka* of the *Bhagvad Gita*, the intent is to hold tight on the real intent of charity for it is the gift which is given to one who does no service in return, with the feeling that it is one's duty to give and which is given at the right place, in right time and to a worthy person which is considered as '*Saattvika Daana*', the *daana* considered as the most pious of all and the charity considered most worthy of them all!

Date: 22nd November, 2017
Place: New Delhi

CS (Dr.) Shyam Agrawal
President
The Institute of Company Secretaries of India

PREFACE

Governance as a concept, as a practice and as a culture cannot be bounded. It shall be highly imprudent to restrict governance to the corporates of the country and believe that the other segments of the society can survive without its presence. The need of the hour is to accord enhanced significance to this very term to include those sections of society and economy whose growth is intertwined to national growth to ensure holistic development.

In a large and rapidly developing country like India, charitable entities are significant drivers of national growth and development. As they stand today in their varied formats, governed by different set of legislations, they also act as ancillary bodies for the modern day corporates to dispense with their social responsibilities. However, governance has always been a grey area due to lax monitoring in the Charitable and the 'not for profit' sector that has undermined their positive purpose and is hampering the process of socio-economic development.

There have been allegations against many charitable entities that have been eye openers, not only for the regulatory bodies or the public at large, but also for professional institutions such as the Institute of Company Secretaries of India (ICSI). Good Governance and a strong code of ethics has been the purpose, vision, mission and motto of the ICSI in India, while also aiming to be a torchbearer of the same internationally as well.

In light of the above, the formation of a Core Group to develop a governance code for the Charitable Entities seemed not just apt but a very pressing requirement. Since these entities hold a substantial part of the nation's wealth & assets and are the ground level catalysts of corporate CSR, it may be important that there is some kind of accreditation process in place where an independent professional certification of adherence to the code will help to boost stakeholder confidence.

Taking a leaf out of Corporate Governance, charitable entities, too, must be mandated to make full disclosures and maintain transparency *via* an online filing system and complete digitization. Each principle of the Code that follows, touches upon a different arena of activity of these entities while the Code in totality aims to provide the governance mechanism of the charitable entities of the nation, a much needed turnaround. This will hopefully fill a long overdue gap in their governance to ensure that they remain true to their purpose and play a positive role in scripting India's double digit growth story. I am confident that the principles of the Code, though voluntary in nature, but when adhered to in spirit shall prove to be the perfect roadmap for the Charitable Entities to reach the pinnacle of good governance.

I sincerely acknowledge the contribution of each member of the Core Group on Charity Governance for their hands-on approach and concrete suggestions and for making this publication a reality within such a short span of time. I also sincerely thank CS (Dr.) Shyam Agrawal, President, ICSI for his continuous support and his valuable suggestions in giving the document the shape as it stands today.

I also place on record my appreciation for CS (Dr.) Pooja Rahi, Mr. Manoj Kumar, CS Banu Dandona and CS Samir Raheja from the Directorate of Corporate Laws and Governance, ICSI for their support and assistance to the Core Group in formulating of this **Code for Charity Governance**.

I sincerely hope and wish that this Code shall illuminate the path for Charitable entities as they endeavour to achieve good governance and assist corporates, public and the government in achieving their collective social goals and responsibilities.

Date: 22nd November, 2017
Place: New Delhi

CS (Ms.) Preeti Malhotra
Chairperson
Core Group on Charity Governance

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INTRODUCTION

Charity and philanthropy have formed the core of every society across the globe. The Indian scenario is no different. But what had started with the giving away of alms, establishment of inns for travellers or even arrangements of drinking water on highways has outgrown into something much more humongous. The formation of foundations, trusts, societies, and companies not-for-profit go a long way in justifying the above statement.

Existence of a strong and independent not-for-profit sector is essential for weaving the social, cultural, environmental and economic fabric of our society. Charitable Entities can influence and bring societal changes for a better future. They provide needed services, paves way for people to participate in bringing the societal changes as citizens and volunteers, represent the unrepresented and also pioneer solution to social problems.

For a nation to achieve the highest standards of governance, it is imperative that each of its constituent segments abides by principles of good governance in true letter and spirit. Charitable Entities or non-government organizations are vehicles for undertaking activities of charitable and philanthropic nature which seek to promote the goals of inclusive growth and development in the economies globally.

