

CODE FOR CHARITY GOVERNANCE



**THE INSTITUTE OF
Company Secretaries of India**

भारतीय कम्पनी सचिव संस्थान

IN PURSUIT OF PROFESSIONAL EXCELLENCE

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

17 DECEMBER 2020

The Institute of Company Secretaries of India

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Published by :

THE INSTITUTE OF COMPANY SECRETARIES OF INDIA

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**“YOUR GREATNESS IS NOT WHAT YOU HAVE,
IT’S WHAT YOU GIVE.”**

While the above words hold true for Charity and philanthropy, the same hold aptly strong and very much in alignment reflect the thought of the Institute of Company Secretaries of India as it attempts to expand the roots of governance far beyond the ambit of India Inc.

The ancient Indian scriptures, the religions preached and professed globally and the varied cultures practised all across share this commonality; each single one of them, in one way or the other has propagated the significance of giving from the hands of ones bestowed with wealth to those in need. The same took the form and shape of Social Responsibility (CSR) or the act of giving back to the society and more so Corporate Social Responsibility, with the advent of corporate culture.

While the voluntary practices might be ages old, the dispensing off of CSR has been mandated under the law only recently. The same has brought forth a greater role and accorded higher positioning to charitable institutions and entities as well for it is them who are to play mediation roles between the corporates and the ultimate beneficiaries.

Keeping all the above and more in sight, the ICSI took to developing dedicated code for the governance of charitable entities under the aegis of Code for Charity

Governance. Released at the hands of Shri Jaggi Vasudev (Sadhguru), the code with its nine principles aims to significantly instil and strengthen the framework of good governance in the charitable entities.

Understanding the need to take it to the real stakeholders to obtain, gain and reap maximum benefits, the ICSI has translated the Code in 10 major regional languages of India. I commend the dedicated efforts put in by the Directorate of Printing and Publications in the translation and publication of this Code.

I am confident that the publication will prove to be immensely beneficial for the Panchayats in their day-to-day functioning and the ultimate beneficiaries in ushering in a new era of good governance. I would appreciate the users/ readers for offering their constructive suggestions/ comments for the improvement of this publication.



CS Ashish Garg
President
The Institute of Company Secretaries of India

FOREWORD

को हि भारः समर्थानां किं दूरं व्यवसायिनाम् ।
को विदेशः सुविद्यानां कः परः प्रियवादिनाम् ॥

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?

Taking cue from the above shloka of Chanakya Niti, 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 lang syne. 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 Model Code of Governance on Charitable Entities 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 Chairman of the Core Group on Governance of Charitable Entities, 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, 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”. I am sure that the Code, its principles and their guidelines underlying shall fit perfectly into the role of these pebbles which shall create 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॥**

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 is considered as ‘Saattvika Daana’.

rain in ocean is waste, food for the already-fed is waste |

charity to the opulent is waste, and lamp, even in daytime, is waste ||

**वृथा वृष्टिः समुद्रेषु, वृथा तृप्तेषु भोजनम् ।
वृथा दानं धनाढ्येषु वृथा दीपो दिवापि च ॥**

CS (Dr.) Shyam Agrawal

President

The Institute of Company Secretaries of India

Date : 22nd November, 2017

Place : New Delhi

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; rather the need of the hour is to accord enhanced significance to this very term in other segments and arenas, even more than the corporates themselves.

Charitable entities, as they stand today in their varied formats, governed by different set of legislations, act as ancillary bodies for the modern day corporates to dispense with their social responsibilities, while inevitably being vehicles of national growth and development. However, the past few days have shed light upon the otherwise dark side of these entities, one which while defeating the purpose of these organizations, have hampered the process of development in the economy at large.

For entities, which otherwise boast of being not-for-profit or having a charitable intent, the allegations and the cases have been eye openers, not only for the regulatory bodies or the public at large, but for the professional institutions such as the Institute of Company Secretaries of India, wherein the purpose, vision, mission and motto encircles good governance across the nation while aiming to be the torchbearers of the same on a global front as well.

In light of the above, the formation of a committee to develop a governance code for the Charitable Entities seemed not just apt but a very pressing requirement as well. 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. The principles of the code, though voluntary in nature, shall prove to be the perfect roadmap for the Charitable Entities to reach the pinnacle of good governance.

I sincerely acknowledge and place on record my appreciation towards each member of the Core Group on Governance for Charitable Entities for their far-sighted approach and practical suggestions and for making this publication a reality within such a short span of time. I sincerely thank CS (Dr.) Shyam Agrawal, President, ICSI for his continuous support and encouragement and his valuable suggestions in giving the document the shape as it stands today.

I also place on record 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 Model Code of Governance for Charitable Entities.

