# A Study of Disclosure and Governance Practices of Charities in Singapore

CREDIT SUISSE

CNPL
CENTRE FOR NON-PROFIT LEADERSHIP

NUS
National University of Singapore | Department of Accounting
NUS Business School

By Centre For Non-Profit Leadership

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# Executive Summary

This study examines corporate governance disclosures and practices as well as the key attributes of the board members of 577 Institutions of Public Character (IPC) and large charities (collectively referred to as 'charities' in this report) in Singapore. Information was collected from public sources as well as a separate survey of 51 of the charities. Analysis was conducted at both the organisational and individual levels.

In interpreting the findings below, an important caveat to note is that the charities included in this study are IPCs and large charities. They are not representative of all charities in Singapore.

# Findings From The Analysis Of Public Information

## Disclosure By Charities

Of the 577 charities surveyed, 70.9% of charities disclosed the names of their board members and 56.3% disclosed the gender of those board members. Only 6 charities disclosed age, while 8 charities disclosed board member attendance at board meetings.

## Key Attributes Of Individuals Serving On Charity Boards

### Tenure

Board tenure information was available for only 462 individuals in the 577 charities. The average board tenure in the charity sector was 5.5 years, with the highest average board tenure in the Social & Welfare Sector and the lowest in the Sports sector.

### Ethnicity

Information on ethnicity was available for 5,542 board members. The percentage of Chinese directors in the charity sector was 6.2% higher than the percentage of Chinese in the Singapore resident population. In comparison, the percentage of Malays and Indians were lower.

### Gender

Out of the 5,542 individuals for which gender information was available, 72.6% are male and 27.4% are female. The charity sector has a much higher percentage of female board members when compared to statistics on female representation in boards of listed companies in Singapore, where an estimated 7.3% of directors are female.

### Education

Information on educational qualifications was available for 1,717 board members who are mostly highly educated. More than half of these board members have a Masters degree or higher. Over 1 in 5 board members have an educational background in business, followed by Arts and Humanities, and then Medicine.

## Board Structure and Composition of Charities

### Board Size

The mean and median board size of the 577 charities is 10 directors. This is larger than the mean board size of listed companies in Singapore. However, it is comparable to the mean board size of non-profit organisations in Australia.

### Board Independence

To assess board independence, we used information disclosed by charities in their Governance Evaluation Checklist on the Charity Portal (www.charities.gov.sg). Out of 524 charities with information disclosed on the website, 50 charities (9.6%) have board members holding staff appointments. Only 3 (0.6%) charities have staff comprising more than one-third of the board and 6 charities (1.15%) have staff chairing the board.

### Gender Diversity

Of the 110 charities for which information on gender is available for all board members, only 1 had all-female board members. About 12% had all-male boards, which is considerably lower than for listed companies in Singapore where an estimated 60% of companies have all-male boards. More than 40% of charities have 25% or more of female board members.

### Ethnic Diversity

Of the 100 charities with information on ethnicity of all board members, 80 (72.7%) are comprised of more than 1 ethnic group. However, minority ethnic group representation on charity boards remains low with 43.6% of the boards having the majority ethnic group comprising more than 90% of the entire board.

### Educational Diversity

While a higher number of directors on a charity board brings with it greater diversity of knowledge, we do not recommend increasing a board's size to increase educational diversity. This is because a too-large board can make for inefficient decision-making and may compromise the charity's governance.

# Findings From Survey

Our questionnaire survey of 51 charities revealed that in terms of skill sets, Accounting, Finance and Fundraising are the most sought after. However, Fundraising, Law and Accounting/Auditing are the most needed attributes that are currently lacking in these charities.

In terms of industry experience, Banking, Education and Commercial experience are the most sought after, while Social Work, Technology and Commercial experience are the most needed.

When it comes to recruitment methods, rather than sourcing externally, most charities (91.8%) make use of internal connections and recommendations by current directors or employees to recruit new directors.

## Recommendations

Our conclusion is that the disclosure of governance information by charities is generally poor in Singapore. It is recommended that:

- All charities should have an official website that provides basic information about their board members.

- All charities should place their annual financial statements and annual reports on their website.

- Charities should review the size of their boards, particularly those that have small or very large boards.

- Charities should review their board composition regularly to ensure that there is good diversity in terms of age, gender, ethnicity, educational background and work experience; and practise board renewal

- When recruiting new board members, charities should reduce their reliance on the personal contacts of their board members and staff, and consider sourcing for new board members externally. This will better ensure that the boards have the right mix of skills and competencies, and diversity of perspectives.

## Introduction

This study of charity governance in Singapore was conducted from August 2012 to April 2013. The objectives were to examine (a) the current level of public disclosure on governance by charities, (b) key attributes of individuals serving as board members in these charities, and (c) the board structure, practices and the desired skill sets of these charity boards.

The intention of this study is to promote a better understanding of disclosure practices and current board composition, and governance practices in the charity sector, with the aim of improving practices in the recruitment, training and professional development of board members in the charity sector.

The information on the disclosure and governance practices of the 577 Institutions of Public Character (IPCs) and large charities[1] (hereafter referred to as "charities") was obtained from the Charities Unit, Charity Portal[2], charities' websites and annual reports, and other online sources. Additional information on the desired skill sets and industry experience of board members, as well as recruitment practices of the boards was obtained from a separate questionnaire survey of 51 of the charities.

## About the Sample

The 577 charities from which public information was obtained come from the following seven sectors[3]: Arts & Heritage, Community, Education, Health, Religious & Others, Social & Welfare and Sports (see Figure 1).

**Figure 1:** Distribution of charities across 7 sectors (n=577)



- Arts & Heritage
- Community
- Education
- Health
- Religious & Others
- Social & Welfare
- Sports
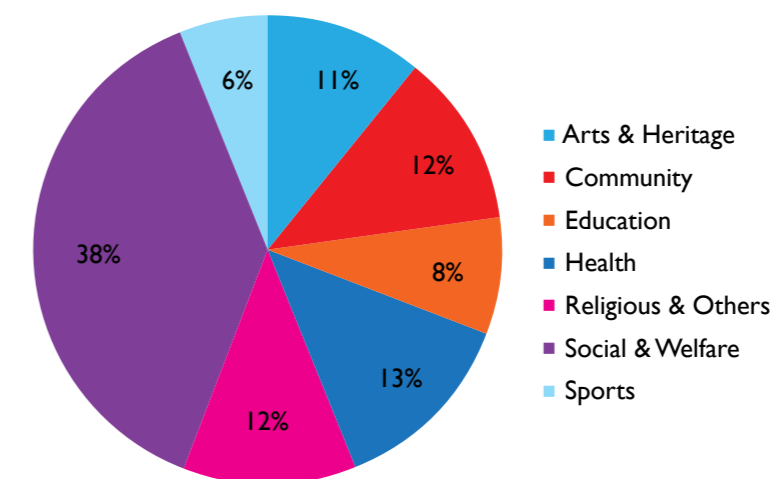
[1] Large charity refers to a charity with gross annual receipts in each financial year of not less than $10 million in the 2 financial years immediately preceding the current financial year of the charity
[2] https://www.charities.gov.sg/charity/index.do
[3] Sectors are organised according to the list sent from Charities Unit

# Findings from the analysis of public information

## Disclosure by charities

Figures 2 and 3 show the extent of general disclosure by the charities and the disclosure of their board members' key attributes.