While on one hand, government undertakes a variety of initiatives, the non-government organizations act as a support system by taking care of, serving and addressing certain pressing issues in the society. Protection of childrens rights, women empowerment, senior citizens, enabling persons with disabilities, promoting education, health, natural resource management, supporting development of agriculture, promoting art and craft, preserving the cultural heritage, etc. are just an indication of the vast variety of areas in which charitable entities work to bring about a difference in the society.

As mentioned earlier, a diverse set of entities carry out charitable activities in India ranging from Trusts registered under Indian Trusts Act, 1882 and relevant statutes formulated by the respective States, Societies registered under the Societies Registration Act, 1860 / Multi-State Cooperative Societies Act, 2002, and Companies with charitable objects registered under Section 8 of the Companies Act, 2013. Unlike Societies or Section 8 companies, which are primarily formed for the benefit of "society at large" and / or charitable purposes; Trust is a form of organisation which is formed by obligation annexed to the ownership of the property, and arising out of confidence reposed by the owner. If the objective of the trusts in property is to benefit common public or for community at large, it is called a public trust. Public trusts are governed by public trust Acts of respective State and the Indian Trusts Act, 1882. In the instant Code all forms of NGOs, Societies, Charitable Entities, Trusts, etc. are referred to as Charitable Entities irrespective of its constitution and / or form, however, the test remains that the objective / purpose of the

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said charitable entity and the resources of the said charitable entity are deployed for the society/ public at large and / or the community at large. The Income-tax Act, 1961 gives all categories of Charitable Entities equal treatment, in terms of exempting their income and granting 80G certificates, whereby donors to non-profit organizations may claim a rebate against donations made. Foreign contributions to non-profit organisations are governed by the Foreign Contribution (Regulation) Act, 2010 and the Ministry of Home Affairs.

Since charitable entities rely on money from various sources, including individual donors, foundations, corporations, and governments, it devolves upon them the utmost responsibility of ensuring highest standards of good governance in managing and carrying out their affairs. The proposed Code will enable the charitable entities to be effective in achieving their respective missions and be accountable to their stakeholders – their community, constituents, donors, governing body, members, staff, volunteers, collaborators, the Government, etc. Though the Code does not attempt to enlist all applicable legal requirements for charitable entities, yet it is intended at prescribing a set of principles and standards which may be adopted by such entities initially on a voluntary basis to ensure enhanced levels of transparency and good governance in their functioning.

Charitable entities adopting the Code shall be required to mention the same in their Annual Reports along with a Certificate from an Independent Professional stating that all the principles of the said Code have been duly complied with.

The Companies Act, 2013 ('Act') has recognised charitable entities undertaking activities for public good to be a channel for implementing Corporate Social Responsibility (CSR) activities as mandated under the Act. Thus, a statutory recognition has been conferred upon the charitable entities which qualify the parameters as stipulated under the Act and Rules made thereunder.

Since the substantial part of nation's wealth and assets are held by these charitable entities and also a large number of corporates carry out their CSR activities through such entities, therefore, it may be important that there is some kind of accreditation process in place for such entities. If these entities adopt the Code of Governance and take a certificate from an independent professional, it will go a long way in giving comfort to the various stakeholders.

Governance is not upto the standard in these entities today because of lax monitoring as disclosures and transparency in such entities is a grey area. Moving forward, online filing and complete digitization should be mandated in relation to all disclosures for such entities so that they can be effectively monitored for enabling a good corporate governance regime in India.

Taking an example today, MCA-21 has facilitated corporates to file their documents online which provide better transparency and boosts the confidence of various stakeholders dealing with them. Therefore, it is urged that the Regulators may take necessary steps for enabling an e-filing regime for such entities.

OBJECTIVES OF THE CODE

As stated above, the charitable entities in the Indian scenario are formed, established and registered under various Acts. Each such regulatory framework governing their respective body is strikingly dissimilar with its relevant counterparts. However, the fact that these organizations exist to support the cause of upliftment of the segments of the society which have not been able to participate and contribute in the growth of the economy provides the *raison d'être* to delve into the development of a uniform code, not of practices, but of principles and standards which shall hold significance across the length and breadth of the nation, for all forms of charitable entities.

