

PILnet's LEGAL HEALTH CHECK

A “full body check-up” and vital exercise for Hong Kong SPOs



PILnet's Legal Health Check service helps social purpose organizations (SPOs) understand and improve their organization's legal health, thereby strengthening their governance, compliance, and long-term resilience. Akin to health checks that individuals undergo to identify their personal health risks, the Legal Health Check offers a comprehensive “full body check-up” for SPOs to proactively identify legal and operational risks and address them in a timely manner.

Each Legal Health Check involves around **20 hours of pro bono work** by professional lawyers, valued at around **HKD 100,000**, which many SPOs would not otherwise be able to access.



This summary handout presents PILnet's insights and findings from the past two years of running its Legal Health Check program, through which:

28 SPOs representing diverse causes and sizes have participated in the Legal Health Check service

PILnet has curated **6 community education events** to raise awareness on legal health, reaching **52 SPOs**

PILnet has created **3 bilingual resources for SPOs**, namely an employment manual, a template non-disclosure agreement, and a guide on Section 88 tax exemption, which were launched through **2 workshops** that reached **41 SPOs** (to access these and more resources for SPOs, visit PILnet's webpage [here](#))

Findings from 28 Legal Health Checks show that some legal and compliance gaps are relatively common among SPOs, but these can often be addressed through using practical tools, obtaining specialist advice, and following a clear roadmap for action.

KEY LEGAL AND OPERATIONAL RISKS FOR SPOs

The following data about key legal and operational risks was gathered from all 28 SPOs which have participated in the Legal Health Check.

Each of the following operational areas involved **high or medium risks** for over 95% of SPOs: (1) human resources; (2) IT and personal data; and (3) fundraising:

- **Human resources:** 57% of SPOs faced high risks regarding **employment-related matters**, such as the lack of proper documentation and procedures for engaging, managing, and meeting obligations towards staff (including volunteers and interns in particular), leading to potential legal disputes and contravention of employment-related laws regarding employee entitlements, workplace health and safety, anti-discrimination, etc.
- **IT and personal data:** 50% of SPOs faced high risks regarding **cybersecurity**, such as poor management of IT systems and remote work arrangements, and the lack of a response protocol in the event of cybersecurity attacks, leading to increased vulnerability to cybersecurity attacks and data breaches; and 39% of SPOs faced high risks regarding **data privacy**, such as the lack of compliant procedures for collecting and managing the personal data of donors, service users, event participants, staff, etc., leading to potential contravention of the Personal Data (Privacy) Ordinance.
- **Fundraising:** 43% of SPOs faced high risks regarding **anti-money laundering**, such as the lack of proper due diligence checks on donors and accepting funds from unclear sources, leading to increased risks of being misused for money laundering or terrorist financing by criminals posing as legitimate donors.

The remainder of this handout presents further insights based on in-depth interviews and focus group discussions with 14 SPOs which have participated in the Legal Health Check.

To provide context for the insights presented below, please note that the holistic Legal Health Check service involves four key steps:

- 1 | **Collating information:** Each SPO completes an initial questionnaire to provide information related to 13 key areas of operations
- 2 | **Risk assessment:** Pro bono lawyers conduct a professional risk assessment and produce a final report, which outlines risks (categorized as high, medium, or low risks) and recommendations
- 3 | **Determining next steps:** The PILnet team meets with each SPO to debrief them and translate the report findings into concrete actions and next steps
- 4 | **Taking action:** The SPO takes action to address key legal risks, using tools and resources provided by PILnet and/or with additional support from pro bono lawyers secured through PILnet's Pro Bono Clearinghouse

THE JOURNEY IS AS IMPORTANT AS THE DESTINATION

The Legal Health Check is a comprehensive service that covers multiple areas of SPO operations; for pro bono lawyers to conduct an accurate risk assessment, SPOs are asked to reflect and report on various aspects of the organization's legal health. Although the initial information collation process can be time-intensive, the process challenges SPOs "in a good way." 100% of SPOs reported that they learned something new simply by completing the questionnaire, and 70% of the SPOs interviewed recommended peers to invest in each step of the process, reporting that the more time and consideration they put into each step, the more helpful the lawyers' recommendations were in the final report, giving the organization a clear roadmap to improving their legal health.



Over half of SPOs approached the questionnaire as a team effort, assigning different sections of the questionnaire to different departments depending on their respective scope of responsibilities. Many SPOs had one senior team member (typically the Executive Director) overseeing the exercise from start to finish. All SPOs reported increased team confidence and awareness of legal risks, with team members proactively flagging potential risks and seeking legal consultation to ensure ongoing compliance.

INSPIRING ACTION & NEW OPERATIONAL PRACTICES

Upon receiving the recommendations in the final Legal Health Check report, most organizations prioritized urgent legal issues using the lawyers' categorizations of high, medium, and low risks as a guide.



Examples of actions that SPOs have taken to address the risks identified in their final report include implementing a data privacy policy; moving to a more secure technology platform to reduce cybersecurity risks; creating an anti-money laundering policy or staff guidelines on how to properly handle donations; updating the organization's outdated Articles of Association; and updating template staff contracts to ensure staff entitlements are in line with employment law requirements. ^[1]

Small organizations and those experiencing a phase of growth benefited most from this service. The Legal Health Check was an invaluable service for these SPOs, given their limited staff size, smaller budgets, and lack of access to legal specialists. It enabled smaller SPOs to fill immediate gaps in policies and procedures, and empowered them to think bigger about how they can maintain their organization's legal health as they scale.