86% of the charities have a website with 62.7% having some form of board information available on the website. 48.2% of the charities have financial statements or an annual report on their website,

with 38.8% having some form of board members' information available in the annual report.

Name and gender are the two most commonly disclosed individual key attributes of board members. 70.9% of the charities disclosed names, while 56.3% disclosed genders.

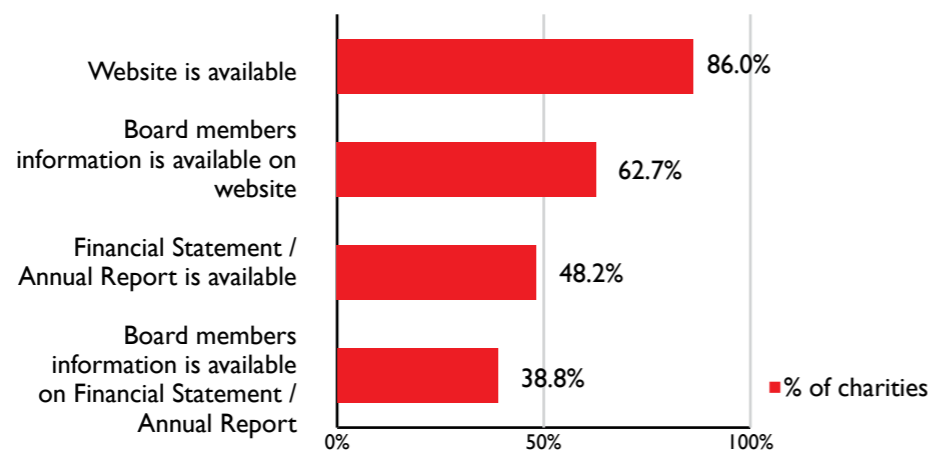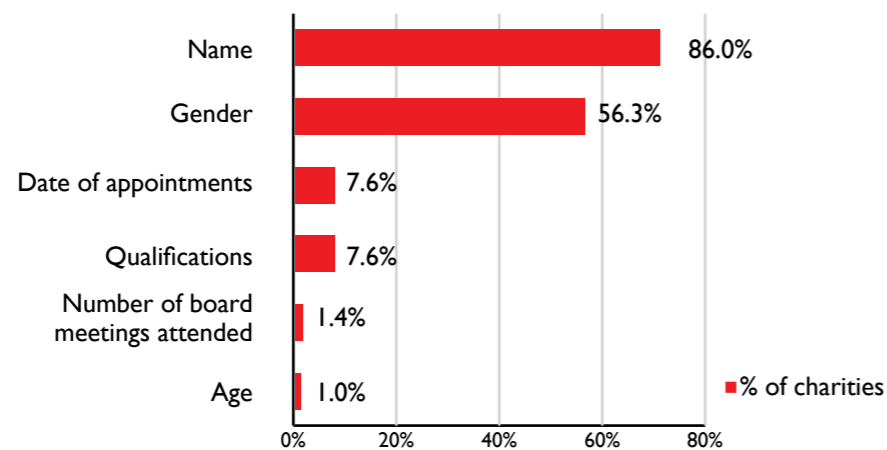**Figure 2:** General disclosure by charities (n=577)



- Website is available — 86.0%
- Board members information is available on website — 62.7%
- Financial Statement / Annual Report is available — 48.2%
- Board members information is available on Financial Statement / Annual Report — 38.8%

■ % of charities

**Figure 3:** Disclosure of board members' key attributes (n=577)



- Name — 86.0%
- Gender — 56.3%
- Date of appointments — 7.6%
- Qualifications — 7.6%
- Number of board meetings attended — 1.4%
- Age — 1.0%

■ % of charities

## Key attributes of individuals serving on charity boards

### Board Tenure

Based on 462 individuals for which information on tenure was available, the average tenure in the charity sector is 5.5 years, with a maximum tenure of 42 years. Figure 4 shows that 13.9% of these individuals have been serving on the board for more than 9 years. The average board tenure is highest in the Social & Welfare Sector and lowest in the Sports sector (see figure 5). Under the Basic II and Enhanced Tiers for the Code of Governance for Charities and IPCs, it is recommended that these boards consider setting term limits for all board members to ensure steady renewal of the board.
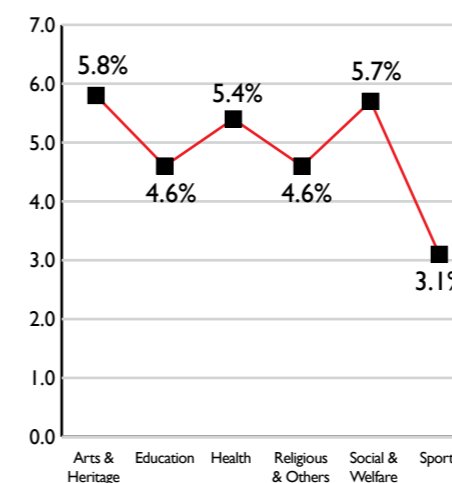
### Gender Composition