Even with variety in thought, difference in objectives, the ultimate common goal needs to be provided with a strong foundation which is stabilised with principles. The very concept of 'charity' denotes altruistic thought and action. Its object must necessarily be to benefit others rather than one's self. *This direction of thought and effort and not the result of what is done in terms of financially measurable gain is what determine that it is charitable.*

The objectives of forming a Code can be summarised in the following five points:

- To provide for a set of guiding principles and standards for the entities established for charitable purposes irrespective of their format of establishment.
- To provide a set of principles to streamline the existing systems and procedures in place thereby bringing about discipline in the functioning of charitable entities.
- To strengthen transparency, accountability and the internal control systems in these entities.
- To develop a level of comfort and enhance trust for various stakeholders dealing with the charitable entities including corporates and regulatory authorities.
- To urge the Regulators to make appropriate arrangements to facilitate effective monitoring through online filing and digitisation.

APPLICABILITY OF THE CODE

The Code shall be applicable on all registered entities receiving grant, donations, privileges, subscriptions and receipts of the like nature (by whatever name called) for carrying out charitable activities keeping in view the public interest and / or for the benefit of public at large and / or for community.

DEFINITIONS

In this Code unless the context otherwise requires:

'Affiliate or Group entities' means an charitable entity in which the member of the Governing Body of the charitable entity or his relative is a member of the Governing Body or trustee or promoter or director or partner or holding not less than twenty five per cent of its voting power in any company, either individually or along with other promoter(s), director(s), partner(s), or relative(s) or trustee.

'Charitable Entity' (hereinafter also referred to as the entity) by whatever named called means any entity registered under any Central or State law of India or if registered outside India under the law as may be applicable with primary objective of philanthropy and social well-being like for relief of the poor, education, medical relief and the advancement of any other object / purpose of general public utility or common good or for a class of the public.

'Conflict of Interest' means any situation in which a member of the Governing Body or any of his relative may have financial and/or other interest which may impair his independence or objectivity in discharging his fiduciary duties.

'Governing body' means Board of Trustees, Management Committee, Board of Directors or group of persons entrusted with the responsibility of management and governance of the entity by whatever name called.

'Key Management Executive' means the person performing the role of Chief Executive /Managing Trustees, Chief Financial Officer/Treasurer and a Secretary, singularly or multifariously for the entity.

'Relatives' mean the members of family of a person who influence or may influence the person in carrying out the fiduciary duties of the person and would include:

- a) Spouse;
- b) Children;
- c) Brother / Sister;
- d) Parents; and
- e) Dependants.

GUIDING PRINCIPLES

PRINCIPLE NO.	PRINCIPLES
PRINCIPLE 1	Vision and Objectives
PRINCIPLE 2	Adherence to laws
PRINCIPLE 3	Effective Governing Body
PRINCIPLE 4	Diversity
PRINCIPLE 5	Conflict of Interest
PRINCIPLE 6	Disclosures and Transparency
PRINCIPLE 7	Community Engagement
PRINCIPLE 8	Integrity
PRINCIPLE 9	Sustainability

PRINCIPLE 1

VISION AND OBJECTIVES

Justification:

Every entity, irrespective of their purpose of establishment must have a clear line of sight. No entity can function without direction. It is this very rationale that is the guiding light of the said Principle.

Guidelines:

- 1.1. The entity should have a well-defined, clear and concise Vision and Mission statements duly approved by the Governing Body and communicated to the public.
- 1.2. Such Vision and Mission statements must be reviewed on a regular basis to adapt to the ever-changing environmental scenarios.
- 1.3. The goals for which the entity has been established should be well-chalked out and encased together to be called the Charter of Objectives.
- 1.4. The Charter of Objectives shall act as a guiding light for the Governing Body in effective decision-making as well as in resolution of contention arising during selection or otherwise of a particular project or programme.
- 1.5. The entity shall not be required to draft a separate Charter of Objectives, in case the same forms part of bye-laws of the entity. The Governing Body of the entity should ensure that its operations and programmes are in line with its Vision and Mission directed towards the achievement of its objectives as listed in the Charter in pursuit of the public good.

