

## **BEST PRACTICE IN FOUNDATION MANAGEMENT**

### **Grant Giving Foundations**

#### **(Council of Finish Foundations)**

In 1970, some 30 Finnish grant giving foundations started to maintain mutual contact on a regular basis. Very soon, these contacts were formalised and assumed the established form of the *Council of Finnish Foundations (the Council)*, an advisory committee for foundations. The *Council* was registered in the autumn of 2003 and has 56 member foundations.

According to a joint statement issued by member foundations of the *Council*, the core purpose of this co-operative body is to provide its members with a forum to exchange information and views on issues of common interest.

Aware of their status as a special association and of their social responsibility vis-à-vis their stakeholders, the member foundations of the *Council* have expressed their joint will through a statement adopted at their meeting of 8 May 2001. In terms of this statement, they will comply with the best foundation management practice, outlined below.

#### **INTRODUCTION**

For a number of decades, the Finnish government has shown its appreciation of the support given to scientific research and the arts as well as to other cultural activities by instituting tax relief schemes applicable to non-profit organisations. The underpinning motivation is that the non-profit sector serves and benefits society in many ways.

The Foundations Act and Associations Act constitute the regulatory framework under civil law for a large number of body corporates with varying operations and activities, while tax legislation contains special norms applicable to non-profit organisations. However, these fiscal regulations apply not only to grant giving foundations and funds, but also to sports associations and to foundations that manage various types of institutions.

Grant giving non-profit organisations have varied backgrounds: they may be based on an endowment, a testamentary donation or public fund-raising, and the articles regarding the purpose of the various organisations, defined in their constitutive acts, are extremely diverse. However, they do constitute a special group although their unique status is not fully identified in legislation.

One common characteristic of grant giving organisations is that their original assets have been entrusted to them in order to fulfil a specific non-profit purpose and that this purpose is materialised mainly through the awarding of grants and scholarships. In addition to their bylaws, the foundations are regulated by various rules and conditions determined by their donors, not only with regard to the purposes of the grants, but sometimes also to the management of the assets of a particular foundation. These must be respected.

## RESPECT FOR THE BEST PRACTICE IN FOUNDATION MANAGEMENT

These instructions contain the views shared by member organisations of the *Council* regarding the practice to be followed in their operation.

Member organisations of the *Council* respect each other's individual character and independence. They represent several different sectors and therefore the present best practice in foundation management is not always applicable to each individual member. These instructions are to be followed if they are in harmony with the bylaws of an individual foundation or association, or with the respective testamentary rules or deeds of donation.

## GRANTS AND AWARDS

Member organisations of the *Council* offer grants and awards on a regular and continuous basis in accordance with their bylaws. Grants and awards account for a considerable share of their distributable income.

Member organisations have clearly defined internal procedures regarding grants, with due attention given to the possible legal or moral impediment of the decision-makers.

Statutory tax statements are forwarded to the tax authorities.

Appropriate information is issued regarding the application procedure, the handling of the applications and the publication of the decisions related to the grants. Special attention is paid to ensure:

- Information about the available grants reaches potential applicants
- Application forms and the instructions are clear and readily available;
- Applicants receive information about the handling procedure and timetables;
- Information about awarded grants is given without undue delay; at the same time clear instructions are given as to what grant recipients should do

to access their grant and what kind of progress reports on their work are expected;

- Circumstances under which the payment of a grant is discontinued or a grant is claimed back from its recipient, clear information about these procedures are given in the letter sent to the recipient informing him or her about the grant; the recipient is also informed about the reasons for the grant's discontinuation or its recovery procedure.

## COMMUNICATION

Members of the *Council* aim to act in an open and transparent manner and to inform the general public about their operations. They maintain open contacts with the media and the authorities.

In addition to the statutory Financial Statements, members issue an Annual Report that is available to all interested parties.

Acceptable exceptions to the rule of openness include cases of non-disclosure of:

- Notes to the Balance Sheet attached to the Financial Statements;
- Reasons for awarding grants; and
- Information concerning the experts consulted during the preparation of grant decisions.

## ADMINISTRATION

Administrative expenses will be maintained at a reasonable level. Members of the *Council* will not award grants or comparable benefits to members of their staff, to persons on their administrative/decision-making bodies, persons holding positions of trust, or to the family members of the above.

With regard to administrative matters, the persons holding administrative positions will not participate in the preparation and decision-making related to the issues in which they can be regarded to have a legal or moral impediment.

Special attention is paid to data protection, and any documents to be disposed of are destroyed in an appropriate manner.

Statutory accounting and administrative audits is performed by authorised auditors

## ASSET MANAGEMENT

The asset management of the *Council* members aims to secure the members' current and future operation as defined in the bylaws.

The Board of Trustees of the member organisations is responsible for investing the assets in a safe and profitable manner, for issuing adequate asset management instructions and for supervising asset management operations.

Due prudence and long-term perspective are the leading principles followed in asset management. The objective is to invest assets in a diversified, safe and profitable manner on a long-term basis.

In managing assets, the guidelines in the testaments and deeds of donations related to the endowments are to be respected.

Persons holding positions of trust or personnel of the foundations must not constitute a party to a securities transaction performed by a member organisation, nor to any other acts pertaining to asset management. The decision-making related to any investment is organised in a manner that excludes any use of insider information.

## CO-OPERATION

The members of the *Council* engage in active co-operation and exchange of information, and comply with the general legislative and regulatory framework applying to them.

If necessary, the *Council* issues statements to assist in legislative preparation and other similar work by the public authorities and, resources permitting, acquires, handles and publishes information regarding grant-giving organisations.

The Council maintains an office under the name "Säätiöpalvelu - Stiftelsetjänst" (Foundation Service), which serves both grant applicants and the community of foundations.