As shown in figure 6, out of 5,542 individuals for which gender information was available, 72.6% are male, while 27.4% are female. While the percentage of female directors is lower than male directors, the charity sector has a much higher percentage of female directors compared to listed companies in Singapore, which was 7.3% in 2011[4]. This trend of higher gender diversity on charity boards is consistent with other studies. For example, in Australia, non-profit boards also had higher female representation than boards in the corporate sector[5].
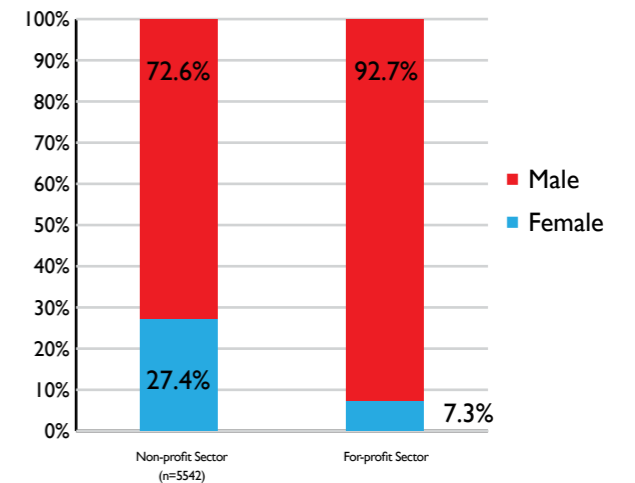
**Figure 4:** Board tenure (n=577)
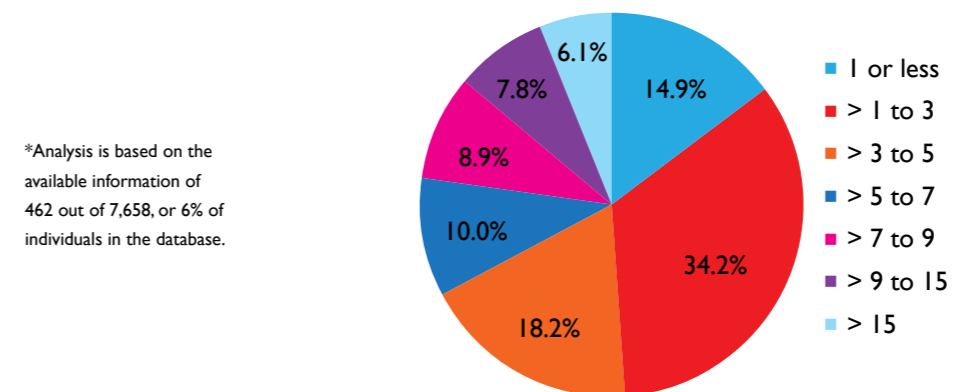
*Analysis is based on the available information of 462 out of 7,658, or 6% of individuals in the database.



- 1 or less — 14.9%
- > 1 to 3 — 34.2%
- > 3 to 5 — 18.2%
- > 5 to 7 — 10.0%
- > 7 to 9 — 8.9%
- > 9 to 15 — 7.8%
- > 15 — 6.1%

**Figure 5:** Average board tenure by sector (n=462*)



| Arts & Heritage | Education | Health | Religious & Others | Social & Welfare | Sports |
|---|---|---|---|---|---|
| 5.8% | 4.6% | 5.4% | 4.6% | 5.7% | 3.1% |

* No information for Community sector

**Figure 6:** Gender diversity (n=5,542)



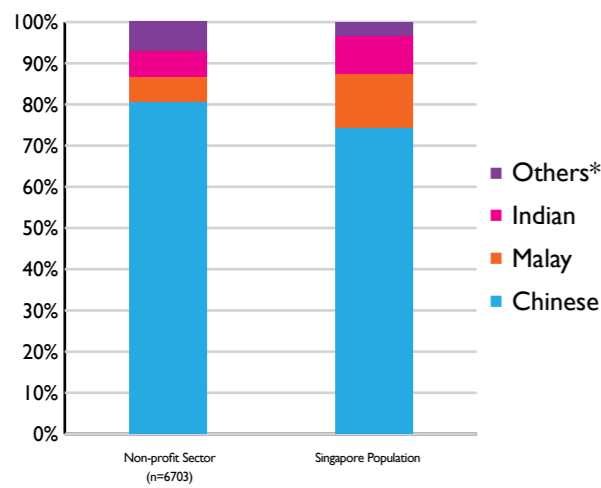| | Non-profit Sector (n=5542) | For-profit Sector |
|---|---|---|
| Male | 72.6% | 92.7% |
| Female | 27.4% | 7.3% |

[4] Centre for Governance, Institutions & Organizations, Singapore Board Diversity Report 2012
[5] Peter D. Steane and Michael Christie. Nonprofit Boards in Australia: a distinctive governance approach. 2001. Vol. 9, 1

### Ethnic Composition

As shown in figure 7, the percentage of Chinese in the charity sector is 6.2% higher than the percentage of Chinese in the Singapore resident population. In comparison, the percentage of Malays and Indians are both lower than that in the resident population by 7% and 3.1% respectively.

### Education

Figure 8 shows the level of education of 1,717 board members for which information on education was disclosed. Just over half of these board members have a degree or higher.
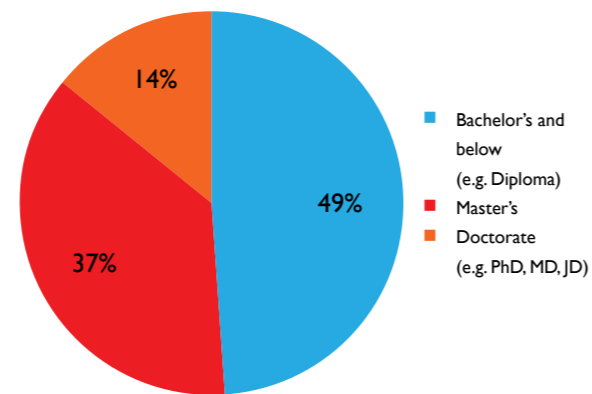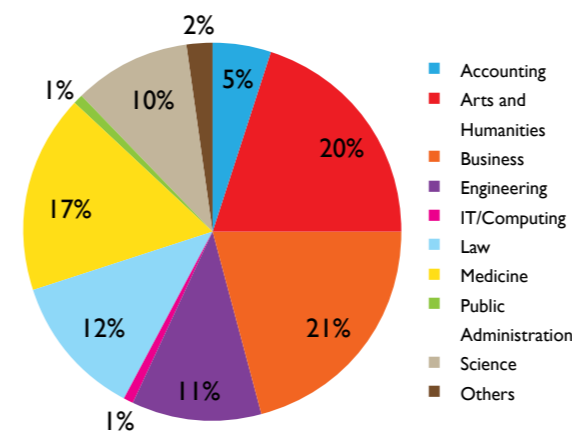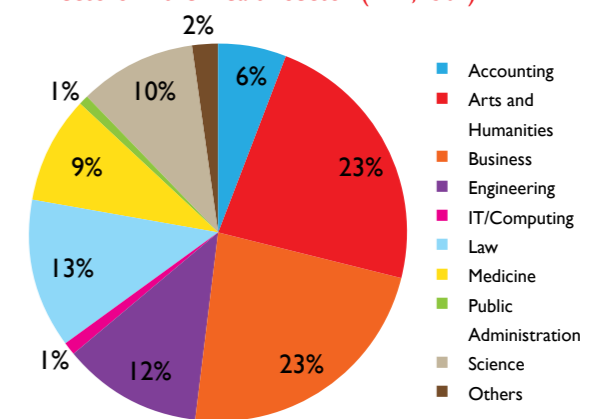
Figure 9 shows board members' areas of education. The most common educational background is business, with just over 1 in 5 board members having such a background, followed by Arts and Humanities, and then Medicine. However, it was noted that the proportion of directors with medicine as their educational background appears quite high.