PRINCIPLE 2

ADHERENCE TO LAWS

Justification:

As far as the entities are concerned, it has been witnessed that with every State, the list of applicable laws alters drastically, not to mention the laws applicable to a specific entity by virtue of being established or formed in a certain format. It goes without saying that the set of laws applicable to a 'Trust' shall diverge to a large extent from those applicable to a 'Society'. In such a scenario it is very much imperative that every entity takes due care of the laws, bye-laws, rules and regulations encasing it and strive to adhere to them in true letter and spirit.

Guidelines:

- 2.1. Every entity must prepare a list of all the laws including Acts, bye-laws, rules and regulations applicable to it at a given time.
- 2.2. Such list must be placed before the Governing Body of the entity at its meeting on a periodic basis.
- 2.3. A certificate should be obtained by an independent professional stating that the entity has duly complied with the provisions of all the applicable laws.

PRINCIPLE 3

EFFECTIVE GOVERNING BODY

Justification:

The roles and responsibilities that may be affixed with the Governing Body of an entity in general and designation of the member of the Governing Body in particular must be well chalked out in black and white. Not only does this demarcates their area of authority but also provides them with an idea regarding the expectations of stakeholders as well as regulatory authorities. It is a good practice to prepare a written charter enlisting the terms of reference which clearly set out the roles, responsibilities and duties of the Governing Body of the entity.

Guidelines:

3.1 Roles and Responsibilities:

The roles and responsibilities entrusted with the Governing Body should include the following:

- 3.1.1 Drafting the Vision and Mission statements, setting the entity's values and standards (including ethical standards).
- 3.1.2 Providing leadership, both entrepreneurial and strategic, to ensure the achievement of the objectives of the entity.
- 3.1.3 Ensuring the availability, effective and efficient deployment of the financial and human resources for the achievement of the objectives of entity.
- 3.1.4 Establishment of an effective and prudent control framework enabling the assessment and management of possible risks, including safeguarding of the assets of the entity.
- 3.1.5 Reviewing the performance of the entity and its various constituent segments.
- 3.1.6 Identifying the key stakeholder groups, recognising the obligations towards each of them and ensuring that the objectives are met.
- 3.1.7 Managing sustainability issues, e.g., environmental and social factors, as part of its strategic formulation for the long-term presence, functioning and operations of the entity.
- 3.1.8 Appointment of Key Management Executives for day to day operations of such entity.

3.2 Policy framework:

The entity should be guided by a well formulated policy framework covering the various areas of activity in the entity including but not limited to:

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- Sustainability;
- Fund raising and investments;
- Project implementation;
- Whistle blowing;
- Sexual Harassment; and
- Remuneration of members of the Governing Body and Key Management Executives.

Such Policies should be duly approved by the Governing Body and be made available in the public domain.

- 3.3 The entity should ensure that the outlay and the proposed outcome of each programme are placed before the Governing Body before operationalization and the same are monitored on a regular basis. A suggestive list of the matters that may be placed before the Governing Body is placed at **Annexure A**.

PRINCIPLE 4

DIVERSITY

Justification:

The members of Governing Body are responsible for carrying out the affairs of the entity, devise strategies through analysis and effective problem solving. Having an optimal mix of skills, expertise and experience is paramount to ensuring that the Governing Body is equipped to make appropriate decisions. Diversity in the Governing Body has been considered from a number of aspects, including but not limited to gender, age, cultural, religion, region, educational background, professional experience, skills and knowledge. Given the diversity of expertise, information, and availability that is needed to understand and govern an entity, it is unrealistic to expect an individual member to be knowledgeable and informed about all aspects requiring decision making.

The objectives behind promoting diversity in the Governing Body include but are not limited to the following:

- ❖ Enhancement in the quality of performance;
- ❖ Effective decision-making;
- ❖ Adequate gender representation; and
- ❖ Harnessing of unique individual skills, experiences, knowledge of the members in a collective way.

Guidelines:

4.1. *Optimum composition:*

The Governing Body must have an optimum combination of independent, executive and non-executive members possessing appropriate skills, knowledge and experience.

4.2. *Gender Diversity:*

Women members bring in their own perspective in decision making and it is proven that gender neutral and diverse Boards lead to better Board performance. It is therefore recommended that the Governing Body should have at least one women member. This will go a long way in improving the creativity and quality in the decision making.

