



Vereniging van Fondsen Nederland – FIN

CODE OF CONDUCT FOR MEMBERS OF THE ASSOCIATION OF FOUNDATIONS IN THE NETHERLANDS, FIN

As decreed at the General Assembly on 06-11-2009 and 25-03-2010

1. Introduction
2. Guiding principles
3. Overview of membership criteria.

Annexes

- a. An elaboration of the criteria regarding 'asset management'.
- b. An elaboration of the criteria concerning 'annual accounts'.

1. Introduction

This is the new FIN Code of Conduct, decreed during the General Assembly of 6 November 2009. This Code of Conduct is based on the Code of Conduct of 2004. In the last few years, several important developments have occurred in the area of 'good governance'. The FIN Board reported on these during the General Assembly of March 2009, and they were the reason for the FIN to:

- a. address expectations in the form of a new Code of Conduct;
- b. create a procedure for members to actively subscribe to the Code;
- c. introduce a procedure for members who do not adhere to the Code.

By taking these measures, the FIN demonstrates that it represents organisations that practice good governorship, that are transparent in their objectives and the implementation of these, and that are accountable.

This Code of Conduct, as was the case of the 2004 Code of Conduct, comprises two elements: the guiding principles and the membership criteria. These are accompanied by a number of recommendations. On the one hand, the Code of Conduct can be viewed as a record of the basic values that guide the activities of FIN members. On the other hand, the Code of Conduct, and in particular the membership criteria, is a form of self-regulation. The Code of Conduct, and in particular the recommendations, provides a framework for each FIN member for policy making or for taking decisions regarding the implementation of that policy. FIN members shall act upon the recommendations having given due consideration to the size of the entity, and the stage of development in which the entity finds itself at that point.

As was the case in 2004, the Code of Conduct shall remain open and subject to discussions and amendments, whether on the grounds of internal or external developments. It is to be seen as a dynamic code, not cast 'in stone', but rather conceived so as to enable members to keep abreast of social evolutions and developments and/or to anticipate on them.

Adherence to the new Code of Conduct will mean that the statutes of a number of FIN members need to be amended. These amendments will have been made prior to 1 January 2011.

2. Guiding principles

The following are the basic values that FIN members shall honour as being the core principles in the conduct of their actions and practices.

a. Public interest

The pursuit of endeavours either wholly or well nigh wholly “in the public interest”. Priority focus is to be put on the public interest rather on the private interest.

b. Social responsibility

Acting with all due regard to and consideration for societal norms and needs.

c. Autonomy

Choosing an independent standpoint pursuant to the goals of the organisation, related to policy and its implementation, followed by the monitoring of it.

d. Professionalism

The promotion of professionalism in all activities and practices.

e. Clear policy

The clear and comprehensible formulation of policy with respect to the mandate, programmes, and donations. The regular evaluation of policy and, if desirable, the review of the policy.

f. Transparency

Making objectives, organisational procedures, governance and decision-making procedures clear and transparent, both internally and, depending on the goals of the organisation, externally.

g. Accountability

Voluntary disclosure of financial and possibly substantive issues internally to management / board, and, depending on the scope of the organisation, vis-à-vis society.

h. Due diligence and respect

Proceeding with due diligence and respect, and acting reasonably when processing, evaluating and accepting or rejecting requests/applications for donations.