I sincerely hope and wish that this Code, as has been drafted after due discussion and deliberation shall illuminate the path for the Charitable entities as they endeavour on the path of achieving good governance and assist the corporates in the achievement of their social goals and responsibilities.

CS (Ms.) Preeti Malhotra

Chairman

Core Group on Governance for Charitable Entities

Date: 22nd November, 2017

Place: New Delhi

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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.

For a nation to achieve highest standards of governance, it is more than imperative that each of its constituent segments abide by principles of good governance in true letter and spirit. NGOs 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 economy. Protection of children 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 Trust 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.

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. Though the Code that follows 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 organizations 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 alongwith a Certificate from an Independent Professional stating that all the principles of the said code have been duly complied with.

It is urged that the Regulators of the entities may take necessary steps to provide for an online platform to encourage and promote e-filing of forms and disclosures for greater transparency.

PURPOSE 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, whereas the charitable entities are concerned.

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.

OBJECTIVES OF THE CODE

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

- To provide for a set of guiding principles and standards for the organizations 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 organizations
- To promote strengthening of the internal control mechanism in the organizations.
- 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 online filing and make the same mandatory.

APPLICABILITY OF THE CODE

The Model Code of Governance for Charitable Entities shall be applicable on all registered entities receiving grant, donations and carrying out charitable activities/religious activities and where public interest is involved.

DEFINITIONS

In this Code unless the context otherwise requires:

“Affiliate or Group entities” means an entity in which the member of the governing body of the charitable entity or his relative is a member of the governing body or promoter or director or partner holding not less than twenty five percent of its voting power either individually or alongwith other promoter(s), director(s), partner(s), or relative(s).

“Charitable Entity” or “Charitable Organisation” (hereinafter also referred to as the entity or the organization) means any entity registered under Indian Trust Act 1882 and relevant statutes formulated by the respective States, Societies registered under the Societies Registration Act, 1860 / Multi-State Cooperative Societies Act, 2002, Companies with charitable objects registered under Section 8 of the Companies Act, 2013 (or section 25 of the Companies Act, 1956) or any other law for the time being in force with an intent of serving the public at large.

“Conflict of Interest” means any situation in which a member of the governing body may have financial or other interest which may impair his independence or objectivity in discharging his fiduciary duties.

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

“Key Executive” means the person holding the designation or performing the role of Chief Executive Officer, Chief Financial Officer, Secretary, or Treasurer 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

S. NO.	PRINCIPLE NO.	PRINCIPLES
1.	PRINCIPLE 1:	Vision and Objectives
2.	PRINCIPLE 2:	Adherence to laws
3.	PRINCIPLE 3:	Effective Governing Body
4.	PRINCIPLE 4:	Diversity
5.	PRINCIPLE 5:	Good governance
6.	PRINCIPLE 6:	Conflict of Interest
7.	PRINCIPLE 7:	Disclosures and Transparency
8.	PRINCIPLE 8:	Community engagement
9.	PRINCIPLE 9:	Integrity
10.	PRINCIPLE 10:	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 of 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 disputes in case of contention arising during selection or otherwise of a particular project or programme.
- 1.5. The charitable entity shall not be required to draft a separate Charter of Objectives, in case the same forms part of bye-laws of the entity.
- 1.6. 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 listed in the Charter.

PRINCIPLE 2

ADHERENCE TO LAWS

JUSTIFICATION:

As far as the charitable entities or the non-government organizations 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, byelaws, 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 their 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 demarcate 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:

The roles and responsibilities entrusted with the governing body should include the following:

- 3.1. Drafting the vision and mission statements, setting the entity's values and standards (including ethical standards);
- 3.2. Providing leadership both entrepreneurial and strategic, to ensure the achievement of the objectives of the entity;
- 3.3. Ensuring the availability and effective & efficient deployment of the financial and human resources for the achievement of the objectives of entity;
- 3.4. Establishment of an effective and prudent control framework enabling the assessment and management of possible risks, including safeguarding of the assets of the entity;
- 3.5. Reviewing the performance of the entity and its various constituent segments, including the various business and commercial initiatives undertaken by the entity with respect to the Charter of Objectives;
- 3.6. Identifying the key stakeholder groups and recognising the obligations towards each of them and ensuring their due compliance and accomplishment; and
- 3.7. 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.

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 and 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 of requiring decision making.

The objectives behind promoting diversity on the Governing Board of the charitable entity include but are not limited to the following:

- Enhancement in the quality of performance;
- Effective decision-making;
- Adequate gender representation;
- 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 may have different experiences from their working life and non-working life compared to men. The governing body should have atleast one women member on the Board so as to enable to make decisions based on the evaluation of more alternatives compared to a more homogenous board. This will go a long way to improve the creativity and quality of the decision making.

