

*Implementing the European Foundation Centre
Principles of Good Practice*

Illustrative Practice Options for Foundations





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Introduction

Since their initial drafting in 1994 the European Foundation Centre (EFC) Principles of Good Practice have been conceived as a wide-ranging recommendation to reinforce good practice, openness and transparency in the European foundation* community. Legal requirements as well as operating practices do vary across Europe, given the range of national provisions governing foundations, and the diversity of individual circumstances, not least the variety of the founders and missions of foundations active in Europe.

This publication aims to outline a series of “illustrative” practice options that foundations may want to use to facilitate and guide their implementation of the seven EFC Principles of Good Practice, while taking account of national situations and individual approaches. It will be subject to periodic reviews to reflect evolving provisions and related foundations’ practices. The current list of practice options is not exhaustive, and will evolve.

The EFC provides a repository of selected documents on codes of practice and self-regulation in order to help in the professional development of foundations. Please visit the EFC website, www.efc.be, for further information on this repository.

** For the purpose of this document, the term “foundations” may also refer to corporate funders.*

EFC Principles of Good Practice: Illustrative Practice Options for Foundations

The options listed below are not prescriptive, nor will they be applicable in all instances. Obviously individual circumstances and operating procedures will determine which practice options are most relevant for a particular foundation.

Principle n°1: Compliance

Foundations comply with the laws of the state in which they are based, and act in accordance with their bylaws. They comply with the international and European conventions to which their country of residency is party.

Practice options...

Statutory obligations

- We use our resources for the public purpose for which we were established (as set out in our bylaws) by operating our own programmes or by supporting third parties.

Compliance tools

- We can choose to develop appropriate mechanisms and tools to prevent and address the potential misuse of our support to third parties and funding for the promotion and performance of unlawful activities, including violence and terrorism.

Principle n°2: Governance

Foundations have an identifiable decision-making body whose members and successors should be nominated in accordance with established principles and procedures, and act with the highest ethical standards.

Practice options...

Ethical behaviour

- We devise clear policies on board and staff actions and behaviour, and may choose to develop written codes of ethics. These policies and/or codes specify that our board members and staff have a duty not to use their positions for any personal financial gain or other personal benefit.
- We choose to set clear policies to prevent and address actual and potential conflict of interest at the level of the foundation, its board and executive staff.
- We devise informed and open policies and procedures regarding the potential compensation of board members and executive staff. Compensations, where they exist, are approved by the full board of our foundation. They are fair and reasonable and comply with our foundations' bylaws and our policies on conflict of interest and proscription of personal gain and benefit.

Role and accountability of the board

- We clearly define the role and related obligations of the board, including decision-making procedures within the foundation.

- We foresee provisions for delegation of competence and authority, where necessary.
- In general our board is responsible for:
 - Ensuring the compliance of the foundation with the law;
 - Advancing the mission of the organisation;
 - Defining programme and financial policies and practices and giving direction to the organisation;
 - Balancing different stakeholders' interests;
 - Generating appropriate resources;
 - Supervising asset management;
 - Overseeing financial reporting;
 - Ensuring that programmes and operations carried out by the foundation conform and respond to the strategic objectives set by the board;
 - Monitoring the effectiveness of the organisation in the context of the external environment in which foundations operate; and
 - Representing the organisation to external stakeholders.

Board composition and terms

- We choose to set clear provisions to ensure a periodic review of the composition of the board.
- We can ensure that appointments to the board take due account of qualifications, experience and diversity.

Performance of the board

- We decide to carry out periodic reviews of the performance of the board and the executive staff of the foundation.

Principle n°3: Informed policies, operations and support programmes

Foundations define a clear set of basic policies and procedures specifying their mission, objectives, goals and related programmes and review these on a regular basis.

Practice options...

Mutual respect

- We build our relations with third parties, including beneficiary individuals and organisations on mutual respect and understanding of the respective expertise, mission and obligations of all parties involved.

Choose your partners and beneficiaries

- We endeavour to know our potential partners and beneficiaries, and we choose our partners and beneficiaries carefully in order to conduct the foundation's mission efficiently.

Data protection and privacy requirements

- We act with due consideration for data protection and the privacy of our founders, funders, beneficiaries, partners and contractors where appropriate, provided that they are in accordance with the law and the foundations' bylaws.

Open and fair policies and practices for support programmes

- We function transparently with regard to our operations, the programmes we support and their outcome.

- As grantmaking foundations we may ensure, in particular, that:
 - Information on our grants programmes is clear and user-friendly and covers geographic and policy limitations as well as funding procedures i.e. application, selection, payment and reporting;
 - Our decision-making procedures are appropriate and objective;
 - We inform applicants of decisions on funding requests;
 - We notify applicants of decisions within a reasonable period of time;
 - We inform applicants of the foundation's policy in terms of monitoring and requirements in terms of evaluation at the time of award to the applicant, and ensure that these requirements are commensurate with the funds awarded; and
 - Once awarded we do not withdraw our support, other than in exceptional circumstances and for well-founded reasons.