3. Membership Criteriaⁱ

- Members of the FIN are legally recognised non-profit entities under Dutch civil law
- From the statutes, that are sharedⁱⁱ, the following must be apparent.
 - The goals of the organisation, how these will be met, and the means in which resources are secured.
 - The distribution of the assets following possible liquidation or the way in which the assets will be distributed.
 - Whether the statutes can be amended, and if so, in what way.
 - The size and composition of the board.
 - The procedure for appointing and dismissing board members.
 - The duration of board members' term of office.
 - The authority granted to board members to represent the organisation.
- From the extract of the Commercial Register from the Chamber of Commerce (as submitted) it must be apparent:
 - that the entity is located in the Netherlands
 - the composition of the Boardⁱⁱⁱ
- FIN members' activities are related to 'public interest' and a substantial part of the donated monies (>90%) are earmarked to serve 'the public interest'.
- Payments are made without expectation of reciprocation (not be understood here as name attribution).
- The board will carry out its work unhindered and without consultation.
- Board members must make it known internally of any other activities in which they are involved.
- The board creates a plan for the resignation and/or re-appointing of board members.
- Should individual members have a personal interest in projects, they shall not participate in any decision making processes concerning these projects.

- The board implements policy related to the granting of donations and other forms of support (organise the annual budget, deciding on the grant budget).
- The board implements the policy in regard to:
 - The composition of the board;
 - The tasks, authority and obligations of the board members;
 - Honoraria, where relevant, for board members;
 - Regular evaluation of the functioning and the way of working of the board
- The board determines the procedure of handling and completing donation requests
- The board implements the policy regarding asset management such as a description of the assets, valuation principles, and investment policy (for further details see Annex A)
- Within six months of the closure of the reporting year^v, annual accounts shall be drawn up by the board. The annual accounts are to be approved and signed by the board members and by those who form, if relevant, the supervisory body (for further details see Annex B)^{vi}

RECOMMENDATIONS:

- A document of Internal Rules and Regulations shall be drawn up
- The board shall draw up:
 - criteria for the evaluation of projects;
 - grounds for supporting and rejecting projects;
 - the conditions that apply when support to projects is granted (for example, implementation terms, receipt of progress and other reports, name attribution);
 - policy regarding project evaluation;
 - and will communicate about these with relevant parties.
- The procedures around the processing and closing requests/proposals for grants are communicated to relevant parties.
- Reasons for rejecting a proposal must be given
- The board provides a description of the administrative organisation and the method of internal control. These may include: the organisational structure, decision making processes, job descriptions, task descriptions, authorities and responsibilities, control mechanisms and, if applicable, guidelines with respect to remuneration and employment conditions
- An annual report of activities of grants made shall be drawn up and, if so desired, published, for example on the entity's website, with all due consideration for the provisions of the Privacy Act.

Annexes

The annexes are intended to act as an **aid** for the elaboration of the criteria for asset management and annual reporting. The results as such are not checked.

Annex A An elaboration of the criteria regarding asset management

A. Responsibility and necessary expertise

Asset management is the fiduciary responsibility of the whole board. The policy on asset management and possible investments should be formulated in such a way as to ensure that the entrusted assets are administered in the best possible way. Depending on the size of the assets and the available expertise within the board, a professional advisor may be engaged to create an investment policy and the implementing thereof. It is essential that the board always understands which issues require decisions and that they fully understand the decisions that must be taken.

B. Financial goals, setting the guiding principles, investment portfolio

Essential to good asset management is the careful weighing up of a number of elements that together will determine the strategy: financial goals (for example whether to maintain the assets at the same level or not); financial obligations; and the composition of the investment. The element of the long term stability can also be a criteria. The degree to which the policy strives for long term stability and the rationale for the choices made, may be drawn up.

If it the policy's objective is to maintain the entrusted assets at a steady level, all due account will be taken in investing the revenues generated by such assets – both cash revenues and value changes of the said assets – of factors such as inflation, expenditures, and overhead costs. If the policy's objective is to terminate the funds at a given point, the management of the funds and the associated investment policy shall be formulated in such a manner as to ensure the implementation of the said policy.

The asset management and, possibly, the investment policy shall be constituted in such a way that financial obligations vis-à-vis the beneficiaries of donations can be met. Likewise, it shall be ensured that all financial obligations for a reasonable length of time vis-à-vis staff and the organisation can be met (note: possible statutory pension contributions).

