

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

As established at the General Assembly on 2 April 2004

Main Headings

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2. Guiding principles
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Attachments

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

1. Introduction

The Code of Conduct of the members of the FIN (Association of Foundations in the Netherlands) is composed of two elements, namely the Guiding Principles and the Membership Criteria, accompanied by a number of Recommendations.

On the one hand, the Code of Conduct establishes basic values that form the core principles guiding the actions and practices of FIN members. On the other hand, the code of conduct functions as a form of self-regulation (the membership criteria) that offers a number of pointers, which –within each FIN member's individual area of responsibility – can serve as reference points when establishing a policy and/or in decisions pertaining to its implementation (the recommendations).

Essentially, the membership criteria have been established in the course of the previous years.

The members of the FIN shall deal with the recommendations having due consideration for the size of the institution, the stage of development that has been attained at a given point, and the extent to which the organisation wishes to organise its actions and practices.

The code of conduct shall remain open and subject to discussions and adaptations, 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.

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2. Guiding principles

The following are the basic values that members of the FIN 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 not on the private but rather on the collective interest.
b.	Social responsibility	Acting with all due regard to and consideration for societal norms and needs.
c.	Autonomy	Choosing an independent standpoint untarnished by any political, government, or business interference or bias, 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.	Unambiguous policy	The clear and comprehensible formulation of policy with respect to mandates, programs, and donations. The evaluation of policy at regular intervals and the eventual review of the policy.
f.	Transparency	Instilling transparency into objectives, organisation, governance and decision-making procedures – both internal and, depending on the goals of the organisation, also external.
g.	Accountability	Voluntary disclosure of financial and possibly substantive issues internally to management / Board, and, depending on the scope of the organisation, also vis-à-vis society.
h.	Care and respect	Proceeding with due care and respect and using a rational approach when processing, evaluating and accepting or rejecting requests/applications for donations.

(*) Note: ‘in the public interest’ as meant in article 24 point 4 of the Inheritance Act of 1956

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3. Overview of membership criteria and recommendations

MEMBERSHIP CRITERIA:

- Members of the FIN possess legal personality under Dutch civil law. The articles of association (as submitted) should state the following:
 - What the goals of the organisations are and how means and resources are secured
 - The distribution of the assets following possible liquidation
 - Whether the articles and goals can be amended, and if so, in what way
 - The size of the Board, the procedure for appointing Board members, the duration of their term of office and the authority granted to them to represent the organisation, as well as provisions relating to the composition of the Board and the drawing up of a schedule for the rotation of Board members (note: the first points are required by law; the latter two are not)
- From the extract of the Commercial Register from the Chamber of Commerce (as submitted) the following is made manifest:
 - That the organisation is located in the Netherlands
 - The composition of the Board
- Members of the FIN possess fiscal status pursuant to article 24 point 4 of the Inheritance Act of 1956 or any other document giving evidence that their activities tend towards serving ‘the public interest’. (This is evident from a letter of the relevant oversight body or some other written statement).
- A substantial percentage of the moneys apportioned for donations (>50%) is earmarked to serve ‘the public interest’
- Donations are allotted quid pro quo, i.e. without any offers or favors in return.

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RECOMMENDATIONS:

- If deemed desirable, a document of Internal Rules and Regulations shall be drawn up
- The Board shall not be bound by any instructions and shall not receive a binding mandate
- It shall be incumbent on members of the Board to declare (internally) any outside business interests and practices in which they may be engaged
- In the event that members have a personal interest or involvement in projects under consideration by the Board, the directors in question shall withdraw from the decision-making process and (preferably) they shall refrain from participating in the deliberations
- Clearly formulated guiding principles are to be worked out, amongst them criteria for the evaluation of and grounds for supporting and rejecting projects
- Policy shall be established concerning the procedure to be employed in the processing of requests/applications
- In the case of rejections, these rejections shall be justified
- If suitable within the policy, unambiguous conditions shall accompany the acceptance of an application (where deemed desirable, a reporting procedure about the progress of the project is to be established)
- The Board shall evaluate projects and its procedures, and its mode of operation.
- A policy shall be established vis-à-vis the allocation of donations (defining the budget for grants, over-runs and under-spending)
- A policy shall be established vis-à-vis the composition of the Board, the tasks and responsibilities, authorities and obligations of its members, their possible remuneration and the (annual) evaluation of their performance
- If deemed fitting to the scope of the organisation, a description of its organisational structure shall be written up, containing (if applicable) clear and comprehensible task descriptions of the possible executives / managers, as well as a clear demarcation of authorities and responsibilities of management/board members and the procedure of evaluation; if deemed necessary, guidelines with respect to remuneration and employment conditions shall be drawn up
- Policy shall be established in the matter of asset management (description of assets, valuation rules, and investment policy) (see also attachment a.)