Indeed, we see from figure 10 that the percentage of directors with medicine as their educational background dropped significantly from 17% to 9%, after removing directors in the health sector. This suggests that 1) disclosure in the health sector on educational background of directors is better and 2) directors in the health sector are more likely to have medicine as their educational background, which is expected.

**Figure 7:** Ethnic diversity (n=5,542)



* Eurasians, caucasians and other minority ethnicities

**Figure 8:** Level of education (n=1,717)



- Bachelor's and below
- Master's (e.g. Diploma)
- Doctorate (e.g. PhD, MD, JD)

**Figure 9:** Educational background (n=1695)



- Accounting
- Arts and Humanities
- Business
- Engineering
- IT/Computing
- Law
- Medicine
- Public Administration
- Science
- Others

**Figure 10:** Educational background after removing directors in the Health sector (n=1,430*)



- Accounting
- Arts and Humanities
- Business
- Engineering
- IT/Computing
- Law
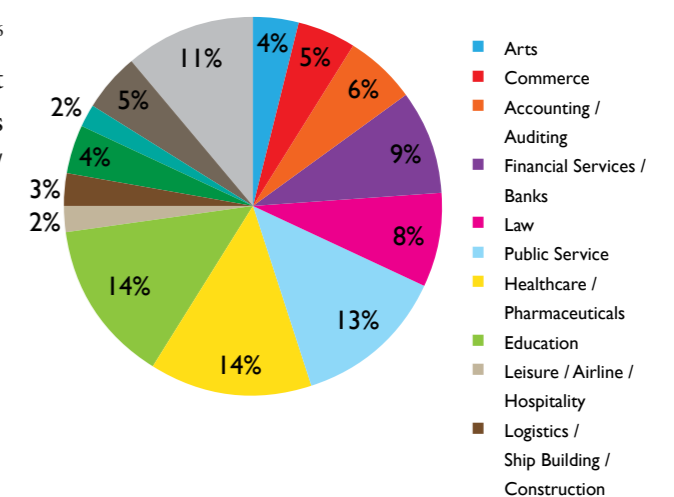- Medicine
- Public Administration
- Science
- Others

* A total of 265 directors in the Health sector were removed.

### Industry experience

Figure 11 shows the spread of industry experience[6] held by directors in the charity sector. The most common types of industry experience for directors in the charity sector are Education and Healthcare/ Pharmaceuticals.

**Figure 11:** Industry Experience (n=2,380)



- Arts
- Commerce
- Accounting / Auditing
- Financial Services / Banks
- Law
- Public Service
- Healthcare / Pharmaceuticals
- Education
- Leisure / Airline / Hospitality
- Logistics / Ship Building / Construction

[6] Industry experience is defined as a past economic activity, concerned with the output of a specified product or service.

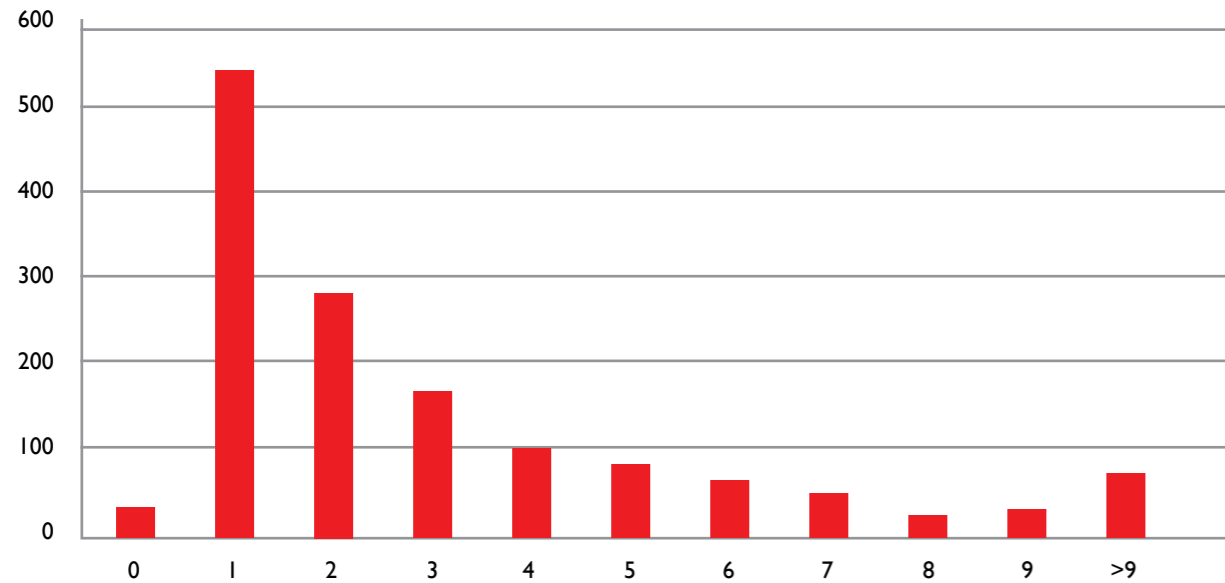**Figure 12:** Number of other board positions (n=1,473)



Figure 12 show that 74 individuals (5%) have more than 9 other known board positions[7].

The Code of Corporate Governance 2012 Guideline 4.4 for listed companies states that "a director with multiple board representations must ensure that he has sufficient time and attention to give to the affairs of a company, taking into account the number of directorships he has in other companies, as well as other principal activities". It is further stated that the board should determine the maximum number of listed company board representations that any director may hold and disclose this in the company's annual report.
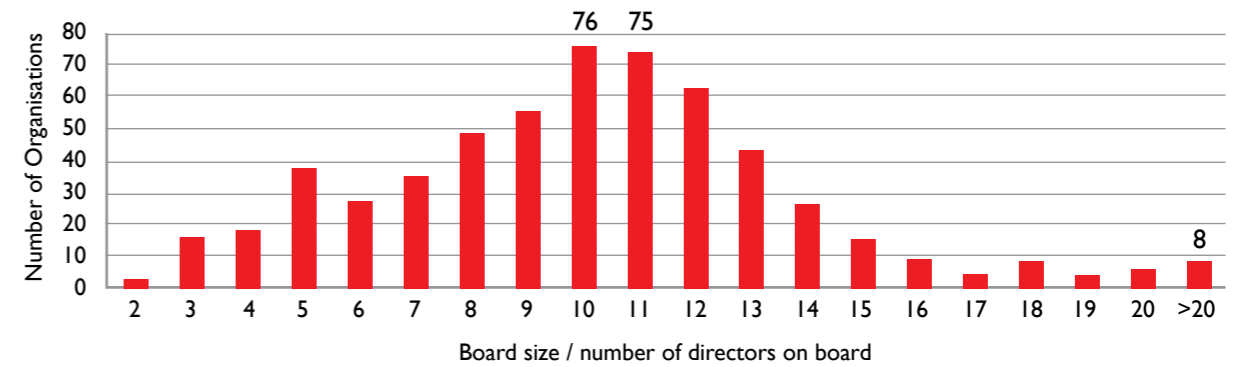
We believe that charities should be transparent about the board positions held by their board members by disclosing this information in their annual reports or websites.