Principle n°4: Stewardship: management and finance

Foundations promote efficient organisation and work while ensuring prudent and sustainable management, investment strategies and procedures, and use of resources for public benefit. Foundations ensure proper accounting/bookkeeping according to established rules in the state in which they are headquartered. They may complement such regulations with additional measures on a voluntary basis.

Practice options...

Sound management policies

- We execute sound management policies, and implement the measures most appropriate to attain the objectives set by our board.
- Our board and executive staff ensure that management practices and resources are commensurate with the needs of the activities and programmes supported.
- We use formal channels for all monetary transactions, whenever appropriate and feasible.

Sound investment policies

- We often own sizeable assets and as such have a responsibility as investors to develop a sound investment policy that enables the organisation to pursue its public-purpose mission. Our investment policies cover investment objectives, assets allocation guidelines, a spending policy and the nature of the investment, e.g. socially responsible investment, donor stocks.

Internal control and external verification

- We maintain accounts in accordance with standards and practices in our country and observe transparency with respect to income, expenditure and assets.
- We ensure appropriate internal control of resources and spending.
- We may also organise external independent audits to review the fairness and completeness of the financial statements.

Principle n°5: Disclosure and communication

Foundations act in a transparent manner and comply with the regulations concerning transparency in force in the countries in which they operate. They may complement such regulations with additional measures on a voluntary basis.

Practice options...

Open communication

- We decide to ensure open communication with the general public through various means, and maintain open contacts with public authorities and the media.
- We ensure disclosure of and access to up-to-date information concerning our organisation's by-laws, the composition of our board, our objectives, procedures, programme interests and activities, income and expenditure.

- We choose to disclose appropriate information regarding our investment policies and make it available to the public upon request.
- We decide to communicate relevant information regarding the results of our programmes and operations and the impact of our action.

Periodic reporting

- We choose to inform the general public on a regular basis by means of periodic reports, including annual reports or equivalent information packages available on request which would generally include:
 - An explicit narrative of our foundation's purpose and activities in the fiscal year of record to enable direct year-on-year comparisons;
 - A descriptive summary of principal sources of revenue and information on revenue generation and a descriptive summary of expenditures e.g. balance-sheet and statement of accounts;
 - A descriptive summary of grants awarded to other institutions and organisations, as appropriate;
 - A list of our board members; and
 - A list of our executive staff.

Principle n°6: Monitoring and evaluation

Foundations organise appropriate monitoring and regular evaluation of their action and programmes.

Practice options...

- We choose to establish long-term planning measures of performance (monitoring) and

outcome (evaluation) in a way that is appropriate to the level of activity and services, and/or to the support and funds provided.

- We use these evaluations to improve outcomes.
- We decide to publicise the outcome of these evaluations.

Principle n°7: Cooperation

Foundations share their know-how and experience with peer organisations and other relevant stakeholders to advance good practice and cooperate whenever appropriate, to maximise their impact in their respective fields of activity.

Practice options...

- We meet with peer-organisations on a regular basis through informal and formal networks to share and review our practices.
- We choose to engage in cooperative ventures as appropriate, pooling our expertise and resources with others, to maximise our impact.
- We use and contribute to developing the repositories of existing documentary resources on self-regulation, good practices and professional development.

Background

The EFC Principles of Good Practice mark a further step in a process launched during the 1994 Annual General Assembly (AGA) of the EFC and further revised at the 1995 AGA in Seville, Spain. They provide a basis for open and ongoing dialogue among foundations by building on the EFC 1994 Prague Declaration, a statement of principles and reciprocal commitments for foundations. The EFC Principles of Good Practice were revised in 2005/2006 under the lead of the EFC Code of Practice Working Group, which was set up to review and update the 1996 Code of Practice. The Group consulted extensively with EFC members, national associations of donors and others throughout the revision process. The Principles, along with the Illustrative Practice Options for Foundations outlined in this publication, are subject to further review and modification.

The EFC would like to thank the foundations and their representatives who served on the EFC Code of Practice Working Group:

Van Leer Group Foundation, Rien van Gendt (Chair)
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Note: The organisational affiliations listed above are accurate as of the time individuals served on the Working Group. In some cases, the affiliations have changed.

About the European Foundation Centre

The European Foundation Centre is an international association of foundations and corporate funders dedicated to creating an enabling environment for foundations, documenting the foundation landscape, strengthening the infrastructure of the sector, and promoting collaboration, both among foundations and between foundations and other actors, to advance the public good in Europe and beyond.

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