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- Within six months of the closure of the reporting year, annual accounts shall be drawn up, to be signed (preferably) by all members of the Board (see also attachment b.)
- An annual report of activities shall be drawn up (of grants made) and, if so desired, published, with all due consideration for the provisions of the Privacy Act.

's Gravenhage, 2 April 2004

Annex A

An elaboration of the recommendation regarding ‘asset management’

It shall be incumbent on FIN members to formulate a policy on asset management and possible investments in such a manner as to ensure the thoroughly professional, proper, and appropriate administration of the capital entrusted to their care. Asset management is the responsibility of the entire Board.

If it is the policy's objective to maintain the entrusted capital at a steady level as much as possible, all due account will be taken in investing the revenues generated by such capital – both cash revenues and value changes of the said assets – of factors such as inflation and costs to the organisation. In case the policy's objective is to terminate the organisation's functioning over time, the nature of the management and administration of the assets 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 confidently met. Likewise, it shall be ensured that any possible financial obligations vis-à-vis staff and organisation (during a reasonable length of time) can be met (note: possible statutory pension contributions).

With a view to managing assets in the most professional way possible, an investment policy shall be established for the long term (longer term) that is consistent with the stated purpose or tasks in terms of expenditures, capital maintenance, costs to the organisation, and similar factors.

In the process, careful attention will be devoted to the risks that are a normal appendage of the investment process. The ‘assignment’ to ensure the capacity for meeting financial obligations vis-à-vis the beneficiaries of donations and/or staff in particular, and third parties in general, holds that a careful balancing is to be made in terms of using a suitable investment mix (a distribution across a variety of investment categories: liquidity/savings, fixed-interest securities, and equities).

The investment mix, in which account is taken of other assets such as real property, e.g., land and buildings, shall be defined and established in advance. Within this process, an important role is assigned to the balancing of investment returns versus the risks involved, further influenced by the investment horizon. Preference is given to a broad range of investment categories with fixed interest returns and equities. This promotes the controlled management of investment risks.

In order to be able to subsequently justify investment decisions, the results of the investment policy, when and where possible, will be periodically tested against relevant benchmarks. Benchmarks selected in advance (targets or reference points) will in many instances lead to an investment policy that more or less adapts itself to the fluctuations in the market prices of the benchmarks. This contributes to keeping the relative risks under control.

Depending on the size of the assets and/or available expertise within the Board, consideration ought to be given to the recommendation that in the establishment of the investment policy and its implementation recourse be had to employing the services of a professional advisor/consultant.

In addition, it is worthwhile to draw up an annual budget that, amongst other items, lists what part of the revenues are to be apportioned to donations, having due consideration for the articles of association, any and all statutory provisions that apply and/or decisions in the area of jurisprudence.

In the case of larger-size and more complex organisations, it is furthermore recommended to establish a liquidity schedule, this in order to ensure that there be adequate provisions to be able to meet any future obligations.

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Attachment b.

An elaboration of the recommendation concerning 'annual accounts'.

Internal reporting of the financial policy is required, on an annual basis, through the publication of annual accounts (a statement of revenues and expenditures and a balance sheet). As a minimum requirement, this report shall include a list of the donations that were granted. The thus established annual accounts shall be approved and finalised by the Board and in confirmation of their acceptance shall (preferably) be signed off by all members of the Board.

It is recommended that the financial documents be audited. In case this audit is to be conducted by an external organisation, it is advisable to engage to this effect the services of a registered chartered accountant (RA) or an administrative consultant (AA) who will attach a statement of (unqualified) approval to the annual account. In the case of an internal audit, it is customary practice that the audit committee designated for the purpose submit its reporting on the accounts.

The financial statement shall, in principle, be drawn up conform to directive 640 of the Council of Annual Accounts for non-profit organisations. The Board may, by preference and after consultation with the external accountant or the administrative consultant, deviate in certain aspects from the provisions of this directive. The general practice is to make a reference to such deviations in the (unqualified) audit report.

Depending on the size and complexity of the organisation, it is recommended that the annual accounts be accompanied by an internal report that makes mention of the activities of the year in question and in which some sections can also be devoted to the activities that are being contemplated for the following year. This kind of report, as well as (a section of) the financial annual accounts, can form the basis for the possible publication of an external annual report.

If deemed desirable, a FIN member may wish the external expert to draw up a so-called 'management letter'. In such a 'letter', the external expert states whether or not the implementation of the policy is in keeping with the policy as established. At the same time, a general assessment is made of the administrative organisation and of the computerized processing of activities and transactions and, if and where deemed necessary, recommendations for improvements are presented.