PRINCIPLE 5

GOOD GOVERNANCE

JUSTIFICATION:

Every charitable entity is bound to function under a group of persons entrusted with this function either by themselves or by the stakeholders. It is this body also called the governing body which undertakes the tasks of decision-making and ensures that the executive management performs their activities with due diligence. In such a scenario, it is imperative that the governing body in itself maintains highest standards of governance in their functioning and meetings.

GUIDELINES:

4.1. 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 be monitored on a regular basis.

4.2. A suggestive list of the matters that may be placed before the governing body is placed at Annexure A.

4.3. Policy framework:

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

- Fundraising;,,
- Investment;
- Deployment of resources;
- Whistle blowing; and
- Appointment and Remuneration of members of the governing body and key executives.

4.4. Transactions with relatives:

- All transactions undertaken by an entity with the relatives of the members of governing body and key executives should be on an Armis length basis.

- Such transactions must be duly approved by the governing body and the details must be made available in the public domain by way of disclosures on the website of the entity.

4.5. Roles and responsibilities of Key Executives:

- The Governing body may develop a charter detailing the roles and responsibilities as expected of the Key executives of the entity.

PRINCIPLE 6

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 professional 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 related parties. Rather, such transaction shall be subject to a higher degree of disclosure and scrutiny, if required.

- 6.1 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 at the meeting before the consideration of such item.
- 6.2 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.
- 6.3 The Chairman shall leave the Chair to any non-interested Member for discussion in respect of the item of agenda wherein he is interested.
- 6.4 A member of the governing body having disclosed his conflict of interest shall neither be counted for determining the quorum nor the member shall participate during discussion and voting on the item in which such member is interested.
- 6.5 Every member of the governing body and every key executive of the entity shall at the beginning of each financial year disclose the entities in which he 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.

PRINCIPLE 7

DISCLOSURES AND TRANSPARENCY

JUSTIFICATION:

The Governing Body of a charitable entity, alike every other entity, is accountable to stakeholders more than one. It is highly unlikely that the 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 charitable 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 of the entity. 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:

- 7.1. All the documents and records relating to the functioning and operations of the charitable entity shall be properly maintained.
- 7.2. The information regarding every programme or project undertaken by the entity should be disclosed at relevant intervals on a continuous basis.
- 7.3. Charities and donations:
 - 7.3.1. A Record of all the donors and members shall be prepared whether in electronic format or otherwise.
 - 7.3.2. The donations, charities, receipts, subscriptions, and grants, etc. and the like should be placed before the governing body at their subsequent meeting.
 - 7.3.3. The charitable entity should ensure that all donations, charities, receipts, subscriptions, and grants, etc. and the like

are properly accounted for and are put to use for the intended purpose.

- 7.3.4. A certificate shall be obtained by an independent professional governed by code of conduct of their respective bodies stating that all the donations, charities, receipts, subscriptions, and grants, etc. received during the year have been utilized towards the respective projects and programmes.

7.4. Disclosures in the Annual Report:

- Composition of the Governing Body
- Number of meetings of the governing body of the charitable entity
- Attendance of members of the governing body in the meetings held during the financial year
- Overview of the projects and programmes
- Remuneration of the members of the Governing body, Key Executives and relatives thereof
- Transactions undertaken by the charitable entity with Affiliate or Group entities
- Confirmation by the Chairman of compliance of code of conduct by the members of Governing Body
- List of major Donors along with all other relevant details
- Certificate by an Independent professional regarding compliance with the Model Code of Governance for Charitable entities.

7.5. Disclosures on website:

- The following items must be placed on the website of the charitable entity which should be updated on a regular or atleast quarterly basis:
- Vision and Mission of the entity
- Brief updated profile of the members of governing body and key executives
- Overview of the projects and programmes
- Policies approved by the governing body

- Audited Financial Statements and Annual Report
- Awards and Recognition
- Transactions undertaken by the entity with the relatives of the members of the governing body and key executives
- Any event or information which, in the opinion of the Governing Body is material.
- Confirmation by the Chairman of compliance of code of conduct by the members of Governing Body
- Certificate by an Independent professional regarding compliance with the Model Code of Governance for Charitable entities.
- List of major donors along with relevant details for past 3 years.

PRINCIPLE 8

COMMUNITY ENGAGEMENT

JUSTIFICATION:

At the heart of every charitable 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 impacts of the projects, programmes and activities undertaken by the entity.