PRINCIPLE 5

CONFLICT OF INTEREST

Justification:

A conflict of interest arises when an individual's private interests compete with his fiduciary obligations, which may result in the exercise of partial and biased judgment. Such situations can have potentially damaging consequences and reputation of the entity. It can also arise when an individual's decisions and/or actions actually have, or have the appearance of, being influenced by considerations of personal financial gains. This does not mean that a member of Governing Body can never have dealings/transactions of commercial/financial nature with affiliate or group entities. Rather, such transactions shall be subject to a higher degree of disclosure and scrutiny, if required.

Guidelines:

- 5.1 If a member of the Governing body or the Chairman thereof is interested in any item of agenda, such fact shall be disclosed by him/her at the meeting of Governing Body before the consideration of such item.
- 5.2 The disclosure of interest by a member having such conflict in a subject matter of consideration at the Meeting and their abstinence from the discussion/voting at the meeting on the said matter shall be recorded in the Minutes.
- 5.3 The Chairman shall leave the Chair to any non-interested Member for discussion in respect of the item of agenda wherein he/she is interested.
- 5.4 A member of the Governing Body having disclosed his conflict of interest shall neither be counted for determining the quorum nor shall the member participate during discussion and vote on the item in which such member is interested.
- 5.5 Every member of the Governing Body and Key Management Executive shall at the beginning of each financial year disclose the entities in which he/she is holding the position of promoter, director, partner, member of the Governing Body and other information declaring his conflict of interest, if any. A sample format of such declaration is placed at **Annexure B**.
- 5.6 All transactions involving conflict of interest undertaken by an entity should be on an arm's length basis. Such transactions must be duly approved by the Governing Body and the details of transactions with affiliate or group entities must be made available in the Annual Report.

PRINCIPLE 6

DISCLOSURES AND TRANSPARENCY

Justification:

The Governing Body of an entity, alike every other entity, is accountable to stakeholders more than one. It is highly unlikely that putting the interests of one stakeholder at stake for the benefit of other may yield good governance. Herein, care must be taken to disclose information to the stakeholders while undertaking programmes. The compliance with this principle shall have multi-dimensional effects of enhancing the overall integrity of the Governing Body by bringing about transparency in operations.

The fact that transparency and disclosures form the basis of good governance has been reiterated across the length and beyond of every corporate governance code developed to guide the respective entities. As far as the entities are concerned, the scenario is no different. The responsibility of maintaining transparency in selection of and disclosures pertaining to the implementation of projects falls within the ambit of the role of the Governing Body. More so, the sources of funds, the record-keeping of donations received in a timely and orderly manner goes a long way in ensuring that the highest principles of good governance are maintained in the entity.

Guidelines:

- 6.1 All the documents and records relating to the functioning and operations of the entity shall be properly maintained.
- 6.2 The information regarding every programme or project undertaken by the entity should be disclosed at relevant intervals on a continuous basis.
- 6.3 The entity should make necessary filing at the online platform as and when made available by the Regulator.
- 6.4 Charities and donations:
 - 6.4.1 A record of all the donors and members shall be prepared whether in electronic format or otherwise.
 - 6.4.2 The donations, charities, receipts, subscriptions, grants and the like should be placed before the Governing Body at its subsequent meeting.
 - 6.4.3 The entity should ensure that all donations, charities, receipts, subscriptions, grants and the like are properly accounted for and are put to use for the intended purpose.
 - 6.4.4 A certificate shall be obtained from an independent professional governed by the code of conduct of their respective bodies stating that all the donations, charities, receipts, subscriptions, grants and the like received during the year have been utilized towards the respective projects and programmes.

6.5 Disclosures in the Annual Report:

- Composition of the Governing Body
- Number of meetings of the Governing Body of the entity
- Attendance of members of the Governing Body in the meetings held
- Overview of the projects and programmes
- Remuneration of the members of the Governing body, Key Management Executives and their relatives
- Transactions undertaken by the entity with its affiliates or group entities
- Confirmation of compliance of code of conduct by the members of Governing Body
- List of major donors during the year along with other relevant details
- Certificate by an independent professional stating that the entity is in compliance with this Code.