## Board Structure And Composition Of Charities

### Board Size

**Figure 13:** Board size across all charities (n=577)



Board sizes among charities range from 2 to 33 members, with the mean and median board size being 10 directors. In contrast, the mean and median board size for listed companies in Singapore is about 7 directors[8].

According to the Singapore Code of Corporate Governance 2012 for listed companies, the board should decide on what it considers to be an appropriate size in order to facilitate effective decision-making. The board should not be so large as to be unwieldy. Some charity boards are likely to be too large to function effectively.

One reason for the relatively larger board sizes in the charity sector is regulatory requirements. According to both the Charities (Large Charities) Regulation and the Charities (Institutions of Public Character) Regulations under the Charities Act (Cap. 37), large charities and IPCs must have at least 10 governing board members. This may account for why the most common board size among charities is 10 directors, as shown in figure 13.

A comparison of our findings with a study in Australia shows that the average board size in both Singapore and Australia is comparable. The average number of directors on a non-profit board in Australia is 12.5[9].

[7] A board position in this analysis refers to a directorship in public-listed companies and charities/non-profit organisations

[8] Lawrence Loh and Isabel Sim The Board Report 2012: Highlights from Singapore's Governance and Transparency Index. July 2012

[9] Peter D. Steane and Michael Christie. Nonprofit Boards in Australia: a distinctive governance approach. 2001. Vol. 9, 1

### Board Independence

To analyse the extent of board independence among charities, we examined if staff comprised more than one-third of the board and whether a staff chairs the board.

Out of 524 charities with information disclosed in their Governance Evaluation Checklists[10] on the Charity Portal, 50 charities (9.6%) have board members holding staff appointments as shown in Figure 14. Only 3 (0.6%) charities have staff comprising more than one-third of the board. 7 out of the 524 charities (1.15%) have a staff member chairing the board.

**Figure 14:** Staff holding board positions (n = 524*)



Legend:
- No staff holding board positions
- Staff comprising one-third or less of the board
- Satff comprising more than one-third of the board
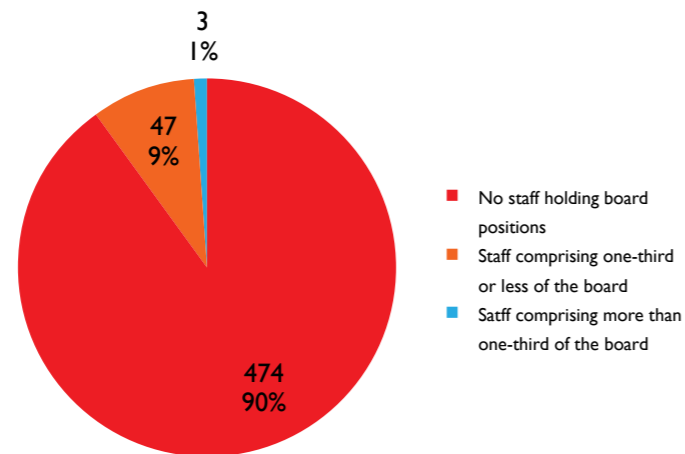
*Based on charities that submitted information in their Evaluation Checklist on the Charity Portal

[10] The online Governance Evaluation Checklist is designed to help charities and IPCs self-evaluate the extent that they have complied with essential guidelines in the Code of Governance for Charities and IPCs (Code). The checklist covers only the key principles and guidelines in the Code. Currently, only IPCs are required to publicly disclose their extent of compliance with the Code. Non-IPC charities may choose to voluntarily disclose their checklists to the public.

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### Board Diversity And Educational Background

We were able to obtain information on gender and ethnicity of all board members for 110 charities and on education for 55 charities.

### Gender diversity

Out of 110 charities, 61 (55.4%) had female directors making up less than 25% of the board (refer to figure 15). One charity (0.9%) was comprised of all-female directors.

**Figure 15:** Gender diversity across charities (n=110*)



Legend:
- No Females
- 1% to <25%
- 25% to <50%
- 50% to <75%
- 75% to <100%
- All Female
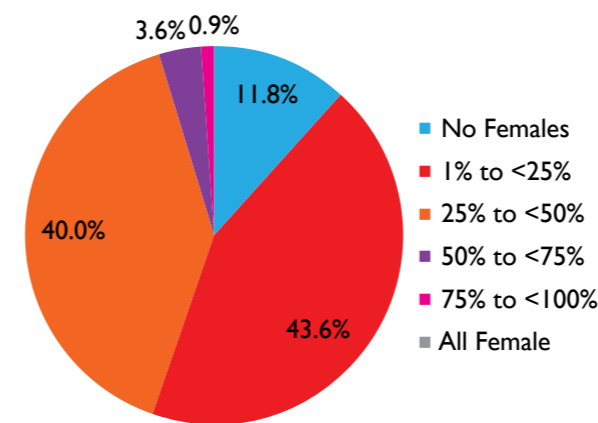
### Ethnic Diversity

Figure 16 shows that 72.7% of 80 charity boards are comprised of more than 1 ethnic group. 12 charities (10.9%) have directors comprising all 4 ethnic groups.

43.6% of the boards have the majority ethnic group comprising more than 90% of the entire board, while 28.2% of boards had the majority ethnic group comprising between 80% and 90% of the board (refer to figure 17).

