Principles of Good Practice for Charitable Foundations

in Denmark

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Introduction

Danish foundations recognize their duty to support, benefit and advance the development of new, flexible and effective solutions within the field in which they operate, i.e. social, cultural, environmental, educational, scientific, health and economic areas.

The foundations are committed to explain what they do, what they stand for, and how they contribute to the continued development of society.

They acknowledge the need for greater transparency and better information on Danish foundations, elucidating the role played by charitable foundations in relation to social development and increasing awareness and understanding of the importance of the foundation sector.

Background

Since the dawn of the first Danish foundations in the Middle Ages, they have, through their work, contributed to the development of society as it looks today. Foundations are an integral part of society, and in the future their contributions and activities will also have a great, and possibly even growing, impact on the development of society.

Foundations, with their status as independent players, can operate freely with regard to their special interests. In this way, they are uniquely situated to contribute to long-term development in society, both in Denmark and globally, since they can develop and initiate change as well as promote innovative solutions within their respective fields.

To meet the demand for transparency, and simultaneously ensure the continued contribution of the foundations to social development, it is vital that the foundations retain their legitimacy, independence and integrity.

Furthermore, it is important to note that charitable foundations differ greatly – both when it comes to their varied aims, structures, cultures and activities, but also in their different interests and views. Despite these differences, the foundations have a number of common characteristics and interests. It is this common interest in openness and transparency that is formulated in "Principles of Good Practice for Charitable Foundations in Denmark".

The principles only encompass the charitable activities of the foundations together with any derived activities, e.g. philanthropic investments carried out for non-profit purposes.

In other words, the principles do not apply to the pure business activities a foundation might have, i.e. in relation to meeting the bye-laws of their business subsidiaries. These activities are covered by other regulations, e.g. the Nørby Committee report on good leadership of listed companies.

In practice, the extent to which each foundation wants to and can incorporate the principles in their daily activities will vary. It is recommended that the foundations who only wish to incorporate a limited aspect of the principles, account for this with, for example, reference to the size of their foundation, which perhaps does not allow working with a very detailed foundation strategy with accompanying guidelines for granting awards, or perhaps due to the fact that there are special stipulations or obligations specified by the founder, or perhaps with reference to other grounds for not making grants completely public.

Cf. Nørby Committee Report on good leadership in Denmark, 2005

Who is covered

Charitable foundations and similar institutions based on private or otherwise independently raised endowment are covered by these principles. Included are, therefore, both commercial and non-commercial foundations following foundation legislation, and other foundation-like institutions like, e.g., societies with business links within funding, including societies and associations with limited responsibility.

The important criterion is that the legal unit has a foundation-like character and periodically grants charitable awards.

Principles for Good Foundation Practice

Within the framework of the legislation of the foundation, the bye-laws and the intentions of its founder, charitable foundations accede to the following principles dealing with their philanthropic activities.

Each of the following seven points describes a general principle for good foundation practice. Together they form the basis for good practice that the foundation aims for. The comments under the principles suggest ways in which these can be achieved. The principles are not applicable or relevant for all foundations, and some foundations will fulfil the mission in other ways. Even though the principles are of importance for all foundations, the degree of application will depend on the size of the foundation, its income, complexity and activities, and not least on the restrictions placed on the foundation by its bye-laws and by the intentions of its founder. Compliance with legislation is an integral part of good foundation practice, and the principles below in no way amount to legal requirements.

Transparency – communication and information

Principles: The foundation considers transparency important for its effectiveness, continued independence and optimal freedom of action.

So as to give others insight into and understanding of the activities of the foundation, it communicates openly, and works towards transparency in its organisation. The foundation therefore has to justify the way its preamble is interpreted as well as describe conventions practice for its activities.

It is of great importance that there is complete openness regarding all grants and the whole grant-making process. Similarly, it is important that all relevant information is given to the target groups of the foundation's activities.

Comments: Clear and unambiguous information about the purpose, strategy, aims and intentions, interests and programmes including target groups has to be easily accessible to the public, making it obvious what the foundation supports and why.

The foundation's general purpose is formulated in its bye-laws and will therefore seldom cause misinterpretation or misunderstanding within the foundation itself. It is, however, important that this purpose is communicated to the public. To fulfil the demand for greater openness and transparency externally, there is often a need to elaborate on the preamble clauses and the values which the foundation supports and according to which it works. This can be done by formulating a clear vision, mission statement and strategy defining goals, tasks and intentions.

