Principles of Good Practice
A Self-Regulatory Tool for Foundations
Overview

The Principles of Good Practice are a self-regulatory tool based on a shared vision of good practice among European foundations approved by the European Foundation Centre in 2013. The tool aims to support foundations in pursuing their public-benefit purposes by reinforcing their independent governance, sound management, transparency and accountability.

Foundation members of Philea agree to adhere to the Principles (policy of comply or explain) and Philea is committed to reviewing the Principles in the near future.1

Self-regulatory tools such as these Principles complement existing national and international laws, to which foundations comply. In order to stay relevant to the ever-evolving context in which foundations operate, these Principles need to be reviewed on a regular basis. At the same time, they must also recognise and accommodate the varied approaches, traditions and diversity of European foundations.

Factors such as the size and type of organisation, or the region in which it is based, may affect a foundation’s judgement to take up certain aspects of this document, but where possible Philea members are urged to apply these Principles and make use of them when (re)shaping their operations and policies. These Principles refer to basic actions which should already be at the core of foundations’ activities, while the recommendations offer aspirational standards meant to raise the bar of foundations’ practice. Where Philea members are unable to comply with the basic Principles they should be ready to present an explanation why full implementation is not possible or not applicable in their particular context.

The Principles refer to foundations as organisations that:

- Control their own assets
- Have independent governing structures
- Use their resources for public good

These characteristics are reflected throughout the Principles.

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**Principle 1 – Independent Governance**

*The foundation has an identifiable and independent decision-making body which acts with high ethical standards and whose members are nominated in accordance with established principles and procedures.*

**Fundamentals**

- The board sets out its strategic objectives and ensures that programmes, operations and finances are in line with these objectives.
- Details of the governance structure, including the duties of the board and its decision-making procedures, are clearly defined and publicly available.
- Membership of governing bodies is renewed and rotated on a regular, pre-determined basis.
- A remuneration and/or compensation policy for board members exists, as well as clear policies to address conflicts of interest for board members.

**Recommendations**

- Background to the establishment of the foundation, including details of current and past relationships with government and other key stakeholders, are made public.
- Appointments to the board take due account of qualifications and experience. A policy exists to ensure diversity (addressing gender, origin, age, etc.) on the board.
- Periodic reviews of the performance of the board are carried out.
- Remuneration and/or compensation policies, as well as specific details of board remuneration, are publicly available, as are the policies to address conflicts of interest for board members.
Principle 2 – Sound Management

The foundation promotes effective and prudent management as well as sustainable investment strategies, while ensuring the best use of resources for the public benefit.

Operations

Fundamentals

• Information on grants programmes and application procedures are publicly-available and user-friendly. Grant applicants are informed of decisions within a pre-determined period of time.

• Procedures are in place which allow for good knowledge on potential partners and beneficiaries.

• Executive and non-executive functions are clearly defined in order to create a built-in system of checks and balances.

• Clear policies exist to address conflicts of interest for staff.

• Opportunities and resources are provided for the professional development and training of staff, and periodic reviews of performance are carried out.

• Steps are taken to assess and address risk in various aspects of operations.

Recommendations

• Stakeholders are consulted in the design-stage of projects and programmes.

• Online feedback mechanisms for grantees and stakeholders are available.

• Feedback surveys are carried out on a regular basis, including the opinions of grantees as well as those who did not receive funding.

• Upon request, grant applicants who do not receive funding are explained the reasoning behind the decision and the conditions for reconsidering grant applications.

Finances

Fundamentals

• Annual accounts are drawn up and published.

• Statements of independent, external audits are made publicly available.

• Mechanisms exist to ensure the appropriate internal control of resources and spending.
Principles of Good Practice

• Investment expertise is present on the board, or is procured externally.
• Investment policies, investment strategy and asset allocation are in place, and decision-making structures in all three areas are defined.