Minority ethnic group representation on charity boards is low. Having more minority group representation on charity boards may be especially beneficial for providing diverse perspectives and ensuring that cultural differences and sensitivities are appreciated in addressing the needs of beneficiaries

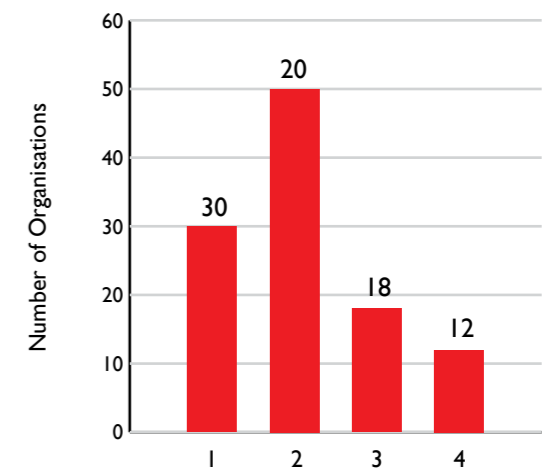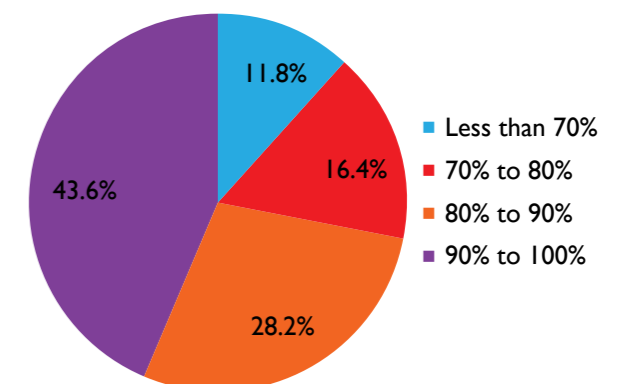**Figure 16:** Number of different ethnic groups (n=110) (n=110*)



**Figure 17:** Percentage of board comprising members of majority ethnic group (n=110)



Legend:
- Less than 70%
- 70% to 80%
- 80% to 90%
- 90% to 100%

**Educational Background**

As shown in figure 18, the average number of educational backgrounds rises in tandem with the number of board members in a charity. However, for large boards with more than 15 directors, the average number of educational backgrounds dips. This may be due to duplicated educational backgrounds when the board is very large.

**Figure 18:** Average number of educational backgrounds categorised based on board size (n=55)
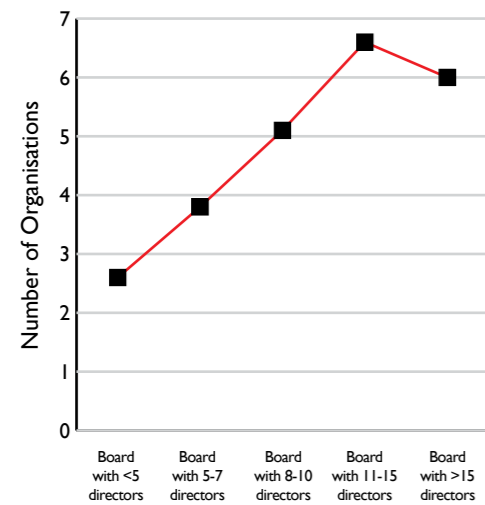


# Findings from the Survey

This section covers the results of our questionnaire survey of 51 charities conducted from February to April 2013. The survey focused on three main areas: skill sets desired and present on the charities' boards, industry experience desired and present on the charities' boards, and common recruitment methods for directors.

Charities in the Social & Welfare sector made up 61% of the total number of charities that participated in the survey (refer to figure 19). Charities in the Community sector represented the smallest proportion of the sample (2%).

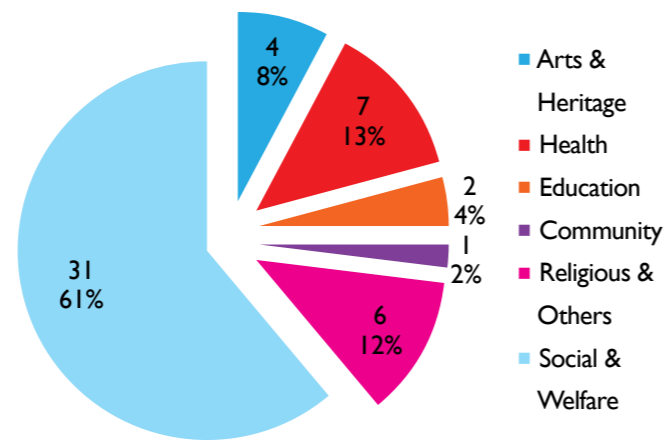**Figure 19:** Charities that participated (n=51)



- Arts & Heritage
- Health
- Education
- Community
- Religious & Others
- Social & Welfare

**Table 1:** Skill sets desired on the board

| Skill Set | Total number of responses* | Number of charities desiring skill | Percentage of charities desiring skill |
|---|---|---|---|
| Accounting/Auditing | 46 | 46 | 100.0% |
| Finance | 45 | 44 | 97.8% |
| Fundraising | 46 | 42 | 91.3% |
| Law | 45 | 41 | 91.1% |
| Non-profit | 46 | 39 | 84.8% |
| Medical | 44 | 25 | 56.8% |

*Total number of responses is derived from charities that provided 'yes' or 'no' replies. Answers that were left blank were not included in this sample.

As shown in Table 1, Accounting/Auditing was the most desired area of education with all charities stating that they prefer a board member with Accounting/Auditing skills. Other highly desired skills are in Finance and Fundraising.

Among the 51 responses, Fundraising was the desired skill set not present on the charities' boards (see figure 20). This is followed by Law and Accounting/Auditing. Arts is the least common desired skill set that is absent on the charities' boards.