6.6 Disclosures on website:

The following items should be placed on the website of the entity which should be updated at regular basis, atleast on quarterly basis:

- Vision and Mission
- Brief updated profile of the members of Governing Body and Key Management Executives
- Overview of the projects and programmes
- Policies approved by the Governing Body
- Annual Report along with Audited Financial Statements
- Awards and Recognitions; if any
- Transactions undertaken by the entity with the members of Governing Body, their relatives and Key Management Executives
- Any event or information which, in the opinion of the Governing Body is material.
- Confirmation of compliance of code of conduct by the members of Governing Body
- Certificate by an independent professional stating that the entity is in compliance with this Code.
- List of major donors along with relevant details for past three years.

PRINCIPLE 7

COMMUNITY ENGAGEMENT

Justification:

At the heart of every entity is the ultimate goal of benefitting certain sections of the society for whom the projects and programmes have been initiated. In light of this, the significance of engagement with the community, the stakeholders and more so the target group of the project, increases manifold. It is imperative for the entity to realise, assess and understand the impact of the projects, programmes and activities undertaken by the entity.

Guidelines:

- 7.1 The Governing Body should by itself or through its dedicated personnel engage in community interactions on a regular basis
- 7.2 Such engagement and interaction shall include assessment on atleast two fronts:
 - 7.2.1 Base-Line & end-of-project; and
 - 7.2.2 Event-based.
- 7.3 The Base-Line & end-of-project assessment shall be conducted to gauge the event-based interaction with the aim of pursuing impact assessment of the projects undertaken by the entity analysing whether the outcomes are in line with the ones proposed and expected at the time of taking up a project and helps an entity to maintain a proper tracking mechanism.

PRINCIPLE 8

INTEGRITY

Justification:

Honesty and integrity form the basis and foundation of leadership, the role of which in an entity is played by the Governing Body. The modern day scenario, wherein issues of misuse of corporate vehicles and even foundations and trusts for siphoning of funds hogs the limelight, it becomes way more than imperative that the Governing Body, at all times, in all their decisions, maintains a very high level of honesty and integrity. It goes without saying that an ethical and professional entity is the best safeguard against risks to integrity, including improper conduct, misconduct and corruption in any economy.

Therefore, it is imperative for such entities to have a code of conduct. A code of conduct is a set of rules outlining the apposite practices pertaining to the ethics, morals and values belonging to a certain individual or entity. An entity and more so the Governing Body thereat are no different, rather in this case the significance of the Governing Body further heightens.

The code of conduct need not be a prodigious document containing elaborate policies but a simple basis of the expectations from those signing and confirming to it.

Guidelines:

- 8.1 The Governing Body should ensure transparency and honesty in all its decisions and disclosures towards its stakeholders, thereby enhancing its accountability manifold.
- 8.2 The Governing Body should promote a working environment that values respect, fairness and integrity.
- 8.3 Code of conduct:
 - 8.3.1 The entity should propagate the highest standards of integrity thereby giving a message both to the stakeholders outside and the members inside that divergence from the Code of Conduct shall be dealt with seriously.
 - 8.3.2 A Code of Conduct shall be laid down for the members of the Governing Body. A Model Code of Conduct for the members of the Governing Body is placed at **Annexure C** of this Code.
 - 8.3.3 The Code of Conduct should be duly signed by every member of Governing Body on the date of appointment or on the date of the enforcement of this Code, as the case may be.
 - 8.3.4 The entity should also strive to put in place a Code of Conduct for Key Management Executives and employees.
 - 8.3.5 Adherence to the Code of Conduct may be ensured by all the members of the Governing Body and Key Management Executives and adequate mechanisms must be put in place to deal with divergence to the said Code.

PRINCIPLE 9

SUSTAINABILITY

Justification:

Sustainability is the capacity of an enterprise to endure or to maintain a process or situation over time. A system or an entity is considered sustainable when it is supportive of not just itself but its surroundings as well. An entity, which is generally formed with the intent of serving public at large, is required to be more sustainable than any other organization prevailing in the economy and more so precisely on three fronts – financial, organizational and programmatic.

While being sustainable is need of the hour for the entity, its significance cannot be regarded any less for the stakeholders and donors for the development of faith and trust in the entity.