GUIDELINES:

- 8.1 The governing body should by itself or through a dedicated personnel engage in community interactions on a regular basis
- 8.2 Such engagement and interaction shall include assessment on at least two fronts:
 - 8.2.1 Base-Line & end-of-project; and
 - 8.2.2 Event-based.
- 8.3 While the Base-Line & end-of-project assessment shall be conducted to gauge the The event-based interaction shall be conducted 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.

PRINCIPLE 9

INTEGRITY

JUSTIFICATION:

Honesty and integrity form the basis and foundation of leadership, the role of which in a charitable 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 very high levels of honesty and integrity. It goes without saying that an ethical and professional entity or organization is the best safeguard against risks to integrity, including improper conduct, misconduct and corruption in any economy.

A code of conduct is a set of rules outlining the apposite practices pertaining to the ethics, morals and values pertaining to a certain individual or organization. A charitable entity and more so the governing body thereat are no different, rather in this case the significance 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:

- 9.1 The governing body must ensure transparency and honesty in all its decisions and disclosures towards its stakeholders, thereby enhancing their accountability manifold.
- 9.2 Code of conduct:
 - 9.2.1 The entity through its governing body should propagate high standards of integrity thereby giving a message both to stakeholders outside and the members inside that divergence from the code of conduct shall be dealt with seriously.
 - 9.2.2 A Code of Conduct shall be laid down for the members of the governing body and key executives of the entity.
 - 9.2.3 The code of conduct shall be duly signed by every member on the date of their appointment, or on the date of the enforcement of the Code, as the case may be.

- 9.2.4 Adherence to the Code of conduct may be ensured by all the members of the governing body and adequate mechanisms must be put in place to deal with divergence to the said code.
- 9.2.5 A model code of conduct for the members of the governing body has been placed at Annexure C of this Code.

PRINCIPLE 10

SUSTAINABILITY

JUSTIFICATION:

Sustainability is the capacity of an enterprise to endure or to maintain a process or situation over time. A system or an organization is considered sustainable when it is supportive of not just itself but its surroundings as well. A charitable entity, which is generally formed with the intent of supporting its surroundings, 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 may be the 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:

- 10.1 The entity should, while envisioning its long-term presence, undertake projects ensuring steady and continuous flow of funds and generating revenue for maintaining continuity in the operations of the entity.
- 10.2 The entity should ensure that an appropriate strategy is adopted for engaging in communication with its key stakeholders and donors.
- 10.3 Every new project is tailed by inhibitions from a variety of stakeholders. The governing body must ensure that the community, the target group alongwith the local government and regulatory authorities are duly sensitized and informed regarding the benefits of the project.
- 10.4 The entity should while partnering with corporates for the accomplishment of their social responsibilities strive to achieve complete transparency in transactions to avoid any misuse of the entity for practices such as siphoning of funds, etc.

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 GOVERNING BODY

1. Structure and report of the periodic appraisal of operations;
2. Outlay and proposed outcome of projects prior to initiation;
3. Proposed appointment and removal of the members of the governing body and Executive Management;
4. Disclosure of Conflict of Interest made by members of the governing body;
5. Annual report, annual financial statements, annual plan and budget;
6. Audit and compliance report of the compliances made under relevant statutes;
7. Acquisition or disposal of immovable property, if any;
8. Minutes of meetings of audit committee and other committees of the board of directors;
9. Show cause, demand, prosecution notices and penalty notices, materially important.
10. Confirmation by the Chairman of compliance of code of conduct by the members of Governing Body.
11. Certificate by an Independent professional regarding compliance with the Model Code of Governance for Charitable entities.

ANNEXURE B

NOTICE OF INTEREST BY MEMBER OF GOVERNING BODY

To

The Members of Governing Body

(Name of the Charitable 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 individuals	Nature of interest or concern/ Change in interest or concern	Shareholding	Date on which interest or concern arose/ changed

Signature

Place:

Date:

ANNEXURE C

MODEL CODE OF CONDUCT FOR MEMBERS OF GOVERNING BODY

The Members of the Governing Body shall :

- I) discharge their duties professionally, with due diligence, efficiency and to the best of their abilities;
- II) exercise the powers granted to them for the purpose of enhancements of the best interest of the entity and its stakeholders only and refrain from overstepping the powers;
- III) utilize the name and resources of the entity for promotion of the interest of organization only;
- IV) endeavour to comply with applicable laws of the land along with 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 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) make appropriate use of the resources made available to them for the performance of their duties;
- X) never divert, to himself or any other person, any opportunity which has arisen in relation to the entity;

- XI) not 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 member of Governing Body's ability to act in an impartial manner;
- XII) not be discourteous or make personal attacks towards fellow members, staff;
- XIII) devote such time as is necessary to carry out the duties as member of Governing Body;
- XIV) exercise utmost precaution in issuing public statements relating to the entity