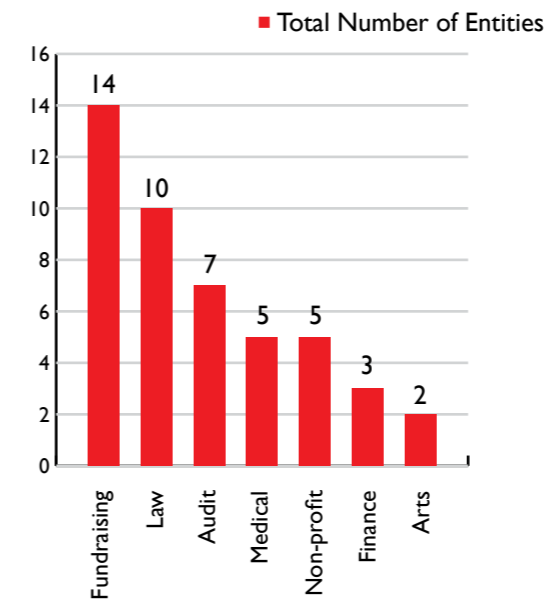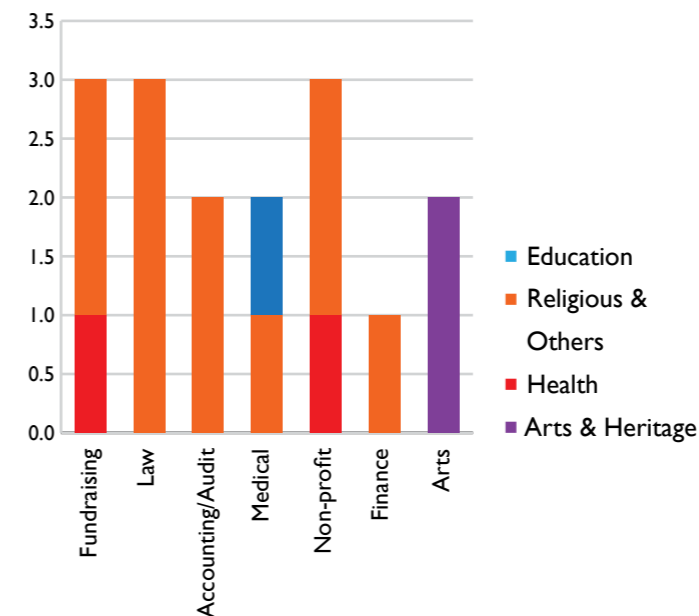**Figure 20:** Skill sets desired by charities but not currently present on the boards



**Figure 21b:** Skill sets desired but not present on current board – other sectors



- Education
- Religious & Others
- Health
- Arts & Heritage

As shown in figure 21a, Fundraising was the most common skill set desired but not present on the charities' board in the Social & Welfare sector, followed by Law and Accounting/Auditing. For the other Sectors (refer to figure 21b), Fundraising, Law and Non-profit experience were the most common skill sets desired but not present. Overall, Arts is a skill set desired but absent on the charities' board only in the Arts & Heritage sector.

**Figure 21a:** Skill sets desired but not present on current board – Social & Welfare sector



- Social & Welfare
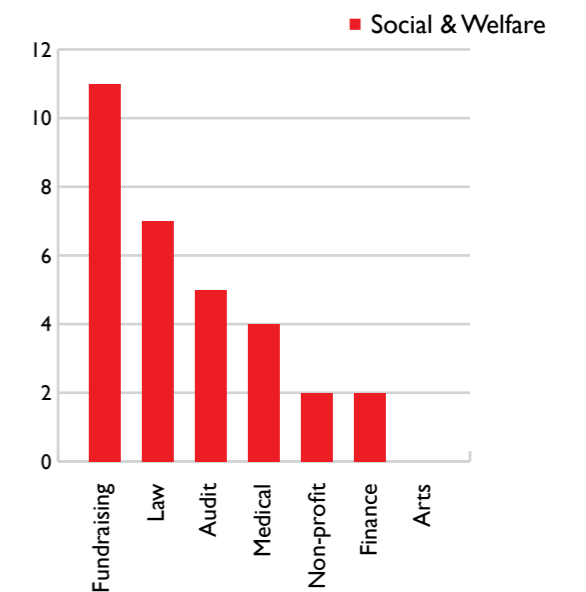
*The Community sector has no skill sets that are desired but not present.

Table 2 shows that Banking/Financial Services is the most commonly desired industry experience among charities, with 95.3% of charities seeking it on their boards. This is followed by Education/Academia (80.4%) and Commerce (80.0%).

**Table 2:** Desired industry experience on the boards

| Education experience | Total number of responses* | Number of charities desiring industry experience | Percentage of charities desiring industry experience |
|---|---|---|---|
| Banking/Financial Services | 43 | 41 | 95.3% |
| Education / Academia | 46 | 37 | 80.4% |
| Commerce | 45 | 36 | 80.0% |
| Technology | 45 | 34 | 75.6% |
| Public Service | 43 | 31 | 72.1% |
| Social Work | 44 | 31 | 70.5% |
| Healthcare | 45 | 26 | 57.8% |
| Arts | 44 | 15 | 34.1% |
| Real Estate | 41 | 9 | 22.0% |

*Total number of responses is derived from charities that provided 'yes' or 'no' replies. Answers that were left blank were not included in this sample.

Figure 22 shows that Social Work is the most common industry experience wanted but absent on the charities' boards. This is followed by Technology and Commerce, with Arts being the least common industry experience desired and absent on the charities' boards.

**Figure 22:** Industry experience that charities want but do not currently have on their boards



A separate analysis was conducted by separating the data according to Social & Welfare and Other Sectors as shown in figures 23a and 23b. In both instances, Social Work is the most common industry experience desired but not present on the charities' boards. For the Social & Welfare sector, the next two most common industry experiences desired but not present are Technology and Public Service while for the rest of the sectors, the next two most common industry experience desired but not present is Education/Academia followed by Technology.
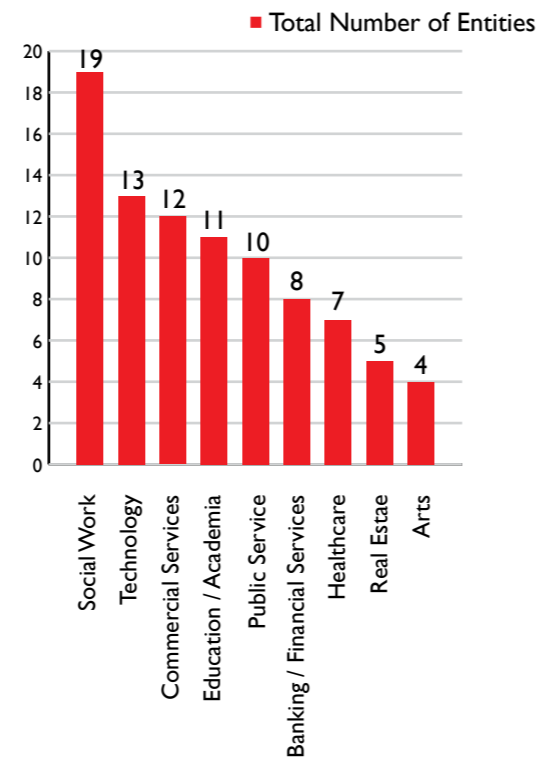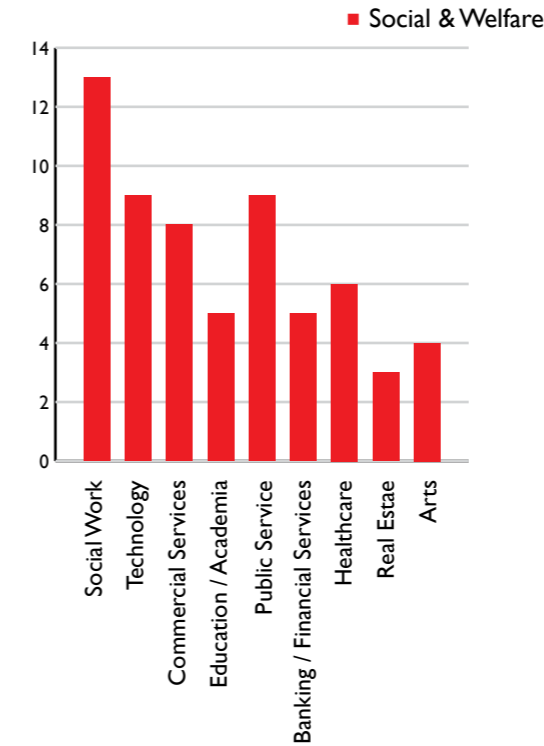
**Figure 23a:** Industry experience desired but not present on current boards – Social & Welfare sector



*The Community sector has no industry experience that is desired but not present.