Procedures need to be specified to ensure that important information about grants and grant amounts are made public. The use of modern technology ought to be aimed for.

Professional competence

Principles: The foundation aims for the highest degree of professionalism in its activities.

Comments: The foundation ensures its own or external competence in developing and implementing its strategic areas. The independence and flexibility of the foundation allow it to be a catalyst and combine resources, expertise and know-how so as to meet important social needs. The foundation's growing engagement entails a greater responsibility, which also places demands on its competencies.

Cooperation with applicants, grantees and other stake-holders

Principles: To ensure the maximum yield of the resources granted as well as the exchange of experience and knowledge, the foundation wants good relations to applicants, grantees and other relevant stakeholders in the projects.

Comments: The foundation will consider a closer cooperation where this may be relevant and appropriate.

The foundation's cooperation with applicants, grantees and other stakeholders should be based on mutual respect, openness and on-going dialogue.

Experience and knowledge-sharing – also with other foundations – is to ensure the best possible use of resources and competencies to the benefit of the individual foundation.

Evaluation of charitable works

Principles: The foundation carries out regular evaluation of grant-making work in relation to the bye-laws, to the stated strategies and to the individual activities so as to clarify whether goals have been reached and if there is a need for realignment or a redefinition of aims.

Comments: Therefore, evaluation ought to include both the general activities and the concrete projects and programmes which the foundation supports.

The extent of the evaluation should match the resources available.

Finance

Principles: Annual accounts are a natural vehicle to shed light on a particular foundation's work. It is therefore purposeful that the foundation gives a more elaborate account of its activities than is legally required. This information ought to include all non-profit grants and related investments.

Comments: The foundation prepares easily accessible and transparent accounts in accordance with current legislation. Accounts clearly show income and expenditure, grants, assets and investments to such a detailed extent that they give the public a good understanding of and insight into the foundation's work.

The report of the Board ought to include reference to the extent to which the foundation has followed its existing principles.

Governance

Principles: The role of the Board is to act in accordance with the mission of the foundation, implement the intentions of its founder and respect the bye-laws.

It is not especially the task of members of the Board to look after the interests of the institution, or similar, that appointed them.

It is important that Board members cooperate, serve and develop as a professional and active sparring partner for the management, in accordance with the needs of the foundation.

Comments: The Board comprises the overall leadership and draws down the guidelines for and control of the management´s work.

In order to best manage this, it is recommended that the Board prepare the internal protocol of procedure detailing their cooperation with and instructions to the management.

The Board must provide the best possible framework for the foundation to carry out its work so as to provide effective policies for support and grants, and to ensure the responsible use of the foundation's resources.

The Board, taking into consideration the foundation's resources and activities, pursues an on-going evaluation of the foundation's work, its own, as well as the cooperation between the Board and the management, including whether the day to day running is organised optimally.

The Board must check that the individual members serve independently of private interests and that they have the relevant qualifications, competencies and professional experience so as to effectively ensure versatility and reflect the preamble clauses as well as the demands otherwise imposed by the foundation's current situation and conditions.

It is important that the Board continually assesses whether its own professional make up and work is structured so that it is best able to manage the tasks as defined.

Administration – day to day management

Principles: The management is committed to promoting an effective and well-functioning organisation.

Comments: Leadership, procedures, the use of resources and the degree of professionalism need to be continuously developed and be reasonable in relation to the task at hand.

There ought to be simple and clear operating and decision-making procedures so that the foundation can at any time carry out its work in the best possible way.

As far as possible, one should avoid executive members also being members of the foundation's board of directors.

The management ought to submit to the board, as well as make public, all important information relevant to evaluate the foundation and its efforts and should also ensure implementation of the principles of good practice.

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History

Initiative was taken in 2005 to define a number of principles of good foundation practice. This effort was completed in 2008. The principles are backed by the following Danish foundations, who would like to share them with all other charitable foundations.

Beckett-Fonden
Bitten and Mads Clausens Foundation *(Bitten og Mads Clausens Fond)*
Boligfonden Kuben
Dreyer's foundation *(Dreyers Fond)*
Energi Horsens *(Foreningen Energi Horsens)*
Familien Hede Nielsens Fond
The Danish Foundation For Culture And Sports Facilities *(Lokale - og Anlægsfonden)*
The Health Insurance Foundation *(Sygekassernes Helsefond)*
The Landowners' Investment Association *(Grundejernes Investeringsfond)*
Realdania
Aage V. Jensen Naturfond

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