Guidelines:

- 9.1 Sustainability of the projects undertaken by the entity simply implies the continuation of project activities and outcomes after the initial/primary grant expires. In this regard, the entity should ensure steady and continuous flow of funds and generating revenue for maintaining continuity in the projects.
- 9.2 The entity should not depend on traditional inflow from donors but diversify its donor/ subscription base, accept financial support in kind, develop long term partnerships and explore new opportunities as well.
- 9.3 The entity should have a communication strategy that can help in showcasing the outcome of project results to the public. It can be achieved by releases on social media, journals, webpage, etc.
- 9.4 The entity can sustain its projects through engaging volunteers as human resource for performing activities, which would help in continuity of mission without financial outlay.
- 9.5 The entity can involve local agencies and government to ensure improved access to the government initiatives in the projects, which would help in sustaining the project activities to meet the objectives.

Such checks and balances go a long way in stabilizing the foundations of the entity, thereby making its presence and operations sustainable.

Annexure A

MINIMUM INFORMATION TO BE PLACED BEFORE THE GOVERNING BODY

1. Structure and report of the periodic appraisal of projects;
2. Outlay and proposed outcome of projects prior to initiation;
3. Proposed appointment and removal of the members of the Governing Body and Key Management Executives;
4. Disclosure of Conflict of Interest made by members;
5. Annual report, annual financial statements, annual plan and budget;
6. Audit Report;
7. Acquisition or disposal of immovable property, if any;
8. Minutes of meetings of Governing Body and its committees;
9. All transactions / dealings by the entity on a periodic basis in which the disclosure of conflict of interest has been made by the member of Governing Body;
10. Show cause, demand, prosecution notices and penalty notices, materially important.
11. Annual compliance of Code of Conduct by the members of Governing Body.
12. Certificate of compliance of applicable laws by the Key Management Executives.
13. Certificate by an independent professional stating compliance with this Code.
14. Certificate by an independent professional stating that the funds, grants, etc. obtained has been utilized for the intended purpose.

NOTICE OF INTEREST BY MEMBER OF GOVERNING BODY

To

The Members of Governing Body
(Name of the Entity)
(Address)

Dear Sir / Madam

I, _____, son/daughter/spouse of _____,
resident of _____, being a Member of the Governing Body
of _____ having its registered office at
_____ hereby give notice of my interest or concern
in the following entities:

Sl. No.	Names of Company/ body corporate/ firm/ association of persons	Nature of interest or concern/ Change in interest or concern	Shareholding	Date on which interest or concern arose/changed

Place:

Date:

Signature

Annexure C

MODEL CODE OF CONDUCT FOR THE MEMBERS OF GOVERNING BODY

The Members of the Governing Body shall :

- i) discharge their duties ethically, professionally, with due diligence, efficiency and to the best of their abilities;
- ii) exercise the powers granted to them for the purpose of enhancement of the best interest of the entity and its stakeholders only and refrain from overstepping the powers;
- iii) utilize the resources of the entity for promotion of the interest of entity only;
- iv) endeavour to comply with applicable laws of the land alongwith the bye-laws of the entity;
- v) avoid situations which may give rise to conflict of interest and disclose the same to the Governing Body at the earliest possible moment;
- vi) respect the obligation of confidentiality in respect of information received in the course of their duties and continue to be bound by this obligation after the termination of their mandate;
- vii) not divulge any confidential information or data coming to their knowledge during the performance of their duties to persons or bodies outside the entity, other than what is required in the due discharge of their official duties;
- viii) refrain from disclosing the proceedings of meetings of Governing Body and the voting behaviour of individual members to persons or bodies outside the entity;
- ix) never divert, to himself or any other person, any opportunity which has arisen in relation to the entity;
- x) not to accept gifts, entertainment or hospitality other than where they are in normal expression of courtesy, where they do not compromise the entity's reputation, and where it is not likely to be regarded as compromising the ability of the member of Governing Body to act in an impartial manner;
- xi) not be discourteous or make personal attacks towards fellow members and staff, etc.;
- xii) devote such time as is necessary to carry out the duties as member of Governing Body;
and
- xiii) exercise utmost precaution in issuing public statements relating to the entity.