**Figure 23b:** Industry experience desired but not present on current board – other sectors



### Methods of board recruitment

The charities were surveyed on how they recruited their directors (see figure 24). Most charities (91.8%) indicated that new board members were primarily recruited through recommendations of existing board members and employees. 34.9% of charities used pro bono board matches to source board members.
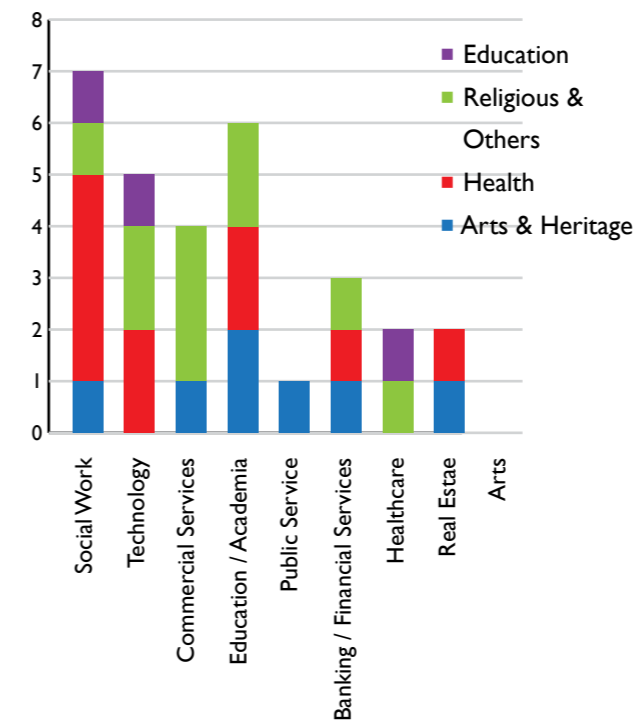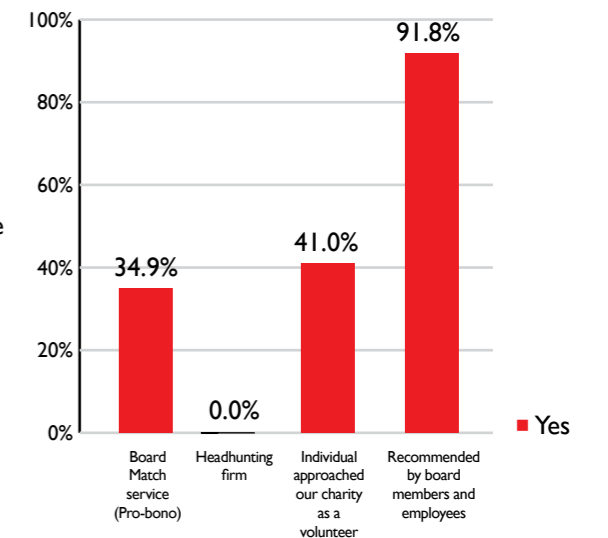
**Figure 24:** Methods of board recruitment

# Conclusion & Recommendations

Based on this study, our conclusion is that the disclosure of governance information by charities in Singapore is generally poor. While 62.7% disclosed their board members' information on their websites, only 38.8% published their board members' information in annual reports. The information provided was also poor, with most charities disclosing only the names and genders. Our recommendations are as follows:

- All charities should have an official website that provides basic information about their board members such as name, gender, tenure, educational background and work experience.

- All charities should place their annual financial statements and annual reports on their websites.

- Charities should review the size of their boards, particularly those that have small or very large boards.

- Charities should review their board composition regularly to ensure that there is good diversity in terms of age, gender, ethnicity, educational background and work experience. They should also practise board renewal.

- When recruiting new board members, charities should reduce their reliance on the personal contacts of their board members and staff, and instead consider sourcing for new board members externally. This will better ensure that the board has the right mix of skills and competencies and diversity of perspectives.

# About the NUS Field Service Project Team

This study was undertaken as part of a field service project by Chew Jia Yi, Lee Jing Han, Lois Tay and Yeo Qiu Qi, honours students at the NUS Business School, and supervised by Associate Professor Mak Yuen Teen.

**Supervising Professor**

Mak Yuen Teen is an Associate Professor of Accounting and former Vice Dean (Finance and Administration) at the NUS Business School, National University of Singapore. He was also the Co-Director of the Corporate Governance and Financial Reporting Centre at NUS Business School, which he founded in January 2003. He is a recognised authority on corporate governance in Asia and has served on key corporate governance committees in the charity sector. He recently retired as Chairman of a large healthcare charity in Singapore and was also a former Deputy Chairman of another large healthcare charity. He is currently a member of the audit advisory committee of the UN Women based in New York and had previously served on a similar committee for the UN Population Fund for a maximum term of 6 years. He recently retired as a member of the Charity Council in Singapore having served for 6 years and chaired the subcommittees that developed and refined the Code of Governance for Charities and IPCs.

**Team Members:**

Chew Jia Yi / NUS BBA Accounting

Lee Jing Han / NUS BBA Accounting

Tay Hui Min Lois / NUS BBA

Yeo Qiu Qi / NUS BBA Accounting

**About the CNPL**

CNPL is an Institution of a Public Character (IPC) positioned as a capability builder in the non-profit sector in Singapore. CNPL first operated independently in the year 2010/2011 with a mission to advocate planned leadership and nurture leadership capabilities for the non-profit sector. CNPL has a holistic leadership framework including talent sourcing (board match), development of leaders as well as board evaluation. The framework takes on the objective of increasing the level of corporate governance in non-profit organisations in Singapore. CNPL has been fairly successful in this aspect as reflected in the high success rates of its Board Matching service and several other success stories from various non-profit organizations.

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