With a view to managing assets as professionally as possible, a long-term investment policy shall be drawn up. It will be consistent with the stated purpose or tasks in terms of expenditures, asset maintenance, risk taking, overheads, and similar factors.

In the process, careful attention will be devoted to the risks that are inherent to the investment process. The goal of ensuring the capacity to meet financial obligations vis-à-vis the beneficiaries of donations and/or staff in particular and third parties in general, demands that a careful balance be made in the chosen investment portfolio.

What is meant here is a distribution across a variety of investment categories: liquidity/savings, fixed-interest securities, shares, property, and alternative investments. The investment portfolio is defined and constituted in advance of decision taking by the managers. Within this process, the balancing of investment returns versus the risks involved play an important role and is subject to investment forecasts. Preference is given to a broad range of options across and within investment categories. This will improve risk management. Naturally the degree to which the investment is spread is dependent on the size of the assets and the expertise within the fund.

C. The policy at work: mandates, benchmarks, budgets, planning

This policy paves the way for selecting managers and creating mandates for them. The following paragraph deals with the monitoring of both the managers and the policy.

In order to be able to subsequently justify investment decisions, the results of the investment policy, where possible, will be periodically tested against relevant benchmarks. Benchmarks are selected in advance (targets or reference points) and will in many instances be indicative of an investment policy that more or less follows the stock market developments. This contributes to sound risks management. Note, absolute risks are the result of the chosen investment portfolio; relative risks are the result of the selection of the investment portfolio with managers. Many entities make a plan in case of liquidation.

Annex B. An elaboration of the criteria concerning annual accounts.

Internal reporting of the financial policy, in the form of accounts of revenues and expenditures and a balance sheet, is required on an annual basis. The annual accounts are approved and finalised by the board. The annual accounts are signed for confirmation, preferably by all members of the board.

The annual accounts are audited. In case this audit is to be conducted by an external organisation, it is advisable to engage the services of a registered chartered accountant (RA) or an administrative consultant (AA) who will provide official approval. In the case of an internal audit, the nominated audit committee will submit a statement of the accounts.

The financial statement shall be drawn up in accordance with directive 640 of the Council of Annual Accounts for non-profit organisations. The board may, preferably in consultation with the external accountant or the administrative consultant, deviate in parts from the provisions of this directive. This is usually registered in the statement of approval. Small non-profit organisations may decide to produce their annual accounts in accordance with Directive C1 of Small Non-profit Organisations. This Directive is a part of the Directives for reporting for small entities and should be read in conjunction with these.

Depending on the size and complexity of the organisation, an internal report can be added to the annual accounts that reports on the activities of the year in question and parts of which may be devoted to the activities for the following year. This report at the very least contains a list of grants made. This report, or part of the annual accounts, can form the basis for an external annual report if so desired.

The external auditor may produce a 'management letter' if desired. This document states whether or not the implementation of the policy is in keeping with the definition thereof. At the same time, a general assessment is made of the administrative procedures and the automated processes and, if and where deemed necessary, recommendations for improvements are presented.

ⁱ The Code of Conducts uses the terms 'governing' and 'board members'. Where there is another responsible governing body than a board of trustees, the Code of Conduct will be applicable to this body and its members.

ⁱⁱ What is meant here is that these are sent to the FIN office.

ⁱⁱⁱ Changes regarding board members such as name, position or address, need to be amended in the Commercial Register as soon as possible. An extract from the Commercial Register recording the changes made, including changes to the statutes, are sent to the board. A copy of this extract must be sent to the FIN office. For members not registered in the Commercial Register, the FIN office should be sent a written declaration in which it is confirmed that the entity is established in the Netherlands and in which the composition of the board is stated.

^{iv} Only application if the entity itself retains or manages its asset itself.

^v Subject to a decision by the authorised body, this term may be increased to five months maximum on the grounds of special circumstances.

^{vi} Should one or more signatures be missing, the reasons for the missing signatures must be stated.