^[1] To learn more about the experience of SPOs which have completed a Legal Health Check, including the actions they have taken to improve their legal health and their tips for other SPOs, you can visit our webpage [here](#) to view video testimonials and read case studies conducted with SPO leaders.

Receiving the final report helped approximately 70% of SPOs address long-standing issues—issues that had been on their radar, but that they did not have the time, expertise, and confidence to address on their own. Another 30% of organizations shared that the Legal Health Check helped them re-evaluate established practices, and equipped them with actionable templates they could use to turn “unwritten rules” into standardized written policies and procedures. This promoted transparency, accountability, and a stronger culture of compliance within many of the SPOs.

“THE LEGAL HEALTH CHECK HAS BEEN INSTRUMENTAL IN EFFECTIVELY MANAGING AND ADDRESSING POTENTIAL LEGAL ISSUES, THEREBY PREVENTING SUCH RISKS FROM DISRUPTING THE ORGANIZATION'S NORMAL OPERATIONS.”

PILnet: A GUIDING FORCE THROUGH EACH SPO's JOURNEY TO BETTER LEGAL HEALTH

PILnet's active role throughout the Legal Health Check process was a critical driver in SPOs taking action to enhance their legal resilience. SPOs particularly appreciated PILnet's guidance during debriefing meetings, and the PILnet team's ability to provide additional context and practical guidance when navigating the lawyers' recommendations. PILnet's experience working with SPOs also provided organizations with relevant insights, free resources (such as template policies and guidelines), and realistic next steps for organizations to move from recommendations to action.

“PILnet PROMPTLY PROVIDED HIGHLY RELEVANT SUPPORT, ASSISTING US IN IDENTIFYING THE MOST SUITABLE PROFESSIONAL LEGAL TEAM TO HELP RESOLVE THE LEGAL ISSUES WE WERE FACING. THIS SUPPORT HAS ENABLED US TO CARRY OUT SUBSEQUENT IMPROVEMENT WORK MORE EFFECTIVELY.”

Several SPOs have also highlighted the importance of involving their board of directors in their efforts to improve their legal health. SPOs are encouraged to involve their board members in the Legal Health Check process, particularly during or immediately after the debriefing meeting with PILnet when the SPO determines its next steps to mitigate risks, so that their board can provide additional support and guidance on governance and risk management.

BREAKING DOWN BARRIERS TO LEGAL SUPPORT

The Legal Health Check helped break down the barriers preventing SPOs from engaging legal support, including attitudinal barriers (such as misperceptions and fears about what legal support and risk management involve) and financial barriers. Each Legal Health Check conducted for an SPO involved approximately 20 hours of work by pro bono lawyers, which is equivalent to a value of approximately HKD 100,000 per organization, a cost that would have been prohibitively high for many SPOs.

Nearly all SPOs reported positive experiences working with pro bono lawyers, and many reported interest in seeking additional legal support through PILnet's Pro Bono Clearinghouse.

LOOKING AHEAD: ONGOING COMPLIANCE AND CO-LEARNING WITH PEERS

The Legal Health Check is a gateway for SPOs to understand and strengthen their legal health. It is a vital first step to promoting good governance and long-term resilience, and setting a “new standard” for SPOs in Hong Kong.

The value of the Legal Health Check service is consistently highlighted by SPOs, and several SPOs have indicated a shared eagerness for their organization to repeat the Legal Health Check exercise, to ensure ongoing compliance.

“THE LEGAL HEALTH CHECK PROVIDES A SENTINEL DIAGNOSTIC TOOL TO IDENTIFY WHAT WE’RE DOING AND NOT DOING AS AN ORGANIZATION TO BE COMPLIANT AND AVOID ANY FUTURE RISK.”

“I HOPE THAT THIS INITIATIVE CAN CONTINUE AS A LONG-TERM SERVICE, AS IT PLAYS A CRUCIAL ROLE IN EMPOWERING NGOs LIKE OURS TO NAVIGATE LEGAL CHALLENGES EFFECTIVELY AND SUSTAINABLY.”

100%

OF SPOs WOULD RECOMMEND THE LEGAL HEALTH CHECK SERVICE TO THEIR PEERS.

Collectively, the Legal Health Check is creating a higher standard for organizational governance and community of practice for Hong Kong’s nonprofit and legal ecosystem, with SPOs being keen to share their knowledge and approaches to tackling common legal issues.

100%

OF SPOs ARE INTERESTED IN COLLABORATING WITH THEIR PEERS ON SHARING LEGAL TOOLS, RESOURCES AND KNOWLEDGE TO ADDRESS COMMON LEGAL ISSUES.

To hear directly from SPOs about their experience with the Legal Health Check service, visit PILnet’s webpage [here](#) to watch video testimonials and read in-depth case studies (available in English and Chinese).

For funders interested in supporting PILnet’s work or learning how our Legal Health Check service could benefit your grantees, please reach out to us at hkprobono@pilnet.org.

For SPOs interested in this service, please sign up for a Legal Health Check via our [Legal Assistance Intake Form](#) or contact us at hkprobono@pilnet.org.

*PILnet’s Legal Health Check program (July 2024 – July 2026) is kindly funded by
The D. H. Chen Foundation and The Swire Group Charitable Trust.*



SWIRE TRUST