



ICGN

International Corporate Governance Network

Inspiring good governance & stewardship

ICGN Reserves Policy

Purpose

The ICGN's Financial Reserves Policy seeks to ensure that the ICGN continues operating as a going concern by protecting the organisation against unforeseen economic emergencies and also to provide financial support for special initiatives or investment opportunities that are beyond the means of the annual operating budget. The Reserves Policy should be applied in concert with the other governance and financial policies of the ICGN in support of its operational and strategic goals.

Authorised investments

The ICGN's reserves and any ICGN investments shall be consistent with the board-approved ICGN Investment Policy.

Level

The ICGN seeks to maintain a level of reserves equivalent to 100 percent of its half-year (six month) administration expenses.

Rights and responsibilities

The Audit and Finance Committee is responsible for overseeing progress towards the target level and for reviewing annually and recommending amendments, if any, to the reserves policy to the ICGN Board for approval.

Expenditures exceeding 10 percent of the reserves are subject to the approval of the ICGN Board, which will proceed a recommendation from the ICGN Audit and Finance Committee.

When authorizing expenditures from the reserves for the purposes of special initiatives and investment opportunities, the Audit and Finance Committee and the ICGN Board shall also approve a plan from the Chief Executive Officer to replenish the amount expended.

Reporting

The Chief Executive Officer is responsible for preparing the annual reserves report to the Audit and Finance Committee for it to then present this to the ICGN Board for approval on an annual basis.

Reserves Policies from Other Organisations

ICGN's Reserves Policy aims for a cash surplus of one-year core operating costs. Today, we have coverage for around six months, noting that, should there be a crisis, our actual liabilities only extend to 90 days. CCGG and Eumedion share ICGN's approach while ACGA, IF and PRI have policies of 6 months or less. CII is an outlier aiming for a reserve of 150% of prior year operating expense. See annex for examples of reserves policies at other bodies.

ACGA

ACGA aims for a minimum free cashflow able to cover six months of operating expenses, including event as well as other expenses (ie, total annual expenses). Since we have member fees coming in twice a year, depending on renewal dates, our cash position is always well above the members' surplus on our balance sheet. We also aim to run ACGA at a modest surplus each year. Our goal is to balance the understandable need to build up some reserve with our larger mission of improving CG in Asia. We think six months is about right. A higher level would impede our ability to invest in research and advocacy, which I think our members would not welcome.

CII

The policy is a reserve of 150% of prior year operating expense. Note, many U.S. nonprofits have no reserve requirement and no reserves but most that do have policies are in the range of 50% to 100% of operating costs.

CCGG

One-year operating costs.

Eumedion

One-year operating costs.

Investor Forum

Over time the forum will seek to accumulate a reserve, equivalent to a maximum of six months of operating costs, to help manage the natural variability of income and expenditure.

PRI

The amount of cash designated as a minimum level is regularly reviewed by the board. This has varied over the years. At present it is deemed to be equivalent to four months of payroll