Recommendations

• Information on budgets, investment policies, investment strategies and asset allocation, and on the decision-making structures in all three areas, is made publicly-available.
• External reviews and checks of investment policy, strategy and asset allocation are undertaken.
• Mission and programme-related investing are considered as means to support the foundation’s purpose.
Principle 3 – Transparency

The foundation communicates the remit, goals and results of its work in a comprehensive and digestible manner, holding transparency at the core of all activities.

Fundamentals

- Websites and other promotional materials provide a comprehensive and fair representation of the foundation’s activities and strategies.
- Statutes, by-laws, guidelines for funding applications, as well as board and staff lists, are publicly available.
- Balance sheets, annual reports and grants lists including total amounts are publicly available, taking into account data protection and individuals’ privacy.

Recommendations

- Basic organisational information on the website is multi-lingual.
- CVs of board members and executive staff are publicly available.
- Communications focus not only on the foundation’s activities, but also on their outcomes. Successes, as well as failures, are shared to encourage learning.
- Social media are used as a means to interact with the public and other stakeholders.
- An internal Code of Ethics has been developed and is publicly available.
- The ranges of executive staff and staff salaries are publicly available.
- The organisation is actively committed to communicating with stakeholders with the aim of engaging in dialogue, joint advocacy, etc. to push its specific agenda forward.
Principle 4 – Accountability

The foundation acts in a responsible and collaborative manner by accounting for its actions to stakeholders, and by being active in sharing its knowledge and experiences.

Fundamentals

- Priorities take into account the needs of the foundation’s stakeholders and the changing external environment.
- The limitation of actions, programme duration and exit strategies are considered during the design phase of a project or programme.
- Monitoring and evaluating its actions, involving stakeholders and beneficiaries in the process, are a key part of the foundation’s grantmaking or project cycle, and are used to shape future strategies and priorities.
- The foundation works collaboratively with partners where possible in order to maximise resources, build synergies, boost creativity, motivate learning and increase impact. These collaborative efforts are underpinned by mutual respect and understanding.

Recommendations

- The results of evaluations, both positive and negative, are publicly available.
- Active participation in peer-learning groups, networks and fora at the national and/or international levels is prioritised.
- Accessible mechanisms, including the use of social media to solicit general feedback from the public, are in place.
Using the Principles to Move Beyond Compliance

Reading and shelving this document is easy, but transforming the Principles of Good Practice into tangible goals and actions for an organisation is a different matter. The following list offers ideas on how to integrate and creatively apply the standards and recommendations into the work of any foundation.

- Use the Principles regularly as a starting point for discussions in board meetings: is the foundation on the right track?
- Challenge foundation staff to go beyond legal compliance in their day-to-day operations, and use the Principles as benchmarks and key performance indicators.
- Share the Principles with potential partners and grantees to more widely encourage best practice and lay out basic rules of engagement.
- Communicate the foundation’s compliance to the Principles on its website and in printed materials as a quality mark.
- Develop new, tailored and aspirational indicators to continue raising the bar on an annual basis.

Background

The 2012 / 2013 revision of the Principles of Good Practice marks a further step in a process originally launched in 1994 with the Prague Declaration. The Declaration was a statement of principles and reciprocal commitments for foundations in Europe which lay the groundwork for further reflection on the matter.

Later evolving into the Code of Practice (1996) and the Principles of Good Practice (2006) the standards advanced in-line with the changing contexts for foundations’ work in Europe. In 2011, the EFC membership and governing bodies called for a review of the Principles, aiming to raise the bar for European foundations.

The EFC membership and governing bodies were consulted during the 2012 / 2013 review, which was led by a Task Force of six foundations from across Europe. The Secretariat would like to thank these foundations and their representatives who served on this Task Force:

- Boudewijn de Blij, Stichting Fonds 1818 – Netherlands (Chair)
- Marco Demarie, Compagnia di San Paolo – Italy
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• Torbjörn Eng, Stiftelsen Riksbankens Jubileumsfond – Sweden
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• Jürgen Christian Regge, Fritz Thyssen Stiftung – Germany